
GAO**Testimony**

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Opportunity, Committee on Banking and Financial Services,
House of Representatives

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**HOUSING AND URBAN
DEVELOPMENT****Public and Assisted Housing
Reform**

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Mr. Chairman and Members of the Subcommittee:

As this Subcommittee deliberates legislation as part of the Congress's consideration of fundamental changes in federal housing policy, we are pleased to provide our views on some of the issues facing the future of public housing. The bill before you, H.R. 2406, would deregulate federal public and assisted housing programs and substantially increase local control over those programs, their implementation, and decisions about who benefits from them.

Current federal housing programs are seen as being overly regulated and as leading to warehousing of the poor, and the Congress is asking state and local governments to take a larger role in defining how the programs will work. Combined, these factors have led the Congress to reconsider the most fundamental aspects of public housing--whom it will house, the resources we devote to it, the amount of the existing stock we keep, and the rules under which it will operate.

My statement, which is drawn from our past reports and testimonies as well as ongoing work, addresses issues we believe merit consideration in your deliberations on H.R. 2406 and the future of public housing. (See app. I for a list of selected GAO products.) In summary:

- H.R. 2406 is one of a few key congressional initiatives seeking significant changes to several fundamental policies governing how public housing is provided. To be most effective, we believe these changes need to provide sufficient flexibility to housing authorities to accommodate the varying conditions they face in terms of the needs of their low-income families, their physical stock, its market value, and the availability of other affordable housing in the immediate market area. Furthermore, housing authorities will need an adequate transition period within which to take advantage of reforms that allow a broader mix of incomes and attract more working families to public housing. A higher income base will increase housing authorities' rental income and decrease their need for federal operating subsidies. However, housing authorities that move in this direction likely will provide assistance to fewer families with very low incomes.
- H.R. 2406 contains provisions that simplify and consolidate the Department of Housing and Urban Development's (HUD) tenant-based assistance programs into block grants for assisted housing. This will likely lead to some of the benefits we have noted in supporting past proposals to

merge HUD's Section 8 certificate and voucher programs.¹ The provisions in H.R. 2406 that expand local flexibility to establish fair market rents for areas smaller than those set by HUD could provide a wider choice of housing for those receiving assistance. However, fair market rents based on smaller areas have the potential to be more costly to the federal government in some markets and may actually decrease housing choice in others.

- A few large, urban housing authorities have been troubled for much of the past decade, and HUD's efforts to improve them have met with little success. If HUD decides or is required to take action against these or other troubled authorities, as it did when it decisively took over the Chicago Housing Authority in May of this year, its attention and staff resources could be overly burdened by these few authorities. HUD's resources could be stretched even thinner if HUD's performance measurement system is underreporting the extent of troubled housing, as we and the HUD Inspector General have found in limited audit work.

- The long-term success of public housing may depend, in part, on housing authorities' ability to work with local governments and community organizations to better leverage the federal resources available for community and economic development. However, integrating public housing into the larger community faces some longstanding obstacles: little interaction between housing authorities and local governments, public housing residents' isolation from the broader community, and those residents' skepticism born from the failure of past community development efforts.

Before I address each of these areas, I would like to briefly discuss the history of the federal government's assisted housing policy and the various directions it has taken over the years.

BACKGROUND²

¹The Section 8 certificate and voucher programs both provide tenant-based assistance for lower-income households to obtain affordable, privately owned housing; they are similar in many respects but have some statutory differences affecting how much subsidy an assisted household receives. They are tenant-based in that if a family moves, it takes its subsidy with it. In project-based assistance, such as public housing, the subsidy is tied to the unit and the family loses the subsidy if it moves.

²This section is drawn largely from Michael H. Schill, "Distressed Public Housing: Where Do We Go From Here?" University of Chicago Law Review (Spring 1993).

Since the inception of public housing in 1937, the Congress has periodically redefined who should receive housing assistance. In some cases, legislation targeted low- and very-low-income families for assistance. In others, the Congress sought to avoid concentrations of low-income families in public housing. For example, while the 1937 Housing Act allowed tenants to earn up to 5 times the rent they paid for their homes, the 1949 Housing Act gave preference to assistance to the very poor.

