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As we reflect on the 50th anniversary of the founding of the Department of Housing and Urban Development, it is worth keeping in mind that it was established, fundamentally, to improve the housing, and, more broadly, the lives of those of low-income. That should mean both helping as many of those of low-income as practical, ensuring that low-income housing be in good condition, and, in keeping with our social policy overall, it should mean helping the poor move up toward the middle class. Yet, on all these counts, HUD's housing assistance programs are today falling short.

There is little doubt that HUD does serve the poor, often the very poor. Half of households living in one of the more than 1 million public housing apartments or 2 million housing choice voucher units earn less than \$10,000 a year. Many are not, however, moving up economically and out of HUD-supported housing—a process which would make units available for those on long waiting lists. HUD data shows that the median “tenure” in public and subsidized is more than 9 years, or four years longer than the time limit for cash public assistance. In New York City, by far the nation’s largest system, that figure is 17 years. The world of public housing, in other words, is very much the face of long-term American poverty. In part, this is the result of the way we have structured the rules of the system.

Consider the following examples.

Both public housing and voucher tenants who work hard to increase their income face some of our highest marginal tax rates. Unlike private market tenants who sign a lease at a fixed rent, tenants in HUD’s affordable housing must pay rent equal to 30 percent of their income. That means the more they earn, the higher their rent. It’s a system that creates a significant marriage penalty, as well. At a time when there is widespread concern about the effect of single-parent families on child development, only four percent of public housing households are two-parent

families with children. But should two breadwinners choose marriage and merge two incomes, they'd face skyrocketing rents.

Just as bad, our subsidized housing system often consigns the poor to live in the sort of conditions public housing was specifically designed to replace. In New York, for instance, a 2014 report by the city's Community Service Society, noting "mounting resident outcry about elevator breakdowns, perennial water leaks, untreated mold, and long delays in getting repairs", said the housing authority might qualify as "the city's largest and worst landlord". A 2010 report by Abt Associates for HUD estimates the public housing system's capital needs at \$21 billion, including more than \$22,000 per unit in family developments. HUD has since upped that figure to \$26 billion, the equivalent of roughly half the Department's entire annual budget. It's also the case that the Authorities which may save money on operations in order to devote it to physical improvements may find they're actually punished: their federal subsidy payments may be reduced because they've lowered their operating costs.

It is fortunate, then, that there are important green shoots of reform among local housing authorities, steps which the Congress and HUD should strongly encourage.

First, there are the promising early results of the program called Moving to Work, a waiver program, to date limited to just a few localities, which allows public housing authorities flexibility in their rules and spending practices.

A December, 2014 report by Abt Associates found that 20 of the 34 MTW authorities have changed the rent rules to encourage "self-sufficiency", 11 have adopted work requirements, and 8 have adopted time limits for some new tenants—with a specific focus on encouraging upward mobility. Such programs are coupled with social services—from job readiness training ("workforce development") to mental health counseling—to give tenants the skills needed to move up and out. The San Bernadino (CA) housing authority, in explaining why new housing voucher holders face a time limit, emphasizes twin goals: making room for families who qualify for aid but have faced long waiting lists, and helping current tenants outgrow the need for help. "The goal of the activity," says the Authority, "is to enable the families we serve to focus on self-sufficiency efforts

while we assist them with their housing needs for a limited term.” Results are promising. Incomes among the time-limited have risen by more than 12 percent and employment by 17 percent –at the same time making units available for those who’d otherwise be stuck on a waiting list. The Atlanta Housing Authority uses even stronger language in explaining its work requirement for the non-disabled, including those receiving Housing Choice Vouchers. “AHA continues to believe strongly in the value, dignity, and economic independence that work provides. The Abt report found, moreover, that 20 of 34 MTW authorities are moving to change rent rules which require tenants to pay 30 percent of their income in rent. Some have adopted income bands within which rents do not rise within income; some have adopted flat rents not linked to income. And some, recognizing both for a work incentive and the need for revenue, have adopted minimum rents of no less than \$100 a month.

Spreading a “moving to work” approach to more or all of the 3,000-plus public housing authorities would help align housing policy with the successful cash welfare reform which has reduced the public assistance roll and increased labor force participation.

We are also beginning to see imaginative ways emerge to help localities find the funds they need for capital improvements, at a time when the HUD budget is unlikely to increase. In New York, Mayor Bill de Blasio has announced plans to begin to lease under-used public housing plazas for new private apartment construction, with ground lease payments available to to fund the system’s maintenance backlog.

The fledgling HUD Rental Assistance Demonstration program can be a means through which authorities avoid being penalized for saving money. A guaranteed fixed per-unit HUD annual payment can be used as a bond payment guarantee that can bring in private investment capital. New York has considered major upgrades to its antiquated heating systems—but fears seeing its federal support reduced if it lowers its utility costs. The RAD program can change that—and should be expanded.

At its 50<sup>th</sup> anniversary, it is a good time for HUD to think about how it can become not just a funder of housing but an agency that can help enable and spread the kind

of reforms I've discussed. Its goal today should no longer be cutting ribbons on new apartment complexes but encouraging our subsidized housing of all kinds to be a means to help those of low-income move up along the path of upward mobility.

None of this should be taken to mean that the underlying assumptions that motivated the establishment of HUD should not be examined or questioned. Indeed, it is my own view that there are "inherent flaws of HUD", as I wrote in a 1999 paper of that title. Most strikingly, at its core, HUD was predicated on a deeply pessimistic view about American society—that the new urban poor of the 1960s, the minority poor, would not be able to advance up the socio-economic ladder as that their predecessors in poor city neighborhoods. HUD's original undersecretary Robert Wood, himself a prominent social scientist of the era, put it this way: "The historic role of the city has deteriorated badly," observed Wood. "In some city neighborhoods, blight and poverty have gone hand-in-hand for generations, and the slum is no longer a way station." Moreover, wrote Wood, "the bus has stopped running to the suburbs and the urban poor are increasingly insulated from the larger society." It is crucial to note that, in retrospect, we have learned that Wood's assertion was not accurate at the time and has continue to prove to be mistaken. We have since the emergence of a significant minority middle class and its movement to the suburbs of Atlanta, Washington, Chicago, New York and many other cities. The idea that the best we could do as a society was to improve the physical conditions associated with poverty was wrongheaded from the start.

Our challenge now is to adjust the programs which HUD administers such that they reflect a belief in upward mobility and seek to foster it. This can take many forms. It might include, for instance, encouraging and even financing the design of new, less expensive housing forms—that themselves can prove affordable by virtue of lower cost and higher density, the time-tested means of making housing affordable without government subsidies. To the extent that programs such as the low-income housing tax credit continue to finance new, so-called mixed-income housing, HUD should insists that assistance be short-term in nature. And although HUD should not make the mistake that pressuring communities to include affordable housing will lead to cross-class or cross-race understanding and tolerance, it should never forsake its core fair housing mandate—that of making

sure that any household that can afford a home or rental unit not be turned away on the basis of race or ethnicity. In short, HUD, on the occasion of its 50<sup>th</sup> anniversary, should take stock of its assumptions, its programs and their effects to date—and be open to significant modification to remain relevant.