Introduction to Public Housing

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Summary

"Public housing" is often used as a generic term to refer to all publicly assisted housing, but the term "public housing" actually refers to a specific federal program. Created in 1937, the low-rent public housing program was the first major federal rental housing assistance program. The program initially subsidized the construction, and later the ongoing operation and maintenance, of multifamily rental housing properties for low-income families. While public housing is a federally created and funded program, the properties are owned and managed at the local level by quasi-governmental public housing authorities (PHAs) under contract with the federal government. Given this unique federal-local relationship, the program is governed in part by federal rules and regulations and in part by policies set at the local level.

The public housing program serves some of the poorest families in the nation, including persons who are elderly, persons who are living with disabilities, and other families with and without children. Families who live in public housing generally pay rent equal to 30% of their adjusted gross income; average rents paid by public housing families lag substantially behind private market rents paid by similar families.

Public housing properties themselves can be high-rise buildings, low-rise buildings, scattered site properties, and even part of mixed-income housing developments. Construction and acquisition of new public housing units effectively ended after the federal government stopped funding new development in the mid-1990s, although they began significantly decreasing much earlier as other models of providing housing assistance grew in popularity. As public housing properties have fallen into disrepair and been demolished, the number of public housing units has begun to decrease. Today, there are roughly 1.2 million units under contract and receiving federal funding, down from over 1.4 million units at the program's peak. Federal funding comes from two main formula grants—the Public Housing Capital Fund and the Public Housing Operating Fund—which are meant to supplement the rents collected by PHAs to meet the operation, maintenance, and capital needs of public housing. There have also been several competitive grant programs that provide additional funding to PHAs, including the HOPE VI program. In recent years, regular annual appropriations for public housing have generally been in the range of $6 billion to $7 billion per year, with an additional $4 billion provided by the 2009 economic stimulus legislation.

In response to concerns about the adequacy of federal funding levels—paired with federal restrictions on tenant rents—to meet the capital needs of public housing, proposals have been introduced to promote private investment in public housing in order to preserve the existing stock. An increasing number of PHAs have pursued private financing to meet their capital needs in recent years. However, recent proposals calling for an expansion in the role of private finance in public housing have been met with concerns about the potential for the "privatization" of public housing and a loss of affordability. As the program continues to decline in terms of the number of families it serves, questions are arising about the role the program plays, and should play in the future, in terms of federal housing policy.

This report is meant to serve as an introduction to the federal public housing program. It provides information on the history of the program, how it is administered and funded, and the characteristics of public housing properties and the households they serve. While it introduces current policy issues, a full analysis of those issues and discussion of current legislation is not included in this report.

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Introduction

Housing is primarily a private market enterprise in the United States. Most housing in this country is privately built and owned and most regulation of that process is done at the state and local level. However, the federal government has played a role for many years in assisting in the provision of safe, decent, and affordable housing for families of modest means. The low-rent public housing program was the original effort through which the federal government supported this policy goal. While public housing is a federally created and funded program, administered at the federal level by the Department of Housing and Urban Development (HUD), the properties are owned and managed at the local level by quasi-governmental public housing authorities (PHAs) under contract with the federal government. Given this unique federal-local relationship, the program is governed in part by federal rules and regulations and in part by policies set at the local level.

The program was controversial from the start, with opponents contending that it subverted local control and interfered with private enterprise. Later, criticism grew about the conditions of the housing the program provided. Concern was expressed about the quality of life public housing provided to the families it served, as well as the character of the tenants the program served and the effect public housing was having on the communities in which it was located. Over time, in response to these critiques and others, the public housing model—publicly owned and subsidized apartment buildings for poor families—was replaced with other models of assistance. While no new public housing is authorized to be funded and built, much of the existing stock of public housing built under the original program remains.

Today's roughly 1.2 million units of public housing are home to some of the poorest families in the nation, including persons who are elderly, persons living with disabilities, and other families with and without children. In some cases, these families live in high-quality housing in neighborhoods of opportunity; in other cases, these families live in housing that is physically decrepit, socially isolated, and plagued by social ills. The federal government currently pays roughly $6 billion to $7 billion per year to support the remaining stock of public housing and there are differences of opinion about whether this program is a worthwhile federal investment or whether recent funding levels reflect an inadequate federal investment.

This report is meant to serve as an introduction to the federal public housing program. It provides information on the history of the program, how it is administered and funded, and the characteristics of public housing properties and the households they serve. While it introduces current policy issues, a full analysis of those issues and discussion of current legislation is not included in this report.

Brief History of the Public Housing Program

In order to understand today's public housing program, and the issues surrounding the program, it is useful to know the background of how it evolved. The following section of this report provides a short history of the public housing program. It should not be considered a comprehensive or exhaustive treatment of the topic.

The Housing Act of 1937: The Beginning of Public Housing

The idea of a federal public housing program began taking shape in the 1930s during the Great Depression. Its purpose was intended to be twofold: the housing created would respond to a lack of sanitary housing available at a low cost to families who had fallen on hard times, and the construction of the housing would lead to the creation of jobs and economic growth.[1] However, the idea of the federal government providing housing proved to be controversial. Opponents saw government involvement in housing as a step towards socialism, the building industries thought that they could handle the nation's housing problems without government intervention, and some local governments were concerned that federal housing would encroach on their sovereignty.[2]

The Housing Act of 1937 (P.L. 75-412) attempted to balance some of these concerns in the way that it designed the low-rent public housing program. Under the terms of the act, public housing properties would be built and owned only by state-chartered and locally governed public housing authorities (PHAs). This gave states and localities the right to choose whether or not to participate in the program by deciding whether or not to create PHAs. The federal government would provide capital financing under long-term Annual Contributions Contracts (ACCs). These contracts would spell out the federal requirements of the program; however, many of the decisions about how the housing was designed, where it was located, and who could live in it would be left to the PHAs. Public housing's operations would be sustained primarily on tenant rents, which meant that families would be required to have incomes high enough to pay the rents charged for public housing units. However, in part to prevent competition with the private market, the authorizing statute dictated that families who wanted to live in public housing could not have incomes that exceeded five times the rents (six times in the case of large families). Further, the law required that for each new unit of housing built, an unsafe or unsanitary unit had to be eliminated (a concept often referred to as "slum clearance").[3]

Not long after the program was created, World War II shifted the focus of federal involvement in housing. The Lanham Act of 1940 halted new development under the low-rent public housing program in favor of government construction of housing for war workers.[4] The act also gave war workers priority for existing public housing units.[5] By the end of the 1940s, around 200,000 public housing units had been built and were under contract.[6]

The earliest residents of public housing were primarily working class families who were "temporarily poor" because of the Depression. Later, many war workers moved into public

[1] While the low-rent public housing program was not authorized until the Housing Act of 1937, the federal government, through the Recovery Finance Corporation and Housing Division of the Public Works Administration, built roughly 21,800 units of low-rent housing between 1932-1937. The majority of these units were transferred to the public housing stock. Robert Moore Fisher, *Twenty Years of Public Housing* (New York, NY: Harper and Brothers Publishers, 1959), Chapter 4. (Cited hereafter as Fisher).

[2] For more information about the origins of public housing, see Elizabeth Wood, *The Beautiful Beginnings, The Failure to Learn: Fifty Years of Public Housing in America*, National Center for Housing Management, October 1982, Chapter 1; and Fisher, Chapter 1.

[3] Lawrence Vale, *From the Puritans to the Projects: Public Housing and Public Neighbors* (Cambridge, MA: Harvard University Press, 2000), Chapter 3.

[4] This war worker housing was eventually converted to public housing by the Housing Act of 1950.

[5] Ibid.

[6] Housing and Home Finance Agency, 16th Annual Report, 1962, p. 212.

housing. As the nation began to prosper again, many families in public housing had income above what was considered to be low income.[7]

The Housing Act of 1949: Expansion and Ties to Urban Renewal

After being diverted to support the war effort, the low-rent public housing program was restarted at the end of the decade by the Housing Act of 1949 (P.L. 81-171). That act created a federal policy goal of "a decent home and suitable living environment for every American family." It authorized the Urban Renewal program—formalizing the policy of slum clearance evident in the 1937 act—and required communities to give preference for public housing units to families displaced by Urban Renewal. The act expanded the authorization for new public housing units, calling for the creation of 810,000 units by 1954 (or 135,000 units per year). At the same time, the act added new requirements. Out of concern about crowding out private market housing, the act instituted construction cost limits and added a requirement that public housing rents be at least 20% below prevailing market rents for safe and decent housing. Given that upper income eligibility limits were tied to rents (i.e., incomes could not exceed five times the rents), this meant that income eligibility limits would be lowered. Additionally, the act required that the Annual Contributions Contracts be amended to require the eviction of tenants whose income exceeded the limits.[8]

While the 1949 act restarted the public housing program, its goal of 810,000 units in six years was not met. The year after the enactment of the 1949 act, President Truman lowered the rate of construction to roughly half the authorized level in response to concerns about materials shortages resulting from the outbreak of hostilities in Korea.[9] Congress followed suit by further lowering the authorized annual level of public housing construction starts each year in the appropriations acts.[10] Also, opposition from local communities made it difficult for some PHAs to get approval to build public housing.[11] As a result, fewer units were built in the 1950s than were envisioned by the 1949 act. By the end of 1957, only about 210,000 of the 810,000 units authorized by the 1949 act were under management.[12]

The characteristics of the tenants served in public housing also began changing during this period. The policy changes included in the 1949 act, taken together, would mean that public housing would serve families with income lower than what was originally required under the 1937 act. This change in the income character of tenants is evident in the fact that from 1952 to 1962, the number of families in public housing receiving income from private or public assistance programs rose from 29% to 46%. Further, given that public housing development was explicitly

[7] Fisher, Chapter 6.

[8] See Alexander von Hoffman, "A Study in Contradictions: The Origins and Legacy of the Housing Act of 1949," Fannie Mae Foundation, Housing Policy Debate, vol. 11, issue 12, 2000; and Elizabeth Wood, *The Beautiful Beginnings, The Failure to Learn: Fifty Years of Public Housing in America*, National Center for Housing Management, October 1982, Chapter 2.

[9] See Alexander von Hoffman, "A Study in Contradictions: The Origins and Legacy of the Housing Act of 1949," Fannie Mae Foundation, Housing Policy Debate, vol. 11, issue 12, 2000, p. 315.

[10] Fisher, Table 7.

[11] Elizabeth Wood, *The Beautiful Beginnings, The Failure to Learn: Fifty Years of Public Housing in America*, National Center for Housing Management, October 1982, p. 44.

[12] Fisher, Table 1, p. 14. This number includes only those units built under the authority of the 1949 act; it does not include all of the units created under the previous authorities.

tied to Urban Renewal after 1949, the program began to house more families of color, particularly black families, who had been uprooted and displaced by Urban Renewal. From the beginning of the 1950s to the end, the percentage of nonwhite families living in public housing increased from 36% to 46%.[13] In an era of legal segregation and discrimination, the increasing proportion of black families living in public housing led to great opposition to new public housing development in some predominantly white communities and to the perpetuation of segregation in public housing properties themselves.

1960s: New Forms of Assistance and the End of Legal Discrimination

The 1960s brought a new vision with regard to federal housing assistance. Several new programs were developed to subsidize privately owned rental properties, as opposed to publicly owned properties, including the Section 236 rent supplement program serving low-income families and seniors; the Section 202 program serving the elderly; and the Section 221d(3) program serving families with incomes too high for public housing but too low to afford housing in the private market.[14] Another program, the Section 23 leased housing program, was a new public housing program designed to utilize private market units. It permitted PHAs to lease private market units on behalf of public housing-eligible families. Also, by the late 1960s the Turnkey model of public housing began growing in popularity; under the Turnkey approach, a private developer builds housing on land he owns and then sells the property to a PHA to use as public housing.[15] These new models of assistance, because they utilized private market participants, were thought to be more efficient and timely. Despite the introduction of new programs, the number of public housing units increased significantly during the 1960s to over 800,000 units, an increase from about half a million units at the beginning of the decade.[16]

The 1960s brought other important changes for public housing related to the social aspects of the program. A presidential order, Supreme Court cases, and civil rights legislation worked to make it illegal to deny public housing assistance to families based on their race and to systematically segregate public housing residents by race, which had been common since the inception of the program.[17] While such discriminatory actions were officially outlawed during this period, desegregation and changes in community attitudes towards integrated public housing were not immediate and courts had to intervene.[18] Out of concern about the ramifications of concentrations

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[13] Elizabeth Wood, *The Beautiful Beginnings, The Failure to Learn: Fifty Years of Public Housing in America*, National Center for Housing Management, October 1982, p. 67.

[14] For more information about these programs, see CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy*.

[15] Richard F. Muth, *Public Housing: An Economic Evaluation*, American Enterprise Institute for Public Policy Research, Washington, DC, 1973, pp. 44-45.

[16] Figures from the beginning of the decade taken from the 16th Annual Report of the Housing and Home Finance Agency, 1962; figures from the end of the decade taken from Richard F. Muth, *Public Housing: An Economic Evaluation*, American Enterprise Institute for Public Policy Research, Washington, DC, 1973, p. 13.

[17] See Alexander von Hoffman, "A Study in Contradictions: The Origins and Legacy of the Housing Act of 1949," Fannie Mae Foundation, Housing Policy Debate, vol. 11, issue 12, 2000, p. 315.

[18] For an illustration of the troubled history of race in public housing, see Lawrence Vale, *From the Puritans to the Projects: Public Housing and Public Neighbors* (Cambridge, MA: Harvard University Press, 2000), Chapter 4.

of poverty, the Housing and Urban Development Act of 1968 prohibited the construction of new high-rise public housing projects for families.[19]

The Housing and Urban Development Act of 1969 made a fundamental change to the rent structure in public housing; the Brooke Amendment capped tenant contributions toward rent at 25% of family income.[20] This change was made out of concern that rents charged for public housing were becoming too high for poor families to afford. To help meet the operating needs of public housing, the 1969 act also authorized HUD to begin providing operating assistance to PHAs, in addition to capital funding to cover the costs of the bonds they had issued to build public housing.[21]

Over this period, the income character of the tenants in public housing had also continued to change. Policy changes (such as the limit on the number of over-income families who could live in public housing, reductions in income eligibility standards, and preferences for families displaced by urban renewal) partnered with market changes (such as the post-war housing boom, increasing rates of homeownership, and suburbanization) resulted in public housing serving the poorest tenants, many of whom were receiving other public assistance.[22] Until passage of the Brooke Amendment, the rents these very poor families paid were, in many cases, higher than what might be considered "affordable" to them, but not high enough to provide sufficient income to allow PHAs to properly maintain public housing properties. Although Congress eventually began providing additional operating subsidies to public housing after passage of the Brooke Amendment, some public housing developments, facing inadequate rental income and insufficient federal subsidies to maintain their properties, fell into severe disrepair. These realities—poorer tenants paying lower rents, insufficient operating income, and deteriorating units—shaped the public housing debates of the decade to follow.

