President's Message

by Bernard T. Deasy

Once again the battle over Section 8 and the HUD budget is underway in Washington D.C. This year, as in every year before, the looming deficits, the ongoing call for program reform, the high cost of the program and the critical need for more affordable housing are clashing concepts that draw the battle lines and set the stage for yet another reduction in Section 8 funding. The Section 8 program was enacted in the mid 1970's and has served a small fraction of those in need of affordable housing very well. However, if you are not now in the program, good luck. With shrinking resources and rising costs, the scope of the overall program can only decline in the foreseeable future.

Perhaps it is time to take another look at this program and see if we cannot embrace some significant adjustments that may both enhance the operation of the program and increase the reach of benefits to more families and individuals in need of affordable housing. Since 1999, over 35 Housing Authorities around the country have been involved in an experimental program called "Move to Work." In spite of the annoying slogan created by some PR guru, the program itself is worth a closer look.

Under the Tulare County Housing Authority Move to Work Program, not only are rents fixed, but they expire after five years, thus providing strong incentives for families to plan on eventually leaving subsidized housing and giving them time to carry out their plans.

Under the Move to Work program, Housing Authorities have been encouraged to redesign and experiment with both the Section 8 and Low Rent Public Housing programs. Almost all housing Authorities participating in the program have implemented a modification to the current rent setting system. Some have continued to set rents at a fixed percentage of family income, but have increased the percentage over time. Others have experimented with fixed rents that are set to meet the housing needs of families at appropriate Area Median Income levels. These rents do not float with family income, but are set by unit size for the duration of the experiment. Under the fixed rent model, there is no incentive to hide increases in family income nor are there any disincentives to actually increasing family income. To date, the results in one jurisdiction using the fixed rent option have been very impressive.

In the central valley of California, the Tulare County Housing Authority implemented the Move to Work program in 1999 for roughly half of their current and all new tenants admitted to both the Section 8 and conventional Public Housing programs. Program participants seem to be uniformly pleased with the program and the staff of the PHA is very happy with the fixed rent structure. Significantly, over the period between 1999 and 2004, the incomes of families with fixed rents increased from 45 percent to 60 percent, while the incomes of families that remained in the traditional Section 8 and public housing programs rose less than 10 percent.

The 1969 the Brooke Amendment to the National Housing Act required rents in HUD assisted programs to be tied to the annual, certified income of the participating tenants. Rents were to be set at 25 to 30 percent of adjusted gross income, which has evolved over the years into a very complex calculation. The administrative costs of annual income and rent determinations plus the clear benefit of understating or, worse, not having increased income has created a group of tenants that have no real links to the general rental housing market, much less to the goal of home ownership. The current Section 8 and Public Housing Programs have created a strong inclination among the relatively few beneficiaries to remain in the program for multiple generations, much like the fabled Manhattan rent controlled apartment. Under the Tulare County Housing Authority Move to Work Program, not only are rents fixed, but they expire after five years, thus providing strong incentives for families to plan on eventually leaving subsidized housing and giving them time to carry out their plans. Thus far, there have been far more successful move outs than anyone had previously thought possible.

The first move away from government assisted housing where rents float with income was the Low Income Housing Tax Credit Program, which is clearly the most successful affordable housing program enacted to date. With increasing budget and regulatory challenges now facing all HUD based housing assistance programs, maybe now is the time to take an in depth look at the Section 8 Program and apply some of the knowledge and experience that has been gained in the LIHTC and Move to Work programs. We have developed sophisticated models for setting rents to reach specific segments of those in need of housing assistance and we should consider using those models for Section 8 and Public Housing tenants. Based on many years of experience in both HUD and Public Housing Authority administration, I firmly believe that creating rents that float with annual incomes place huge administrative burdens on the property management function, encourage tenants to under state or, worse, under earn income, engender a total disconnect with the real rental housing and home ownership markets and encourage multi generation participation in subsidized housing programs. Establishing a fixed rent option for Section 8 will not solve all the issues currently facing the proponents of affordable housing, but the significant success of the rent structures used in the LIHTC and Move to Work programs clearly indicate the need for further study and experimentation.

The budget crisis of 2005 is not going away and will most likely become more acute in future years. It is time to ask who and how many are being served under the current affordable housing programs and how can we effectively reach more in need even as the resources available from the federal government recede. This is a tough issue, but another losing battle around the same set of issues is not what is needed today. We need a fresh look and we need it now!

MERRITT MESSENGER

DESIGNER AND EDITOR, MARK BALDWIN
CONTRIBUTING PHOTOGRAPHERS: MARK BALDWIN, BOB HSIANG, CARIN SCHMIDT
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