

## **Section 8: A Government Program for Affordable Housing**

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## Introduction

Housing distress is a national concern that affects millions of poor Americans today. Section 8 is the United States government's foremost housing assistance program to deal with this problem. It provides subsidies to low income households to be used to assist in paying rent in the private housing market. This essay will provide a brief history of the development of this program, an explanation and analysis of the different components that make it up, and a critique of its effectiveness, as Section 8 faces financial challenge and reform.

Affordable housing is a complex issue that cannot be dealt with in a simple way. Providing direct financial assistance to those in need will only make for a short-term solution to the immediate housing problem, however, for long-term success, a housing program must address the economic and social factors that set the conditions for why things are so bad in the first place. These are things such as inaccessibility to higher paying jobs and quality education, medical and family support services, and crime ~~and~~ drug enforcement. This would involve the collaboration of different social programs, each addressing specific needs to obtain a common goal of eliminating poverty and housing distress. Those that are helped must pass through a transitional process to gain independence from reliance on government aid.

Section 8 provides the impetus through which this process can work, granting stability to the disadvantaged as they seek out opportunities that will give them advantage to improve

their condition in life. Many difficulties lie, however, in devising the best method for facilitating this goal. It takes political agreement and financial commitment of which will only be made through ~~education~~ of trial and error, with the experience of both success and failure. This paper will examine these successes and failures in Section 8 and will make suggestions for what they mean for the future development of government housing assistance.

### **History of the Section 8 Program**

Since the 1930's the United States government has been trying to resolve housing problems for the poor. For over four decades, the Federal government's predominant solution to this problem, of ensuring the availability of an adequate stock of affordable housing to low-income Americans, was funding and operating public housing projects or subsidizing the construction of privately owned and operated housing developments. This methodology has proved, however, inappropriate for two main reasons. First, the government did not have the financial ability to meet the increasing and diverse demand for this housing supply. Second, as a social program, housing assistance is supposed to aid the underprivileged by helping them become functioning participants in society. The housing project program, however, acted instead as an exclusionary agent, segregating the poor into confined locations where a culture of poverty developed.

Given these deficiencies, a new program needed to be created that provided more flexibility to those in need of housing assistance with consideration made towards the

possibility of mobility so that they could move to safer and more prominent neighborhoods with better schools and higher standards of housing quality conditions. In the Public Housing Project program where assistance was fixed to location, there was little to no chance that a person could acquire such mobility. Most projects were located in already poor and minority neighborhoods where drug use and crime rates were high. To provide flexibility, a subsidy based program was needed. Subsidizing rents would allow tenants the mobility to live in existing dwellings of their preference and would also lower assistance project funding costs for the government by eliminating the need to construct new project units to house the ever increasing number of people in demand of housing assistance. The first of this type of housing program put forward by the Federal government was the Experimental Housing Allowance Program(EHAP) in 1970 by the Nixon administration(Struyk 1981: 6). Later an even stronger subsidy based program was proposed to Congress called Direct Cash Assistance. By allowing the poor to choose where they wanted to live from existing housing stocks, the direct burden was relieved from the government of having to physically provide affordable housing units. This made housing assistance less expensive by eliminating the tremendous costs incurred with the construction of new units(Struyk 1981: 7).

In 1974, Congress passed the Housing and Community Development Act, which administered a subsidy assistance based program under Section 8 of the U.S. Housing Act of 1937. Section 8 consisted of four components that were under the administration of the Department of Housing and Urban Development(HUD). The first was "Section 8 Existing"

which instituted contracts with landlords that guaranteed the payment of a portion of an eligible tenant's rent, of which the tenant's portion was not to exceed 30 percent of their household income. Then, there were "New Construction" and "Substantial Rehabilitation".

Under these components a city would grant money to a private developer and/or owner, who then would match that amount to be put towards development of new or the rehabilitation of older housing units. Instead of issuing bonds to flat-out finance the New Construction and Substantial Rehabilitation of public housing units, forty year mortgages were provided by private lenders which the Federal government insured through the Federal Housing Administration(FHA)(Ravitch 1997: 11). These units would then be made available to low-income tenants in the Section 8 rental subsidy assistance program. Finally, there was a "Moderate Rehabilitation" component added, which worked similar to Substantial Rehabilitation except that it made funding available only for less expensive repairs. Costs that were not covered by the government's subsidy had to be financed directly by the owner with no FHA insurance guarantee(Omaha Housing Authority 1998).