From 1959 to 1974, a number of measures the Congress passed undid earlier provisions that had targeted the poorest and neediest families. For example, the Housing Act of 1959 eliminated the existing income ceiling, and the 1974 act required housing authorities to select tenants with a broad range of incomes. The Senate report that year expressed the hope for economically viable housing and a socially healthy environment. However, in the midst of these changes, the Congress also passed the Brooke Amendment in 1969, limiting tenants' rents to no more than 25 percent of their income. The Brooke Amendment is widely seen as an initial contributor to concentrating the poor in public housing. This concentration occurred because as tenants' income increased when they found employment or received pay raises, they faced corresponding rent increases from housing authorities charging the full 25 percent of income they were allowed. Over time, this caused working tenants to move out. This left behind greater concentrations of tenants who were unemployed or receiving other federal assistance.

In the early and mid-1980s, the pendulum continued to swing toward concentrating poor people in public housing. The Congress retargeted assistance to those with very low incomes in three key ways: (1) In 1981, it required that 90 percent of all current residents and 95 percent of the tenants in newly constructed buildings have very low incomes³; (2) also in 1981, it raised tenants' contributions to rent payments to 30 percent of their income (to be phased in over 5 years) and eliminated rent ceilings, causing those with incomes at the upper end of eligibility for public housing to begin moving out; and (3) it mandated federal rules that favored admitting to public housing those with little or no income, adding to the concentration in public housing of the very poor.

The long-term effects of these changes were a drop by nearly half in the average income of public housing residents (from 33 percent of median in 1981 to about 17 percent today) and a near doubling in housing authorities' need for operating subsidies (from

³These quotas were reduced to 75 and 80 percent, respectively, in later years.

\$1.5 billion in 1982 to \$2.9 billion in 1995).⁴ As rent increases were phased in, tenants at the upper limit of eligibility for public housing gradually began moving out. This year, both the administration and the Congress have proposed balancing the budget within a decade. For public and assisted housing, this could mean that some programs will need to be redefined so that they either require less funding and/or operate more efficiently under existing spending levels.

STRENGTHENING THE LONG-TERM VIABILITY OF PUBLIC HOUSING

H.R. 2406 proposes several significant changes for public housing that could strengthen the long-term viability of federally assisted low-income housing. The changes include altering the mix of tenants who will continue in project-based public housing and fostering new opportunities in tenant-based housing. To be most effective, these changes to public housing policy will need to provide sufficient flexibility to housing authorities to accommodate the varying conditions they face in terms of their physical stock, its market value, and the availability of other affordable housing in the immediate market area. Incorporating adequate time for housing authorities to transition to new ways of providing housing services will also help to ensure that the new policies are implemented successfully.

Project-Based Public Housing vs. Tenant-Based Housing Certificates

Earlier this year, we reported that HUD's proposed conversion to housing certificates raised concerns that HUD's analysis left largely unanswered.⁵ The proposal lacked the detailed analysis necessary to demonstrate that certificates would be a more cost-effective means of providing rental assistance. Moreover, HUD had not taken into account wide cost differences between conventional public housing and housing certificates at various developments. In some cases, the cost to the government of public housing is about half of what a housing certificate in that area would cost. In others, because of extensive modernization and rehabilitation needs of the housing stock, housing certificates are several times cheaper. HUD's analysis relied on average costs and did not reveal the wide differences in the cost of the two approaches we found at individual housing developments.

⁴In nominal dollars.

⁵Our report Public Housing: Converting to Housing Certificates Raises Major Questions About Cost (GAO/RCED-95-195, June 20, 1995) suggested a development-by-development review because in some instances public housing may be less costly than Section 8 assistance.

H.R. 2406 would allow public housing authorities to convert individual public housing projects to tenant-based assistance, but only those which have been determined to be (1) distressed or substantially vacant and (2) more costly to modernize and operate as public housing than the cost of tenant-based assistance in that area. H.R. 2406 also requires that the housing authority assure that an adequate supply of affordable private housing is available to make converting to tenant-based assistance feasible. This approach is a much more gradual, thoughtful, and orderly approach to "vouchering out public housing" than was proposed by HUD in its December 1994 Reinvention Blueprint and again in its March 1995 HUD Reinvention: From Blueprint to Action. HUD proposed to convert all 1.4 million units of public housing to tenant-based assistance over a period of several-years.

