THE CURRENT STATE OF PUBLIC HOUSING

Statement of
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A FUTURE WITHOUT PUBLIC HOUSING? EXAMINING THE TRUMP ADMINISTRATION’S EFFORTS TO ELIMINATE PUBLIC HOUSING

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*The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

I thank Martha Galvez, Diane Levy, Maya Brennan, Chris Hayes, Matt Gerken, and Will Fischer for helpful comments and Abby Boshart, Benjamin Docter, and Mica O’Brien for help in preparing this testimony.
Thank you for inviting me to testify today. My name is Susan Popkin, and I am an Institute fellow and director of the HOST Initiative at the Urban Institute in Washington, DC. I am honored to provide evidence about the fundamental role that public housing plays in providing housing stability for more than 1 million extremely low-income households, the majority of whom are older adults, people with disabilities, or families with children; the deteriorating state of the nation’s public housing stock; and the need to strengthen policy tools to ensure that this essential resource is preserved. The views I express today are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

Summary

The United States is facing the worst affordable housing crisis in a generation, with more households competing for an increasingly limited supply of rental housing.¹ Housing assistance is not an entitlement in the US, and the supply of subsidies is not large enough to meet the growing need. Currently, only 1 in 5 eligible households receives assistance, and waiting lists in many communities are years long.² Public housing plays a critical role in the rental housing market, providing stable housing for more than 1 million extremely low-income households made up of older adults, people with disabilities, and families with young children. We estimate that it accounts for roughly 10 percent of the affordable housing available to extremely low-income renters.³

But despite its important role, our nation’s public housing program faces an uncertain future. Most public housing in the US is at least 40 years old and needs major capital repairs to keep it operational. Decades of funding cuts, poor management, and weak oversight from the US Department of Housing and Urban Development (HUD) have left many housing authorities to face the hard reality that they may not be able to keep their buildings open.⁴ The administration has repeatedly proposed substantial cuts to the Public Housing Operating and Capital funds. Congress has restored these cuts and increased annual funding amounts, but while welcome, these resources are not enough to address the need. The largest tool available for addressing capital needs, the Rental Assistance Demonstration (RAD) program,⁵ has helped participating housing agencies fund repairs and revitalization, but the program requires strengthening to ensure that the funds are adequate and that resident protections are enforced consistently. HUD has increasingly encouraged housing agencies to remove projects from the public housing inventory through strategies beyond RAD, including demolition and disposition and voluntary conversion. Unlike RAD, these options do not require replacing lost public housing with

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comparable subsidies tied to specific projects (hard units), and they include few of RAD’s protections for tenant rights.\(^6\)

**Public Housing Plays a Fundamental Role in the Housing Market**

The nation’s housing crisis is squeezing low-income renters; the latest figures show that nearly three-quarters of those with incomes below $15,000 are severely cost-burdened—paying more than half their income for housing—and that the shortage of low-cost units continues to grow.\(^7\) There is currently no community in the US where a minimum-wage earner can afford a standard two-bedroom apartment.\(^8\)

Housing assistance is not an entitlement in the US, and the supply of housing subsidies is not large enough to meet the growing need. Public housing is the oldest housing subsidy program; the other major programs include Housing Choice Vouchers and project-based rental assistance programs. Together, these programs serve only 20 percent of those eligible for assistance.\(^9\)

An analysis\(^10\) by my Urban Institute colleagues Martha Galvez and Benny Docter provides an overview of the status of the public housing program as of 2016:

- A total of 3,021 public housing authorities (PHAs) managed 1,067,387 public housing units in 6,923 properties, housing a total of 2,311,181 low-income people.
- The majority of these units (about 1,013,000) were occupied, with a vacancy rate of 5 percent.
- Between 2012 and 2016, the number of households living in public housing declined by 69,981 (6 percent). Much of the recent decline in public housing assistance reflects conversions through the RAD program.
- The majority of PHAs that provide public housing are small: 71 percent (more than 2,100 PHAs) manage fewer than 500 units, and they account for 20 percent of the total public housing stock.
- Public housing tends to be in neighborhoods with higher poverty rates and those with higher shares of non-white households. In 2016, the average poverty rate for census tracts that include public housing units was 33 percent. On average, the households in those tracts were 61 percent non-white.


