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## **U.S. Seeks Cuts in Housing Aid to Urban Poor**

By **DAVID W. CHEN**

The Bush administration has proposed reducing the value of subsidized-housing vouchers given to poor residents in New York City next year, with even bigger cuts planned for some urban areas in New England. The proposal is based on a disputed new formula that averages higher rents in big cities with those of suburban areas, which tend to have lower costs.

The proposals could have a "significantly detrimental impact" in some areas by forcing poor families to pay hundreds of extra dollars per month in rent, according to United States Representative Christopher Shays, a Connecticut Republican. That extra burden could be too much for thousands of tenants, "potentially leaving them homeless," Mr. Shays wrote in a recent letter to the Department of Housing and Urban Development.

The changes would affect most of the 1.9 million families who participate in the Section 8 program, the government's primary housing program for the poor, including 110,000 in New York City. People in the program receive vouchers to help them rent private apartments from landlords who agree to participate.

For a four-bedroom apartment in New York City, HUD has proposed that the fair market rent be reduced from \$1,504 a month to \$1,286, a drop of more than 14 percent. For practical purposes, that means that a tenant must find an extra \$218 to stay in that apartment, or else find something cheaper. A voucher for a three-bedroom apartment would be cut by 7 percent, with smaller cuts for smaller units.

In an interview last night, two top HUD officials - Michael Liu, assistant secretary for public and Indian housing; and Cathy M. MacFarlane, assistant secretary for public affairs - attributed the new national numbers to fresh data from the 2000 census and a new system that averages a city's rents with those of its surrounding suburbs.

Last month, however, the housing secretary, Alphonso Jackson, suggested a somewhat different rationale for the need to change the Section 8 program, which he said was growing too fast and eating away at other programs. In an Op-Ed piece in The New York Times, he wrote that the housing voucher system was broken and wedded to a fair-market-rent formula that did not reflect current conditions. Many rental markets around the nation have softened, he wrote, and vacancy rates in some areas are at their highest rate in decades.

Those trends, however, are not reflected uniformly around the nation, and particularly not in the New York area.

The new proposal, for example, concludes that fair market rents in two fast-growing cities, Las Vegas and Houston, should increase up to 11 and 7 percent, respectively, while rents in two New England cities, Boston and New Haven, should drop as much as 27 and 21 percent for large apartments. And yet, the proposal also suggests that the figure in New York should fall by almost 15 percent for big apartments, even though local data indicate that housing prices are climbing steadily.

Fair market rents function as the statistical benchmark for many housing programs, most prominently Section 8. As such, the dispute over the new formula represents the latest chapter of an escalating struggle over Section 8, which the Bush administration has declared is too expensive.

"Like hurricanes in the Atlantic, assaults on the housing voucher program by the Bush administration have been unrelenting," wrote Sheila Crowley, president of the National Low Income Housing Coalition, in the group's most recent weekly newsletter to its 5,000 members. "Any program will break apart if battered hard and often enough. If the program can be so destabilized that landlords, lenders and developers will give up on it, it will be much easier to cut down."

The fair market rent issue is the latest of several proposed cuts in federal programs that would disproportionately affect New York and the Northeast, including an overall cut to the Section 8 budget - later restored for New York City - and a new financing system for public housing developments.

The rent drop in New York also echoes the projected drop in Medicare payments to the city's hospitals, under new national boundaries drawn up by the White House Office of Management and Budget, and recommended for all federal agencies. Those new boundaries would add Bergen, Passaic and Hudson Counties, where costs are lower, to New York City, where costs are higher, thereby lowering the city's average portion.

This being a presidential year, some housing groups have noted that many predominantly Democratic states, including New York and Massachusetts, fare poorly under these new proposals, while Republican states, like Texas and Georgia, tend to benefit.

But Dennis Shea, assistant secretary for HUD's office of policy development and research, said it was "absolutely false" that politics colored the calculations. In fact, he said that career civil servants prepared the fair market rents in accordance with technical requirements, as required by law.

Yet Mr. Shea did strike a conciliatory tone in reiterating that the proposals were just that - proposals, which were published for comment in the Federal Register last month. He said that HUD was working closely with the White House Office of Management and Budget to review the proposed rents before the publication of the final rules on Oct. 1.

Noting that HUD had received more than 300 comments, Mr. Shea added: "We're sensitive to the concerns raised by some of the communities and some public housing officials. We're trying to come up with a solution that is as fair as possible."

Tenants contribute 30 percent of their income to the rent, while the federal government pays the landlord the rest, up to the level of the fair market rent of the area.

Fair market rents are generally defined as the amount of money that would cover the rent, plus certain utilities, on 40 percent of the housing units in an area. Established for different bedroom sizes, they are adjusted each year, usually with little fanfare, and tend to inch up a couple of percentage points.

The city's Rent Guidelines Board recently approved rent increases of 6.5 percent for the next two years, after studying rising costs of city landlords. HUD itself, in agreeing to restore almost all the money to New York's Section 8 budget, recently concurred that rental costs in the city had risen by 4.1 percent.

But this year, the housing department factored in data from the 2000 Census for the first time, while applying the new geographical boundaries recommended by the Office of Management and Budget. Among other major changes, the department also reduced the rent allocation for larger apartments with three or four bedrooms, disproportionately affecting larger families.

The proposed changes appear to be larger than in previous years. According to an analysis published last week by Barbara Sard and a colleague, Will Fischer, 99 percent of the nation's counties would be subject to increases or decreases of more than 5 percent for apartments with more than one bedroom, in contrast to 2 percent of the counties in the previous year. Ms. Sard is director of housing policy for the Center on Budget and Policy Priorities, a liberal Washington research group.

Unless the proposed cuts are changed, some landlords say that they will have little incentive to continue to participate in the Section 8 program, a program long appreciated for its reliability.

Vincent S. Castellano, a real estate broker specializing in Section 8 who owns a few apartments in Queens, says that he owns a two-bedroom apartment in Rockaway Beach that he had been planning to rent to a Section 8 tenant for \$1,000 a month. Under the new proposals, the Section 8 fair market rents for two-bedroom apartments, minus utilities, would be \$944; under the existing one, it would be above \$1,000.

"I'm going to go without Section 8," he said. "And there are going to be guys who pull out of the market, there are going to be fewer Section 8 apartments available, and there are going to be more people in the shelters."

There is evidence, however, that the rental market is easing up in some parts of the country, including parts of the Northeast. While the average rent per square foot for

apartments across the country have remained flat in the last year, they have dipped in cities like Boston (down by 1.3 percent) and Detroit (1.2 percent), according to a recent analysis by the National Real Estate Index, which is published by Global Real Analytics, a research company.

Some smaller markets, at the same time, have seen housing costs rise.

In Murray County, Ky., with a population of about 33,000, Murray State University has expanded its enrollment by 25 percent in the last six years and the demand for new rental housing has pushed prices up. As a result, the new proposed fair market rent for a two-bedroom of \$500, an increase of \$117, is more than justified, said Don Elias, the city administrator.

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