



# Notes

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## Section 8: Things Just Might Get a Whole Lot Worse

In what continues to be an annual battle of ideologies regarding HUD's role in providing affordable housing through vouchers, the Bush Administration has proposed a budget for FY2005 that would cut Section 8 drastically. The proposed cuts would include \$1.6 billion for 2005, with a continued reduction in funding for subsequent years.

A New York Times editorial from October 16 entitled, *The War on Affordable Housing*, goes so far as to state, "The conflict-

ing signals and general aura of hostility [from HUD] have convinced housing authorities...that they need to defend themselves by avoiding new commitments and cutting back on their old ones. Even worse, the developers who have counted on Section 8 money to build affordable housing...now think that they can no longer trust this program."

The Center on Budget and Policy Priorities (CBPP) warns that likely responses to these Section

8 funding cuts would either be a reduction in the number of families assisted, a reallocation of assistance to higher-income families, or an increase in the proportion of rent costs to voucher holders (meaning families would have to pay more than 30% of their income on rent). In fact, CBPP asserts that "the Administration's proposed budget, if approved, could cut 30% of all assisted families by 2009."

In addition to funding cuts, the  
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## The Enterprise Foundation Joins Mayor Bloomberg to Announce \$1 Billion commitment

**Mayor Calls for Action to Preserve Federal Housing Support:** Mayor Bloomberg joined with Enterprise Foundation Chairman Bart Harvey and Senior Vice-President Bill Frey to announce a \$1 billion commitment from Enterprise to support the City's New Housing Marketplace effort at the Foundation's annual conference on October 14<sup>th</sup>. The City and the Founda-

tion estimate that the commitment will fund the creation and preservation of 15,000 affordable homes for low income New Yorkers.

Prior to detailing the Enterprise commitment, the Mayor took the opportunity to remind everyone of the importance of the involvement of the federal government in preservation activi-

ties. The Mayor's speech included a call for federal action: "We need the help of our friends in Washington, DC who fund our public housing, give us HOME and Community Development Block Grants and provide crucial funding for supportive housing. But more than any of these, we need Congress and the President to stand

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## From Page 1: The Section 8 Struggle Continues

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Administration's proposal would also affect federal regulations governing the voucher program. The requirement that a voucher-receiving family can only pay up to 30% of its income for rent would be abolished, and the mandate that 75% of all vouchers must go to extremely low-income families would no longer apply. The protection afforded by enhanced vouchers, an effort to combat rising rent due to owners moving from project-based to market rate units, would be taken away after only one year, making it even harder for families to find and keep affordable housing.

Finally, appropriation of federal funds would no longer be decided based upon actual housing costs. Instead, funding would be decided on discretionary whims; based upon the cur-

rent budget and in the context of existing deficits, this action could have a lasting impact on awarded funds. In light of these changes, CBPP reports that "nothing in the Administration's proposal would prevent current tenants from losing assistance."

In a recent report, the National Low Income Housing Coalition (NLIHC) states that in July 2004, the House Appropriations Committee approved a bill that rejects certain provisions under the Administration's proposed budget, such as the proposal to cut the program by \$1.6 billion and to drop certain regulations designed to protect voucher holders. However, the House's bill still allows for a budget-based allocation of funding, it removes housing agencies of all but one week of their reserves (a move that could lead to even more families being cut from the voucher program), and it slashes administrative fees \$48 million below last year's level. The justification for these changes arises out of concern for growing expenses of Section 8, despite the projection of curtailing costs to the program. The Senate Appropriations Committee has as of yet not issued its own bill.

Locally, *City Limits* reports that while the City will have \$55 million in Section 8 funds restored for FY2004, the Administration's

2005 budget could cost it \$86 million next year alone. This will have drastic effects on the City's Section 8 voucher holders. We are already seeing one effect of this trend; it has just been announced that families in emergency city shelters will no longer be allowed to apply for Section 8, according to a new City proposal.

If current voucher holders lose some or all of their subsidy, one of the hardest hit areas of the nation (according to the NYC Housing and Vacancy Survey data from NYCHANIS) will be the Northwest Bronx, where in 2002 over 20% of the City's 102,321 vouchers were used. In addition, Community Districts 5 and 7 were ranked the first and second in the City in total number of units with vouchers, and 13% of all units in the Northwest Bronx are Section 8 voucher units (nearly 18% in Community District 5) compared to the Citywide average of 3.2%.

Housing advocates are urging a call or email to your elected officials, asking them to fully fund the voucher program and to reject the move to block-grant the program. Call 1-888-818-6641 and ask to be transferred to your Congressperson's office or visit [congress.org](http://congress.org) to send an email. To read more about the topic, visit [cbpp.org](http://cbpp.org) and [nlihc.org](http://nlihc.org).

**Notes** is a publication of University Neighborhood Housing Program: working to create, preserve and finance affordable housing in the Northwest Bronx.

available online at [www.unhp.org](http://www.unhp.org)

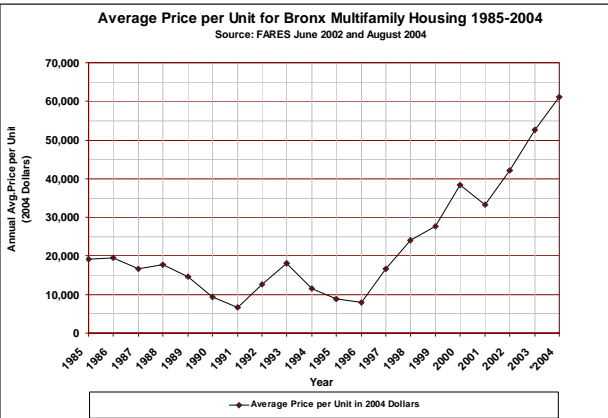
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# Bronx Multifamily Research and Planning Move Ahead

Four years ago, in November, 2000, UNHP sponsored its first forum on real estate prices entitled "Six Times Rent and Rising". That forum led to the de-

velopment and release of UNHP's report "A Real Estate Bubble in the Bronx?" in the spring of 2003. In September, 2004, UNHP updated its research and shared its results with some members of the lending and non-profit communities.



