A WRAP Primer on

Transforming Rental Assistance

WESTERN REGIONAL ADVOCACY PROJECT

The purpose of this primer is to put Transforming Rental Assistance (TRA) into historical context, highlight the federal government's shifting role in rental assistance, evaluate TRA's potential impacts, and recommend alternative ways to address the very real challenges HUD faces.

Over the last year, HUD Secretary Shaun Donovan and other high-level HUD officials have been on the road promoting TRA as a comprehensive solution to the "problems" plaguing HUD programs today, especially public housing's maintenance backlogs. TRA has been presented as the best way to preserve public housing and streamline HUD's 13 rental assistance programs given "political and fiscal realities."

TRA Details

The TRA Initiative was introduced as part of HUD's FY2011 budget. The legislation associated with TRA is called the Preservation, Enhancement, and Transformation of Rental Assistance Act of 2010 (PETRA). The first Congressional hearing on TRA was held before the Financial Services Committee in late May. HUD Secretary Shaun Donavan testified and was heavily scrutinized by Barney Frank and Maxine Waters. The latter went on Congressional record as opposing the bill.

TRA Principles

While HUD adamantly denies that TRA will privatize public housing, every principle of the initiative concentrates on private sector financing as the solution. Considering the recent housing crisis, it is extremely troubling that HUD would expose public housing to the same mortgage and debt finance practices that are ravaging poor communities across the country.

TRA's major principles are:

- To "bring market investment to all our rental programs."
- To shift "from the federal capital and operating subsidy funding structure" to "a federal project-based subsidy [Section 8] that lenders understand."
- To convert rental assistance programs "toward a more unified funding approach…that better aligns with the requirements of other federal, state, local, and *private sector financing streams* [emphasis added]."

Significant clauses within TRA legislation exist that undermine the longevity and affordability of public housing.

What Would TRA Do?

TRA would appropriate $350 million from public housing's capital fund to convert 280,000 of its units to the Section 8 funding stream. Using public housing property as collateral, these 280,000 units would be mortgaged to "leverage" $7 billion dollars in private capital to then reinvest in public housing property, though not necessarily for capital improvements.

TRA's Potential Impacts

Under TRA, public housing would become reliant on private finance capital, open to foreclosure and bankruptcy, private ownership and operation, and could result in the loss of tenant rights and hard units.

This could be devastating for several reasons:

- If public housing is no longer owned by public entities, the federal government's commitment to this vital resource is likely to diminish.
- Strong protections for tenant rights are more difficult to institute and maintain when housing is owned and operated by non-governmental agencies.
- Rents in these units could increase from 30 percent of resident income to higher Section 8 Average Median Income formulas.
- There may be a massive loss of hard affordable units as contracts expire or mortgaged units undergo foreclosure or bankruptcy.

Context

In order to fully grasp the dangers of TRA, it is important to understand the ideological and programmatic struggles between liberals and conservatives over government and marketplace approaches to delivering federal housing assistance. Since Nixon, these two camps have largely converged. The ascendency of market-driven approaches corresponds to the defunding of HUD, emergence of mass homelessness and the loss of hundreds of thousands of affordable housing units. The conflict over housing as a right/public good versus a commodity is at the core of the TRA proposal.

Historical Overview

With passage of the Housing Act of 1937 by Congress, the United States established its first public housing program to subdue the havoc wrought by an unregulated housing market, the Great Depression and the rising militancy of the working poor and unemployed.

From its inception, public housing has been a contentious program. Supporters hoped the program would alleviate dangerous and unsanitary housing conditions, homelessness and stimulate job creation through construction. Opponents such as chambers of commerce and the real estate industry argued that the program would interfere with the private market, discourage home ownership and foster socialism.

These tensions and contradictions are still with us today. A critical review of federal rental assistance policy over the last forty years reveals a dramatic shift in priorities that laid the foundation for today's housing crisis.

Rental Assistance Over the Last 40 Years

- By 1970, the demand for deeply affordable housing units outstripped supply.
- The 1973 Nixon "moratorium" basically halted new public housing construction.
- This decline in affordable housing units coincides with the reduction in HUD spending, leading to the mass homelessness with us today.
- In 1974, Section 8 (a private market solution to affordable housing) was adopted before its pilot program, Emergency Housing Assistance Program, was completed or its results analyzed.
- Yet, Section 8 is not permanent. Since 1995, 360,000 units have been lost by private owner opt-out.
- At the same time, federal tax breaks for homeowners who are primarily wealthy has risen to currently dwarf HUD's entire appropriation 4:1.
- After allowing 200,000 public housing units to be lost through demolition and disposition over the last 15 years, HUD now wants to "transform" public housing, the only truly long-term affordable housing we have.
- Today the affordability crisis is at its worst. Even before the economic crash there were 38 affordable units available for every 100 households in need.
- 335,000 Section 8 units will expire in the coming year and nearly 900,000 more will expire over the next five years.

TRA Alternatives

To say no to HUD's plan is necessary but insufficient. In doing so, we risk the continuing loss of our precious housing units and guarantee that thousands of residents will continue to live in deplorable conditions. We must all work together – tenants, activists, academics, and government allies alike – to provide HUD with creative and resourceful alternatives. Such alternatives must not force a trade-off between preservation of public housing and public control, resident protections or any other meaningful tenant issues. Defeating TRA should not let HUD off the hook for addressing the deeper crisis of public divestment in deeply affordable housing outlined above.

WRAP is calling for the following alternatives:

1. Preserve and Restore Public Housing:

- Fully fund Public Housing's capital and operating grants during appropriations
- Stop TRA, PETRA & Choice Neighborhoods Initiative
- Strengthen Public Housing One-for-One Replacement and Tenant Protection Act of 2010 (no H.R.# yet)

2. Preserve and Extend Section 8 Contracts:

- Restore Section 8 contracts to a minimum of twenty years
- Strengthen Housing Preservation and Tenant Protection Act of 2010 (HR 4868)

3. Change Federal priorities:

- Stop spending trillions of dollars bailing out a broken financial system
- End wasteful overseas military engagements
- Cap the Mortgage Interest Deduction and eliminate all deductions for luxury and second homes.
- Fight the war on poverty: fully fund health care, living wage jobs, education, housing, infrastructure and ending homelessness

4. Roll back Quality Housing and Work Responsibility Act of 1998:

- Public housing needs its own equivalent of the Financial Reform Bill
- Stop privatization and risky financing of public goods
- Remove QHWRA's amendments to the Housing Act of 1937

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