

Obama Administration Backs Private Twist to Public Housing

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The Obama administration has set off a pitched debate among housing officials and advocates by promoting far-reaching legislation to overhaul the way the nation's 2,400 public housing authorities operate, with potentially major ramifications for their 2.3 million residents.

At the heart of the bill is a bold proposal to encourage housing authorities to rely more heavily on private financing to pay for their \$30 billion in renovation needs. But critics fear the measure could introduce a range of problems, most notably a loss of public housing should the properties end up in private hands.

The Preservation, Enhancement and Transformation of Rental Assistance Act would shift funding for willing housing authorities from the current system of subsidies to Section 8 vouchers similar to those that owners of private affordable-housing complexes receive. This would bring a bigger and more guaranteed income stream that could help secure private financing.

Housing and Urban Development Secretary Shaun Donovan argues that housing authorities should be able to tap into their equity like other property owners. He notes that the country has lost 150,000 units of affordable housing in the past decade, partly because housing authorities cannot afford needed repairs and have let properties deteriorate until they have to be demolished, or have sold off more valuable properties to pay for repairs.

"Our fundamental premise is that public housing and all of the various rental programs that HUD invests in are a precious asset for the country and that we need to do something to preserve them," he said. "And frankly, the status quo is not doing that."

Donovan, the former New York City housing commissioner, and President Obama, the former community organizer, have credibility with housing advocates. But their proposal has nonetheless run into resistance from allies in the housing world and on Capitol Hill, who recognize the need for reform but are unnerved by the proposal's sweep and fine print.

"Everyone seems to understand that there's not going to be a massive new infusion of capital funds, and without that, what do you do?" said Linda Couch, senior vice president of the National Low-Income Housing Coalition. "The controversy is bringing in private financing. Therein potentially lies public housing's solution, but private financing could also be public housing's enemy."

House Financial Services Committee Chairman Barney Frank (D-Mass.), who has developed his own proposal for public housing, said in an interview that the HUD plan had been sprung too quickly, without adequate support. While Donovan hopes to have the bill out of committee this summer, Frank was doubtful.

"He cannot expect to give us a major change . . . on a month's notice and have us just say 'Yes, sir,' " Frank said. "There is widespread opposition to this. He isn't remotely close to the kind of consensus he needs to pass the bill."

Rep. Maxine Waters (D-Calif.), chairman of the housing subcommittee, was even more negative, warning that the bill could "lead to the permanent loss of public housing" and that proper vetting should take "at least two years."

Frank's skepticism centers on what will happen if housing projects that have borrowed to renovate go into foreclosure. The legislation calls for constraints on the use of the properties, so they would have to remain affordable housing for some time, but what would it mean for public housing to be in private hands?

The legislation would require that housing authorities submit to 20-year contracts and a 30-year constraint on the properties' use, and agree to any contract extension offered by HUD. But some advocates worry: If a future administration did not care for public housing, would it let properties slide into private hands?

And housing authorities have asked whether they could get enough funding if they did not take the conversion route. In its proposed 2011 budget, the administration cut capital funding for the authorities by almost \$500 million, partly to pay for the start of the conversion process and because last year's stimulus package included \$4 billion for capital upgrades in public housing.

"The department talks about this proposal being voluntary in nature, but if you continue to reduce the capital fund budget, this could become the only way an agency could address its capital needs," said Tim Kaiser, director of the Public Housing Authorities Directors Association. "That's a very big concern."

Still others criticize a provision that would let residents of public housing projects that convert to the new approach move out after two years and get a coveted Section 8 voucher to use elsewhere. Some advocates say this is unfair to those on voucher wait lists.

Donovan said he is working to address all these concerns. And the proposal has its champions, among them the head of the New York City housing authority and Adrienne Todman, director of the D.C. Housing Authority, who says that 11 of the District's 46 housing developments have big capital needs and could benefit from private financing. "This has potential to be an incredible tool for all of us," she said.

But other housing officials and housing experts advocate starting with a pilot program or trimming some elements of the legislation, such as a proposal to make it easier for housing authorities to incorporate stores and other uses into their properties.

Donovan does not want to hear of paring down or postponing the bill. "We have an ability to get lasting change in a way we certainly won't have under a different president or Congress," Donovan said. "There's an urgency to this."