Originally, Section 8 subsidies were targeted to assist mostly low to moderate-income renters in an attempt to curb urban flight into the suburbs. This would maintain a more stable, easy to support, middle class in the city thereby lessening the budgetary burden for social service(Ravitch 1997: 11). A strong middle class is essential for the maintenance of the stability of a healthy economy. With a healthy economy, there are more jobs available and, therefore, less poor people in need of housing assistance. Also, a larger middle class

would provide more tax revenue which would be used to support social programs such as housing assistance.

In the 1980's, with the advent of the Reagan Era the Section 8 program met with difficulties. Prompted by political disagreement, changes were made that resulted in a negative impact on the programs effectiveness. In particular, assistance priority was transferred, from being lower middle-income based to solely targeting the lowest income dependents. This caused the cost of subsidies to skyrocket, making the burden of supporting the system more difficult and, in turn, lessening its effectiveness(Ravitch 1997: 11). With this lower-income recipient group came the stigma of association with the less successful housing project program, along with the undesirable image that many people hold of the people who live in those places. Communities and building owners began to become biased against Section 8 tenants and did not want them. Once again, low-income residents became subjected to persecution and segregation by a system that was originally designed to support and aid them.

The programs image was further tarnished by scandal in the Moderate Rehabilitation component. It was discovered that real estate developers and others tied into the housing business were receiving benefits from repair contracts for substandard housing through influence peddling and political favoritism(Wells 1997: 539). In 1989, reforms were made, however, funding was never renewed.

The New Construction and Substantial Rehabilitation components of the Section 8

program also suffered drastic blows during the Reagan Administration. Since contracts with developers, to either assist the rehabilitation of existing housing or the construction of new units, were drafted to cover such long time periods, generally lasting 40 years, large amounts of budget authority were required to maintain them. This brought disfavor with congress, especially as the budget deficit was beginning to grow to unmanageable conditions. This led to the repeal of these parts of the Section 8 program by the Housing and Urban-Rural Recovery Act of 1983(Orrick 1997: 230).

### **Explanation and Analysis of the Components of Section 8**

Today, the Section 8 housing assistance program consists solely of the Existing Housing segment. This itself is made up of three parts: the Certificate program, Project-Based housing, and the Voucher program. The Certificate program provides assistance to tenants through a contract with building owners in which it is agreed that the unit must rent for only what is considered reasonable based on the fair market rent(FMR) of the area, and the tenants share of the rent will not exceed more than 30 percent of their total household income. The Project-Based program allocates assistance directly to the unit so that when a tenant moves out another Section 8 tenant will move in. The housing Voucher program is very similar to the certificate program in that it promises assistance to the tenant to be used wherever a suitable place of residency can be located. The main difference, though, is that the unit that the program participant picks does not have to be rent based on limitation by the local FMR. The amount of assistance paid is based on the current area's FMR minus 30 percent of the

tenant's household income, meaning that if the rent is over the FMR the tenant ends up paying more than 30 percent of their income, however, if the rent is below the FMR the tenant makes a saving over what is required by participants in the Certificate program. This adds a shopping incentive, giving tenants more flexibility that is not available with the Certificate program.

### *Acceptance to the Program*

Section 8 is a multi-faceted program. An applicant to the program must successfully go through several different procedures before they will be able to benefit from the services that it provides. Along with these requirements, there are also several different options of what type of aid is available. HUD requires that the successful completion of all of the criteria for acceptance into the program and the maintenance of assistance status depends not only on commitments from the tenant, but also cooperation from landlords and local Housing Authorities(usually public housing agencies).

An applicant must file with a local Housing Agency to be considered eligible for Section 8 assistance. People who receive Section 8 subsidies usually consist of very low to lower-income working families and elderly and mentally or physically disabled persons living on a fixed income of some type of federal income aid such as welfare, Social Security, or Supplemental Security Income(SSI)(Wells 1997: 539). Applicants are eligible for assistance based solely on economic status, which requires that their income is less than fifty percent of the median income for the metropolitan area(Feins 1997: 1-4). In most areas public

Housing Agencies are operated by counties and metropolitan areas who themselves are subject to the authority of the state. Some Section 8 programs are, however, run directly by a state in areas where there are no local agencies to serve. An applicant, therefore, could contact many different sources in the public housing system as well as be directed by several private housing service providers, to find out how to get Section 8 assistance

(Feins 1997: 1-4).