\(^7\) Joint Center for Housing Studies of Harvard University, *America’s Rental Housing 2020* (Cambridge, MA: Joint Center for Housing Studies of Harvard University, 2020).

\(^8\) “How Much Do You Need to Earn to Afford a Modest Apartment in Your State?” National Low Income Housing Coalition, accessed January 31, 2020, [https://reports.nlihc.org/oor](https://reports.nlihc.org/oor).


**Vulnerable Americans Live in Public Housing**

The same analysis highlights that public housing serves some of the most vulnerable Americans: people with very low incomes, older adults, people with disabilities, and families with young children.

- In 2016, almost all (91 percent) of US households that were living in public housing met HUD’s definition of very low income (below 50 percent of area median income), and nearly three-quarters (72 percent) met the extremely low-income definition (below 50 percent of area median income).
- The average household living in public housing had a total annual income of $14,444.
- Over half of households in public housing were headed by a person who was 62 or older and/or was disabled (figure 1), and 40 percent included children younger than 18.
- A total of 5,648 heads of households who entered public housing between 2016 and 2017 were homeless beforehand. They represent 6 percent of all new entries to public housing during that time.

**FIGURE 1**

*Public Housing Heads of Household*

- Adults ages 62 or older, disabled, or both
- Work-able adults ages 18–61

*Source: US Department of Housing and Urban Development.*
The Public Housing Stock Is Deteriorating

After decades of disinvestment, many public housing properties are in poor or dangerous condition. The most serious problem is that the nation’s public housing stock is aging and in need of major capital investments to maintain its viability. In their analysis, my colleagues Martha Galvez and Benny Docter highlight the following.

- More than 1 in 3 (42 percent) of public housing properties were constructed before 1975; many of these are large developments, so they account for more than half of all units. Just 17 percent of public housing units were constructed after 1997, primarily as part of HUD’s HOPE VI program and other redevelopment initiatives.
- A substantial number of these aging developments needs major capital repairs like new windows, plumbing, roofs, and heating systems to keep them operational. Real Estate Assessment Center scores, which are assigned as part of HUD’s physical inspection of public housing properties, provide evidence that many properties are in disrepair: more than 8 percent of 6,923 properties (583 properties, or 93,075 units) had failing scores (below 60) in 2018; an additional 20 percent (1,418 properties, 226,407 units) received scores between 60 and 80.
- Compounding the threat to the long-term viability of the public housing stock, some developments (primarily in the Northeast and South) are susceptible to threats from climate change. In 2016, roughly 9 percent of all public housing units (about 100,000 units) were in 100- or 500-year floodplains, as designated by the Federal Emergency Management Agency, suggesting that they were vulnerable to severe weather events.

A 2010 HUD-sponsored assessment of the nation’s public housing capital needs determined that approximately $21 billion was needed for unmet maintenance and repairs. However, the real costs to preserve aging developments in many cities are likely to be much higher. The New York City Housing Authority estimates that it has a $34 billion capital needs backlog to address the needs of its aging buildings, most of which are complex high-rise structures. Likewise, the District of Columbia Housing Authority estimates that it will take more than $2 billion to restore its properties. And the problems are not limited to large, urban housing authorities. Smaller agencies like those in Cairo and East St. Louis, Illinois, are facing painful choices about whether raising the funds to restore or replace their public housing communities is even possible. In these situations, the agencies are left with no choice but to close their buildings and offer residents vouchers to find housing in the private market. According to

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a report by investigative journalism outlet ProPublica and the Southern Illinoisan, Cairo had no rental housing, and former tenants were forced to move more than an hour away to find housing.14