We believe the development-by-development reviews contemplated in H.R. 2406 will go far toward helping housing authorities decide which federal housing assistance program is most appropriate. The reviews also provide the opportunity, as we concluded in our June 1995 report, to determine whether substantial sums of money could be saved by retaining public housing when it is cost-effective to do so. Because of the large number--13,200--of public housing developments, it will be important for housing authorities to use a consistent data collection and analysis methodology to ensure comparable results.

Determining Which Tenants Are Admitted to Public Housing

Changing the federal rules governing tenants' income and admission preferences will be among the most important statutory reforms needed to adjust to possible reductions in operating subsidies, according to the housing authorities with whom we recently consulted.⁶ Furthermore, substantial concern exists among public housing providers that funding reductions will happen all at once, while housing authorities will need years to lower their cost of operations by demolishing their most costly stock and changing their mix of tenants to produce increased rental income.

H.R. 2406 addresses some of these concerns by removing the one-for-one replacement requirement, allowing mixed-income developments, eliminating existing federal preference rules for admission to public housing (allowing locally developed preferences), and granting significant local discretion in setting minimum and maximum rents. Housing authorities emphasized that they also need time to make rent reform work. Without a transition period to phase in new tenants with a mix of incomes, housing

⁶These rules currently specify the means housing authorities use to determine the level of income residents may have, factors to consider in setting priorities for who is to be admitted to public housing, and how much rent residents must pay.

authorities have told us that the only way to meet some of the proposed reductions in operating subsidies would be to defer maintenance and planned modernization projects, lay off staff, and allow vacancies to increase.⁷ However, if they are allowed a transition period, several believed they could adapt their stock and their mix of tenants to meet reduced levels of funding for operating subsidies.

To illustrate the combined effect of a turnover of tenants and the admission of new tenants with a mix of incomes, we analyzed the interaction between these factors and the resulting adjustment time that a hypothetical well-run housing authority might need before the increased revenues from rent make up for the reduced federal subsidy (see app. II).⁸ For example, if the average income of the new tenants is 25 percent of the area's median income, then the adjustment period ranges from 3 years, when the turnover is high, to nearly 7 years, when it is low. However, if the average income of the new tenants is 30 percent of the area's median income, the adjustment period would be shorter, ranging from 2 to 4 years. Appendix II also shows the time periods needed, as new tenants' income varies from 21 to 50 percent of the area's median income.

This analysis confirms that housing authorities with high turnover rates will generally adjust faster. It also shows that housing authorities can further accelerate their adjustment periods--should budget pressures force them to do so--by using the flexibility H.R. 2406 allows to select new tenants with income at the upper end of the new eligibility limits. Adopting such a strategy, however, would necessarily come at the expense of admitting those very low-income people who, under current rules, are given preference for admission to public housing.

BENEFITS LIKELY FROM REFORMS TO TENANT-BASED ASSISTANCE PROGRAMS

H.R. 2406 envisions several key reforms to HUD's tenant-based housing assistance programs, including consolidating programs to provide block grant assistance and allowing greater latitude for local decision-making in the amount of subsidy that assisted households may receive.

⁷These authorities were speaking in reference to the recommendation in July of this year by the House Appropriations Committee to appropriate \$2.5 billion for operating subsidies in fiscal year 1996--a 14-percent reduction from the 1995 level, and \$2.5 billion for modernization--a 32-percent reduction from the original 1995 appropriation.

⁸For this analysis, we estimated the period this hypothetical housing authority would need to adjust to its share of the House Appropriations Committee's recommendation for fiscal year 1996 operating subsidies, \$2.5 billion.

In the past, we have supported other reforms that sought to simplify and consolidate HUD's tenant-based assistance programs, such as proposals to merge the Section 8 certificate and voucher programs.⁹ Ultimately, under a merged program, HUD and housing agencies would have one program to administer rather than two, and they would have fewer administrative record-keeping requirements. In addition, private owners would no longer have to meet different requirements for households receiving assistance through different programs. Finally, assisted households would be treated consistently, both in the housing subsidies they receive and in their choice of housing. HUD has already issued a unified set of program requirements for the certificate and housing voucher programs in areas that do not differ because of statute.

To provide greater flexibility for local decisionmakers, a key reform in H.R. 2406 would allow housing management agencies to establish fair market rents for geographic areas smaller than the market areas covered by the HUD-established fair market rents. As we noted in our June 1994 report, this reform would allow fair market rents to more closely reflect rents in the smaller geographic area and could result in offering eligible households a wider choice of housing.¹⁰ Nonetheless, the approach has certain drawbacks. These include (1) the added cost of collecting and interpreting data to provide accurate estimates of fair market rents based on smaller areas; (2) increased per-family costs if assisted households move from market areas in which the fair market rents are reduced to areas in which they are increased; and (3) the potential for reducing housing choice in those areas with reduced fair market rents.

