PHA Leaders Fear Drastic Budget Cuts

What cuts to public housing and rental assistance would mean for families, seniors.

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The Trump administration is expected to unveil a stark Department of Housing and Urban Development (HUD) budget plan this week that would hit families and seniors depending on public housing and rental assistance.

If the cuts approach anything close to what public housing authority (PHA) leaders fear, longstanding federal housing programs that serve millions of people across the country will be devastated.

The reductions would be the loss of an important safety net for many poor families and elderly households. Observers also say that the budget proposal will send a loud message that the administration does not prioritize housing programs for the poor.

The Washington Post reported on March 8 that the administration has considered more than $6 billion in cuts at HUD, which would shrink the agency's budget by 14% to $40.5 billion in fiscal 2018. About $1.3 billion would be cut from the public housing capital fund and another $600 million from the public housing operating fund.

The newspaper also reported that the popular Community Development Block Grant program, which received about $3 billion in fiscal 2016, would be cut entirely. The HOME program, which provides grants to communities to build affordable housing, would also go unfunded.

Local public housing officials and housing advocates are hopeful these numbers will be vastly improved when the budget plan is officially released. If not, the 2018 proposal will be the lowest starting point to begin the budget process in recent memory, says Sunia Zaterman, executive director of the Council of Large Public Housing Authorities (CLPHA).

CLPHA, representing more than 70 of the country's largest housing authorities, is calling on the administration and Congress to reject "the Draconian proposal."

The public housing capital fund provides modernization and rehabilitation funding for the 1.2 million-unit public housing portfolio.

The reported $1.3 billion cut to the capital fund represents close to a 70% reduction from last year's funding level. These proposed cuts will dramatically accelerate the current estimated loss of 10,000 to 12,000 public housing units already lost annually due to chronic underfunding, according to CLPHA.

"The public housing operating fund covers day-to-day operational and maintenance expenses not covered by resident rents. The reported cut to the operating fund of $600 million is a 13% percent reduction from last year, and approximately 72% of what is needed," said CLPHA leaders. "This funding level will have a devastating impact on the ability to operate and maintain this housing and severely endanger the health, well-being, and safety of our most vulnerable children, families, and seniors reliant on housing assistance."

The numbers released so far are preliminary, notes Stephen Norman, head of the King County Housing Authority in Washington and CLPHA president.

"We're looking to HUD Secretary (Ben) Carson to do what HUD secretaries have traditionally done in the conversations between OMB (Office of Management and Budget) and

HUD, which is to interject some reality, and perhaps in this case some sanity, or at the very least a better understanding of what the implications of this kind of proposal would actually be on the ground and to get the numbers back to a point that make sense," Norman says.

A retired neurosurgeon, Carson recently took over the reins at HUD. He's made statements about understanding how fundamental affordable housing is to an array of important downstream outcomes such as children succeeding in schools and a determinant of health, Norman says.

Looking just at the potential cuts to the public housing capital fund, more than 2 million people could be in jeopardy, with safety and health issues, he says. "It's penny wise and pound foolish to lose the housing," he says.

The cuts also seem to go against the administration's early commitment to invest in public infrastructure and inner cities.

"This walking away from the public housing inventory, walking away from senior citizens and the disabled, walking away from inner cities just makes no sense," Norman says.

Shola Olatoye, chair and CEO of the New York City Housing Authority, the nation's biggest PHA, has vowed to fight the anticipated reductions. "Washington does not get to walk away from public housing, so we will fight any and all cuts," she said at a budget hearing today.

Impact on the streets

For housing leaders, HUD, and Congress, the industry's "third rail" has been rental assistance programs like Sec. 8. Everyone has been reluctant to reduce programs that could directly put families on the streets.

Even if these programs remain largely intact under a final budget, PHA leaders say they are falling behind as funding has failed to keep up pace with the expenses needed to grow or even maintain the key rental assistance programs.

