

DECLINE OF SECTION 8

PROFIT

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SPECIAL TO THE NEWS

THE BUZZ OF the saws and the clang of scaffolding around two towers at the Campos Plaza in Alphabet City are the sounds of the future of public housing.

It's a renovation of the Campos I complex on Avenue C, funded by a multimillion-dollar deal that uses a program called Section 8 to bring private developers and private money to public housing after years of government neglect.

Supporters say it's a smart way to raise money that the government can't, or won't, provide. Critics worry using Section 8 to spur privatization is a pricey Band-Aid that merely kicks the funding problems down the road.

Tenant Association President Dereese Huff, who lives in Campos I, says the influx of private money is progress.

"My apartment looks remarkable," said Huff, 49, enjoying her new kitchen countertops, refrigerator, cabinets and flooring. "It's a big difference (from) what we were getting from NYCHA, I can surely tell you that."

But across the courtyard at Campos II, there are no new bathrooms and no new windows. There's the same old grimy halls. Though long operated as a single complex, Campos II was funded as traditional public housing. Only Campos I, with Section 8, was eligible for private help.

This tale of two towers lays bare the realities of federal funding for housing over the past few decades: If low-income housing can be profitable to private interests, it gets money. If not, it's left to crumble.

"The only advocates for (public housing) funding are low-income tenants – who have no independent expenditures, no political action committees and no particularly high standing in Washington," said City Councilman Ritchie Torres (D-Bronx), who heads the Public Housing Committee.

Federal support for public housing has withered since the 1970s, when vouchers were just beginning to be Washington's tool of choice to house the poor. Under Section 8, tenants find a private apartment and pay 30% of their income in rent, and the voucher pays the rest.

The vouchers are supposed to allow people to move to better neighborhoods, and better lives. In New Orleans and Memphis, they replaced traditional public housing altogether. Encouraged by Washington, the cities handed out vouchers, tore down the projects, and put up smaller, mixed-income developments in their place.

But those losses have fueled an affordable housing crisis across the country. There aren't enough cheap apartments to go

Private motive to fix public housing



Dereese Huff, in her spiffed-up Campos I NYCHA apartment in Alphabet City, is thrilled with the infusion of private money.

around. It's one reason the federal government has come to see public housing as worth saving. Now, in addition to sending poor people out to the private market, it's using Section 8 to bring the private market into public housing.

"It's a very pragmatic move because right now, Section 8 funds are available, but it's short-term," said Tom Angotti, professor of urban affairs and planning at Hunter College.

"Using project-based Section 8 with private building owners turns out to be a pretty expensive operation."

The deal that brought Huff her new oak cabinets and double-paned windows is complicated, and it didn't come cheap.

To attract a private developer

and private capital, the New York City Housing Authority and the federal government worked out a deal. The U.S. Housing and Urban Development Department signed off on a 15-year contract that pays market-rate rents – \$23.5 million a year for 874 apartments in six Section 8 complexes, including Campos Plaza I.

NYCHA then formed a company with two developers – L+M Development and BFC Partners – which got a 50% stake in the six complexes. The company used that hefty long-term contract to raise \$235 million in tax-free bonds, plus more in tax credits

and other financing. The deal also includes six buildings in other complexes across the city.

"We were allowed to get rent increases which you can't get under public housing," said Jeffrey Moelis of L+M, a prominent affordable housing developer. "This project works for NYCHA. They got financial resources, partners that can repair the buildings, and for us there is cash flow. Hopefully it generates as much as we expect."

NYCHA will eventually get about \$300 million that it can plow into other buildings or use to help plug its \$60 million deficit.



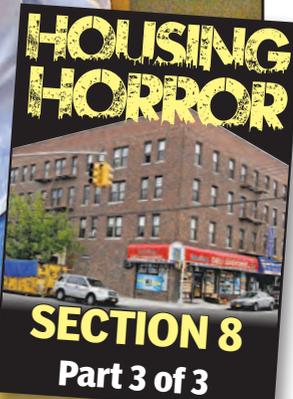
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VOUCHERS HELP NYCHA REPAIRS

AND PAIN

But fear of 'Trojan horse,' unaffordability

Just across the courtyard, in Campos II, Tanya Minto can do nothing but wait for long-overdue renovations to her apartment and hallways. It's truly a tale of two towers, with public housing often dependent on outside investment to secure improvements.



