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The next generation of public housing: A closer look at the "Rental Housing Revitalization Act"

By Sharon Rolenc, [TC Daily Planet](#)
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Minneapolis public housing (Photo by Ed Kohler)

The nation's public housing system is poised to undergo historic changes. Some housing advocates are saying "too much, too soon," while other contend it can't happen soon enough.

After years of federal disinvestment, embattled public housing authorities (PHA) across the country are struggling to deal with leaky roofs, mold infestation, broken elevators that prevent easy accessibility, and even [investigations into "mismanagement."](#)

The U.S. Department of Housing and Urban Development (HUD) estimates that 150,000 units of housing have been lost nationwide due to deteriorating buildings that needed repair, but lacked adequate federal funding to do them.

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As a means of solution, U.S. Representative Keith Ellison is expected to introduce the "Rental Housing Revitalization Act" in Congress next week. The proposed legislation would allow public housing authorities to borrow private money, using their property as equity, to finance much-needed repairs. The bill also proposes to streamline and simplify HUD's rental assistance programs, and give renters more freedom of choice by making Section 8 vouchers available to public housing tenants.



Four billion dollars were appropriated for public housing through the American Recovery and Reinvestment Act. Ellison says that falls far short of the estimated \$30 to \$40 billion needed to address all the repair and maintenance needs for the nation's public housing stock. He said it was time to look at innovative approaches.

"We are at a critical juncture. We either have to do something so people have a decent place to live in public housing, or we may lose the whole thing," he says.

HUD Secretary Shaun Donovan, who was in the Twin Cities for the [November 8 Homes for All conference](#), concurs with Ellison, stressing that public housing won't be remade with a handful of grants each year.

"It's clear the federal government will not be able to finish the job alone. And failing to finish the job means the billions the government has invested in public and assisted housing over the last 70 years will be lost forever," he says.

By Donovan's estimation, \$7 billion would be generated in the first year by private sector financing, with \$25 billion total over time.

"That's \$25 billion that is sitting on the sidelines right now that could be invested in public housing but can't be because of the antiquated rules that were developed nearly a half century ago," he says.

These same rules set up a complex housing system buried in red tape. HUD currently has 13 rental assistance programs, each with its own rules, administered by three different operating divisions that contract with 20,000 separate entities, explains Donovan.

"We've seen how this proliferation of these programs and delivery systems makes the job of delivering housing to families much, much harder, and wastes money as well. There are better ways we can spend our money housing families," he adds.

Ellison's "Rental Housing Revitalization Act" includes a revamped version of HUD's Preservation, Enhancement and Transformation of Rental Assistance (PETRA) proposal from earlier this year. PETRA drew wide criticism from housing advocates who voiced concern that privatizing public housing will put the nation's poorest, most vulnerable tenants at risk - particularly if a financed building goes into foreclosure.

But the current draft of the legislation contains safeguards that give HUD the first chance at recapturing the property.

Ellison adds that the legislation in no way means a handing over of public assets to the private sector.

"I'm a basic skeptic of privatization, and generally oppose it. But I'm not opposed to public-private partnerships where the public can make sure our interests are pursued, and where HUD is going to have a strong hand in making sure that the public interest is upheld," he says.

One of PETRA's most vocal opponents was Jon Gutzmann, executive director of the [St. Paul Public Housing authority](#).

After leading a PHA that for 20 consecutive years has earned a "high performer" rating from HUD, it's not surprising that Gutzmann feels a little ruffled about the image of public housing as a blight that needs to be fixed.

Gutzmann admits that Ellison made several positive changes to the legislation, and that some PHAs across the country stand to benefit. However, the biggest source of concern that remains for Gutzmann is opening up public housing to private financing, and consequently-debt.



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"I'm worried about the potential unintended consequences of simply adding too much debt to the public housing portfolio," he says.

As an example, he points to the so-called "promised land" of Section 8 project-based contracts, and the properties in these portfolios that are lost each year due to heavy debt burden.