The 1970s and the Rise of Section 8

By the early 1970s, construction programs were subject to growing criticism for taking too long to develop and being too expensive. The Housing and Urban Development Act of 1970 required that at least 30% of new public housing units be created through the Section 23 leased housing program, which utilized the existing housing stock rather than new construction.[23] The act also authorized a demonstration, called the Experimental Housing Allowance Program, to test the feasibility and effectiveness of giving families housing allowances in lieu of subsidized units. In 1973, President Nixon imposed a moratorium on all new housing construction commitments,[24] including those under public housing. He argued that the existing programs needed revisiting

[19] P.L. 90-448

[20] P.L. 91-152

[21] Richard F. Muth, *Public Housing: An Economic Evaluation*, American Enterprise Institute for Public Policy Research, Washington, DC, 1973, p. 18.

[22] From 1955 to 1972, the percentage of families not receiving public assistance declined from over 70% to just 25%. "The Report of the Task Force on Improving the Operation of Federally Insured or Financed Housing Programs, Volume II: Public Housing," National Center for Housing Management, 1973, p. 12.

[23] P.L. 91-609

[24] An exception was made for the Section 202 Housing for the Elderly program.

because they did not provide decent housing to families and cost the federal government too much to build and maintain.[25]

The Nixon Moratorium was ended as Congress authorized funding for new units of public housing and created new housing assistance programs.[26] The Housing and Community Development Act of 1974 created the Section 8 program, which continued the shift to subsidizing privately owned housing by pairing rental subsidies with private market housing units.[27] The Section 8 program was designed to respond to the criticisms of the earlier programs by including subsidies for private units and relying less heavily on new construction.

After the moratorium, the focus of federal housing assistance policy had shifted away from constructing new public housing units to new models using the existing and private housing market through the Section 8 program. Public housing averaged fewer than 37,000 reservations[28] for new units of public housing per year between 1975 and 1979, compared to an average of more than 275,000 reservations for new Section 8 assisted units per year over the same period.[29]

The 1980s: Withdrawing Further from Public Housing

The Omnibus Budget Reconciliation Act of 1981 made several significant changes to public housing.[30] It raised tenant rent contributions toward rent (as established by the Brooke Amendment at 25% of family income) to 30% of family income. Estimating that increased rents would decrease the need for federal operating subsidies, the act limited increases in funding for operating subsidies. At the same time, the act more deeply targeted assistance to the poorest families. Eligibility was largely[31] restricted to families with incomes below 50% of the local area median income and federal preferences were set to target assistance to the households assumed to have the greatest need, including those who were homeless, those who were severely cost burdened, and those living in substandard housing.[32]

The trend away from public housing continued with the Urban-Rural Recovery Act of 1983, which limited new construction of public housing to instances in which it would be less than the cost of acquiring existing housing.[33] At the same time, the act limited the ability of PHAs to

[25] For more information, see President Richard M. Nixon, State of the Union Message to Congress on Community Development, March 8, 1973.

[26] While public housing construction restarted as Congress authorized funding for new units, the moratorium effectively ended the contracting for and construction of new units under the Section 236 and Section 221(d)(3) programs.

[27] P.L. 93-383

[28] A reservation reflects a commitment to build or put under contract a unit of public housing. Not all reserved units are necessarily built or occupied eventually.

[29] CRS Report 91-369E, *Trends in Funding and Numbers of Households in HUD-Assisted Housing, Fiscal Years 1975-1991*, by Grace Milgrim (out of print; available upon request).

[30] P.L. 97-35

[31] Up to 5% of new units and 10% of existing units each year could be provided to families with income between 50% and 80% of area median income.

[32] Under federal preferences, applicants who met certain criteria (such as living in substandard housing) were to be given preference in admission and selection for assistance over other families. Congress suspended the system of federal preferences each year in annual appropriations acts beginning in 1996; federal preferences were repealed by P.L. 105-276.

[33] P.L. 98-181

demolish or dispose of public housing to cases where the unit could not be reasonably rehabilitated or the demolition/disposition would result in the acquisition of new housing. The 1983 act also authorized a demonstration testing a new form of Section 8 assistance, a portable voucher with more flexible standards. The voucher program was made permanent in 1988[34] and fully replaced the original Section 8 program.[35] The Housing and Community Development Act of 1987 further limited new public housing construction to only those cases where the PHA could certify that family housing demand could not be met through Section 8.[36] New public housing starts dropped off significantly during the 1980s in favor of the new Section 8 program.[37]

During the 1980s, concern continued to grow about the state of the existing public housing stock—both the physical soundness as well as the social health of public housing communities. In 1989, Congress established a National Commission on Severely Distressed Public Housing.[38] The commission was mandated to identify those public housing projects that were in a severe state of distress; assess the most promising strategies for improvement; and develop a national action plan. In 1992, the commission issued its findings and recommendations on the state of the nation's public housing. It reported finding residents living in fear of crime, high unemployment and limited opportunities for employment, insufficient resources to address the needs of residents, disincentives to self-sufficiency, and housing that had deteriorated to the point that it was physically dangerous. The commission issued a wide range of recommendations, including increased social services for residents, increased funding for public housing capital needs, better performance assessment for PHAs, and experimentation with new forms of public-private partnerships. The commission labeled 6% of the public housing stock as severely distressed; at the time, this equaled 86,000 units.

1990s to Present: The End of Public Housing Development and Decline in Units

The National Affordable Housing Act of 1990[39] reacted to some of the concerns about public housing echoed by the National Commission. It authorized the Family Self Sufficiency program, designed to provide incentives for assisted families to increase their employment. It also required HUD to establish a formal PHA management assessment system, including mechanisms for intervening in cases of troubled housing authorities, and it established a new source of safety and security funding, the Drug Elimination Grant program. Shortly thereafter, the Housing and Community Development Act of 1992 created the Revitalization of Severely Distressed Public Housing program—commonly referred to as HOPE VI—which authorized HUD to make competitive grants to PHAs to undertake major redevelopment of distressed public housing.[40]

[34] P.L. 100-242

[35] The 1983 act (P.L. 98-181) had repealed authority for new contracts under the prior forms of Section 8.

[36] P.L. 100-242

[37] CRS Report LTR 83-1647, *Trends in Funding and Numbers of Households in HUD-Assisted Housing, Fiscal Years 1974-1984*, by Grace Milgrim (out of print; available upon request).

[38] P.L. 101-235

[39] P.L. 101-625

[40] P.L. 102-550

In 1995, the Clinton Administration proposed the "Reinvention Blueprint," which called for most public housing developments to be converted to vouchers.[41] At the same time, some Members of Congress were calling for the abolition of HUD.[42] While the Blueprint was not fully undertaken and HUD was not abolished, reform proposals, many of which were included in the Blueprint, were considered throughout the 1990s.

These efforts culminated with the passage of a major reform bill in 1998, the Quality Housing and Work Opportunity Reconciliation Act of 1998 (QHWRA; P.L. 105-276). QHWRA included provisions designed to promote local control, including the elimination of federal preferences. It established a requirement that PHAs develop annual and five-year plans detailing how they were using their local discretion. It gave PHAs the authority to convert their public housing properties to vouchers, and in some cases, required that conversion if it proved cost effective. Influenced by the welfare reform debates of the mid-1990s that were focused on promoting work,[43] QHWRA established a requirement that non-elderly, non-disabled residents be working or participating in community service or self-sufficiency activities for eight hours per month and created a disregard of newly earned income for some families. The act included authority for PHAs to leverage their public housing properties and funding in order to secure private resources (loans) for redevelopment. It also required HUD to develop a new formula for distributing operating funding to PHAs. Importantly, the act prohibited PHAs from using any federal capital or operating funding to develop net new public housing units.[44] While Congress had not provided funding for the development of new public housing units since FY1994,[45] this provision of QHWRA effectively prohibited any net new development,[46] even if funds were available.

More than a decade after enactment of QHWRA, the number of public housing units nationally has declined steadily, as more units are torn down than are rebuilt (see **Figure 1**). The HOPE VI program, which had become at least partly responsible for declines in the number of units, has had its funding reduced substantially, in part in reaction to concerns about slow spending, and in part in reaction to concerns about displaced residents. With the exception of an infusion of funding from the economic stimulus legislation in 2009,[47] capital funding has remained relatively

[41] U.S. Department of Housing and Urban Development (HUD), "HUD Reinvention: From Blueprint to Action," March 1995.

[42] According to testimony of John C. Weicher, Assistant Secretary for Housing-Federal Housing Commissioner-Designate, U.S. Department of Housing and Urban Development (HUD), before the Senate Committee on Banking, Housing and Urban Affairs, May 15, 2001: "[T]here were numerous proposals from Republican members of Congress to abolish HUD, among them: a group of freshmen Congressmen; Sen. Faircloth, who was chairman of the HUD Oversight subcommittee of this Committee; and Sen. Dole, the majority leader and leading Presidential candidate. [] In 1996, the Republican platform included a plank to abolish HUD."

[43] The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA; P.L. 104-193) abolished the Aid to Families with Dependent Children (AFDC) program, which had provided a cash assistance entitlement to low-income families. PRWORA replaced AFDC with the Temporary Assistance for Needy Families (TANF) program, a flexible block grant to states that required states to implement time limits and work requirements for cash assistance recipients. For more information, see CRS Report RS20807, *Short History of the 1996 Welfare Reform Law*, by Joe Richardson and Vee Burke.

[44] See 42 U.S.C. 1437g(g)(3)

[45] Christopher Logan, Hin-Kin Lam, and Seth Cooper, et al., *Analysis of Total Development Costs in Public Housing*, Abt Associates, Inc., for U.S. Department of Housing and Urban Development (HUD), Final Report, Washington, DC, July 1998, p. 1.

[46] Net new development refers to the development of additional units of housing, as opposed to units built to replace other units that were demolished or disposed of.

[47] American Recovery and Reinvestment Act of 2009, P.L. 111-5.

level, despite a backlog in unmet capital needs. While PHAs have begun leveraging their public funds to raise private capital, the potential for leveraging sufficient funds to meet the full backlog of needs is limited. Given the reality of declining units, questions remain about the future of the public housing stock and the program's role in the future of federal housing assistance.

Overview of the Program

The following section of this report provides basic information about today's public housing program. It begins with a discussion of the unique administrative structure of the program, followed by a discussion of the program's policies and rules as they apply to public housing residents. For a more detailed description of program policies, see the program regulations at 24 C.F.R. Parts 901-972 and in the Public Housing Occupancy Guidebook.[48]

Administration

Public housing has a unique administrative structure that pairs local administration and local discretion with federal funding and federal regulations. Public housing properties are owned and managed by quasi-governmental local public housing authorities (PHAs). PHAs have contracts, called Annual Contributions Contracts (ACCs), with the federal government. Under the terms of their contracts, PHAs agree to administer their properties according to federal rules and regulations, and in exchange they receive federal funding in the form of operating and capital grants (discussed later in this report under "Funding"). These federal rules and regulations provide PHAs with more discretion in developing some policies (such as the admissions process), but less discretion in developing other policies (such as the income determination process). In areas where PHAs do have discretion to set local policies, they are required to develop those policies through a public process that allows for—and responds to—community feedback.

PHAs

PHAs were, for the most part, created by states in response to the federal government's creation of the low-rent public housing program. Their authorities and structures are dictated by the state laws under which they were chartered. PHAs typically have an executive director as well as a governing board. The board generally has members appointed by local government officials, but it may also have elected members. The board's role is generally to approve policy, clarify goals, and delegate responsibility and authority to the executive director, who acts on its behalf. While PHAs' governing structures are dictated primarily by their state charters, federal law mandates that, unless otherwise exempted, PHA boards must include at least one resident.[49]

While PHAs were created for the purpose of administering the federal low-rent public housing program, their missions have expanded over the years. Some PHAs administer state and local housing programs[50] and act as affordable housing developers in their communities. PHAs are also

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[48] U.S. Department of Housing and Urban Development (HUD), Public Housing Occupancy Guidebook, http://www.hud.gov/offices/pih/programs/ph/rhiip/phguidebook.cfm.

[49] 42 U.S.C. 1437(b).

[50] Some PHAs also own and manage state-funded, non-federal public housing. In the early years of the public housing program, some states—including Massachusetts and New York—developed their own state-funded public housing. (continued...)

responsible for administering the federal Section 8 Housing Choice Voucher program;[51] in fact, some PHAs no longer administer public housing and only administer the voucher program.

There are over 3,000 PHAs, and they vary in size from the very small to the very large. **Table 1** provides a breakdown of PHAs that administer public housing by size. The vast majority of PHAs—75% of all PHAs—are small (administering fewer than 250 units), but small PHAs only administer about 18% of all public housing units nationally. Over half of all units are administered by large PHAs (1,250+ units). One PHA, the New York City Housing Authority (NYCHA) is noticeably larger than most other PHAs and accounts for over 17% of all public housing units nationwide.

Table 1. PHAs, by Size

Categories of Size	Number of PHAs	Percentage of PHAs	% of Units
NYCHA	1	0%	17%
1250+ units	124	4%	38%
500-1249 units	225	7%	15%
250-499 units	423	14%	13%
50-249 units	1541	50%	16%
Less than 50 units	782	25%	2%
Total	3,096	100%	100%

Source: Based on data available from HUD at http://www.hud.gov/offices/pih/programs/hcv/ogddata/lowrent-s8-units.zip, accessed on December 20, 2012. Data represent units under management as of December 9, 2012.

Part of the reason there are so many small PHAs is the way they were created by states; they were typically tied to a specific locality, such as a county or unit of local government. In recent years, there has been an increase in the number of smaller PHAs that have merged or formed consortia. In some cases, these mergers or consortia are designed to allow the agencies' programs—particularly the Section 8 voucher program—to be administered across a metropolitan region that crosses jurisdictional boundaries. In other cases, these mergers and consortia are meant to reduce administrative costs—for example, by requiring only one executive director for the consortia instead of one for each PHA—and to achieve efficiencies of scale. Academic researchers,[52] as well as the Bush[53] and Obama Administrations,[54] have encouraged further PHA consolidation.

(...continued)

State-funded public housing is not under contract with the federal government, and therefore it does not receive federal funding and is not subject to federal program rules. Over the years, many units of state-funded public housing have been "federalized" by Congress and HUD, meaning they have been absorbed into the public housing stock.

[51] For more information on the Section 8 voucher program, see CRS Report RL32284, *An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance*, by Maggie McCarty.

[52] Bruce Katz and Margery Austin Turner, "Who Should Run the Housing Voucher Program? A Reform Proposal," Working paper prepared for the Brookings Institution Center on Urban and Metropolitan Policy, November 2000. This report is focused on PHA consolidation for the purposes of the Section 8 voucher program.