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The average price per unit for Bronx multifamily housing has risen to more than \$60,000 for the first half of 2004, while the estimated multiple of rent roll that professionals in the lending field are currently using has skyrocketed to between 8 and 10 times the rent roll. A rise in annual income per unit in Bronx Rent Stabilized Properties might justify these higher prices, but expenses have increased just as sharply. As a result, net operating income

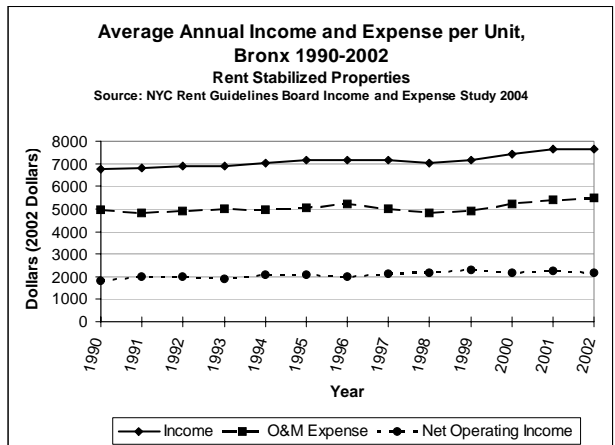
has barely increased in the 12 years leading up to 2002, with the peak being in 1999. Add to this the fact that more than 27% of households in the Bronx paid more than 50% of their income on rent in 2002—that number jumps to about 35% in the Northwest Bronx neighborhoods where UNHP has done the bulk of its lending

and technical assistance work. It is difficult to imagine landlords squeezing even more money out of these tenants. The updated research renewed UNHP's commitment to seeing one of the key recommendations in its report enacted: the creation of a multifamily assistance center, defined as a vehicle to offer alternatives to foreclosure for buildings that may end up in financial difficulties in the coming

years. While UNHP is not predicting that there will be an across the board crash of the market, there are indications that there will be individual building crashes and the hope is that the center will help to cushion the fall, restore the building physically and preserve it as affordable housing.

UNHP has researched more than 2000 conventionally funded mortgages and based on analysis of available tax and violation information there appear to be problems brewing in a small fraction of buildings. Even if that percentage is 5%, that would mean a significant number of buildings across the Bronx.

UNHP is continuing to work



with its partners, including the Enterprise Foundation, Fannie Mae and HPD on developing the framework for a pilot project.

## Local Law 1: New Lead Law Now In Effect

Local Law 1 of 2004, a law that concerns the proper maintenance of lead-based paint in order to reduce the harmful effects and prevalence of lead poisoning, took effect on August 2, 2004. The law extends to all pre-1960 multiple dwellings, placing specific responsibilities upon owners of this stock of rental housing to investigate and remediate lead-based paint hazards.

The foundation of the law rests upon the requirement that the burden of proving a building to be lead-free falls squarely on the shoulders of the owner, who must prevent any reasonably foreseeable occurrence of lead hazards. Along with this, the law assumes that all paint in pre-1960 buildings contains lead, requires owners to inspect and actively determine

whether a child under seven is in the apartment and whether there are possible hazards in such units. It then gives owners a period of three weeks to correct a lead violation, and toughens other standards in the former lead law, Local Law 38 of 1999.

While proponents of the law argue that responsible landlords have little to fear, opponents counter that the possibility of lawsuits and the costs of implementing the requirements of the legislation will make it nearly impossible to rehabilitate dilapidated buildings, further reducing the opportunity for available affordable housing. It is still too early to tell whether either side is correct; *Notes* will report information as it becomes available.

For further resources on this issue, visit the lead information page on our website ([www.unhpd.org/lead.html](http://www.unhpd.org/lead.html)) where you will find links to a copy of the law, a very informative section by section analysis, and the law's rules. On our site you will also find links to details on taking an HPD Lead Education Class (you can also call 212-863-8830), a copy of the pamphlet concerning work practices for contractors and construction workers, and the notification form a developer or owner must submit to the Department of Health and Mental Hygiene at least 10 days before performing work that will disturb lead-based paint.

You may also contact John-Scott Johnson at [johnsoj@hpd.nyc.gov](mailto:johnsoj@hpd.nyc.gov) for more information regarding the law.

## From Page 1: Mayor Bloomberg's Housing Commitment

by their commitment to the lowest income Americans by fully funding the Section 8 program. With 110,000 vouchers, the largest program in the country by far, New York City depends on Section 8 in countless ways. I've written and spoken to Secretary Jackson several times in recent months and he has responded by restoring \$52 million to our voucher funding.

But, ultimately, Congress holds the purse strings to Section 8 and other federal housing programs and no voice is strong enough to reach them, if it's speaking alone. Congress must hear a chorus from every corner of the nation...."

The Enterprise commitment will work in tandem with public funds and will be implemented

in the following manner: \$150 million for the creation of 2,500 units of supportive housing, \$625 million will fund 7,500 homes for low income New Yorkers, \$200 million will finance the preservation of 5,000 homes for low income New Yorkers, and \$25 million in direct funding of and low interest lines of credit for community-based non-profit developers.