ADEQUACY OF HUD'S OVERSIGHT OF TROUBLED PUBLIC HOUSING AND ALTERNATIVES TO CURRENT OVERSIGHT SYSTEM

HUD's limited oversight of troubled housing authorities has allowed some authorities to continue providing substandard service to their residents for years. Furthermore, HUD's performance measurement tool for all housing authorities, the Public Housing Management Assessment Program (PHMAP), may not be giving HUD a reliable indication of how many housing authorities are troubled and need management improvements. Coupled with proposals to dramatically reduce the size of the Department, some housing

⁹Section 8 Rental Housing: Merging Assistance Programs Has Benefits but Raises Implementation Issues (GAO/RCED-94-85, May 27, 1994) and Rental Housing: Housing Vouchers Cost More Than Certificates but Offer Added Benefits (GAO/RCED-89-20, Feb. 16, 1989).

¹⁰Rental Housing: Use of Smaller Market Areas to Set Rent Subsidy Has Drawbacks (GAO/RCED-94-112, June 24, 1994).

authority executive directors, industry associations, and housing consultants have said this creates a need to consider alternative oversight mechanisms for public housing.

H.R. 2406 seeks to provide a wider array of remedial measures HUD can, or will be required to take against poorly-performing housing authorities. These include a "death penalty"--a mandatory takeover by HUD for those large housing authorities that are currently troubled and have been for 3 years or more. Furthermore, H.R. 2406 establishes an accreditation system to replace HUD's existing management assessment process. Our review of HUD's oversight offers some lessons to consider in structuring federal oversight in a reformed public housing program.

Oversight of Troubled Housing Authorities

Unless HUD plays an active role in correcting the problems of the nonperformers, federal resources and the attention of key HUD staff could be overly burdened by a small number of authorities. HUD has consistently designated six large, urban authorities as troubled over the past decade. In the case of one of these--the Chicago Housing Authority--HUD had no choice but to take over the authority after the executive director and board of directors resigned earlier this year. At that point, the Chicago Housing Authority had been troubled for 16 years, during which HUD had tried several approaches short of taking direct control to improve conditions, none of which were successful.

In contrast, the overwhelming majority of housing authorities in this country are adequate performers, according to HUD's assessment system. Of the over 3,300 housing authorities that provide housing for approximately 3.2 million residents, HUD currently classifies only 92 as troubled.¹¹ Thirteen of these troubled authorities are considered large, having more than 1,250 units. Six of the 13 large troubled authorities have been so for over a decade and account for almost 75 percent of all of the units of troubled authorities. Five of the six have been troubled since 1979, when HUD began designating poorly performing housing authorities as troubled.

Historically, HUD has made limited use of the authority it already has to take action against troubled housing authorities. The Secretary may declare an authority in breach of its contract with HUD for a variety of reasons, including its failure to provide housing that is decent, safe, and sanitary. Once an authority is found to have breached its contract, the Secretary may take it

¹¹HUD classifies public housing authorities as "troubled" if they score less than 60 out of 100 points against a set of 12 performance indicators in the PHMAP.

over, petition for the appointment of a receiver, or solicit proposals for new management.

On the occasions when HUD has exercised its authority to take over a housing authority, the results have been mixed. In late 1985, HUD took over the troubled East St. Louis Housing Authority and hired a private manager, who operated the housing authority from September 1986 until May 1992. The housing authority is no longer designated by HUD as troubled. In contrast, HUD's intervention with the Detroit Housing Authority was not as successful. HUD declared the Detroit Housing Authority in breach of its contract in October 1992 but never placed it in receivership or took it over. Currently, the Detroit Housing Authority remains on HUD's list of troubled authorities and has been unable to fill its top management positions despite significant technical assistance from HUD.

More Housing Authorities May Be Troubled

HUD's Inspector General has reported that some housing authorities whose PHMAP scores were high enough that they were not designated as troubled should have had lower overall scores and, in some cases, should have been deemed troubled.¹² The consulting company that HUD hired to confirm some PHMAP scores also reported inflated self-reporting of performance by housing authorities. Recent limited work we have done generally confirms these results. Consequently, it is possible that requirements for HUD to take stronger action against troubled housing authorities would strain its resources and limit its ability to conduct effective oversight of the remaining authorities that are not troubled.