[53] In his FY2008 budget request, President Bush requested up to $5 million for a PHA bonus fund to encourage PHA consolidation. HUD's Congressional Budget Justifications argued that consolidation of small PHAs would lead to greater efficiencies. The bonus fund was not enacted by Congress.

[54] The Obama Administration's Preserving, Enhancing and Transforming Rental Assistance (PETRA) proposal, discussed briefly later in this report, initially included priority in consideration for funding applications to PHAs that (continued...)

However, PHA consolidation can lead to a loss of local control for municipalities, and may therefore be unpopular with local leaders.

PHA Plans

As a condition of receiving federal funds, PHAs agree to administer their low-rent public housing properties according to federal rules and regulations. However, those rules and regulations give PHAs the discretion to develop their own local policies and procedures in many aspects of the program. Those local policies and procedures must be included in the PHAs' plans.

PHA plans are meant to provide information about how PHAs administer both their public housing and voucher programs as well as their intentions for the future. For anyone interested in a particular PHA's intentions, goals, and policies, the PHA plans can be a valuable resource. According to HUD's regulations:

> The purpose of the plans is to provide a framework for local accountability and an easily identifiable source by which public housing residents, participants in the tenant-based assistance program, and other members of the public may locate basic PHA policies, rules and requirements concerning the PHA's operations, programs and services. (24 C.F.R. 903.3)

PHAs are required to establish two plans: the five-year plan and the annual plan. Both plans must be developed with resident input and public participation, and the plans are subject to HUD approval. The five-year plan describes the PHA's mission, goals, and objectives and the PHA's progress towards meeting those goals and objectives. The goals and objectives are generally related to both the agency's physical housing stock as well as the agency's role in meeting the housing needs of lower-income families in their communities. The annual plan describes the PHA's day-to-day operations and policies. The policies and procedures spelled-out in the annual plan are expected to be consistent with the goals and objectives outlined in the five-year plan. Specifically, the annual plan must include information regarding, among other things,

- housing needs in the PHA's community;
- the PHA's policies that govern eligibility, selection, and admissions (as described in the agency's Admissions and Continued Occupancy Plan);
- the PHA's financial resources, as well as its most recent audit;
- the PHA's rent determination policies;
- the PHA's operation and management, including rules, standards, and policies that govern maintenance and management of housing owned, assisted, or operated by the PHA;
- the extent of capital improvement needs at the PHA's properties;
- any public housing developments designated as housing for the elderly or disabled;

(...continued)

had voluntarily chosen to consolidate.

- any plans to demolish or dispose of public housing, or convert any public housing to vouchers;
- the PHA's community service and self-sufficiency programs; and
- the PHA's safety and crime prevention measures. (24 C.F.R. 903.7)

PHAs are also required to establish Resident Advisory Boards to provide input in the planning process. Members of the Resident Advisory Boards are elected and are public housing residents and, if applicable, voucher holders. PHAs are required to consider Resident Advisory Board recommendations while they are developing their annual and five-year plans.[55]

In addition to soliciting input from residents, PHAs are required to solicit broader community input on their PHA plans. Specifically, PHAs are required to make their draft plans publicly available and hold public hearings on their content. The PHA plan cannot be formally adopted until the public hearing has been completed, the recommendations have been considered, and any changes have been made.[56]

PHAs submit their plans to HUD and they are subject to HUD's approval. HUD reviews the plans to ensure that they are complete, consistent with any other local HUD plans,[57] and consistent with federal law.[58]

Some PHAs are exempted from the annual and/or five-year planning process, and some are eligible for a streamlined annual plan process. Specifically, high performing PHAs, small PHAs (250 or fewer units), and Section 8 voucher-only PHAs are eligible to submit streamlined annual plans. Streamlined plans are not required to contain as much information as full plans, although PHAs must still give notice of how interested parties can obtain the information not contained in the streamlined annual plan. The Housing and Economic Recovery Act of 2008 (P.L. 110-289) included a title that exempted PHAs that administer 550 or fewer combined public housing units and Section 8 vouchers from filing an annual plan. PHAs that are considered troubled are not eligible for this exemption.[59]

PHAs participating in the Moving to Work Demonstration (MTW) may also be exempted from the standard annual and five-year plan requirements, although they are required to submit alternate annual MTW plans. (For an expanded discussion, see "Moving to Work" later in this report.)

Resident Involvement

According to HUD regulations, "residents shall be involved and participate in the overall policy development and direction of public housing operations."[60] There are several ways in which

[55] 24 C.F.R. 903.13

[56] 24 C.F.R. 903.19

[57] Such as a community's Consolidated Plan, which is required to be developed as a condition of receiving HUD grant funds such as Community Development Block Grant (CDBG) funds.

[58] 24 C.F.R. 903.23

[59] HUD published implementing guidance on November 13, 2008, in PIH Notice 2008- 41(HA), "Public Housing Agency (PHA) Five-Year and Annual Plan Process for all PHAs."

[60] 24 C.F.R. 964.135

resident participation in the government and management of public housing is promoted or required. As noted already, most PHAs are required to have at least one resident on their governing boards and PHAs must establish Resident Advisory Boards to provide input in the PHA planning process.

Additionally, public housing residents have the right to organize and elect a resident council to represent their interests.[61] Most PHAs are required to set aside funding for resident participation activities, at least some of which is to be provided specifically for resident councils.[62] PHAs are required to recognize resident councils, and resident councils may provide input in all areas of PHA operations, including but not limited to occupancy, general management, maintenance, security, resident training, resident employment, social services, and modernization priorities.

Taking resident participation one step further, public housing residents may form resident management corporations, which are resident-sponsored entities that may enter into contracts with PHAs to undertake some or all of the management activities at a property (or properties). HUD's regulations state that HUD

> encourages [P]HAs, resident councils and resident management corporations to explore the various functions involved in management to identify appropriate opportunities for contracting with a resident management corporation. Potential benefits of resident-managed entities include improved quality of life, experiencing the dignity of meaningful work, enabling residents to choose where they want to live, and meaningful participation in the management of the housing development. (24 C.F.R. 964.15)

Public Housing Assessment System

HUD annually assesses the performance of the local PHAs that are administering the public housing and Section 8 Housing Choice Voucher programs. The current assessment of public housing program administration is called the Public Housing Assessment System (PHAS). PHAS includes reviews of indicators pertaining to the physical condition of an agency's housing stock, the financial condition of the agency, the agency's management performance, and their spending of capital funding.[63]

PHAs that score 90% or better overall, and at least 60% on all individual indicators (50% on the capital fund indicator) are considered high performers. High performers are eligible for reduced federal oversight (including a stream-lined annual plan, less frequent physical inspections) and may be eligible for bonus funding.[64] PHAs that do not meet the requirements to be considered high performers are considered standard performers if their overall score is at least 60% and they score at least 60% on all of the sub-indicators (50% on the capital fund indicator).

[61] 24 C.F.R. 964 et seq.

[62] 24 C.F.R. 964.150.

[63] PHAS is governed by regulations at 24 C.F.R. 902 et. seq. HUD adopted new interim regulations governing PHAS in mid-2011 (HUD, "Public Housing Evaluation and Oversight: Changes to the Public Housing Assessment System (PHAS) and Determining and Remedying Substantial Default; Interim Rule," 76 *Federal Register* 10136 et. seq., February 23, 2011). The interim rule made several changes, including eliminating a component of PHAS that required a survey of residents' satisfaction.

[64] High performers may be eligible for bonus funding under the Public Housing Capital Fund. For more details, see 24 C.F.R. 905.10(j).

PHAs that score less than 60% overall, or on two or more of the PHAS indicators, are considered "troubled." Once a PHA is designated as troubled, the Secretary must notify the PHA of its status.[65] At the outset of a PHA's designation as troubled, it must develop a plan for its improvement with HUD.[66] In addition to helping agencies develop these plans, HUD has a number of options for aiding troubled agencies.[67] HUD can appoint a recovery team to help develop remedies, provide technical assistance and training, impose financial sanctions, or develop flexible arrangements with agencies tailored to their specific conditions.[68]

If a troubled PHA fails to make adequate progress, it may be found to be in substantial default of its Annual Contributions Contract (ACC)[69] with HUD.[70] A PHA can be found to be in substantial default for violations of the Fair Housing Act (including maintaining segregated public housing), physical deterioration of the public housing stock, management difficulties (ranging from unwillingness or inability to follow HUD's program rules to fraud), or any combination of these factors.

One of the options available to HUD is to place a troubled PHA that is found to be in substantial default in a receivership. Under a receivership, a PHA is stripped of all or part of its authority and that authority is granted to another party, referred to as a receiver. Under an administrative receivership,[71] HUD can either serve as the receiver itself and take temporary possession of all or part of the PHA, or the HUD can select another PHA or private housing management corporation to serve as the receiver and manage all or part of the PHA.[72]

According to HUD data from May 2012, 48% of PHAs administering public housing were considered high performers, 26% were considered standard performers, and 23% were considered substandard, most frequently for management reasons. About 2% of PHAs were considered troubled (with an overall score below a certain threshold and substandard scores on at least two indicators).[73]

Demolition, Disposition, and Conversion

As noted earlier, PHAs have contracts with the federal government governing their public housing properties. Under the terms of those contracts, PHAs must receive HUD's permission to

[65] 42 U.S.C 1437d(j)(3)(B)(I).

[66] 24 C.F.R. 902.75.

[67] Section 565 of the Quality Housing and Work Responsibility Act of 1998 (QHWRA; P.L. 105-276) revised and expanded HUD's powers for dealing with troubled PHAs (codified at 42 U.S.C. 1437d (j)(3)).

[68] 24 C.F.R. §902.83.

[69] The ACC is the contract between a PHA and HUD under which the PHA agrees to administer its public housing program in accordance with federal rules in exchange for receiving federal funding.

[70] HUD may determine that a PHA is in "substantial default" if it is acting in violation of federal statute, if it is in violation of its contract with HUD, or if it has been deemed troubled but has not shown substantial improvement. (24 C.F.R. §902.79)

[71] In some cases, a court may find a PHA in violation of its Annual Contributions Contract, and may choose to place the PHA in a court-ordered and designed "judicial receivership."

[72] For more information, see CRS Congressional Distribution Memo, *Public Housing Authority (PHA) Receiverships*, by Maggie McCarty (contact the author for a copy), July 11, 2008; and U.S. Government Accountability Office (GAO), *Information on Receiverships at Public Housing Authorities*, GAO 03-363.

[73] Based on data available from HUD at http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/reac/products/prodphas/prodphas-scores and accessed on December 20, 2012.

make changes to their public housing stock. Specifically, PHAs must receive HUD's permission to either demolish or dispose of (sell) public housing units that are under contract.[74] Demolition and disposition of public housing is governed by Section 18 of the U.S. Housing Act.

In order for a demolition to be approved, the property must be found to be "obsolete as to physical condition, location, or other factors, making it unsuitable for housing purposes, and no reasonable program of modifications is cost-effective to return the public housing project or portion of the project to useful life."[75]

The criteria for approving a disposition are broader, but PHAs face restrictions on how they can use the proceeds from a disposition. In order for a disposition to be approved, the property must meet the following criteria:

> (a) Conditions in the area surrounding the project (density, or industrial or commercial development) adversely affect the health or safety of the tenants or the feasible operation of the project by the PHA; (b) Disposition allows the acquisition, development, or rehabilitation of other properties that will be more efficiently or effectively operated as low-income housing developments; (c) The PHA has otherwise determined the disposition to be appropriate for reasons that are consistent with the goals of the PHA and the PHA Plan and that are otherwise consistent with the Act. (24 C.F.R. 970.17)

However, the use of the proceeds from a disposition are limited. Unless waived by HUD, the proceeds must be used for the retirement of outstanding obligations. Any remaining proceeds must be used to provide low-income housing, or used for the benefit of the PHA's residents or to secure on-site commercial enterprises that are appropriate to serve the needs of the residents.[76]

If a public housing unit is demolished or disposed of, any displaced tenants must be provided with relocation assistance,[77] including comparable replacement housing. Replacement housing is generally provided in the form of either a residence in another public housing unit or a

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[74] The use restrictions associated with the annual contributions contracts renew each year when a PHA accepts public housing funding through the capital and operating funds (described later in this report).

> Property acquired or developed with funds from the U.S. Housing Act of 1937 must be operated as public housing for a 40-year period that begins on the date on which the project becomes available for occupancy, as determined by HUD. This 40-year period is extended if PHA receives other funding, such as Capital Funds or Operating Funds…. Property modernized or receiving assistance of Capital Funds from the U.S. Housing Act of 1937 must be operated and maintained as public housing for a 20-year period that begins on the latest date on which modernization is complete or assistance is provided with Capital Funds covered by the Capital Fund ACC Amendment. The 20-year requirement may extend the use of the property as public housing beyond the original 40-year ACC requirement or beyond any requirement incurred as a result of receiving Operating Funds.… Property that receives Operating Funds from the U.S. Housing Act of 1937 must be operated as public housing for a 10-year period beginning upon the conclusion of the fiscal year for which such amounts were provided. The 10-year requirement may extend the use of the property as public housing beyond the original 40-year ACC requirement or beyond any requirement incurred as a result of receiving Capital Funds.

U.S. Department of Housing and Urban Development (HUD), http://www.hud.gov/offices/pih/centers/sac/demo_dispo/

[75] 24 C.F.R. 970.15.

[76] 24 C.F.R. 970.19.

[77] However, demolitions and dispositions under Section 18 of the U.S. Housing Act are not subject to the Uniform Relocation Act (24 C.F.R. 270.21(g); regulations governing the URA can be found at 49 C.F.R. Part 24).

replacement voucher, referred to as a tenant protection voucher, which tenants can use to find housing in the private market.[78]

In addition to demolition and disposition, another way in which properties can leave the public housing stock is through conversion to vouchers. In 1996, Congress enacted a requirement that any property with more than 300 units and a vacancy rate of over 10% be assessed to determine its viability. This was referred to as the Section 202 mandatory conversion requirement.[79] If the assessment determined that it would cost more to rehabilitate the property than to provide residents with vouchers, then the property was to be removed from the public housing inventory in five years. The Quality Housing and Work Opportunity Act of 1998 (QHWRA; P.L. 105-276) rewrote and reinforced the mandatory conversion requirement (renaming it "required conversion") and added a voluntary conversion policy. Specifically, under QHWRA PHAs are required to assess for conversion all of their developments with 250 or more units and low occupancy. Covered developments must be converted to vouchers if the cost of modernizing them and operating them as public housing exceeds the cost of providing tenant-based vouchers. PHAs may choose to *voluntarily* convert developments in cases where it would (1) be beneficial to the residents, (2) be beneficial to the surrounding area, and (3) not have an adverse effect on the availability of affordable housing in the area. Voluntary conversions must also be cost-effective.