**Preserving Public Housing Will Require More Resources and Stronger Policy Tools**

Continued underfunding of the public housing program will cause more developments to deteriorate to the point where housing agencies have little choice but to demolish or sell them, as has already occurred with more than 200,000 public housing units since the 1990s. Federal policymakers have established numerous programs and policy options to maintain, renovate, revitalize, or replace public housing, each of which has strengths and limitations. The main federal funding streams that sustain public housing are the Public Housing Operating and Capital funds. According to Will Fischer of the Center on Budget and Policy Priorities, despite increases in recent years, these accounts have long been underfunded, and unless lawmakers provide further, large, sustained increases, they will likely not contain enough resources to cover needs at most public housing projects.15

There are three major programs that enable housing authorities to finance revitalization and redevelopment initiatives: RAD, Section 18 demolition and/or disposition, and the Choice Neighborhoods initiative. The evidence from our research shows that the current implementation of Section 18 is likely to lead to a significant loss of public housing inventory while the other two programs are more likely to preserve subsidized units.

**Rental Assistance Demonstration**

Eight years ago, HUD launched RAD to respond to the long-term capital needs shortfall for public housing. RAD has been enormously controversial because of concerns about losing deeply subsidized units and the potential for resident displacement.16 The program could transform public housing by allowing the conversion of public housing units to project-based Section 8 contracts (either project-based vouchers, which are part of the Housing Choice Voucher Program, or to project-based rental assistance).17

RAD includes substantial tenant protections that other programs lack. First, RAD requires that all units (with only limited exceptions) be converted to Section 8 contracts with substantial protections for long-term affordability and tenant rights. The contracts last for 15 to 20 years but must be renewed on expiration. Second, the amount of rent that tenants pay is capped by affordability rules similar to those in public housing, and tenants retain the same affordability protections as under the public housing

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program. Third, if they are displaced while a development is renovated or replaced, tenants have the right to return to the completed development without being rescreened for eligibility.\textsuperscript{18} Finally, most families in RAD developments also have a significant right not available to public housing tenants. After the families have lived in the converted development for one to two years, the housing authority is required to offer them the option of using the next “tenant-based” housing voucher that becomes available to move to a unit of their choice in the private market. When families exercise this “choice-mobility” option, the project-based subsidy remains tied to the original unit, which is then available for new tenants from the waiting list.

According to an analysis\textsuperscript{19} by my Urban Institute colleagues Chris Hayes and Matt Gerken, Congress initially capped the number of units eligible for RAD conversion at 65,000. Since then, Congress has increased the cap periodically; most recently (in fiscal year 2018), it was raised to 455,000 units, almost 45 percent of the country’s public housing stock. However, actual implementation has moved more slowly. As of the end of 2018, just over 110,000 units had been converted, with an additional almost 90,000 units in projects that had received a “Commitment to enter into a Housing Assistance Payment contract” (CHAP) award, HUD’s initial approval for the PHA to begin work on the terms of the conversion, but that had not yet completed conversion. More are in the pipeline, awaiting HUD review and approval.

The Urban Institute and Econometrica conducted an evaluation of the first phase of RAD for HUD.\textsuperscript{20} Released in 2019, the evaluation shows generally encouraging results. Housing authorities have leveraged billions of dollars in private loans, tax credits, and other non-public housing funds to address projects’ capital needs. However, because current law caps per-unit RAD subsidies too low to adequately fund all the renovations needed at many properties (particularly those with large capital backlogs or those in locations where attracting private capital is difficult), some major needs remained unaddressed. Also, the evaluation raised concerns that some agencies, especially small ones, may lack the capacity to use RAD to finance major renovations.

To examine the impact on tenants, the evaluation included a resident survey.\textsuperscript{21} The results showed that most tenants felt that the impact of the RAD conversion on them and their living situation was generally positive. Most (four out of five) reported being satisfied with their housing after RAD conversion, as well as with the communication they received and post-conversion management. However, perhaps because many conversions do not involve substantial revitalization or repairs to building systems, only about half said they had noticed any changes to their building or unit. Finally, only about a third had to relocate either temporarily or permanently; of those who did have to move, most said they were satisfied with the communication they received about relocation.