### *Waiting List*

Once an applicant has been accepted as eligible to receive assistance, it does not mean that they will soon start to enjoy benefits. This is because there is such a great demand for housing in most large cities and resources are very limited. People must be placed on waiting lists. This can last up to eight years in a large city like New York. Preferences are made, however, for the most seriously needy and underprivileged applicants that allow them to be pushed to the top of the waiting list. The three main criteria that allow a family to receive preference, are if a family is: 1)homeless or living in substandard housing, 2)paying more than 50 percent of its household income for rent, or 3)involuntarily displaced(HUD 1998). Even if a Housing Agency continues to receive eligible applicants for their programs, they may close the waiting list if, according to the number of families presently on the list, there is no likelihood that assistance can be awarded in the near future.

These long waiting list indicate a flaw in the Section 8 program. Housing assistance should be a temporary service to get people through times of misfortune and disadvantage.

It should be a transitional process to relieve some of the burdens of poverty while efforts are made by a program participant to acquire opportunities that will enhance her or his condition in life. Incentive needs to be incorporated in the Section 8 program to instill motivation for this transition. Without doing this, Section 8 would only maintain dependency on government aid as a permanent factor of the condition of poverty.

One way to incite motivation would be to set a reasonable term limit for how long assistance will be granted. In that time, the program participant should have been able to establish a better position in life. This would speed program turn over and shorten waiting lists. Services would be made available to a much larger group of people. As long as no assistance is being administered to those who are on the waiting list, conditions for them only continue to worsen. Making aid available quicker to these people will increase the program's effectiveness. There are, however, some people for which their disadvantaged condition is permanent, such as the elderly or the mentally challenged. Distinction should be made for these people, placing them in a different assistance category of more permanent status.

#### *Establishing Residence in the Program*

Once an applicant is selected from the waiting list, they must go through a procedure to verify appropriate household size for income limits by submitting official documentation. They are then briefed about their obligations for participation in the program and receive either a certificate or a voucher that attests to the Housing Agency's commitment to issue Housing Assistance Payments that will subsidize a portion of their rent. The tenant must take

this certificate or voucher and then locate an appropriate place to live.(Feins 1997: 1-5).

After an applicant for Section 8 assistance has been granted a voucher or a certificate and has informed the Housing Agency within an acceptable amount of time(usually 60 days) that they have located an apartment, they still have not successfully been inducted as a participant in the Section 8 program. The apartment must first pass an Housing Quality Standards inspection, and rent reasonableness must be determined according to comparable unassisted units of the area with consideration also being made for any utility allowances that are included by the owner under the lease. Then a security deposit must be paid. In the past it was required of a Housing Agency to agree to pay any amount exceeding 30 percent of the tenant's income, however, HUD has phased out this commitment due to financial budget changes. A lease is agreed on between the tenant and the landlord with an understanding of the obligations that come with issuing a lease to a Section 8 participant.

When these criteria have all been met, the tenant may start living in their new home as a Section 8 participant. Even after a Section 8 participant is secured in their new place of residence, obligations on behalf of the tenant, the landlord, and even the Housing Agency must still be kept to maintain assistance status. Each year the local Housing Agency is required, in accordance with HUD guidelines, to perform recertification of program participants to redetermine and verify household income and size. Housing Quality Standards reinspections are also performed to assure that safe and appropriate living conditions are maintained. If a violation is found, the landlord has 30 days to comply or

Housing Assistance Payment will be stopped, or where a family caused defect has occurred the Housing Agency takes prompt and vigorous action to assure that they maintain their obligations. The tenant pays the landlord their share of the rent and the Housing Agency sends a Housing Assistance Payment to the landlord every month to cover the difference owed. Housing Assistance Payments are allocated by an Annual Contribution Contract(ACC) issued by HUD to an Housing Agency which determines the number of units that a Housing Agency is to receive funding for. The agency is expected to efficiently "lease-up" the number of units that it is allocated for with at least 97 percent proficiency. Most Housing Agencies, though, do not have a problem with delinquency. In fact, in larger cities like New York and Los Angeles, quite the contrary occurs where more units are leased out than are specified by the ACC. Over-leasing is paid for by agencies through scraping out savings in their individual programs.