Since 2006, PHAs have been required to review their inventory annually to determine whether any of their public housing units must be removed from the public housing inventory per the required conversion policy.[80] This same assessment may be used by PHAs to determine whether or not to pursue voluntary conversion, although additional factors (the impact on residents, the surrounding community, and affordable housing) must be taken into account.

As of 2009, over 180,000 units of public housing had been removed through demolition or disposition and over 16,000 units had been removed through conversion.[81] (For more information on inventory removals, see **Figure 2** later in this report.)

Eligibility, Rent, Terms of Occupancy

As noted earlier, the low-rent public housing program is governed by federal statute, regulation, and guidance, as well as local discretion and policy making. The following section of this report describes the federal rules and regulations that govern the basic aspects of the public housing program. However, given the amount of local discretion in the program, for any particular community the best place to learn a PHA's specific policies is the PHA's plans.

[78] 24 C.F.R. 970.21.

[79] Section 202 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (P.L. 104-134).

[80] HUD published final rules implementing QHWRA's required and voluntary conversion requirements in the *Federal Register* on September 17, 2003, with an effective date of March 15, 2004. However, the rules were inoperable, as a separate cost methodology for undertaking the assessment of properties for cost-effectiveness was not available. HUD published the final cost comparison methodology on March 20, 2006.

[81] Based on data provided to CRS by HUD. Please note that more recent data have not been made publicly available by HUD.

Eligibility

Today's public housing program is meant to provide assistance to low-income families,[82] so families must meet certain income standards in order to be eligible to live in public housing. In general, families must be low-income—having gross income at or below 80% of Area Median Income (AMI)[83]—at the time they apply to live in public housing. "Income" is defined in federal statute as income from all sources from all members of the household, including imputed income from assets, with some exceptions.[84]

Further, in order to be eligible the family must be comprised of citizens and/or eligible non-citizens.[85] If a family has "mixed status" (including members who are not citizens and not eligible non-citizens), then the family may live in public housing but the ineligible member is not permitted to receive assistance. This is accomplished by providing the family with a prorated benefit, which means the family must pay higher rent.[86]

Application, Waiting List, and Preferences

Families who wish to live in public housing must apply to their local PHA. Depending on the policies of the PHA, the household can apply to live in a specific property or any property within the PHA's inventory.[87] Some PHAs have designated properties as being available only to persons who are elderly or have a disability. Families who wish to live in such properties must be either elderly or have a disability.[88]

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[82] For the purposes of the public housing program, a "household" is defined as a family, including, where appropriate, a live-in aide (24 C.F.R. 5.100). A "family" is defined as including, but not limited to, a family with or without children, an elderly family, a near-elderly family, a disabled family, and the remaining member of a tenant family, and a single person who is not an elderly or displaced person, or a person with disabilities, or the remaining member of a tenant family (24 C.F.R. 5.403). This is the extent of the HUD guidance on the subject. Individual PHAs may add further clarification in their Admissions and Continued Occupancy plans, for example, defining a family as a group of individuals who have evidenced a stable family relationship. The terms family and household are used interchangeably in this report.

[83] HUD establishes income limits, based on area median incomes, for all metropolitan areas and counties in the country each year and publishes those limits on the department's website.

[84] There are some forms of income that are statutorily excluded from income for the purpose of housing programs. Examples include income earned by full-time students under age 18, foster care maintenance payments, and the value of food stamps. See 24 C.F.R. 5.609.

[85] 24 C.F.R. Part 5, Subpart E.

[86] For more information, see CRS Report RL31753, *Immigration: Noncitizen Eligibility for Needs-Based Housing Programs*, by Alison Siskin and Maggie McCarty.

[87] If a PHA wishes to implement site-based waiting lists rather than central waiting lists, it must include that policy in its annual plan and HUD will approve the change as a part of the annual plan review. PHAs with site-based waiting lists must ensure that their policies are in accordance with fair housing law and meet other requirements. See 24 C.F.R. 903.7(b)(2).

[88] If a PHA wants to change the composition of a building to only elderly residents, it must submit a plan to HUD to ask for approval. If the plan is approved, PHAs cannot evict non-elderly residents with disabilities, although PHAs may help residents relocate if they want to move. The law also requires that if a PHA is unable to rent an available unit to an elderly household within 60 days, it must make the unit available to near-elderly tenants (where the head of household or spouse is age 50 or older). If the unit cannot be rented to near-elderly families, then it must be made available to all families. For more information on housing for persons who are elderly, see CRS Report RL33508, *Section 202 and Other HUD Rental Housing Programs for Low-Income Elderly Residents*, by Libby Perl.

The demand for public housing is greater than the supply in most communities; as a result, a family is typically assigned to a waiting list once it applies for public housing. Waiting lists can be several months long, several years long, or even closed to new applicants. PHAs must establish policies related to how they will administer their waiting lists and include those policies in their annual plan. As a part of their waitlist management, PHAs may set local preferences, as long as those preferences are not in violation of federal civil rights law. Examples of allowable preferences include preferences for working families, families who are elderly or disabled, or veterans. Once a PHA has established preferences, it can then choose whether to apply, among families of the same preference category, a first-come, first-served selection policy or a random selection process.[89]

Targeting and Deconcentration

PHAs are charged with balancing two competing priorities in their public housing programs: serving the neediest families and deconcentrating poverty. Federal law requires that PHAs ensure that at least 40% of families admitted to public housing in a year are extremely low-income (defined as income at or below 30% of area median income).[90] At the same time, federal law also prohibits PHAs from concentrating very low-income families in public housing dwelling units in certain projects or buildings within projects.[91] PHAs are required to submit to HUD plans that explain how their admissions policies promote deconcentration of poverty and income mixing by bringing higher-income tenants into lower-income properties and lower-income tenants into higher-income properties.[92]

Screening

In addition to ensuring that families meet income eligibility standards, PHAs are also required to screen families to ensure that they are "suitable for tenancy."[93] Federal law prohibits PHAs from admitting household members who (1) have been convicted of producing methamphetamines on federally assisted housing property or (2) are subject to lifetime registration on a state sex offender registry.[94] Federal law also requires PHAs to prohibit admission for household members who (1) were evicted from federally assisted housing for participating in drug-related criminal activity in the prior three years and have not undergone rehabilitation, (2) are actively engaging in illegal drug use, or (3) have exhibited a pattern of illegal drug use.[95] These last three categories are subject to PHA interpretation, in that they leave discretion to the PHA to determine whether a family member has completed rehabilitation, is currently engaging in illegal drug use, or has exhibited a pattern of illegal drug use.

[89] 24 C.F.R. 960.206.

[90] 42 U.S.C. 1437n(a)(2). PHAs that also administer a voucher program may be able to reduce this targeting requirement if they exceed the targeting requirement in the voucher program. See 24 C.F.R. 960.202(b).

[91] 42 U.S.C. 1437n(a)(3).

[92] See 24 C.F.R. Part 903, Subpart A for more information on the Deconcentration Plan.

[93] 24 C.F.R. 960.203(c).

[94] 42 U.S.C. 13663.

[95] 42 U.S.C. 13661-13662.

In addition to the federal prohibitions, PHAs may adopt additional discretionary screening criteria.[96] PHAs may establish policies that prohibit admission of households who have other criminal convictions, have poor credit histories, have poor rental histories, or who fail to meet other criteria set by the PHA. PHAs that choose to adopt elective screening criteria must ensure that the criteria are not discriminatory or in violation of the Fair Housing Act.

Rent

Federal housing law has generally defined housing as "affordable" to lower-income families if it costs no more than 30% of family income.[97] To ensure that the low-income families in public housing are paying affordable rents, federal law bases tenant rent on family income. In the public housing program, a family's rent is calculated as the highest of the following:

- 30% of the family's monthly *adjusted* income;
    - "Adjusted income" is total family income, less any deductions. Examples of deductions include
        - $480 for each dependent;
        - $480 for elderly or disabled households;
        - any unreimbursed medical expenses that exceed 3% of household income for elderly and disabled households;
        - certain child care expenses for working families with children;
        - in some cases, 100% of new earnings in the first year of new work and 50% of new earnings in the second year of new work, referred to as the earned income disregard;[98] and
        - additional deductions, at the discretion of the PHA.[99]
- 10% of the family's *gross* monthly income;
- welfare rent,[100] if applicable; or
- a minimum rent (up to $50) set by the PHA.[101]

Flat Rents

Each year, PHAs must provide each family living in public housing the option to pay a flat rent in lieu of an income-based rent. Flat rents are market comparable rents established by each PHA.

[96] 24 C.F.R. 960.203.

[97] For more information about income and rent policies, see CRS Report R42734, *Income Eligibility and Rent in HUD Rental Assistance Programs: Responses to Frequently Asked Questions*, by Libby Perl and Maggie McCarty.

[98] For more information about the earned income disregard, see 24 C.F.R. 960.225.

[99] Historically, PHAs have not been reimbursed by HUD for the costs of discretionary deductions.

[100] 42 U.S.C. 1437a: "[if] the family is receiving payments for welfare assistance from a public agency and a part of such payments, adjusted in accordance with the family's actual housing costs, is specifically designated by such agency to meet the family's housing costs, the portion of such payments which is so designated."

[101] 24 C.F.R. 5.628.

The idea behind flat rents is to encourage families to increase their earnings; if a family's income increases, the family's rent does not increase under a flat-rent model. Any time that a family faces a decrease in income and paying flat rents becomes a financial hardship, the family may request to switch back to income-based rents.[102]

Utilities

Federal housing policy considers utilities to be a part of the housing costs of a family. Therefore, their costs are generally included when subsidizing tenants' housing costs. If a public housing development has individually metered units and the utilities are not included in the rent, then the PHA has the option to either pay a utility reimbursement directly to the family or pay the utility provider on behalf of the family. Each PHA is required to develop a schedule of utility allowances.[103] Those utility allowance schedules—which can be based on past patterns of consumption or other estimates of reasonable utility costs—are used to determine how much a PHA will pay toward a household's utility bills and to determine if households living in properties with PHA-paid utilities should pay an additional charge if they have excess consumption.[104]

Reexamination

Families' household composition and income are reexamined annually for rent determination purposes. Families are required to provide any necessary information and PHAs are required to obtain third party verification of family income, asset values, expenses related to deductions, and other factors. Families may request interim reexaminations if they have a change in income or family composition. PHAs must adopt policies governing interim reexaminations—such as whether families are required to report an increase in income or change in family size between annual reexaminations—and include those policies in their admissions and continued occupancy plans as well as in the lease.[105]

Community Service Requirement

At reexamination, families' compliance with the public housing community service and self-sufficiency requirement is also assessed. Under the requirement, non-elderly, non-disabled residents of public housing who are not otherwise exempted are required to participate in eight hours per month of either community service or economic self-sufficiency activities in order to retain their public housing.[106] (For more information, see CRS Report RS21591, *Community Service Requirement for Residents of Public Housing*, by Maggie McCarty.)

[102] 24 C.F.R. 960.253(b).

[103] The utilities for which allowances may be provided include electricity, natural gas, propane, fuel oil, wood or coal, and water and sewage service, as well as garbage collection.

[104] 24 C.F.R. 965.506 and 24 C.F.R. 5.632.

[105] 24 C.F.R. 960.259 and 24 C.F.R. 966.4(c).

[106] 24 C.F.R. 960 Subpart F.

Termination of Tenancy

There are no federal time limits governing how long a family can live in public housing. As long as a family wishes to remain in public housing, and as long as they continue to pay their rent and comply with program rules, they can continue the residency.[107] PHAs are authorized to evict families whose incomes increase above the low-income limit, but they are not required to evict these "over-income" families.[108]

As is the case with screening, there are some federally determined, mandatory grounds for terminating tenancy or evicting families[109] and PHAs are also permitted to determine their own grounds for eviction. Federal law requires that PHAs terminate the assisted tenancy of any member of the household who is convicted of producing methamphetamine on federally assisted housing property.[110] PHAs are encouraged by HUD, but not required by law, to evict persons subject to lifetime registration on a state sex offender registry.[111]

Federal law also requires that PHAs adopt policies establishing that drug-related criminal activity, illegal drug use, or other criminal activity that threatens the health, safety, or right to peaceful enjoyment of other residents is grounds for termination of tenancy or assistance. In addition, PHAs are required to establish standards that allow termination of tenancy for alcohol abuse or provision of false information related to drug or alcohol abuse. PHAs may also establish additional grounds for termination of tenancy, such as other criminal conduct.

One important aspect of PHA discretion in termination cases relates to how it is applied. First, in most cases PHAs can determine when a household has met the threshold for termination of tenancy. Second, PHAs are permitted to determine whether the tenancy of the entire household should be terminated because of the actions of one member of the household, or even a guest of the household. PHAs have the discretion to request that an offending member be removed from the household, that an offending guest be barred from the property, or that the entire household's tenancy be terminated.[112]

Tenant Grievance Procedure

Tenants living in public housing are permitted to challenge decisions made by the PHA regarding tenants' individual circumstances as well as PHA policies that may adversely affect the tenants' rights, duties, welfare, or status. Each PHA is required to develop a written grievance procedure

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[107] Some PHAs participating in the MTW demonstration program (described later in this report) have adopted time limit policies for public housing residents.

[108] PHAs are not permitted to evict families solely for being "over-income" if they are participating in the Family Self Sufficiency program or are receiving the earned income disregard (24 C.F.R. 960.261).

[109] Termination of tenancy does not necessarily mean eviction in all cases. A unit may be considered unassisted while it is occupied by an ineligible family.

[110] 42 U.S.C. 1437n(f).

[111] See HUD Notice PIH 2009-35(HA), "State Lifetime Sex Offender Registration," issued September 9, 2009.