The developers get a \$23 million development fee and the leftover profits and they'll make \$100 million in repairs. L+M also gets management fees, and runs the waitlist that determines who gets in.

These complex deals have become increasingly common as congressional support for funding public housing has waned.

"It's far simpler to give you an \$80 million subsidy than to provide you with \$80 million through a labyrinth of bond financing and tax credits and (rental) contracts," Torres said. "But that is not the world we live in."

The Obama administration

wants to convert more public housing to Section 8 so housing authorities can make much-needed repairs by leveraging private money and bringing in private developers. The new program is called the Rental Assistance Demonstration, or RAD.

"What we're doing with RAD is we're moving the funding source to something that's recognized in the private market, so that we can invest in the housing stock," Assistant HUD Secretary Kathy O'Regan said. "We have \$26 billion of unmet capital needs in our public housing stock — we're simply not going to get there with an-

nual appropriations."

No one has to tell that to Beatriz Torres Guzman, who lives at Campos Plaza II.

"Morale is very low, especially for people who live on this side and see the changes," Guzman said during an interview last month. "We have a broken lock right now. We had a murder on 12th St. and Avenue C last night, and that door is unlocked for two weeks. I just called NYCHA and they hung up twice."

Expect more of these creative deals to fix those broken locks. Housing authorities have come to believe that public support isn't

coming, so they have to bring the private sector in.

"I think pretty much most of us in the business conclude that HUD is not going to change course on that funding," said Cathy Pennington, who oversees NYCHA's Section 8 program. "In fact, they are the ones promoting this new model as really the only option for public housing."

From her perch at Campos Plaza I, Huff has watched the fickleness of federal policy play out. In 1979, she moved from an abandoned building on E. Fourth St. to a new five-bedroom apartment in Campos Plaza with her nine sib-

lings. It was the tail end of the New Deal dream of safe, affordable housing for low-income Americans.

"We thought we was coming from there to a mansion," she said. "It was like a whole new world on this side compared to what we came from."

Then she watched disinvestment eat away at that new world. The security budget was cut, and tenants got used to dropping to the floor when they heard gunfire. Without money for maintenance, paint peeled, garbage chutes backed up and elevators stalled.

But she also watched kids grow up and people rally together. To the 400,000 New Yorkers who live there, public housing is a community. In a city facing near-record homelessness, where the private market is out of reach for many of the working poor, it's also a safety net.

Theodora Scott, a mother of three, works for the city signing people up for health care. She's been on a waiting list for public housing for seven years.

But her salary hasn't been enough to hang on to a private apartment, and now Scott is homeless, cycling between shelters and occasional stints at her mother's apartment in Campos Plaza.

"If management sees I am here, it will be a big risk for my mom, so I have to go back to a shelter," said Scott, 28.

That's why skeptics worry that the safety net could disappear.

"Is this simply a Trojan horse to further privatize the public housing stock?" asked the University of Minnesota's Edward Goetz, who studies urban affairs. "We're being asked to believe it's not."

HUD and the city say they have put in stopgaps to keep these buildings affordable. NYCHA says it retains ownership of the land and a 50% stake in the buildings, and has the right to buy back the other half when the deal ends in 30 years. Whether there will be the political will, or the money to do so, is an open question.

Even Huff, who proudly shows off the soft way her new windows click shut, wonders what will come down the road.

"The fear is what happens after this 30-year contract," she said. "What about my daughter that's behind me? That's where I worry about it more."

Huff's memory stretches back to the days when her family had to pump water to bring back to their abandoned building and her mom refused to let the kids walk down Avenue D. She lives in a safer neighborhood now, and she wants to stay.

"We don't have no plans to go anywhere," she said. "This is home."