This over-leasing is a direct result of the Section 8 program's ~~not~~ enforcing incentives to do what it is supposed to do, that is to provide opportunities for its participants to improve their lives and become independent of government assistance. Local programs cannot continue to increase their capacity every year. This is a reality that must be faced. There is a limited amount of funding available to maintain support for this, as is demonstrated by this need to over-lease.

#### *Portability*

If a tenant wishes to move while participating in the Section 8 program they can do so

and still maintain their subsidy assistance so long as they: a)inform the HA in an appropriate amount of time before the move, b)they successfully terminate their existing lease, and, c)they complete all of the fore mentioned criteria required for the initial security of a place of residence. The family is not restricted to locations within the parameter of their Housing Agency's jurisdiction. They are permitted, according to HUD regulations, to move anywhere within the United States. They must, however, have lived for at least twelve months in the jurisdiction of the original Housing Agency whose Section 8 program they are a participant of and from which their Housing Assistance Payment is issued. This privilege, however, does not apply to those participants in the project-based program, where assistance payments are tied to the unit and not the tenant(<sup>3</sup>Rental Housing Online 1998).

To facilitate such inter-jurisdictional moves, HUD has implemented "Portability" guidelines. With many different tenants moving around among the jurisdictions of over 2,500 state and local housing agencies in the United States, the transfer of files and the creation of new records for these people can be cumbersome, wasting a lot of valuable time and administrative fees. Transfers between jurisdictions are, therefore, handled in only two ways. Either the receiving Housing Agency bills the initial Housing Agency for the cost of allocating administration of this participant, including Housing Assistance Payments and 80 percent of administrative fees, or the receiving Housing Agency can elect to admit the transferee into their own program, cutting off any ties and obligations with the initial Housing Agency. This second method of transfer, which HUD calls "absorption", saves

excess bureaucratic trouble for both agencies(Finkel 1996: 40).

Housing Agencies with jurisdictions within close proximity to each other, such as those of a metropolitan area, deal with transfers by allowing the initial Housing Agency to continue to handle administration over the transferee(Finkel 1996: 40). Some Housing Agencies that have taken such a cooperative approach toward tenant mobility may agree to take on a joint responsibility policy through signing a Memorandum of Understanding(MOU). While the initial agency administers the Housing Assistance Payments and casework files for the program participant that has moved into an adjoining or nearby jurisdiction, the receiving agency may handle the responsibilities that require familiarization with the details of local market conditions such as determining rent reasonableness and dealing with landlords. This is done either through voluntary agreement or through the stipend of an administration fee(Finkel 1996: 41).

Portability is a crucial component of Section 8 that grants flexibility to program participants in making the transition out of the culture of poverty. It provides minorities with the opportunity to move to communities that were closed to them in the past by racial prejudice. These white dominated neighborhoods remained inaccessible because of the cycle of suppression that was set by denial of access to higher paying jobs and to quality education. These are fundamental elements that are essential to facilitating economic growth and social progress.

*Mobility*

Under section 8, transitional movement that opens opportunities to program participants to enhance their condition in life is referred to as "Mobility". Mobility is the movement of a program participant from an extremely low-income neighborhood to a neighborhood with more mixed income or mostly middle income residents. This involves, in most cases, the exodus of program participants from inner city slums to areas with more economically and socially elevated status. Studies show that people who live in poverty stricken areas have the tendency to stay in those areas, stuck as a result of deprived opportunities such as access to better paying jobs and quality education(Feins 1997: 4-1). A main priority of any social assistance program should, therefore, be to remove the subjects from such a debilitating environment. Such a movement could be relocation from the inner city to the suburbs.

This is a proposition that some groups of people have reservations against, mainly the receiving communities. The residents of these areas hold disdain against the idea of poorer people moving into their communities for which "they" worked so hard to maintain as a safe and healthy environment. The fear exists that with the incoming of these lesser privileged people they will bring with them the stereotype of behavior associated with poverty such as: drugs, crime, and, in general, social disruption and anarchy.

It is also felt that Section 8 encourages urban flight to the suburbs at the negative impact to the central city. This may appear true to some extent, however, this is not a condition that Section 8 created. Migration to the suburbs has been a phenomenon in the United States since the advent of the automobile provided access for people to make the commute. It is

also true that much of the economic depravity that has caused the affordable housing dilemma, especially for minorities, in the city are a result of the outflow of higher income capital to the suburbs. This is not the same type of situation, though, that is occurring today. With Mobility, it is poor people instead of rich people that are leaving the city. This does not cause any drain to the economy of the inner city, in fact, it has the opposite effect. This movement of people decreases the size of the city's dependent population on government aid who drain the economy's tax dollars with funding for social service programs.