During recent visits to a limited number of housing authorities, we found differences in how they viewed the usefulness of PHMAP. For instance, officials at two of the six of authorities we visited told us that PHMAP provides little or no incentive for them to improve their operations if they are not troubled (or when they raise their score enough to no longer be troubled). They rely primarily on internal management objectives to run their authorities and view PHMAP merely as a reporting requirement. Other authorities, however, do use some of the PHMAP indicators as management tools to improve operations. Top management of these authorities told us that they hold their employees accountable for their performance on these PHMAP indicators.

¹²Audit Report of the Office of Inspector General--Limited Review of the Public Housing Management Assessment Program (PHMAP) (Feb. 4, 1993), Audit Report--Allegheny County Housing Authority (Jan. 13, 1994), and Audit Report--Peoria Housing Authority (Sept. 7, 1995).

Accreditation--One Potential Alternative to
HUD's Public Housing Management Assessment Program

In addition to the findings by HUD's Inspector General and a consultant's confirmatory reviews, PHMAP has been criticized as inadequate for HUD's use in measuring the quality of a housing authority's management, for failing to recognize limitations and conditions unique to each housing authority, and for lacking a means to help a housing authority improve its performance when problems are found. H.R. 2406 proposes a significant change in federal oversight of housing authorities' management and performance by transferring much of this responsibility to a newly created Housing Foundation and Accreditation Board. As used in other industries, accreditation is a system independent of a federal regulatory agency to evaluate performance on the basis of industry standards.

H.R. 2406 requires that the Housing Foundation and Accreditation Board be composed of housing and real estate industry professionals as well as residents of public housing. It would be independent of HUD and would be charged with developing standards to measure housing authorities' performance; periodically reviewing how well housing authorities have met those standards; and, on the basis of those periodic reviews and selected other information, determining whether the housing authorities should receive accreditation. Only accredited housing authorities would be eligible to receive (or continue receiving) block grants to provide assisted housing.

The National Commission on Severely Distressed Public Housing has also advocated an accreditation system to better evaluate the effectiveness of public housing's management.¹³ The Commission felt that industry peers, with experience running housing authorities similar to those they are assessing, are in a better position to (1) develop relevant performance standards; (2) evaluate an organization against its own needs and requirements; (3) differentiate among conditions or issues of concern that may exist at one housing development but not at others; and (4) offer technical assistance that is specific to each authority, helps it learn how to meet accreditation standards, and improves management.

While our work over the past year--our review of HUD's oversight of large troubled housing authorities and our limited review of PHMAP scores--has shown that some changes are needed in the practices and policy of HUD's oversight, we are aware that alternative oversight mechanisms do not come without pitfalls. The existing accreditation systems in health care, education, and child

¹³The Final Report of the National Commission on Severely Distressed Public Housing (Aug. 1992).

services programs took years to develop and in some respects still need improvement. Therefore, the Subcommittee may want to consider issues such as membership composition of the board, the board's relationship to HUD, the source and amount of the board's funding, staffing for the board, and the scope of the proposed board's authority.

THE POTENTIAL FOR INTEGRATING PUBLIC HOUSING INTO COMMUNITY DEVELOPMENT

The pending changes in public housing, along with welfare reform and budget reductions, make it increasingly necessary that local governments, public housing authorities, and community residents work together to use available resources to make public housing a viable part of the broader community. To do so, however, will require (1) engaging housing authorities in community development activities, (2) reducing concentrations of public housing, and (3) overcoming residents' skepticism.

Historically, the housing authority has been responsible for carrying out federal public and assisted housing programs--relying on federal funds dedicated to it--with little interaction in broader community development activities. This structure has allowed the housing authority to be less than fully integrated into the community. However, the separation of the housing authority from the local government and the community has increased the isolation of public housing residents and has sometimes hampered housing authorities' ability to obtain other services for public housing. As we look toward comprehensive community development, whether through the Empowerment Zone and Enterprise Community program or through locally based initiatives, housing authorities will need to become stakeholders if meaningful change is to occur.¹⁴ Creating a sustainable community is a time consuming multistep process, and it may take many years before results are visible.

