Photo Courtesy of Miami Workers Center

Liberty Square Public Housing Project, Miami.

How Public Housing Agencies Are Coping With Dwindling Subsidies

BY COREY G. MATHEWS, CAE

The story of underfunded housing agencies is nothing new. There have never been sufficient resources to respond to the needs of families in this country who lack decent, safe, and sanitary housing. Yet now we find ourselves slipping further and further into the abyss as the U.S. Department of Housing and Urban Development and Congress fail to adequately fund subsidies for families being served.

Housing agencies expect to be asked to do more with less, but now they are busy trying to do something with nothing. Despite these ongoing challenges, Florida's housing agencies continue to find innovative ways to serve as many families as possible, but that comes at a price. The most notable effort on this front has been their pursuit of changes to Chapter 421, Florida Statutes, recently passed by the Legislature and signed into law by the Governor. These changes would allow PHAs to be more entrepreneurial by forming for-profit and not-for-profit subsidiaries to develop new and self-sustaining affordable housing through public/private partnerships. Housing agencies gradually have come to realize there is no future in relying on federal subsidies. We will have to pursue mixed-income communities that are able to support themselves by servicing moderate-, low-, and extremely low-income families.

With regard to administrative expenses, PHAs long ago extracted the last of the fat, have since severed the meat, and are now into the bone. A study by the Shimberg Center for Affordable Housing conducted in 2004 noted that housing agency administrative expenses amounted to less than 11 percent of their revenue, better than most private companies. However, we have seen only further strain put on administrative resources since then. Many agencies were able to live off their reserves for a while, but now are laying off much needed staff, reducing employee benefits, converting staff to part-time, re-bidding contracts regularly, and divesting equipment that is needed but costly to maintain.

When all other options for reducing expenses are exhausted, housing agencies have no choice except to turn to the programs they administer. There are essentially two choices: 1) divide the burden of insufficient subsidies across all residents; or 2) eliminate families from the program. The latter option is a last resort but, without serious changes, it is inevitable. In the interim, virtually every imaginable practice to implement the first option has already been pressed into service.

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Some PHAs are freezing rents on housing choice vouchers. This practice prevents landlords from receiving increases at a time when the program is uncertain and market rents are soaring. The inevitable result is they will retreat from the program, as some already have.

Another option is reducing voucher payment standards, which means agencies will only pay a lower percentage of the area's fair market rent. On the other side of the equation, agencies sometimes have to establish or increase minimum rents, regardless of income. Many families find this prevents them from being able to use the voucher or having to settle for housing that meets only minimum standards.

Recent rule changes have allowed housing agencies to be more restrictive with portability (the ability to transfer vouchers from one community to another). In many cases, PHAs are refusing to accept "incoming ports" because they do not have the resources to make the housing assistance payments while they wait on reimbursement from the issuing agency and they cannot afford to absorb the voucher. They also are forced to deny families the ability to "port out" to any area with a higher payment standard, unless the receiving agency is willing to absorb the voucher, because they cannot afford to pay the higher rent.

Finally, many PHAs are not reissuing vouchers when they are vacated because they cannot afford to fund them. Until recently, HUD aggressively encouraged housing agencies to use all available vouchers. Now, realizing the costs involved in full utilization, the department has changed direction in favor of allocating a certain budget to PHAs that will shoulder the burden of determining how many families get served. However, utilization rates and other standards are still part of the auditing standards applied to the agencies, resulting in decreasing scores through no fault of their own.

When I was asked to write this article, I think the hope was I would be able to shed light on new and innovative techniques employed by our members to manage the financial pressures from dwindling subsidies. Unfortunately, we are well beyond the days when deft management and a shrewd new idea could make up the difference. Our state's and our nation's housing agencies are now in dire straits, less and less able to accomplish their missions and, unless something drastically changes, they soon will be forced to serve only those families they can subsidize through their own means.

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