For reason of these negative perceptions caused mostly by class prejudice, HUD and other administering agencies of the Section 8 program need to implement policies to promote the importance of Mobility. This action not only needs to come from Housing Agency officials, but needs to enlist the involvement of community political leaders supported by a public education campaign(Feins 1997: 4-12). One suggestion could involve landlord education through the organizing of a Section 8 Landlord Advisory Committee. In order to cover the higher rents for units in the higher income neighborhoods local Housing Agencies could set rent limits lower, establishing priority of where program money would most effectively be spent(Feins 1997: 4-12). Support to encourage mobility could come from counseling of Section 8 participants, including: mobility education; providing information about amenities in different communities within a jurisdiction or a Metropolitan Area such as transportation access and school ratings; and comments by other Section 8 participants who live in these areas(Feins 1997: 4-14). Mobility encouragement can even go as far as to

take Section 8 participants on bus tours of less familiar neighborhoods, enticing them to move by showing them what they are missing(Finkel 1996: 27).

### *Section 8 working with other Social Programs*

A supplemental facet to the Section 8 program that provides supportive services to willing volunteers is the Family Self-Sufficiency(FSS) program. FSS is a relatively new program, starting in 1991. It is designed to counsel families to make them aware of resources that provide education and job training, as well as of other support services such as transportation, child care, and personal and career counseling(Finkel 1996: 58). FSS Relies mostly on outside sources for the administering of actual services. It is a program that works in conjunction with many other private social service providers(Finkel 1996: 64).

If a family makes the decision to participate in an FSS program they must commit to a five year contract with the Housing Agency. There are two financial incentives for doing this. The first results from the program's improvement of a participants chances of locating and securing a better higher paying job and teaching them how to more efficiently organize finances and budgeting of time. The second is a reward incentive that allows that increases in income that occur by improving occupational status to not detract from the amount of assistance that a participant receives to subsidize their prior fixed 30 percent of income rent payment limit. These income increases that would otherwise go to higher rent contributions are deposited into interest bearing escrow accounts that can later be accessed after successful completion of the five year contractual obligation. FSS still has a lot of developmental steps

to make before universal program success will be able to be observed, however it is off to a good start being founded on the practical principle that those who are helped best are those who are taught to help themselves.

Other supplemental services that are linked to the Section 8 program are the family Unification Program(FUP) and Veteran's Administration Supportive Housing(VASH). FUP helps parents who are at risk of losing their children to foster care due to consequences of the unsuitability of living conditions. Under this program, families are given Section 8 housing assistance to alleviate such causes of dire distress(Finkel 1996: 64). The VASH program is a joint effort implemented by HUD and the Department of Veterans Affairs(VA) combining VA supportive services with Section 8 housing subsidies to benefit homeless veterans with debilitating mental disorders or drug abuse problems. This allows them to gain the ability to live independently of the direct care of an institution(Finkel 1996: 66).

The implementation of such supplemental social services to the Section 8 housing assistance program are crucial to ensuring the success of Section 8 in the future. Programs like FSS provide the mechanism to encourage transition from dependence to self-sufficiency. The greatest difficulty facing the poor today is not inaccessibility to affordable housing, but instead is the inability to get higher paying jobs and to receive living support services such as child care, transportation, and health care.

### **Challenges Facing the Section 8 Program**

Section 8 is the most progressive program today that the Federal government has to offer

the poor who are in need of housing assistance. It does not act only as a static mainstay for the condition of poverty such as other social service programs do, like public housing projects or welfare, but it acts as an impetus for mobility through joint work with other social programs like FSS, the program for homeless veterans with severe psychiatric disorders and substance abuse problems, and the Shelter Plus Care program for homeless adults with mental illness. Politically and financially, however, the program has been experienced several setbacks since the Reagan Era; tarnished by scandal and carrying over financial problems from congressional disagreement and erratic support.

The most prominent threat to the stability of the Section 8 program is a financial one. Every local program in the United States faces the possibility of serious cutbacks to the amount of subsidy allowances that the Federal government will provide for in its budget. This is all occurring at a time when public assistance is in greater and more increasing demand than in recent years. Currently there are 4.3 million low-income people being assisted by Federal Section 8 housing subsidies (Janofsky 1997: A18). However, there are at least 5.6 million households in the United States that still live in substandard units or pay more than 50 percent of their incomes on rent (Hunt 1996: 3). Financial problems arise from both internal flaws in the structure of the program and from external concerns of the Federal government.