[112] The concept of "no fault" eviction was litigated up to the Supreme Court, which ultimately ruled in favor of the policy. For more information, see CRS Report RS21199, *No-fault Eviction of Public Housing Tenants for Illegal Drug Use: A Legal Analysis of Department of Housing and Urban Development v. Rucker*.

that includes both an informal process for resolving grievances as well as an informal hearing process.[113]

Additional Programs and Services

Resident Supports

The families served by the public housing program are low-income and some may have personal difficulties or other barriers that mean they could benefit from supportive services. While there is no dedicated source of funding for providing services for public housing residents, there are several programs through which PHAs can receive funding to hire staff to connect residents with services. The **Resident Opportunity for Self Sufficiency (ROSS)** program provides funding that PHAs can apply for to hire service coordinators to promote economic self-sufficiency among families and/or independent living for persons who are elderly or are living with disabilities. PHAs that wish to receive ROSS service coordinator funding apply to the Notice of Funding Availability (NOFA) published by HUD each year in the *Federal Register*. **The Public Housing Family Self Sufficiency (FSS)** program is similar to the ROSS program in that it funds the hiring of service coordinators and uses the NOFA process.[114] The main difference is that the FSS program is specifically designed to link participating families to supportive services aimed at improving self-sufficiency. Families who agree to participate establish goals to be met within a five-year period and may be eligible to have any increased rent attributable to increased income deposited in an escrow account that they can access after five years. Some PHAs have service coordinator funding built into their operating funding.[115]

Section 3

Section 3 of the Housing and Urban Development Act of 1968, as amended, establishes a requirement that certain recipients of HUD funding, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- and very low-income individuals, including residents of public housing, in connection with HUD-funded projects and activities in their communities. The requirement specifically applies to all public housing funding, as well as other housing and community development funds spent on housing construction or rehabilitation. Under Section 3, PHAs and their contractors and subcontractors are required to make their best efforts, consistent with federal, state, and local laws and regulations, to give to low- and very low-income persons employment and training opportunities generated by funds from development assistance, operating assistance, and modernization assistance. These three categories encompass virtually all federal public housing funding received by PHAs. The act establishes priority categories for low- and very low-income families to whom such opportunities should be provided, with the first being residents of those developments for which the assistance is expended, the second being residents of other developments managed by the PHA, the third being

[113] 24 C.F.R. Part 966, Subpart B.

[114] In some years, FSS is funded within ROSS, in other years, it is funded separately.

[115] Some PHAs received a renewable grant for elderly disabled service coordinator funding in 1995 and the renewal of that funding has not been built into their annual funding from HUD, called the Elderly Disabled Service Coordinator program.

participants in the Youthbuild program, and the fourth being low- and very low-income persons residing within the metropolitan area or non-metropolitan county.[116]

Public Housing Homeownership

PHAs are permitted to promote public housing resident homeownership in three ways: (1) by selling portions of public housing properties to residents, (2) by using some of their public housing capital funds to provide assistance to public housing residents wishing to become homeowners, or (3) by using some of their public housing capital funds to purchase homes to resell to public housing residents. PHAs that wish to pursue public housing homeownership must establish a plan that is then submitted to HUD for approval.[117] This option has not been widely used; as of May 2009, about 6,000 units of public housing had been sold to residents.

Moving to Work

The Moving to Work Demonstration (MTW) was authorized by Section 204 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (P.L. 104-134).[118] The purpose of MTW was to provide HUD and PHAs the flexibility to design and test policies to

- reduce cost and achieve greater cost effectiveness in federal expenditures;
- give incentives to families with children where the head of household is working, seeking work, or is preparing for work by participating in job training, educational programs, or programs that assist people in obtaining employment and becoming economically self-sufficient; and
- increase housing choices for low-income families.

Under Moving To Work, up to 30 agencies could apply to HUD for waivers of most rules under the U.S. Housing Act of 1937 (P.L. 75-412).[119] With HUD approval, MTW agencies can merge their Section 8 voucher, public housing capital, and public housing operating funds; alter eligibility and rent policies, modify their funding agreements and reporting requirements with HUD, and make other changes.

Rules outside of the 1937 act, as amended—such as labor requirements and fair housing rules—cannot be waived under MTW, nor can rules governing the demolition and disposition of public housing. Agencies must also agree to serve substantially the same number of people they were serving before the demonstration and they must agree to continue to serve low-income families.

[116] The Section 3 requirement is governed by interim regulations, which can be found at 24 C.F.R. 135 et. seq.

[117] The modern public housing homeownership guidelines were established by the 1998 reform act. Public housing homeownership is governed by Section 32 of the U.S. Housing Act of 1937, as amended. Additional HUD guidance can be found at 24 C.F.R. 906 and HUD's Section 32 Desk Guide, which can be found on HUD's website at http://www.hud.gov/offices/pih/centers/sac/homeownership/section32deskguide.pdf.

[118] QHWRA (P.L. 105-276) authorized a demonstration program similar to MTW, called the Home Rule Grant Demonstration. Under it, up to 100 local jurisdictions were permitted to take over management of public housing with increased flexibility and given the ability to mix capital funds, operating funds, and voucher funds. A notice inviting communities to submit proposals was published in the *Federal Register*; however, no communities applied so the demonstration was never implemented.

[119] Over the years, additional agencies have been added at the direction of Congress.

Agencies participating in MTW have used the flexibility it provides differently. Some have made minor changes to their existing Section 8 voucher and public housing programs, such as limiting reporting requirements; others have implemented full funding fungibility and significantly altered their eligibility and rent policies.[120]

Trends in Units and Characteristics of Properties

Determining the exact number of public housing units is complicated. The number of units under contract between HUD and a PHA at any given point in time is not necessarily the same as the number of physical units currently occupied by eligible families or available for occupancy. PHAs may be receiving funding for units that are temporarily vacant awaiting occupancy of a new tenant, temporarily vacant due to litigation, temporarily vacant awaiting rehabilitation, or permanently vacant awaiting demolition or disposition. There may also be units that are currently occupied that are slated for demolition or disposition and units that are in the process of being rehabilitated or built to replace units that were demolished or disposed of (sold or otherwise removed from the public housing inventory).

Generally, estimates of the current number of public housing units range from over 1.1 million units to just fewer than 1.2 million units.[121]

Figure 1 displays the trend over time in the number of public housing units eligible to receive payment. The public housing program peaked at just over 1.4 million units in the mid-1990s,[122] and the number of units has declined fairly steadily since. The public housing program today has about as many units as it did in the mid-1970s.

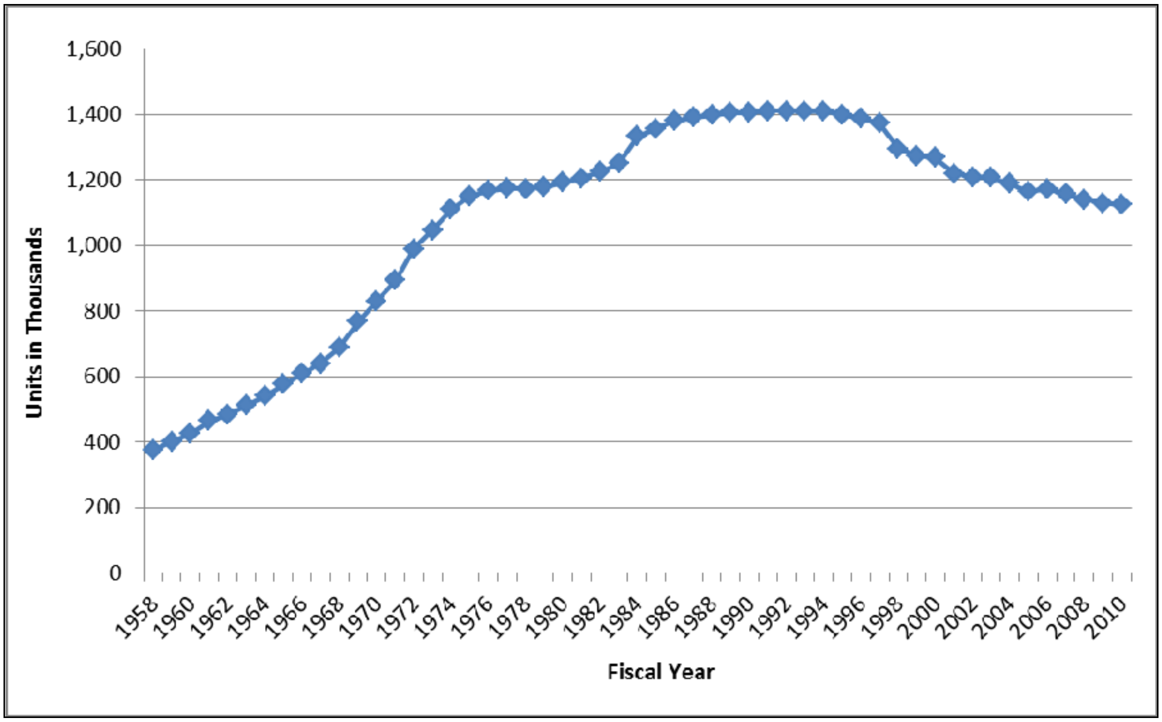
[120] For more information on Moving to Work (MTW), see CRS Report R42562, *Moving to Work (MTW): Housing Assistance Demonstration Program*, by Maggie McCarty.

[121] Historically, each year, HUD's Congressional Budget Justifications have provided an estimate of the number of public housing units that were eligible to receive federal payments. That document indicated that in FY2009, there were 1.14 million public housing units eligible for payment. HUD has also published an annual report on the public housing operating fund in some years. In that report, HUD estimated that 1.18 million public housing units were under contract in CY2009, but only about 1.12 million were eligible for payments from the operating fund. The Center on Budget and Policy Priorities (CBPP) attempted to count the number of units available for occupancy in June 2008 by adjusting data from 2000 for estimates of units removed from the stock and those replaced and then excluding those units that are planned for demolition or disposition. They counted 1.16 million public housing units in 13,926 projects. Inventory data available on HUD's website indicate that in December 2012, PHAs had 1.17 million units under management, although some of those units may be slated for demolition or disposition and thus are not available to tenants: http://www.hud.gov/offices/pih/programs/hcv/ogddata/lowrent-s8-units.zip.

[122] The peak in public housing units available for occupancy came well after the peak in reservations for new units of public housing, given the long development periods for many projects.

Figure 1. Public Housing Units Over Time

(1957-2010)



Source: HUD Congressional Budget Justifications, Units Eligible for Payment. Please note that more recent data have not been made publicly available by HUD.

The stock has been declining for two reasons: (1) PHAs have been demolishing and disposing of public housing units without fully replacing them; and (2) Congress has not authorized the addition of new units of public housing except to replace those being demolished and disposed of since the late 1990s.[123]

Between 1973 and May 2009,[124] nearly 250,000 units of public housing were approved for removal from the public housing inventory and more than 200,000 were actually removed. As shown in **Figure 2**, the rate of removal has increased markedly since the mid-1990s, and the most common way a unit has been removed has been through demolition or disposition, although some units have been converted to vouchers. The rates of demolition and disposition increased markedly in the mid-1990s, which coincided with the creation of the HOPE VI program and the removal of the long-standing requirement that each unit of public housing that is removed from the inventory must be replaced (referred to as one-for-one replacement). According to HUD:

> Although demolition/disposition activity has always been permitted, HUD and its business partners have begun to actively pursue it as a management strategy option in the last ten

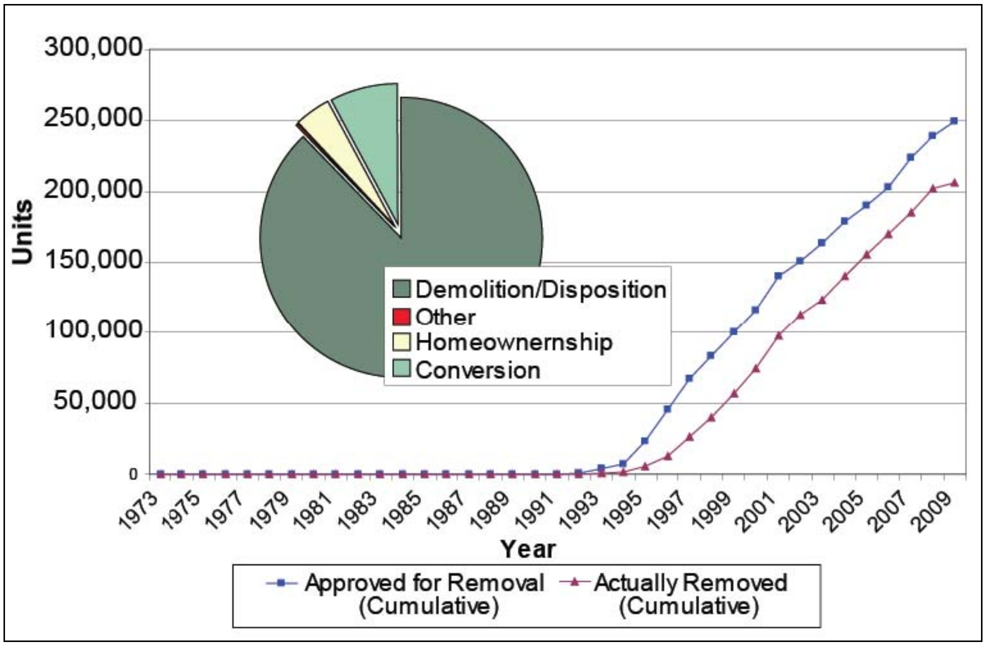
[123] As noted earlier, P.L. 105-276 prohibits PHAs from using federal funding to create net new units of public housing. Since the time that provision was enacted, there has been one exception: the FY2009 economic stimulus act (P.L. 111-5) permitted the construction and acquisition of new units of public housing with the funding it provided. HUD's FY2012 Congressional Budget Justifications indicate that nearly 18,000 units of state-funded public housing were expected to be "federalized" in FY2011 (meaning acquired and converted to federal public housing) under the authority of P.L. 111-5.

[124] Please note that more recent data have not been made publicly available by HUD.

years. This is due to the realization that some developments have difficulties associated not only with physical deterioration, but also with the overall deterioration of the surrounding community. It is also true that a large portion of the housing now being proposed for demolition/disposition was built in the late 1940s and early 1950s, and was built to a standard that is no longer acceptable for the general public. Developments meeting that description have very often become the housing of last resort within their communities.[125]

Figure 2. Public Housing Units Removed from Inventory and Type of Removal

(1973-May 2009)



Source: CRS analysis of data provided by HUD. Please note that more recent data have not been made publicly available by HUD.

Note: Data in the pie chart reflect the distribution of cumulative removals by type over the full period.

The data presented in **Table 2** provide descriptive information about public housing properties. Despite public housing's reputation as "the projects," epitomized by the largest developments in major cities, the most common form for today's public housing projects is notably smaller in scale; high-rise and mixed developments account for less than one-quarter of all public housing properties, while three-quarters of developments are row houses; townhomes; walk-up, garden style, detached, or semi-detached homes; and scattered site housing. Further, less than half of all public housing properties are in central city locations and nearly half are located in low-poverty census tracts.

It is important to note, however, that these data are at the property rather than the unit level.[126] Given that high-rise developments have greater density than other forms of housing and are more often located in central-city and high-poverty areas, the distribution of units is likely to be higher in these areas than that shown by the property data.

[125] U.S. Department of Housing and Urban Development (HUD), http://www.hud.gov/offices/pih/centers/sac/demo_dispo/.

[126] At the time this analysis was completed, unit-level data were not readily available.