The study also found that just over half the tenants we surveyed said they would prefer the choice-mobility option over remaining in public housing. The Urban Institute-Econometrica team is now

\textsuperscript{18} Fischer, “The Future of Public Housing: Background on Existing Policies.”
\textsuperscript{19} Hayes and Gerken, “Rental Assistance Demonstration Fact Sheet.”
\textsuperscript{21} Gerken, Popkin, and Hayes, “How Has HUD’s Controversial Rental Assistance Demonstration Affected Tenants?”
conducting a study for HUD on the implementation of choice mobility, including how well housing agencies and property owners communicate to residents about the option, how tenants ultimately choose to move and why, and how the program affects housing authority administration and voucher waiting lists.

Section 18 Demolition and Disposition

Although the evidence on RAD conversions suggests that the program is succeeding in preserving deeply subsidized units, other policy changes threaten to remove large numbers of units from the public housing inventory. Since 2018, HUD has introduced regulatory changes that make it easier for housing authorities with developments that require substantial investment to demolish or sell these properties. As I explain below, this strategy does not require that the housing authority replace all units with new housing or with vouchers.

HUD is actively encouraging housing authorities, especially smaller agencies, to choose this option, creating the potential for a rapid loss of units when affordable housing and housing assistance are in short supply. Specifically, HUD has increasingly encouraged housing agencies to remove projects from the public housing program in two ways: (1) through “demolition and disposition,” which allows agencies to demolish, sell, or transfer ownership of projects that they can show are obsolete and unsuitable as housing and cannot be rehabilitated in a cost-effective way, and (2) through “voluntary conversion,” which allows agencies to convert properties to vouchers if they can show it would not be more expensive than retaining the properties as public housing.

Before RAD, demolition, disposition, and conversion were the main ways that units were removed from the public housing program. Through 2009, HUD had authorized the removal of 180,000 units through the demolition and disposition process and an additional 16,000 through required or voluntary conversion to vouchers. Advocates and researchers at that time focused on the impact of the more visible—and much smaller—HOPE VI program, but little attention was given to the effects of demolition and disposition. The same situation is occurring now, with attention focusing on the possible effects of the RAD program instead of the steps that HUD has taken in recent years to increase the number of units removed from public housing outside RAD. Specifically, HUD issued a notice in March 2018 easing criteria for demolition and disposition out of the public housing program and another in March 2019 allowing certain small agencies to voluntarily convert properties without demonstrating that they meet the normal criteria. HUD’s 2019 and 2020 annual performance plans call for removing 41,000 units from the public housing program under these non-RAD policies over a three-year period—a departure

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The pressure to shift to demolition and disposition increases the risk of losing scarce housing subsidies. Instead of converting the units to non-public housing subsidies as happens with RAD, these conversions mean that housing agencies generally receive allocations of “tenant protection vouchers” to replace some, but not all, of the public housing subsidies. Agencies can choose to enter into “project-based contracts” that require them to use the vouchers in the former public housing development or a replacement building, or they can offer tenant-based vouchers. Tenant-based vouchers are an effective form of rental assistance but are often not an adequate replacement for a “hard unit.” Discrimination against voucher holders is widespread, finding landlords to rent to voucher holders in tight housing markets is difficult, and available housing in rural areas may not meet the program’s quality standards. Vouchers are also less effective for many types of tenants, such as older adults and people with disabilities, who may need accessible units, and large families who need more than two bedrooms. Further, whatever option the housing agency chooses, HUD provides far fewer tenant protection vouchers on average than the number of public housing units they are supposed to replace. When this occurs, agencies may still be able to convert all the units in the former public housing development with project-based vouchers by allocating some vouchers from their regular program, but that means that there will be a net decrease in the total number of rental subsidies available. Finally, these Section 18 project-based vouchers will lack the protections that RAD requires, including that subsidies be renewed upon expiration.