#### *Internal Financial Problems*

One part of the Section 8 program with financial problems is project-based subsidies.

Through the New Construction and Substantial Rehabilitation programs created under the 1974 Housing and Community Development Act, nearly ten thousand properties were constructed or refurbished in the late 1970's and early 1980's which today house about 1.6 million low-income families who receive Section 8 rent subsidy assistance (Rental Housing Online 1998). The owners of these properties signed a contract with HUD that assigned only Section 8 tenants to the new units (Barth 1996: 23). After twenty years, these contracts are due for renewal. However, because the commitment to these long term agreements calls for such large budget appropriation, Congress has been wary of granting renewals. This procrastination creates another problem. When the initial contracts were drawn, as an incentive to get developers to invest in the New Construction and Substantial Rehabilitation projects for low-income housing, the government granted FHA insurance on all of the building mortgages (Barth 1996: 22). If HUD does not renew the contracts then many owners will be forced to default on their mortgages and the government will be stuck with the bill of approximately \$18.5 billion. On the other hand, renewing the contracts for another twenty years will cost about \$200 billion (Ravitch 1997: 10). Even though not all of this is going to need to be paid at once, this is a sizeable commitment for the Federal budget to cover. This has caused a financial crisis which Congress has been dragging its feet on over the last couple of years, passing resolutions for temporary one year renewals on contracts, but nevertheless avoiding resolution.

Further financial grievances embedded in the project-based housing program are with

rent rates. The properties formerly enlisted into the Section 8 New Construction and Substantial Rehabilitation programs that have turned over to Project-Based assistance have for various reasons racked up costs, including upkeep for deterioration and over-budgeted construction fees. The federal government has, in a sense, condoned these costs by subsidizing them with Section 8 assistance payments(Barth 1996: 23). As a result, 90 percent of these properties have rents that are over 120 percent of the Fair Market Rent(FMR)(<sup>2</sup>Rental Housing Online 1998). This contradicts with HUD regulations that stipulate that a tenant must find a place to live where rent is at or below the local area's FMR. These over inflated rents in the Project-Based system are a huge source of financial waste. In some cases, Section 8 apartment rents can be as much as twice as those of comparable unassisted units across the street(Barth 1996: 23).

Not only do these Project-Based subsidy units create a quandary for the Federal government, but they also put the tenants in a helpless situation. As conditions deteriorate in these buildings and with them being located mostly in high-poverty neighborhoods, many tenants would prefer to move to better quality units in other neighborhoods that would also be less costly to the government to subsidize. However, because the subsidy money for the Project-Based system is tied to the apartment and not to the tenant, the tenant is prohibited from moving without losing their rental assistance(Barth 1996: 23).

Many critics of the Section 8 program feel that the Federal government should not be involved in providing affordable housing. Decades of experience have proven that it is too

risky and unproductive, prone to financial trouble, administrative problems, corruption, and overall dissatisfaction from the tenants. This history has sullied the public's perception of project housing, proving it to be a drain of tax money. The perception is held that this money is being wasted by instead of going to improve the condition of peoples' lives, it is used to support and maintain slum fortresses that infest communities with drugs and crime. This image is not too far off in cases where Section 8 project owners have milked their guaranteed payment contracts for personal gain, allowing their tenements to deteriorate into slums(<sup>2</sup>Rental Housing Online 1998).

Out of necessity, though, the government remains in the public housing business. There is a tremendous shortage of affordable housing stock. Affordable housing is not profitable, so it leaves little to no incentive for private developers to invest in it(Wells 1997: 541). To try to create incentives is the very reason why the Nixon Administration started the New Construction and Substantial Rehabilitation programs in the late 1970's which resulted in the issuing of the contracts that are causing so much controversy today.