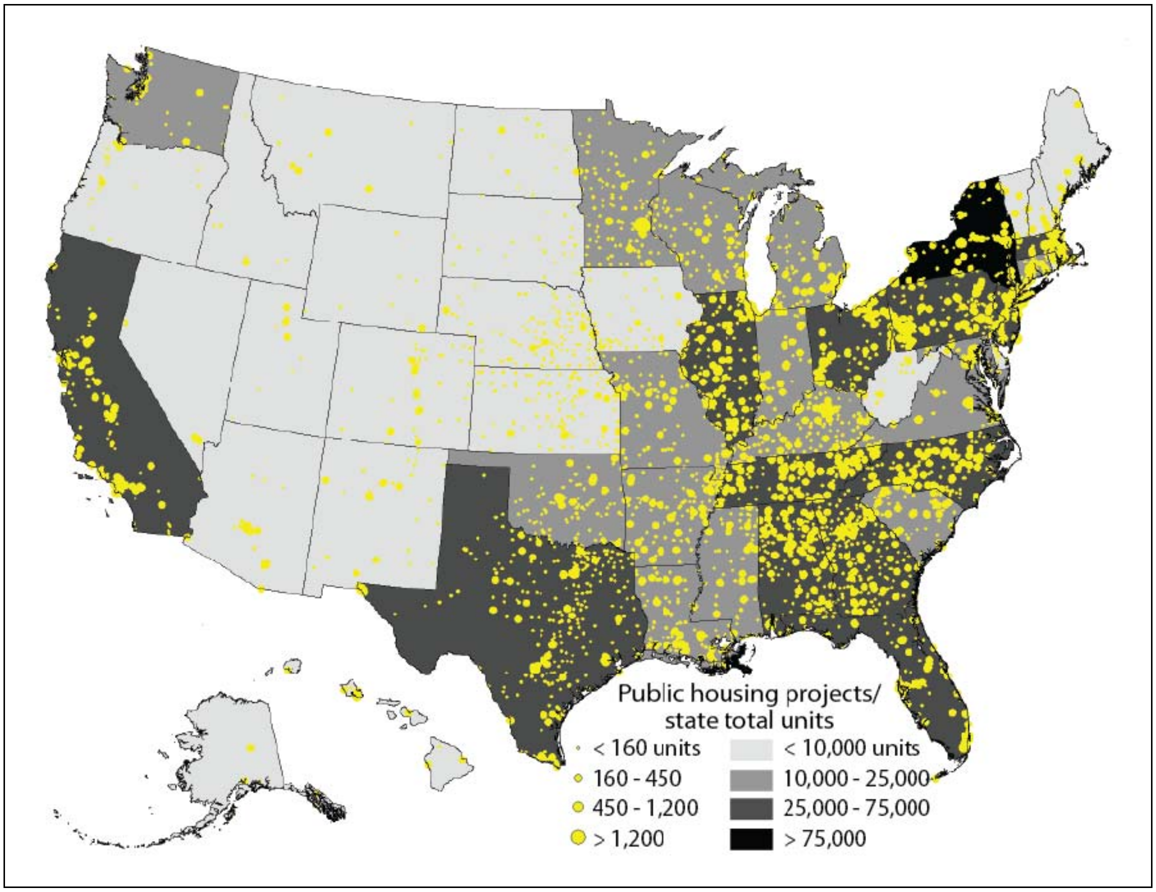
Table 2. Public Housing Property Characteristics, 2009

Size and Age (Projects)	
Average Size	162 units
Median Size	111 units
Average Age	27 years
Average Bedroom Size	1.89 bedrooms
Building Type (Projects)	
Detached/semi-detached	17%
High-rise/mixed	23%
Row/townhouse	26%
Scattered site	22%
Walk-up/garden	13%
Occupancy Type (Projects)	
Family	64%
Elderly/disabled	36%
Location (Projects)	
Central city	41%
Non-central city	23%
Rural	36%
Census tract poverty concentrations	
0-20% poverty	49%
21-30% poverty	21%
31-40% poverty	13%
>40% poverty	18%

Source: HUD, Office of Public and Indian Housing, Real Estate Assessment Center, Financial Management Division, *Operating Fund Annual Report CY2009*, February 24, 2010. Please note that more recent data have not been made publicly available by HUD.

Figure 3 displays the geographic distribution of public housing across the country. States are shaded relative to the number of public housing units within their borders. Superimposed dots indicate the location of individual properties, with the relative size of the property reflected in the diameter of the dot. As shown in the map, New York has the greatest number of public housing units. New York is home to over 13% of the nation's public housing stock and has more than three times the number of units as the state with the next highest number of units (Pennsylvania, which has about 5.5% of the nation's public housing units). New York is also home to the largest public housing projects, with several having well over 2,000 units. While New York has the greatest number of units and the largest projects, both Texas and Pennsylvania have more public housing projects than New York. Overall, public housing is predominately located in the eastern half of the United States.

Figure 3. Geographic Location of Public Housing Properties and Units, 2008



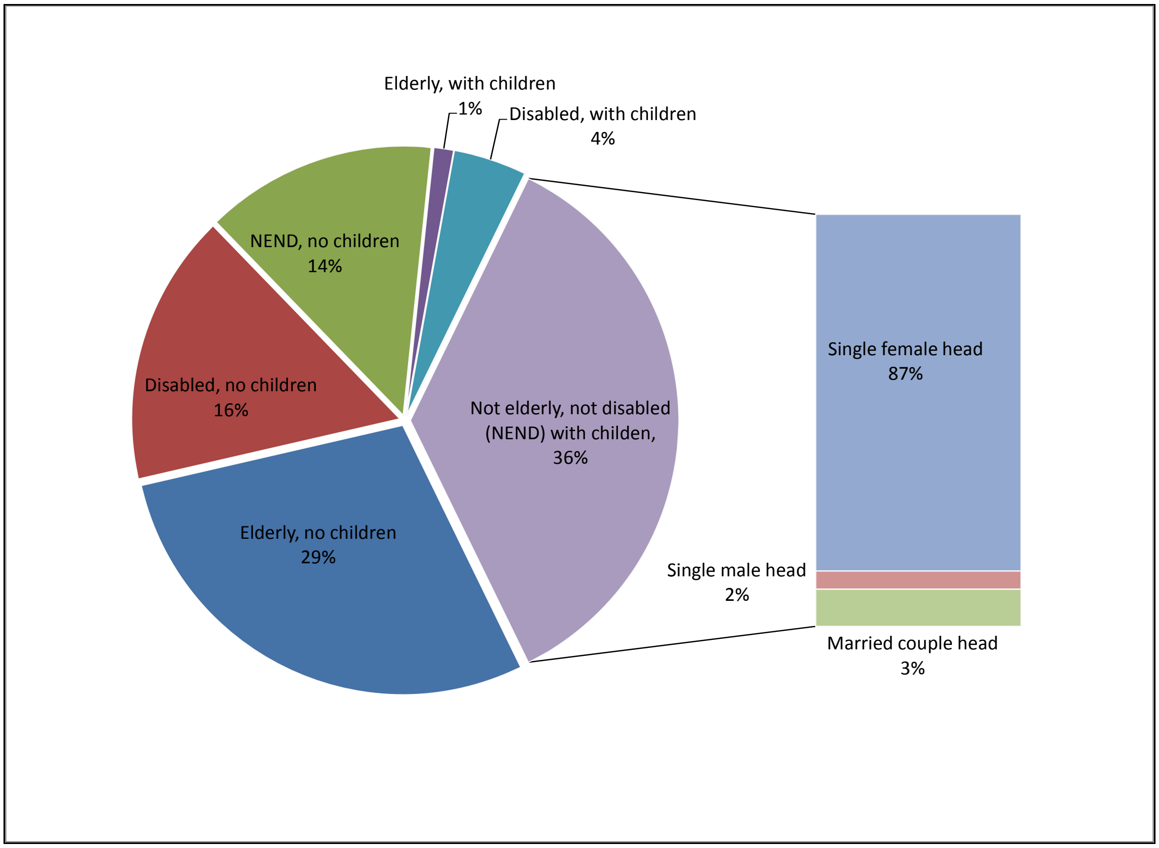
Source: Map prepared by CRS using data from HUD's Picture of Subsidized Housing 2008 dataset.

Characteristics of Tenants

Unlike other social assistance programs that target specific subpopulations of low-income individuals and families (such as persons who are elderly, persons who are living with disabilities, or families with children), public housing is available to all types of low-income families and individuals. As shown in **Figure 4**, today's public housing program serves families headed by persons who are elderly, persons who have a disability, and persons who are not elderly and not living with a disability, with and without children. While no one household type accounts for the majority of public housing families, the most common household type in public housing is families headed by persons who are not elderly, not living with a disability, and have children. These families account for over one-third of all households in public housing. Looking at the breakout of these families, the vast majority are single parent, female-headed households.

Elderly households without children are the second largest category, accounting for over a quarter of all households. Households where the head of household is living with a disability (including both those with and without children) account for about one-fifth of total households. Overall, there are more families without children (59% of all households) than with children (41%) in public housing.

Figure 4. Families in Public Housing by Household Type, 2010



Source: CRS analysis of data provided by HUD. Please note that more recent data have not been made publicly available by HUD.

Notes: Household types are derived by the elderly or disabled status of the household head. Totals may not add due to rounding.

The over 1.26 million families living in public housing are made up of over 2.7 million people. The overall average household size in 2010 was 2.2 people; families with children tended to be larger (an average of 3.5 people per family) and families without children tended to be smaller (an average of 1.3 people per family). Of the over 2.7 million people living in public housing in 2010, about 40% were children under the age of 18 and about 15% were adults over the age of 62.

In terms of race and ethnicity, just under half of all households living in public housing in 2010 were headed by a person who identified his or her race as white, and just under half of all households were headed by a person who identified his or her race as black. Twenty-one percent of households were headed by a person who identified his or her ethnicity as Hispanic.

Table 3. Race and Ethnicity of Heads of Household, 2010

Head of Household Race	
White	49%
Black	47%
American Indian/Alaskan Native	1%
Asian Pacific Islander	2%
Head of Household Ethnicity	
Hispanic	21%
Non-Hispanic	79%

Source: CRS analysis of data provided by HUD. Please note that more recent data have not been made publicly available by HUD.

With income restrictions on eligibility for public housing, households living in public housing are low-income. As shown in **Table 4**, the median family income of households living in public housing in 2010 was $9,644 per year. To give this number context, it can be compared to the national poverty guidelines, which are used to define who is "poor" and therefore may be eligible for a number of other social assistance programs.[127] Comparing the median income of all households living in public housing to the two-person poverty guidelines for 2010 ($14,570),[128] the median income of families living in public housing was only about two-thirds of the poverty guideline. Comparing the median income of non-elderly, non-disabled families with children to the three-person poverty guidelines ($18,310),[129] median family income for these households was less than half of the poverty guideline in 2010.

Table 4. Median Family Income of Households Living in Public Housing, by Household Type, 2010

Head of Household Type	Median Gross Income
All households	$9,644
Elderly	$10,704
Disabled	$9,132
Not-Elderly, Not-Disabled (NEND) families w/o children	$8,840
NEND families with children	$8,980

Source: CRS analysis of data provided by HUD. Please note that more recent data have not been made publicly available by HUD.

[127] The poverty guidelines are issued annually by the U.S. Department of Health and Human Services (HHS) and are a simplified version of the poverty thresholds developed by the Census Bureau for statistical purposes. The poverty guidelines are used for administrative purposes such as determining financial eligibility for certain federal programs. The poverty guidelines are used for this discussion for the sake of simplicity. The full set of guidelines can be accessed at http://aspe.hhs.gov/poverty/10poverty.shtml.

[128] The two-person threshold was chosen for comparison because the median household size in the public housing program is two.

[129] The three-person threshold was chosen for comparison because the median household size of non-elderly, non-disabled families with children in the public housing program is three.

Note: Elderly and Disabled Household Types refer to the elderly status or non-elderly disabled status of the head of household. Those households may or may not have children.

Different types of families living in public housing receive their income from different sources. As shown in **Table 5**, in 2010, over 80% of all elderly households reported receiving income from Social Security or pensions. Most households headed by persons with disabilities reported receiving Supplemental Security Income (SSI) and/or other Social Security or pension income. Non-elderly, non-disabled (NEND) families with children reported receiving income from a variety of sources. Over half reported income from work, 45% reported some income from welfare (defined as payments from the Temporary Assistance for Needy Families (TANF) program or state General Assistance (GA) programs), and over one-fifth reported some income from child support payments. About 5% of all households reported receiving no income from any source.

Table 5. Source of Income by Household Type, 2010

(Percentages of households reporting any income from selected sources)

Household Type	Work	TANF or GA (Welfare)	Child Support	Supplemental Security Income	Social Security or Pension
Elderly	10	16	-	37	81
Disabled	10	31	4	63	52
NEND families w/o children	57	24	2	6	7
NEND families with children	52	45	22	9	6

Source: CRS analysis of data provided by HUD. Please note that more recent data have not been made publicly available by HUD.

Note: Elderly and Disabled Household Types refer to the elderly status or non-elderly disabled status of the head of household. Those households may or may not have children. Totals will not sum to 100% because households can receive income from various sources.

Over the past several decades, social assistance programs have increasingly focused on promoting work and work activities among recipients of benefits, particularly non-elderly and non-disabled families. The community service and economic self-sufficiency requirement in public housing is an example of such a policy. Given the policy interest in increasing work effort among non-elderly, non-disabled families, **Table 6** is provided to offer a closer look at the sources of income for these families. Among non-elderly, non-disabled families, just over half received income from work. The majority of working families were not receiving welfare income (defined as TANF or GA) in 2010. Dividing this population into those with and without children, in both cases the plurality of families received income from work and not welfare, although families without children were receiving income from work at a higher rate than families with children. Twenty-six percent of not-elderly, not-disabled households received income from welfare but not from work; among those families, those with children were more likely to receive income from welfare and not work. Given the work requirements in the federal TANF program, it is likely that most of those families receiving income from welfare are or will be subject to work requirements as a condition of receiving assistance. Just over a quarter of NEND families with children, and just under a fifth of NEND families without children, report receiving no income or receiving income only from non-work and non-welfare sources. These families are the most likely to be subject to the community service requirement in public housing, assuming they are not otherwise exempt.

Table 6. Income from Welfare and Work Among Not-Elderly, Not-Disabled Families (NEND) in Public Housing, 2010

Household Types	Work, No Welfare	Work and Welfare	Welfare, No Work	No Work, No Welfare
All NEND households	40%	13%	26%	21%
NEND with children	43%	13%	25%	19%
NEND without children	51%	6%	17%	26%

Source: CRS analysis of data provided by HUD. Please note that more recent data have not been made publicly available by HUD.

As noted earlier in this report, families living in public housing pay income-based rents. Because the incomes of families living in public housing are quite low, the rents paid by those families are also quite low. As shown in **Table 7**, looking at all households, the median rent paid by tenants in 2010 was $224 per month. Non-elderly, non-disabled families with children paid the lowest rent (under $200), which is not surprising, given that they tend to have the lowest incomes.