"I have three main concerns. The first is for our families," says Preston Prince, executive director and CEO of the Fresno Housing Authority in Fresno, Calif. His agency serves about 18,000 families through its different programs, including 13,000 that use Housing Choice Vouchers. The need goes even deeper—there were about 65,000 households on its waiting list last year.

The housing authority has been fortunate enough to be able to rely on its reserves to keep the program operating at the same level in recent years. However, if sequestration takes place or the budget ax falls, it is going to have to look at freezing new lease-up and possibly even terminating families from the program, says Prince.

It's already a tight housing market in many parts of the country, including Fresno. The California Housing Partnership Corp. estimates that the county needs more than 37,000 affordable rental homes to meet the needs of its lowest-income renters.

Prince is also concerned about the upkeep of his public housing properties if the capital budget is cut, and he's worried about the fate of his staff members if the Sec. 8 administration fee is reduced.

Fortunately, the Fresno Housing Authority is likely in better shape than many other PHAs because it's an active developer and has cash flow coming in from other assets that will help cover potential cuts.

Agencies of all shapes and sizes would be hard hit by the federal cuts. Located in Northern California, the Housing Authority of the County of Butte (HACB) serves families and seniors through a number of programs, including about 2,100 voucher holders.

For HACB and other PHAs, the cost of business has been escalating while funding has failed to keep pace, so even before any potential cuts they are operating in a hole, says Ed Mayer, executive director.

In December, Congress passed a continuing resolution that provided fiscal 2016-level funding for the federal government through April 28. If HACB is operating in 2017 with 2016 budget levels, it is looking at about a 5% cut to its programs, estimates Mayer.

As a result, Mayer's agency determined that it could not lease any new Sec. 8 vouchers between the first of the year and May, essentially freezing the program.

While HACB hopes to achieve the necessary reductions through attrition, Mayer is now concerned that HACB may have to terminate assistance to some families. It's a difficult move, considering that two-thirds of the people served are seniors and the disabled.

Without Congressional action, and with attrition and possible terminations, HACB faces cutting assistance to about 250 to 300 households by the end of the year. "Basically, we're losing housing opportunities for the most vulnerable populations we serve," says Mayer, who has led the agency for 10 years.

While much attention has been focused on the affordable housing crisis in big metropolitans like New York City and San Francisco, the problem is seen throughout the country. Rural areas, like Butte County, are no exception—vacancy rates are below 1.5%, consistent with conditions found across California, a rate too low to provide adequate opportunity to low-income households seeking housing.

Mayer's housing authority serves Oroville and Chico. In Oroville, 60% of renter households are severely cost-burdened, paying more than half of their income for rent and utilities. In Chico, about 30% of the renter households pay more than half of their income for rent and utilities and over half pay more than 30%.

In addition, the region recently completed its point-in-time homelessness survey. Typically, it has found about 1,100 to 1,200 homeless households. This year, there were 1,800, according to Mayer. "Homelessness is getting worse not better," he says. "We are concerned by the lower-income cohorts of the communities we serve. Available housing, affordable housing, and supportive services that preserve tenancies are insufficient to meet demand. As a result, community well-being is compromised; and federal inaction is aggravating, not helping the problem."

Even before looking at a fiscal 2018 plan, there's the matter of a 2017 budget. It has been estimated that operating on a continuing resolution for the full year would mean a drop of about 100,000 families assisted nationally by Sec. 8, says King County's Norman.

His agency has about 4,000 units of federally subsidized housing that it owns and manages and about 10,000 households with Sec. 8 vouchers.

So far, King County has avoided freezing its Sec. 8 program, but Norman is developing different contingency plans in case cuts become necessary. He'll also be working to make sure lawmakers understand the consequences of cutting federal housing programs.

"It's important to understand how these programs underpin other objectives that the country has around health-care costs, about quality of life, around children succeeding in school," Norman says. "None of that works unless there's affordable housing."