#### *Resolution for Project-Based Housing*

In 1996, HUD made a proposal that would alleviate the problems of over subsidizing units and tenant immobility in the Project-Based system. It involved scaling down their direct financial involvement with the mortgages by carrying through what they called "Portfolio Reengineering." This proposal called for the restructuring of mortgages on properties. This would reduce the rents needed to be charged to cover finance payments and

thus saving the government money on subsidy payments. To help facilitate this restructuring process HUD hoped to enlist the help of third party private, state, and local finance agencies to accept the transfer of a portion of the FHA responsibilities and to negotiate with lenders and owners to restructure the mortgages. There still remains the same problem, however, that tenants in the Project-Based system unfairly do not have the same freedom of Mobility that other Section 8 participants in the Certificate and Voucher programs enjoy. Their rental assistance money is tied to the unit and cannot be transferred any place else. To change this, HUD proposed that it would grant authority to state and local governments to decide how and when tied assistance could be transferred over to portable vouchers(Barth 1996: 24).

Although this proposal seems admirable and would prove for resolution, HUD has again dragged its feet with regard to implementation. Meanwhile, the ensuing dilemma of how to satisfy owners pressuring for contracts renewals was not being addressed. As a result, through the work of a coalition of lawyers and lobbyists, resolution was finally made in October of 1997. As part of the Fiscal Year '98 Veteran's Administration, HUD and Independent Agencies Appropriations Act, the Multifamily Assisted Housing Reform and Affordability Act of 1997(MAHRAA) was passed by Congress. HUD secretary Andrew Cuomo promoted this as a "historic achievement...of solving the Section 8 crisis..."(Rental Housing Online 1998). The bill increases funding by \$4.5 billion for the renewal of all expiring Section 8 contracts in the 1998 fiscal year. This will cover Housing Assistance Payments to 1.8 million units in which 4.4 million people live. With this act, permanent

legislation was put into effect that would require all rent contracts not to exceed those of comparable unassisted units. This would be made possible through the restructuring of mortgages.

### *External Financial Concerns*

Although, progress has seemingly been made in the Section 8 Project-Based system with the passing of this act, financial distress still threatens the Section 8 program as a whole. With budget concerns plaguing the Federal government, the White House Office of Management and Budget has made HUD reduce the amount of funding available to pay for rental assistance. This cutback does not drastically affect rural community programs where, in many cases, they have trouble using up all of the money given them. In the larger cities like New York, however, demands for assistance over-reach the amount of funding that is available. As a result, a cut in funding would dramatically reduce service capability. This does not mean that Housing Agencies would have to officially reduce their program size, however, it does prevent them from expanding to meet increasing demands. This also means stopping the practice of over-leasing beyond the HUD allocated number of units made possible by wringing out savings from administrative costs and by capping unit rents at below area FMR levels. This would result in the elimination of thousands of certificates through attrition(Kennedy 1998: B3). With financial problems like these persisting and others lingering, from owner fraud to tenant delinquency, reform of the Section 8 program is a priority.

Cutting program capacity, though, should not be considered a bad thing. A limit needs to be established or else program effectiveness will suffer as Housing Agencies struggle to handle larger and larger case loads. Only trying to contain the increasing immediate demand for housing assistance without addressing the source of the problem is not a working solution. Eventually, capacity to support the people that would be receiving assistance will overflow and collapse the whole integrity of the program. This methodology is similar to trying to address the problem of a leak in a dam by placing more and more buckets under the spring. Eventually, either the supply of buckets will run out or else the dam will collapse.

### *Section 8 Changes*

Recently, HUD has made a few changes to the Section 8 program in an attempt to cut costs. This involves tightening up tenant obligations and placing more administrative responsibility on owners. The first big reform made was a cut in the HA obligation to set limits and pay subsidies for tenant security deposits. Now the security deposit amount is determined solely by the unit's lease. The Housing Agency still makes sure that deposits are not unfair according to market practice or are more than what the owner charges other tenants who do not receiving Section 8 Assistance<sup>(1)</sup>Rental Housing Online 1998). This reform also includes a cancellation of the Housing Agency's obligation to reimburse property owners for damages caused by tenants to a unit for which costs exceed the amount of the security deposit payment. To receive compensation, the owner must obtain it directly from the tenant.

The final program change deals with Housing Quality Standards(HQS) violations. In

the past, all correction of deficiencies was required to be made only by the owner with the threat of Housing Assistance Payment abatement if the owner did not promptly comply. Now, the family is also held accountable for any damages that they or a guest of theirs caused, or if they are in HQS violation by failing to pay non-lease included utilities or not maintaining appliances that are not supplied by the owner but are considered essential to HQS. If any of these delinquencies are not corrected in a specified amount of time, the Housing Agency may terminate rental assistance.