In order to provide a sense of the financial benefits to families of living in public housing, **Table 7** also compares the difference between what tenants pay in rent each month and the fair market rent (FMR) in their local communities.[130] In 2010, the median difference was $563 per month for all households. Not-elderly, not-disabled families with children had the greatest difference between the rents they pay to live in public housing and the local FMR, a benefit of nearly $700 per month, or over $8,300 per year.

Table 7. Comparison of Rent Paid by Families Living in Public Housing to Local Market Rents by Household Type, 2010

($)

Household Type	Median Monthly Rent Paid by Household	Median Monthly Difference Between Rent Paid by Household and Local FMR
All households	224	563
Elderly	245	482
Disabled	218	481
NEND w/o children	228	505
NEND with children	194	694

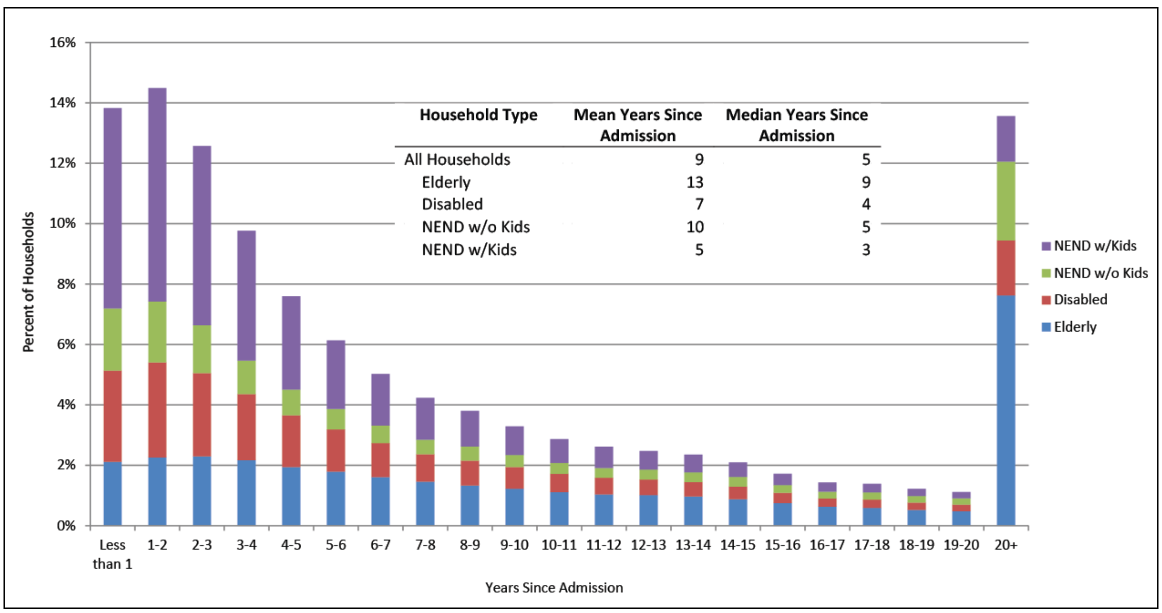
Source: CRS analysis of data provided by HUD. Please note that more recent data have not been made publicly available by HUD.

Note: Elderly and Disabled Household Types refer to the elderly status or non-elderly disabled status of the head of household. Those households may or may not have children. Approximately one quarter of records had missing values for rent paid or FMR and were thus excluded from this analysis.

[130] Fair Market Rents (FMRs) are calculated annually by HUD for each metropolitan area and county in the country. They are meant to represent the cost of modest housing in the community. While not a perfect proxy for the actual market costs that a family may face, they are a useful measure and are often used as a proxy for local market rents.

The public housing program does not impose limits on the length of time a family can live in public housing. Once a family is leasing a public housing unit, the family can continue to renew that lease until it is no longer eligible, either because the family's income increases too much to maintain eligibility or because the family violates program rules in some way. The data presented in **Figure 5** provide a snapshot of the length of tenure of families living in public housing in December 2010. The bars provide a distribution of households by the number of years they have lived in public housing and household type, and the box in the center of the graph presents median and mean length of stay by household type.[131] More than half of all families living in public housing in 2010 had lived there for five years or less. The greatest share of households living in public housing had been in public housing for between one and two years; the next greatest share had been living in public housing for less than one year, although almost the same number had been living in public housing for more than 20 years. While families with children make up the greatest share of those families that have been living in public housing for less than one year, elderly-headed families make up the greatest share of those families that have been living in public housing for more than 20 years. Presumably, many of these elderly-headed families entered the program as a different household type, perhaps families with children, and their category changed as they aged.

Figure 5. Tenure in Public Housing by Household Type, 2010



Source: CRS analysis of data provided by HUD. Please note that more recent data have not been made publicly available by HUD.

Notes: These data present point-in-time tenure data. Such point-in-time data cannot be used for a survival analysis (how long would a given person entering public housing be likely to stay).

[131] This type of point-in-time analysis has limitations. While it shows the makeup of the current population of recipients (the majority of whom have lived in public housing less than five years; and a sizeable minority of whom have lived in public housing for 20 or more years), it does not answer the question of how long a person entering public housing is likely to stay. That type of analysis requires longitudinal data, which are not readily available.

Funding

PHAs sustain public housing through a combination of federal funding, tenant rents, and other investment income. Congress typically appropriates several streams of funding to PHAs to help make up the difference between what PHAs receive in rent from tenants and what it costs to operate and maintain public housing. Operating funds are meant to fund the day-to-day operations of public housing (administration and staffing, utilities, routine maintenance, etc.). Capital funds are meant to help pay for modernization needs, such as replacing a roof or a heating and cooling system, or remodeling units. Both operating funds and capital funds are allocated to PHAs based on a formula. PHAs can also apply for competitive HOPE VI revitalization grants. HOPE VI grants are used to demolish and rebuild, or substantially rehabilitate, severely distressed public housing.

Operating Funding

Operating funds are meant to help pay for day-to-day operations, including utilities, safety and security measures, resident services, and administration. The operating fund provides subsidies to PHAs to make up the difference between what it costs to run public housing and what low-income tenants pay in rent. Under the formula, the calculation for determining a PHA's operating subsidy eligibility uses two components: expenses (meant to represent the cost of running public housing) and income (meant to represent the amount collected in tenant rents). HUD subtracts a PHA's income from its expenses, and the amount by which the income is short of the expenses is the PHA's operating subsidy eligibility.

For a number of years, the amount of appropriations provided by Congress was not sufficient to fund 100% of PHAs' formula eligibility; therefore, amounts provided to PHAs had to be prorated to fit within the amount of appropriations available. From 2005 to 2009, proration levels ranged from about 83% to about 89%.[132] In 2010, the operating fund proration level was over 100%.[133] Due to funding reductions in subsequent years, the proration level was 95% in 2011,[134] 95 % in 2012,[135] and 82% in FY2013.[136]

As previously noted, operating funds are meant to supplement the funds that PHAs receive from tenant rents, their own investments, and other sources. As a result, the percentage of a PHA's public housing operating budget that is made up of federal funds will vary across PHAs and from

132 U.S. Department of Housing and Urban Development (HUD), Office of Public and Indian Housing, Real Estate Assessment Center, Financial Management Division, *Operating Fund Annual Report CY2009*, February 24, 2010.

133 U.S. Department of Housing and Urban Development (HUD), Office of Public and Indian Housing, Real Estate Assessment Center, Financial Management Division, *Explanation of Final Obligations under Public Housing Operating Fund Program for Calendar Year (CY) 2010*, updated November 1, 2010.

134 U.S. Department of Housing and Urban Development (HUD), Office of Public and Indian Housing, Real Estate Assessment Center, Financial Management Division, *Explanation of July-September Obligations Calendar Year 2011 Estimated Eligibility,* June 29, 2011.

135 U.S. Department of Housing and Urban Development (HUD), Office of Public and Indian Housing, Real Estate Assessment Center, Financial Management Division, *Explanation of Final Obligations Under Operating Fund Program For Calendar Year (CY) 2012,* September 25, 2012.

136 U.S. Department of Housing and Urban Development (HUD), Office of Public and Indian Housing, Real Estate Assessment Center, Financial Management Division, *Explanation of October through December Final Obligations Under Operating Fund Program For Calendar Year (CY) 2013,* September 30, 2013.

year to year. According to data from HUD, in 2009, an estimated 61% of PHAs' revenues nationally came from federal operating funds, 34% came from tenant rents, and 5% came from other sources (e.g., investment income, fee income). HUD also provided estimates of how PHAs used their funds: 22% of PHA operating expenditures nationally covered the cost of utilities, 30% went toward administrative expenses, 31% went toward maintenance costs, 11% went toward general expenses, and 3% each went toward tenant services and protective services.[137]

Public Housing Drug Elimination Grants

The Public Housing Drug Elimination Grant program (PHDEP) was funded between FY1991-FY2001. The program initially provided competitive grant funding to PHAs, and later provided formula grants to PHAs, to be used for a variety of safety and security activities. Examples include funding for security guards or patrols, developing after-school program activities and other activities designed to reduce the use of drugs, and making physical changes to public housing to promote security (such as installing security cameras). When the program was ended, it was argued that all of the activities funded under PHDEP could also be funded using operating funding.[138]

Capital Funding

Capital funds are provided via formula to PHAs to help meet the modernization needs of public housing that cannot be met through the income collected via tenant rents. The formula for allocating capital funds uses various measures of relative need (e.g., size and age of stock) and relative construction costs. A portion of capital fund dollars is also generally set aside to provide Replacement Housing Factor (RHF) funding, which is funding set aside to replace units that are demolished or disposed of.[139]

PHAs may use their capital fund dollars for the modernization and development of public housing and for management improvements.[140] Additionally, PHAs may use up to 20% of their capital funds to supplement their operating funding.[141]

Until mid-2011, the most recent assessment of the modernization needs of the nation's stock of public housing was more than a decade old.[142] The 1998 study found that, nationally, public housing properties were accumulating roughly $2 billion in capital needs each year, and that there was a backlog of $18 billion-$20 billion in unmet needs.[143] Since that study was done, many

[137] President's FY2012 Budget Appendix, p. 561. Please note that more recent data have not been made publicly available by HUD.

[138] See HUD's FY2002 Congressional Budget Justifications, http://archives.hud.gov/budget/fy02/cjs/part_1/drugelimin.pdf.

[139] 24 C.F.R. Part 905.

[140] This language is taken from HUD's website, http://www.hud.gov/offices/pih/programs/ph/capfund/index.cfm. A final Capital Fund rule was published on October 23, 2013. It amended 24 C.F.R. Parts 903, 905, 941, et al. and can be accessed at http://portal.hud.gov/hudportal/documents/huddoc?id=CapFundFinalRule2013-23230.pdf.

[141] Section 519 of P.L. 105-276.

[142] In FY2008, Congress directed HUD to complete a new capital needs assessment of public housing. That assessment was underway, but results were not yet available at the time this report was published.

[143] Meryl Finkel, Donna DeMarco, Hin-Kin (Ken) Lam, and Karen Rich, "Formula Capital Study: Capital Needs of the Public Housing Stock in 1998," prepared for the U.S. Department of Housing and Urban Development (HUD), 2000.

public housing units have been demolished or redeveloped; at the same time, capital fund appropriation levels have only hovered around the annual accrual needs level[144] (see **Table 8** for recent funding levels). In the FY2008 appropriations act,[145] Congress directed HUD to conduct a new Capital Needs Assessment in order to obtain a more current estimate of the capital needs of public housing. HUD released the results of the new study in mid-2011. It found that the backlog of capital needs in public housing now stands at about $20.7 billion and that annual needs are accruing at a rate of over $3.4 billion per year.[146] Adjusting for inflation, this would be a decrease in the backlog, but an increase in the annual accrual rate.[147]

Leveraging and Mixed Finance Development

An increasing number of PHAs are leveraging their capital funds to secure outside resources to address their capital needs. According to data available from HUD, as of June 2012 nearly $3.8 billion had been approved to be leveraged by 240 PHAs.[148] Under these transactions, PHAs pledge a portion of their future year annual capital funds toward the debt service payments on a loan or a bond. The pledge of future capital funds is made subject to the availability of appropriations, and the loans and bonds secured by the pledge are not backed by the federal government. PHAs wishing to participate in the Capital Fund Financing program (CFFP), the pilot program through which HUD has permitted these transactions, must apply for prior HUD approval. HUD generally restricts PHAs to pledging no more than one-third of their capital funding toward meeting the debt service needs of a bond or loan. PHAs are not currently permitted to pledge their operating funding or mortgage their public housing properties.[149]

HOPE VI/Choice Neighborhoods Initiative

HOPE VI is a public housing redevelopment grant program. Through HOPE VI, HUD provides competitive grants to PHAs to rehabilitate or demolish public housing and replace it generally with mixed-income housing.

HOPE VI began as a demonstration program, created in reaction to the findings of the National Commission on Severely Distressed Public Housing. The commission's 1992 report labeled 6% of the public housing stock as severely distressed; at the time, this equaled 86,000 units. These

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[144] With the exception of the one-time appropriation of $4 billion for public housing capital needs provided by the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5).

[145] Division K of the Consolidated Appropriations Act, 2008, Committee Print of the House Committee on Appropriations on H.R. 2764 / P.L. 110-161.

[146] Meryl Finkel et. al., Capital Needs in the Public Housing Program, Prepared for U.S. Department of Housing and Urban Development by Abt Associates Inc., November 24, 2010, http://portal.hud.gov/hudportal/documents/huddoc?id=PH_Capital_Needs.pdf.

[147] The report indicates that this change is due to a change the methodology of the study. If the old methodology had been used, the backlog would appear higher and the annual accrual rate would appear lower.

[148] U.S. Department of Housing and Urban Development (HUD), http://www.hud.gov/offices/pih/programs/ph/capfund/cffp.cfm, accessed December 2012.

[149] HUD published a proposed rule governing the Capital Fund Financing Program, as well as an Operating Fund Financing Program, U.S. Department of Housing and Urban Development (HUD), "Use of Public Housing Capital and Operating Funds for Financing Activities," 72 *Federal Register* 39546, July 18, 2007. The final rule was published on October 21, 2010, at 75 *Federal Register* 65198 and it only addresses the use of Capital Funds.

severely distressed properties were characterized by high crime, low employment and few opportunities for residents, and poor physical conditions.

The purpose of the HOPE VI program is to revitalize severely distressed public housing developments and transform them into safe, livable environments. As described by HUD, this includes changing the physical characteristics of public housing from high-rise tenements to attractive, marketable units that blend in with the surrounding neighborhoods; lessening concentrations of poverty by reducing density and promoting mixed-income communities; encouraging partnerships with other agencies and local governments for support and resources; achieving high-quality management in public housing and enforcing strict eviction rules; and helping residents to attain self-sufficiency by providing services and educational opportunities, and by encouraging economic development in the area surrounding public housing.