Our recent work in the area of community development shows that progress in this area is most difficult and challenging when there are large concentrations of public housing.¹⁵ One of the organizations we studied served an area that contained nearly 3,000 public housing units--one-third of the city's total units--many of

¹⁴The Empowerment Zone and Enterprise Communities program was adopted in 1993 under the Omnibus Budget Reconciliation Act. This program promotes the comprehensive revitalization of selected distressed communities by funding broad, community-based strategic plans.

¹⁵Community Development: Comprehensive Approaches Address Multiple Needs but Are Challenging to Implement (GAO/RCED/HEHS-95-69, Feb. 8, 1995).

which were vacant. While the organization successfully created over 300 jobs for community members by rehabilitating an area shopping center, rehabilitating and constructing affordable housing, and providing social services, the organization had difficulty involving the neighborhood's public housing residents in its activities. The organization's executive director told us that without reducing the concentration of public housing units by creating mixed-income developments, it would be hard to end the feelings of isolation experienced by public housing residents. Community development experts we interviewed agreed, saying that public policy has contributed to the isolation of public housing residents by concentrating low-income families in one place.

Overcoming residents' skepticism and ensuring residents' participation in community development efforts were a challenge in the communities we studied because of neighborhood conditions and the failures of past efforts to address the needs of residents. These organizations used a variety of methods to gain the trust of the residents. Each cited visible accomplishments--rehabilitated housing and economic development projects--as a factor in gaining the trust of residents and reducing their skepticism. However, one of the organizations said that it has yet to involve sufficient numbers of public housing residents in its efforts. In our work in Chicago, we found that residents have little confidence in the authority's ability to address even the most basic issues. The sentiment of the residents was that until their housing needs were taken care of, they could not concern themselves with their broader community.

CONCLUSIONS

In the face of significant pressures to balance the federal budget within a decade, H.R. 2406 includes several reforms that will likely improve the long-term viability of public housing, such as allowing mixed incomes among the residents of public housing and converting some public housing to tenant-based assistance when that makes the most sense. Additionally, it reforms tenant-based assistance programs so that they are simpler and more consistent in their treatment of the renters given assistance. We support the bill's provisions mandating the takeover of chronically troubled housing authorities because too often in the past, HUD has been reluctant to take action on its own. However, we note that significant questions remain about the reliability of the oversight system that HUD uses to designate these agencies as troubled. Finally, we note that attempts to leverage all of the resources benefitting low-income families--such as those for public housing and community development--will likely face some long-standing obstacles.

Mr. Chairman, this concludes my prepared remarks. I would be pleased to answer any questions your or other Members of the Subcommittee may have at this time.

SELECTED GAO PRODUCTS

Public Housing: Status of HUD's Takeover of the Chicago Housing Authority (GAO/T-RCED-95-275, Sept. 5, 1995).

Public Housing: Converting to Housing Certificates Raises Major Questions About Cost (GAO/RCED-95-195, June 20, 1995).

Public Housing: HUD's Takeover of the Chicago Housing Authority (GAO/T-RCED-95-222, June 7, 1995).

Public Housing: Funding and Other Constraints Limit Housing Authorities' Ability to Comply With One-for-One Rule (GAO/RCED-95-78, Mar. 3, 1995).

Housing and Urban Development: Reforms at HUD and Issues for Its Future (GAO/T-RCED-95-108, Feb. 22, 1995).

Housing and Urban Development: Reinvention and Budget Issues (GAO/T-RCED-95-112, Feb. 22, 1995).

Department of Housing and Urban Development (GAO/HR-95-11, Feb. 1995).

Community Development: Comprehensive Approaches Address Multiple Needs but Are Challenging to Implement (GAO/RCED/HEHS-95-69, Feb. 8, 1995).

Housing and Urban Development: Major Management and Budget Issues (GAO/T-RCED-95-86, Jan. 19, 1995, and GAO/T-RCED-95-89, Jan. 24, 1995).