Many tenant advocacy groups are against these reforms, contesting that they are discriminatory. Since the Housing Agency will no longer subsidize security deposits or determine their reasonableness limit, it is argued that the choice of where a tenant can live will potentially become reduced. This would place a restriction on the chance of mobility in the program. Also, this allows landlords more freedom to take advantage of tenants by increasing the amount of security deposits (but allowing tenants to pay for them in installments). It is also a concern that, by no longer guaranteeing reimbursement on costs caused by tenant damage that are not covered by the security deposit, landlords will become more apprehensive of accepting Section 8 tenants into their buildings, seeing them as potential financial risks (Rental Housing Online 1998).

Even with such apprehension, these reforms prove to be effective methods for reducing unwarranted costs to the program. Instead of weakening the program for the participants, as the advocacy groups claim, they instead strengthen the program's integrity by making tenants

more accountable for their actions. They are changes made in accordance with the program's main objective to decrease participation dependency on government aid. Movement towards self-sufficiency will not happen if there are no requirements for independent responsibilities maintained. If the government provides for every need, then there will be no incentive for a Section 8 program participant to improve her or his condition in life.

### *Owner Fraud*

Another major commitment to program reform is HUD secretary Andrew Cuomo's declaration to weed out and stop owner fraud. A major problem with Section 8 programs in some cities is with "slumlord" owners who divert subsidy money for their own personal use and neglect the upkeep of their buildings. The "crackdown" on these people will take place in fifty cities involving the investigation of landlords who supervise 445, 000 Section 8 units that house over 1 million people. To carry out this objective Cuomo hopes to hire one hundred new HUD employees as legislation enforcers and to enlist the services of outside contractors to investigate financial irregularities, inspect properties, and help build court cases against landlords found in offense (Janofsky 1997: A18). This is one more step to strengthen the program's integrity and to reduce financial waste.

### **Conclusion**

Since its creation in 1974, the Section 8 program has helped provide access to quality affordable housing for millions of people who would otherwise either be homeless or forced to live in cramped and overpriced units. It meant that people no longer had to be subjected

to discrimination through segregation into slum-based housing projects. For the first time, minorities could receive assistance that allowed them the freedom to choose where to live. Section 8 provides a more pragmatic approach to solving the nations housing dilemma unlike the Public Housing Project program that does not work to improve the condition of the lives of its participants, but instead acts as a mainstay of the condition of poverty. Participants are given more opportunities to relocate out of the culture of poverty that has been inflicted on them by social and economic discrimination. Section 8 is the first government housing program that offers its participants a chance for Mobility to make the transition to a better life of self-sufficiency.

Despite this great accomplishment, Section 8 does not provide enough assistance to meet public demand. Affordable housing is in short supply, while the number of people in need increases each year. With limited resources and funding available, the Section 8 program faces a time of reform where boundaries need to be realized of how much assistance can be provided, and efficiency needs to be increased to cut program waste.

One area that needs to be improved is the Waiting List. Expediency of service must be increased. The more people that the program will be able to reach, the more effective it will be. The deficiency with the Waiting List is a direct result of a contradiction between what the programs objective is and what the program actually does. Housing assistance should only be a temporary service of transition from dependence to self-sufficiency. Section 8 in its present configuration, however, allows its participants to rely on assistance as a permanent

routine. Limits need to be established on the capacity of the program to support those in need of subsidy payments. It is not fair that only a select number of people receive aid at the neglect of so many more who are in need. Presently, Section 8 serves 4.4 million people, however, there are still over 5.6 million people in the most dire need who are paying more than 50 percent of their income on rent.

As budgetary issues are tightening concern on this matter, the program needs to reprioritize its understanding of what it can and cannot do. An answer such as over-leasing of units is not a viable solution but is only an impulsive response to inefficiency. The main objective for reform should not be to figure out how to support the increasing number of people in need of housing assistance, but instead should be to improve economic and social conditions to reduce dependency.

Challenges facing Section 8 should not be viewed as a setback but more so as an evocation for evolution. It forces the exploration for and implementation of alternative approaches to address the source of the housing problem rather than dealing only with the financial consequence. With the creation of links to social programs like Family Self-Sufficiency, the Family Unification Program, and Veteran's Administration Supportive Housing, Section 8 not only improves the effectiveness of its program, but it also acts as a catalyst through which those in need are able to gain access to other forms of social assistance. Although in the future, the quantity of immediate assistance that Section 8 will be able to provide may become limited, increases in the quality of service will result in a greater impact in the long run.

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