The program was initially funded in FY1993 and has been funded each year since, although the overall funding level has declined in recent years (see **Table 8** for recent funding levels). HOPE VI revitalization grants are awarded on a competitive basis to PHAs that apply for such grants. Through FY2010, HUD had awarded 268 revitalization grants.

While the program has been credited with demolishing some of the most troubled public housing and replacing it with higher quality, mixed-income housing, it has also been criticized for the ways in which it has displaced existing residents. The Obama Administration has proposed replacing the HOPE VI program with a new initiative, referred to as the Choice Neighborhoods Initiative (CNI), which would expand the concept of HOPE VI beyond public housing to other distressed neighborhoods and increase requirements related to tenant relocation. Although CNI has not been authorized, Congress began funding the initiative in FY2010, and in FY2012 and FY2013, Congress funded only CNI and not HOPE VI.

Recent Trends in Funding

As can be seen in **Table 8**, total funding for public housing has fluctuated up and down over the last decade. Total funding was increasing until FY2002. From FY2002 through FY2006, total public housing funding steadily declined, most rapidly following large reductions in funding for HOPE VI, which was slated for elimination by the George W. Bush Administration (and later, by the Obama Administration). Beginning with FY2007, funding began to rise again; apart from the $4 billion in stimulus capital funding provided in FY2009 by the American Recovery and Reinvestment Act (ARRA; P.L. 111-5), FY2010 total funding for public housing was at the highest level since the modern funding system for the program was adopted. The FY2011 year-long continuing resolution reduced total funding for public housing by about 9% compared to FY2010, and funding continued to decline in FY2012 and FY2013.

Table 8. Appropriations for Public Housing, FY1999-FY2013

(Dollars in millions)

FY	Operating Fund	Capital Fund	Drug Elimination Grants[a]	HOPE VI/CNI	Total Public Housing
1999	2,818	3,000	310	625	6,753
2000	3,138	2,900	310	575	6,923

FY	Operating Fund	Capital Fund	Drug Elimination Grants[a]	HOPE VI/CNI	Total Public Housing
2001	3,242	3,000	310	575	7,127
2002	3,495	2,843	0	574	6,912
2003	3,577	2,712	0	570	6,859
2004	3,579	2,696	0	149	6,424
2005	2,438[b]	2,579	0	143	5,160[b]
2006	3,564	2,439	0	99	6,102
2007	3,864	2,439	0	99	6,402
2008	4,200	2,439	0	100	6,739
2009	4,455	6,450[c]	0	120	11,025
2010	4,775	2,500	0	200[d]	7,475
2011	4,617	2,040	0	100[d]	6,757
2012	3,962	1,875	0	120[e]	5,957
2013[f]	4,054	1,776	0	114[e]	5,945

Source: HUD Congressional Budget Justifications, FY2001-FY2013. Enacted funding figures taken from subsequent years' justifications. FY2013 figures were taken from a HUD-produced table of post-sequester funding levels.

a. Drug elimination grants were funded and awarded from FY1991-FY2001. They were initially available to PHAs competitively, and then via formula allocation later.

b. An accounting change enacted by Congress led to a one-time savings in the public housing operating fund in FY2005. For more information, see discussion on p. 13 of CRS Report RL32443, *The Department of Housing and Urban Development (HUD): FY2005 Budget* (available upon request).

c. Includes $4 billion in emergency funding provided by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

d. Of this amount, $65 million is set aside for the Choice Neighborhoods Initiative, which is similar to HOPE VI, but, unlike HOPE VI, the competitive grants are available for other HUD-assisted properties, not just public housing.

e. The entirety of this amount was provided for Choice Neighborhoods.

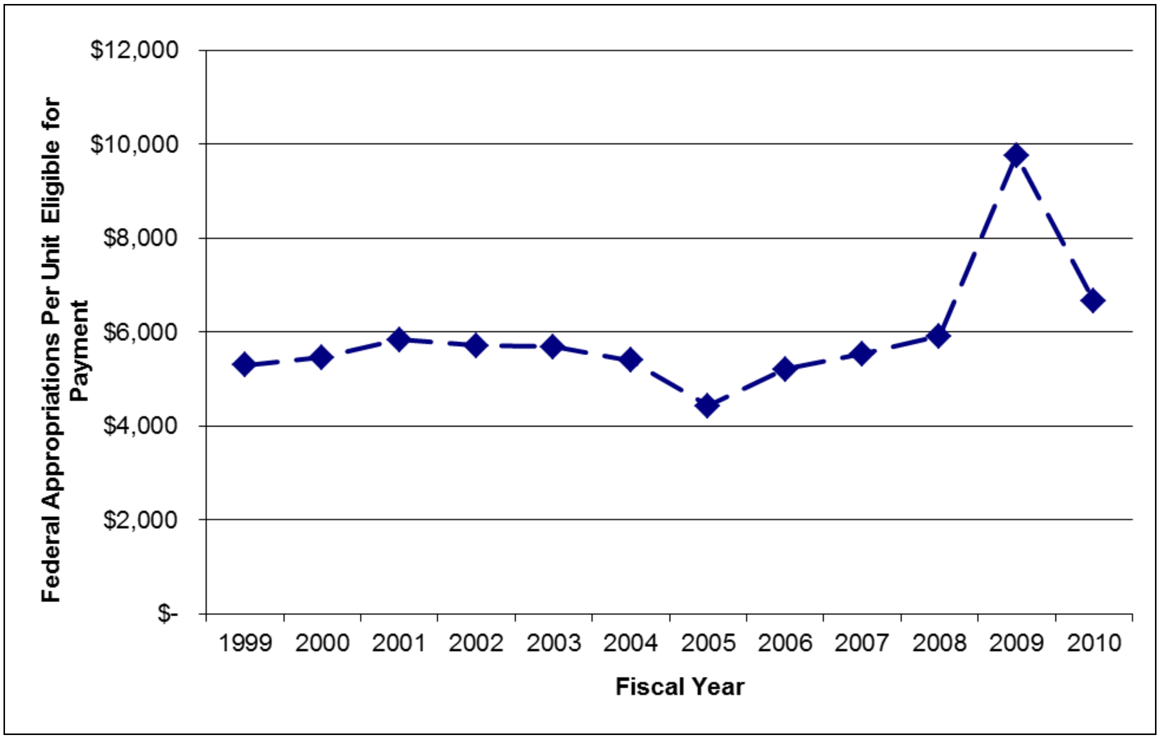
f. Figures reflect reductions imposed by the March 1, 2013, sequestration order.

Looking at appropriations relative to the number of public housing units eligible for payment in **Figure 6**, it appears that per unit funding remained relatively flat[150] from FY1999 through FY2008, with some increases in early years (commensurate with increases in appropriations) and some decreases (commensurate with periods of appropriations decreases). The sharp rise in funding per unit in FY2009 is primarily attributable to the $4 billion in capital funding provided in the economic stimulus legislation.

[150] As discussed in the notes accompanying **Figure 6** and **Table 7**, a change in the way operating funds were provided to PHAs in FY2005 led to appropriations savings without commensurate reductions in the overall program level. Therefore, the dip in per unit appropriations in FY2005 should not be regarded as a decrease in funding available per unit.

Figure 6. Funding per Unit, FY1999-FY2010

(nominal dollars)



Source: See **Table 8** and **Figure 1**.

Notes: As noted in **Table 7**, there was a drop in funding in FY2005 resulting from one-time budget savings that did not affect the overall program level. As a result, the decline in per unit funding in FY2005 does not accurately portray the amount of funding available in that fiscal year. Also, note that this figure has not been updated since HUD stopped releasing estimates of the number of units eligible for payment after FY2010.

Policy Issues

While the purpose of this report is to provide an overview of and background information about the public housing program, it is important to also note that a number of policy issues about the program have been raised in recent years and have been and may be considered by Congress. While not fully addressed in this report, several of these issues are summarized below.

Funding Levels

There is an acknowledged backlog of unmet capital needs in the nation's public housing stock. The majority of the public housing stock is several decades old and much of the stock has not had the level of ongoing maintenance and major rehabilitation needed to keep it viable and habitable. Complicating matters, in some cases, is that properties were not built in such a way as to promote long-term viability (in some cases due to the use of poor quality materials or poor design, perhaps resulting from low per unit cost caps). The declining physical state of the public housing stock may be due in part to federal funding levels that, paired with federal rent collection rules, left PHAs with inadequate budgets to meet their properties' capital needs. In some cases, it may also be due to poor management decisions at the local level. Regardless of the cause, there is an acknowledged backlog of unmet capital needs in public housing that current federal funding levels, unless they increase substantially, are unlikely to address (notwithstanding the one-time increase in funding provided in the economic stimulus legislation in FY2009). As properties fall into disrepair, they are more likely to be candidates for removal from the public housing stock through demolition, disposition, or conversion.

The HOPE VI program was designed, in part, to address the unmet capital needs of those properties that are in the worst condition. As HOPE VI grants became smaller, leveraging expectations increased and PHAs began using their HOPE VI grant funding to secure additional private financing. Today, many PHAs have become adept at leveraging private resources, even without HOPE VI grants, by pledging other federal funding, primarily their capital funding. However, there are limits to the extent that PHAs can access these private mixed-finance markets. In order to prevent PHAs from becoming over-leveraged, HUD limits the share of future capital funding PHAs can pledge toward repaying debt. PHAs are further limited in that they are not currently permitted to pledge their future operating fund dollars to repay debt, nor are they permitted to pledge the underlying property itself as security to leverage private funding. Additionally, PHAs seeking funding in the private market are dependent on the willingness of lenders to provide them with capital on terms that are agreeable.

If there is a policy desire to preserve the existing public housing stock, additional funding would likely be needed. This could come in the form of increased federal appropriations. The economic stimulus legislation in the 111th Congress provided one of the largest infusions of capital funding for public housing in recent years. At nearly $4 billion dollars, it should have been sufficient to address around 20% of the estimated backlog in capital needs ($18 billion-$20 billion). These funds were designated as emergency supplemental funding, meant to stimulate the economy during the recession, and were therefore provided outside of the budget constraints of the regular annual appropriations process; it is unclear if similar future infusions will be forthcoming. In light of tight budget constraints and political questions about the popularity of the public housing program, future large infusions of federal funding are uncertain.

Federal rent policies could be changed to allow PHAs to collect higher payments from tenants. However, such a change would violate current standards of affordability and it is unclear, given the extremely low incomes of residents, if they could pay additional rent sufficient to meet unmet capital needs. Other options include making changes to existing policies to allow PHAs to better access private capital markets. These options could include permitting PHAs to leverage their operating fund dollars, permitting PHAs to mortgage the underlying value of their public housing properties, and/or creating instruments, such as mortgage insurance programs through the Federal Housing Administration (FHA), to encourage or provide incentives to lenders to make loans to PHAs on favorable terms.

Some steps have been taken to increase the ability of PHAs to leverage private capital. The Rental Assistance Demonstration (RAD) is an Obama Administration initiative designed to test changes to the way that public housing is funded to permit PHAs to access private capital, in part by removing the limitations on mortgaging public housing properties. In the FY2012 HUD appropriations law (P.L. 112-55), Congress authorized a version of RAD, which makes up to 60,000 units of public housing eligible to convert to project-based Section 8 contracts. The law provided no additional funding for this initiative. The FY2013 appropriations law continued the authorization for the initiative, again, with no additional funding.

The Role of Public Housing

In light of the decline in the number of public housing units over time and the lack of authority to construct new units, the future role of the public housing program in federal housing policy is uncertain. The public housing program began as a construction program designed to help stimulate the economy coming out of the Great Depression. Its role evolved over time: first, to meet housing shortages during and after World War II; later, to address shortages of decent housing in conjunction with Urban Renewal efforts; and finally, to address shortages of decent housing that was affordable to the poorest families. In this last role, as a provider of affordable housing to poor families, the program has declined in prominence as other models of providing direct housing assistance to the poor have been developed. First, there were programs promoting the construction of properties owned by private market participants (through FHA insurance programs and later Section 8 rental assistance contracts), and later there were programs subsidizing families' housing costs in the existing housing stock (through the Section 8 voucher program). This last model, the Section 8 voucher program, is the only direct rental assistance program serving poor families that has grown to serve more families in the last several decades. At least part of that growth is attributable to declines in the number of public housing units, as families being displaced from public housing have received vouchers. These other models were developed in direct response to perceived shortcomings—lack of mobility, cost effectiveness, and efficiency—in the public housing program.

With policies like mandatory and voluntary conversion of public housing to vouchers, the question may be raised as to whether the "vouchering-out" of public housing is an inevitability, or if public housing itself is valuable enough to warrant taking steps to preserve it. Critics of public housing point to its often poor locations and conditions and argue that it traps the most vulnerable families in the worst housing conditions. They point to high rates of crime at some developments and low levels of social capital development and work effort, contending that public housing denies poor families choice and the option to live in communities of opportunity. Moreover, it is argued that the rent structure does little to promote self-sufficiency and may even discourage it. Advocates for public housing argue that the most vulnerable families are the least likely to have their needs met by the private market, even with a Section 8 rental voucher. Landlords are not required to accept vouchers and are permitted to screen families for suitability. PHAs, on the other hand, have a social mission to serve the poorest families. Further, advocates contend that high-quality public housing, particularly when it is enriched with services, can itself provide opportunities for families. They point to successful HOPE VI mixed-income communities and research on how place-based interventions can promote family success, particularly for persons who are elderly, but also for families with children.

In addition to the policy arguments for and against preserving public housing, the issue of cost is relevant. In recent years, the average annual "cost" to the federal government of providing a voucher to a family has been greater than the per unit funding provided to public housing.[151] This could serve to bolster arguments in favor of retaining public housing as a more cost-effective way of providing rental assistance to low-income families. However, the low cost of public housing reflects what most agree is an underfunding of public housing. If public housing was funded at its

[151] Excluding the ARRA funding provided in FY2009, the average annual funding per unit eligible for payment provided for public housing has been at or under about $6,000 per year, as shown in **Figure 6**. According to HUD's FY2011 Congressional Budget Justifications (p. J-10), the average annual per voucher cost (not including administrative costs) has been above $6,000 per year since FY2004 and is currently over $7,000.

full funding needs—particularly in light of the backlog of capital needs—the cost to the federal government of public housing would likely be much higher, and potentially higher than the cost of vouchers. However, in order to fully evaluate the costs and benefits of public housing one may wish to consider the underlying value of the public housing properties themselves, which were built with federal assistance and maintained with federal funds. Questions about to whom that value belongs may also be considered when evaluating the costs and benefits of the program in light of potential changes. These questions about underlying value, which are beyond the scope of this report, may be difficult to answer and different observers may come to different conclusions.

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