

# The Federal Rental Assistance Demonstration Proposal



by Charles Elsesser

## Affordable Housing Needed by Extremely Low Income

The nation's public housing program houses people with an average household annual income of \$13,351.<sup>1</sup> We are losing thousands of public housing units each year; since 2000, the Department of Housing and Urban Development (HUD) has approved the demolition or disposition of more than 100,000 units of public housing. Most of this housing is not replaced. While residents who have lost their homes are often provided housing choice vouchers, the reality is that communities need both hard public housing units and tenant-based rental assistance vouchers, and that one is not an adequate substitute for the other.

Public housing is often able to better serve a lower income population than vouchers because public housing is often more affordable than having a voucher, which can require security and utility deposits that are prohibitively expensive. Public housing settings offer a location to provide services to public housing residents and others that allow people to age in place. For a subset of people with disabilities, public housing can also be more beneficial than vouchers because it is often difficult to find accessible units in the private market and because people with disabilities may have difficulty searching for a home with a voucher. And, without proper counseling, the costs and other difficulties inherent in moving with a voucher can force any household into neighborhoods they might rather avoid or force them to give up their rental assistance altogether.

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Annual funding for public housing has consistently fallen short of what is needed. In June, HUD issued a study documenting almost \$26 billion in major repair needs in public housing.<sup>2</sup> The underfunding that caused this \$26 billion backlog continues today. Even if everyone agreed that we must preserve our nation's investment in public housing, both public housing residents and public housing agencies are left with few avenues to maintain public housing for the lowest income people.

## The Rental Assistance Demonstration (RAD) Program

The RAD, as proposed by HUD could benefit communities intent on preserving their public housing stock. Both the House and the Senate FY12 HUD appropriations bills include deep cuts to public housing, cuts which indicate that demolition and disposition applications to HUD will only increase as PHAs have no other recourse.

The National Low Income Housing Coalition (NLIHC) supports HUD's RAD proposal because:

- (1) It includes resident participation requirements and ensures resident protections and rights are maintained by residents under conversion;
- (2) It ensures mission-driven public housing ownership to the greatest extent possible. Even after a foreclosure, bankruptcy, or termination or transfer of assistance for material violations or substantial default, HUD's proposal sets out a waterfall of ownership options, beginning with priority for ownership or control by a public entity, then to a nonprofit, and then, only where such entities are not available, to a capable other entity.
- (3) It has clear requirements for long-term use and affordability restrictions, which are critical to assisting the lowest income households in an affordable way;
- (4) It includes a "choice" component where at least

90% of the residents in the total assisted units converted would have the opportunity to move with a tenant-based voucher; and

- (5) It is a voluntary demonstration and would be limited to a certain number of agencies or units in order to evaluate and assess new opportunities to preserve public housing.

### Passage of Conversion Authority

HUD's RAD proposal expresses the nation's commitment to public housing as a needed safety net for the nation's lowest income households.

The NLIHC urges Congress to enact RAD as soon as possible. As the nation loses more than 10,000 public housing units a year to demolition and disposition, we must begin to test, evaluate and identify ways to allow PHAs to preserve this housing stock while providing residents input in the process, protecting the nation's

investment, and continuing to serve the lowest income households in an affordable way. The NLIHC believes that RAD is one of many solutions that, together, would address our nation's affordable housing needs. **HNN**

<sup>1</sup> HUD Resident Characteristics Report, as of September 30, 2011. At <https://pic.hud.gov/pic/RCRPublic/rcrmain.asp>

<sup>2</sup> HUD. June 2011. Capital Needs in the Public Housing Program.

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## Federal Update

**O**n November 17 Congress passed the 2012 Treasury, Housing and Urban Development appropriations bill as part of a larger appropriations package funding three separate federal agencies. Unfortunately it deeply cut many vital HUD programs – particularly those focused on the lowest incomes.

**Tenant Based Vouchers** - The bill provides only \$17.24 billion for renewal of existing Tenant Based Rental Assistance contracts. The Center on Budget and Policy Priorities estimated that this \$93 million dollars less than necessary to fully fund existing contracts. This puts local Public Housing Authorities in a particularly tight bind as the poor economy and high unemployment have dramatically limited turnover of existing vouchers. In addition, HUD last year dramatically limited Section 8 reserves. Thus, PHAs will be forced to take dramatic actions to prevent overspending – including dramatic changes in payment standards or even termination of existing vouchers. All of these severely impact those families with the least alternative housing options.

**Public Housing** - Public housing also suffered deep cuts. The Public Housing Capital fund, at \$1.8 billion is 8% below the depressed 2011 appropriation. This is estimated to fund only half of the public housing capital needs for this year

alone. In addition, Public Housing projects throughout the country are estimated to have more than \$25 billion in deferred capital needs. This will only add to those needs.

**HOME Program and CDBG** - *The Washington Post* ran several critical articles on the HOME Program, which were greatly magnified in the hyper-partisan atmosphere of Washington. As a result, the HOME Program suffered severe cuts. HOME was funded at only \$1 billion. That is a 38% cut from 2011. Community Development Block Grant funds, caught up in the same debacle, also suffered. CDBG was cut to \$2.95 billion, 12% below 2011 levels.

**Project-Based Vouchers, Homeless Funding and HOPWA** - There was some decent news in the bill. Project-based vouchers are funded at \$9.34 billion, which is calculated to fully fund all existing contracts. Homeless funding also remained relatively constant. Homeless Assistance Grants were funded at the 2011 level - \$1.9 billion. HOPWA was funded at \$332 million just slightly below the FY 2011 levels.

Finally, the failure of the Super Committee to pass a deficit reduction package will result in a sequestration of \$1.2 trillion in discretionary programs beginning in January 2013. However this is done, this will certainly have a dramatic impact on HUD programs. **HNN**