The non-RAD transition options appeal to housing authorities because they have the important advantage of often allowing agencies to set per-unit subsidy levels higher than they could under RAD, since replacement vouchers are not capped at the public housing funding level. As a result, these options can make preserving some developments and improving living conditions more financially feasible. But these improvements may come at the expense of serving fewer households overall and weakening tenant and affordability protections. Some housing agencies have mitigated these risks and combined the benefits of the two approaches by converting some units with RAD and some under a disposition.

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30 Fischer, “The Future of Public Housing: Background on Existing Policies.”
Choice Neighborhoods Initiative

The Choice Neighborhoods initiative (CNI) provides grants to revitalize severely distressed public housing (and in some cases privately owned subsidized housing) and the surrounding neighborhoods. CNI, which was first funded in 2010, replaced the HOPE VI program, which provided funding for demolishing 155,000 severely distressed public housing units beginning in 1993. A portion of these units were replaced through redevelopment efforts, but there was a net loss of units overall—although smaller than the number lost through demolition and disposition over the same period.31 CNI includes provisions designed to address shortcomings of HOPE VI, including requiring one-for-one replacement of public housing units, guaranteeing displaced residents the right to return once development is completed, and requiring case management and supportive services. CNI puts more emphasis than HOPE VI on improving conditions in the original property and surrounding neighborhood—for example, by requiring grantees to have a comprehensive plan to address challenges such as high crime and poorly performing schools and allowing funds to be used for a range of neighborhood improvements.32

Some RAD conversions also involve comprehensive redevelopment and financing for resident services and supports. But CNI can add resources needed to make redevelopment of distressed projects feasible when RAD subsidies and other funds are not adequate or when financing is difficult to obtain because of low property values. However, funding for CNI has been far lower than for HOPE VI at its peak.33 In 2019, the program received $150 million, enough to fund grants for only about five projects. The Urban Institute conducted a baseline evaluation of CNI and is now conducting a more comprehensive impact evaluation, but results from that research will not be available for several years.34 Until that is completed, we will not know how effective CNI has been in protecting residents or generating neighborhood revitalization. In addition, no evaluation of CNI’s impact has been done beyond a report examining sites two years after grants were awarded, so how effective CNI has been in revitalizing neighborhoods or protecting residents is unclear.35

Ensuring a Strong Future for Public Housing

Public housing provides safe, stable housing for some of the most vulnerable Americans. Preserving this resource is especially important in light of the current—and unprecedented—shortage of affordable housing. However, underfunding and poor management and oversight have left the nation’s aging public housing stock at risk. Our current policy tools need strengthening if we are to avoid losing too many deeply subsidized units. The RAD program is our largest—and strongest—tool beyond the basic Public

32 Because no authorizing statute or regulations govern CNI, tenant protections and other program requirements are established through annual appropriations acts and HUD notices of funding availability.
34 Rolf Pendall et al., Choice Neighborhoods: Baseline Conditions and Early Progress (Washington, DC: US Department of Housing and Urban Development, 2015.)
Housing Operating and Capital funds, however, questions are being asked about what steps to take to strengthen and improve the program and whether it should be expanded above the current cap of 455,000 units. These questions include whether RAD should be modified to provide funding to make deals more financially feasible and whether agencies with limited capacity, especially small housing agencies, should receive support (and if so, how). Other crucial questions are how to further strengthen protections for tenant rights and long-term affordability. The Choice Neighborhoods initiative provides a limited number of grants to revitalize developments in distressed communities, but it is too soon to assess its impact on original residents and communities. There are also questions about the role of other programs such as the Moving to Work Demonstration program, which provides housing authorities with regulatory flexibility, and whether extending these flexibilities to other agencies would enable them to preserve more units.

Finally, our forthcoming research has identified the following three areas as requiring urgent exploration to ensure a strong and viable future for public housing:

- strategies for preservation approaches and policies for the more than 2,000 small housing authorities
- effective resident engagement to support public housing preservation
- ways to addressing the needs of older adults and people with disabilities in public housing and in relocation and redevelopment planning