

Changing public housing to project-based Section 8

... modifications to New Columbia's housing options
designed to support lower income households

Q: How have the numbers of public housing units changed at New Columbia?

A: Plans for New Columbia originally included 370 replacement public housing units. Another 92 replacement units were planned for off-site locations in order to ensure that our local community maintains the total 462 units of public housing represented by Columbia Villa.

The changes undertaken in August 2003 result in 239 on-site public housing units, 131 on-site, project-based Section 8 units, plus the 92 housing units originally planned for off-site locations.

Q: Why is this change needed?

A: New Columbia's original program budget anticipated a "demolition grant" from HUD totaling \$6 million. However, due to shrinking federal funds, a compressed budget cycle at HUD, and increased demands from around the country, none of the recipients of HOPE VI revitalization grants (New Columbia's core \$35 million project funding) are expected to receive the additional demo grant funding this cycle.

HAP staff has been working over the past several months to reduce overall program costs, generate new revenue sources, and approach some of the previous revenue sources more conservatively. In early June the budget was trimmed to \$137 million and further refinement has resulted in a current operating budget of \$135 million (August 2003).

Q: What is "project-based Section 8?"

A: HUD provides for affordable rental housing in two major categories: public housing and "Section 8" rent assistance. The most common form of Section 8 is the tenant-based voucher program. Another option is project-based Section 8 in which the subsidy is assigned to the unit rather than the tenant. HAP has been

authorized by HUD to create a project-based Section 8 program targeted to local needs.

The cost of tenant-paid rent and utilities is the same in either public housing or project-based Section 8 units: 30% of their household income. In the Section 8 program, the remainder of the rent payment is paid to the landlord by HAP. Both types of assistance make these units affordable to very low-income tenants.

Although renters still need to pre-qualify to receive assistance, a "project-based" rent subsidy is paid directly to the landlord and stays with the unit. The unit remains designated as a Section 8 unit for at least ten years. In other words, the subsidy stays with the unit rather than being "portable" (i.e. it will not travel to other properties when the resident moves, which is the case with tenant-based Section 8 vouchers).

Q: How does project-based Section 8 generate new revenues?

A: The conversion of 131 public housing units to project-based Section 8 will raise \$9.5 million in new resources. Basically, converting public housing to project-based Section 8 increases the project's borrowing power and enables HAP to obtain a larger loan from private lenders.

The Section 8 program is structured by HUD to mirror the private sector real estate market. That means that the rental income produced by a given unit (the combination of tenant rent plus HUD subsidy) is enough to pay all the costs of operating and maintaining that unit, and to also make a mortgage payment. Public housing, on the other hand, only provides enough income to pay for operating the units. Maintenance funds come from other sources, and debt financing (i.e. a mortgage payment) is not allowed on public housing.

Q: What type of protections will be guaranteed to residents of project-based Section 8 units at New Columbia?

A: Public housing provides many protections for renters facing challenges with their health, family and economic situations. Tenants in both programs are protected from rent increases that are unrelated to changes in income (i.e. rents can't go up because a landlord needs more revenue or the market changes).

Another primary function of these safety nets is to protect residents who may be undergoing hardships from no-cause evictions. HAP's locally-designed project-

based Section 8 program also prohibits no-cause evictions.

HAP is working closely with Portland housing and tenants' rights advocates to develop policies to ensure that project-based Section 8 participants at New Columbia can expect essentially the same rights and levels of protection as residents of public housing. The goal is to ensure that the leasing arrangements and day-to-day functions of these changes would be invisible to a resident from one program to another.

Q: *Will Columbia Villa residents still be able to return to New Columbia?*

A: **Absolutely!** HAP will ensure that every former resident who desires to return to New Columbia will be given that opportunity (the only caveat is a prohibition regarding involvement in serious criminal activities). The goal is to have a comparable lease for both public housing and project-based Section 8 residents at New Columbia, with essentially the same rights and protections that now apply to public housing residents.

Q: *Does this mean that our community loses public housing resources?*

A: **No.** In addition to the 381 additional Section 8 vouchers that New Columbia has brought to the local community, the Housing Authority of Portland will be able to reactivate the federal public housing subsidy for the 131 units we are changing to project-based units.

The reactivated units will occur when we are able to obtain development financing for other units within Multnomah County. We also will be able to reactivate the public housing subsidy for the 92 Columbia Villa units that are being replaced off-site as project-based Section 8 units.

To do this, HAP will have to buy an eligible apartment building(s) with no debt burden or undertake mixed-finance development(s) and make some of the units public housing. We have started to investigate these options, with the goal of replacing the public housing converted to project-based Section 8 in two to three years.