Currently, public housing across the nation doesn't carry debt, but has its own unique financing structure. That financing structure works, says Gutzmann, if it's managed properly.

He cites the example of McDonough Homes, St. Paul PHA's oldest and largest family development, built in 1952. Next year, St. Paul PHA will complete a \$34 million, nine-year renovation of the project.

Gutzmann says the project was done using 50 percent of their annual Capital Fund Program grant from HUD each year. Throughout the course of the project, they've maintained 99 percent occupancy without having to relocate residents, or losing any housing inventory.

"That's how a high performing PHA gets it done under current appropriations," he says.

Currently, Ellison's legislation makes private financing optional for PHAs, and Gutzmann would like to see that remain in the bill.

He adds that for some PHAs the optional financing might even be out of reach.

"I think properties in low cost areas under this plan will simply not have enough market rent to leverage the funding that they need to accomplish their modernization work."

Gutzmann also takes issue with the bill's inclusion of HUD's "Transforming Rental Assistance" initiative, which will give up to 1/3 of public housing residents access to Section 8 certificates, wondering if it simply makes public housing a portal to Section 8.

"And then there is the issue of fairness for people who are already on the Section 8 waiting list," he says.

Secretary Donovan doesn't see it that way. Part of reforming the nation's public housing system, he says, includes doing a better job of integrating affordable housing throughout the community.

"Right now, people can't move to a better neighborhood to find a better job or further their education because moving, means giving up their subsidy. Families should be able to choose where they live without fear of losing rental assistance," says Donovan.

Gutzmann says in theory, this sounds good, but reality is sometimes different.

"People end up choosing to live where they want to live regardless. So they may take a voucher and re-concentrate themselves in a privately owned apartment in an area of high poverty or racial concentration," he says.

Despite the strong feelings and differences of opinions around the issue, Gutzmann says the open dialogue that led to the creation of Ellison's draft of the legislation was a pleasant surprise.

"I have been in the business for 30 years, and I've never had a call from a member of Congress. It was Mr. Ellison who called me and invited us over to chat. I'll never forget that."

Overall, Gutzmann says there are a lot of good elements in the bill, but he would rather see the proposed changes tested out in demonstration projects rather than entirely revamping the way public housing is financed and regulated.

Tom Streitz, director of housing policy and development for the City of Minneapolis, agrees that a pilot project approach makes the most sense.

"I do think there are some good ideas here that we should at least test on a small scale, and the results are positive, and the buildings get improved for the tenants, then to me, that's something we should look at expanding," he says.

But Streitz also acknowledges that urgently needed repairs can only be deferred for so long before the buildings are closed up, and the housing units are lost. Once lost, he says the chances of getting the housing back is extremely unlikely.

"As we all know, the federal budget deficit is at an all time high. Discretionary funding for discretionary programs at the federal level is very much in jeopardy, so if we lose a unit, the chance of getting it back on the public roll is very, very diminished in these days," says Streitz.

Streitz says Minnesota has fared better than other states and has not lost any public housing units - so far. He adds there are local housing authorities currently in jeopardy, particularly in rural Minnesota.

Ellison says the country can ill afford to wait too long in addressing this issue, and that by maintaining the status quo, lawmakers and housing advocates face the risk of "starving the beast."

"We can live under a system where we let public housing decline to the point where people point to it and say 'it's bad housing, and therefore, just end the program,' when the truth is, they starved the program, which then made it bad, just to say 'kill it.'"

He challenges those who don't like the proposed legislation, to tell him where the needed funds should come from.

"I would love it if we could just appropriate \$40 billion dollars to take care of public housing, and then I wouldn't even need to introduce this bill. But that's not the reality we live in."

Ellison's office welcomes comments from the public on this legislation at ellison.house.gov

Other resources:

[PETRA Watch](#)

[HUD's Transforming Rental Assistance Portal](#)

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