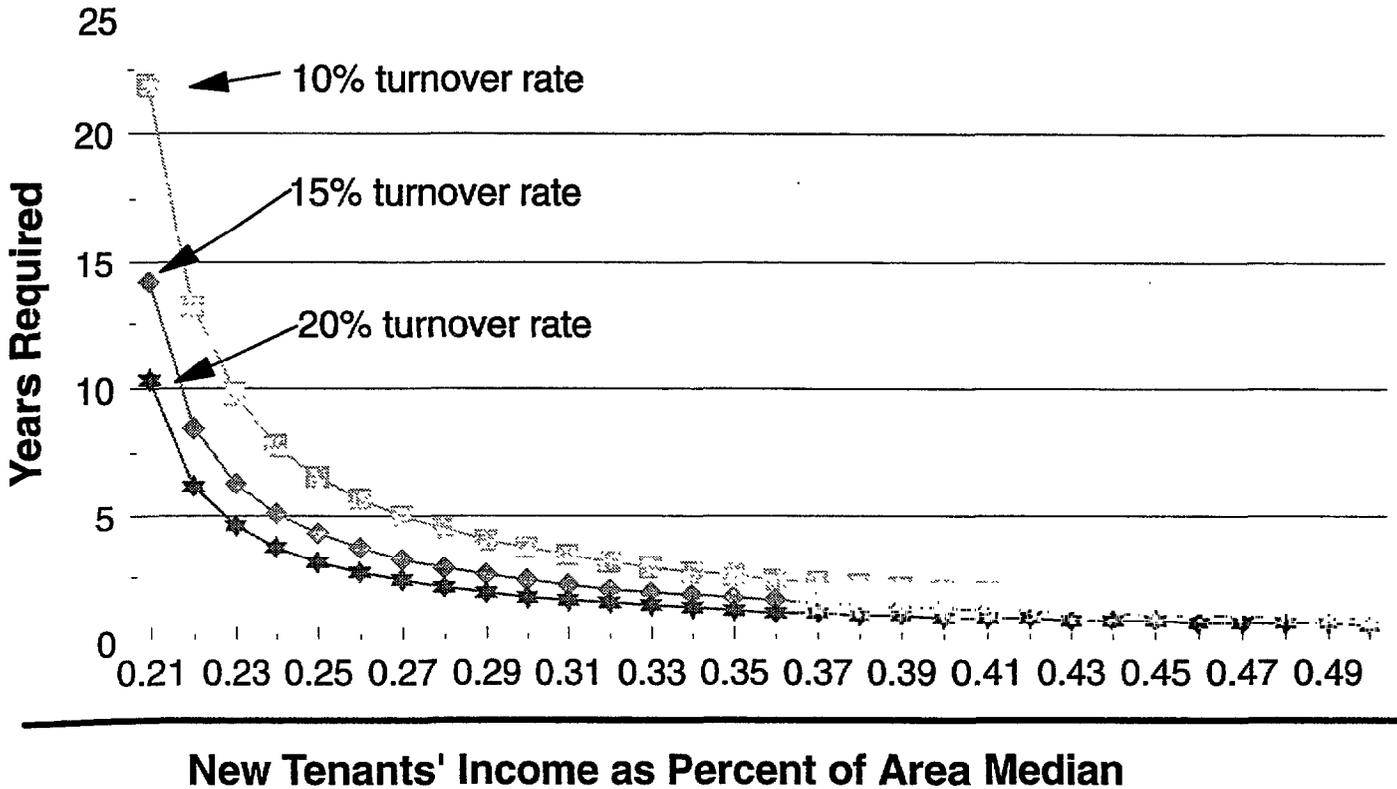
Rental Housing: Use of Smaller Market Areas to Set Rent Subsidy Has Drawbacks (GAO/RCED-94-112, June 24, 1994).

Section 8 Rental Housing: Merging Assistance Programs Has Benefits but Raises Implementation Issues (GAO/RCED-94-85, May 27, 1994).

Housing Issues: The Housing and Community Development Act of 1994 (GAO/T-RCED-94-198, Mar. 10, 1994).

Rental Housing: Housing Vouchers Cost More Than Certificates but Offer Added Benefits (GAO/RCED-89-20, Feb. 16, 1989).

TRANSITION PERIODS HOUSING AUTHORITIES
NEED TO ADJUST TO REDUCED SUBSIDIES



Note: This hypothetical example reflects the following assumptions: the project has 100 units; its occupancy rate is 97 percent; the area median income where the project is located is \$30,000; the average income of the current tenants is 16 percent of area's median; tenants' rent contributions are 30 percent of their income; the monthly operating cost to the PHA to maintain the project is \$350 per unit; and the PHA is facing a 14 percent reduction in its operating subsidy.

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