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TEXAS ADVISORY COMMISSION
ON INTERGOVERNMENTAL RELATIONS

Public Housing in Texas: Past, Present and Prospective

Austin, Texas
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FOREWORD

Among governmental programs administered in Texas by special authorities, public housing is one of the least visible and least studied on a statewide basis. Authorized under state law but initiated only by local city or county action, public housing authorities are funded and controlled primarily by the federal government. Since 1937, however, public housing has provided shelter for many Texas families unable to afford alternative means of adequate housing.

In this report, undertaken by the Texas Advisory Commission on Intergovernmental Relations at the request of the Texas Department of Community Affairs, public housing across Texas is reviewed for the first time. This study examines the federal and state policies that underlie the public housing program and traces the development of public housing in the state. The geography of public housing is surveyed, and the characteristics of families who live in public housing in Texas are depicted. Finally, the severe financial problems faced by public housing authorities today are analyzed, and corrective measures are recommended.

A preliminary research report to the Commission by the Institute of Urban Studies, The University of Texas at Arlington, served as the basis for further amplification and elaboration by the Commission's own staff. The contribution of the Institute, particularly of David MacKenna who authored the preliminary report, is gratefully recognized. The aid of Richard L. Morgan, regional administrator, and other personnel in the regional and area offices of the U.S. Department of Housing and Urban Development, who made themselves and the agency's files available, and of administrators of several Texas housing authorities in the state who lent their support to the study are gratefully acknowledged. Appreciation is also expressed to Professor Charles T. Clark of The University of Texas at Austin for his assistance to the staff in preparing the financial projections developed in the study.

The research contributions of Patrick Hamilton of the Commission's staff were of invaluable aid to N. David Spurgin, director of research, who prepared the final report with the additional assistance of Paulette Alexander and Bruce Hatfield.

The report was reviewed by the Commission at meetings in the fall and winter of 1973-74 and was approved with the recommendations contained herein at a meeting on March 8, 1974.

Austin, Texas
May 1974

Tom J. Vandergriff
Chairman

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For more than a generation public housing has been the primary governmental program for providing adequate shelter for low-income families in Texas and across the nation. While several other programs to assist moderate and low-income families secure decent housing have been instituted in recent years, public housing today remains an essential source of shelter for a significant number of Texas families. Public housing is not available in all areas of the state, however, and on a statewide basis public housing is available to only about one-fourth of the families whose incomes are too low to enable them to afford any other form of adequate shelter.

Findings

The need for low-income housing programs in Texas is underscored by the following findings:

- In 1972, public housing authorities provided shelter for 46,360 Texas families.
- In the same year, it is estimated that an additional 143,000 families lived in unsuitable shelter and had incomes too low to afford a decent home except through public housing which is not now available.
- At least 75 percent of families in public housing cannot be expected to increase their incomes significantly through employment earnings and will continue indefinitely to require public housing or much greater financial aid from government (33 percent are elderly; 42 percent are families headed by females with children).

The critical problems faced by Texas public housing authorities in financing their current operations are highlighted by the following findings:

- Public housing authorities in cities of 5,000 or more population, on the average, are facing operating finance deficits of growing proportions.
- Recent federal policies enacted in the Brooke amendments have drastically reduced annual revenues from tenant rental charges, the principal source of public housing authority income.
- Operating expenses have increased significantly over the past several years and are expected to continue to rise in the future.
- Operating subsidies paid by HUD are inadequate to meet existing and prospective deficits. Housing authorities are having to use diminishing operating reserves to fund the balance.
- Public housing development in larger Texas cities has

slowed down probably, at least in part, because of the financial operating deficits continually incurred by public housing authorities in many of these cities.

Conclusions

The study's findings lead to the following major conclusions:

- The operating deficits experienced by many public housing authorities in recent years will grow and spread in the future, and unless HUD operating subsidies are increased, these growing deficits may result in the closing of some existing facilities.

While the Brooke amendments to the federal public housing law contributed significantly to the timing and severity of public housing authority operating deficits, they were not the sole cause of these deficits. Public housing authorities in cities with 500,000 and more population actually experienced their first deficit prior to the original Brooke amendment. It is probably unreasonable to expect public housing authorities to make operating revenues match operating costs, given the economic circumstances of families who need public housing.

- The present HUD subsidy formula is clearly unrealistic as applied both to operating costs and operating revenues of authorities in cities with 50,000 or more population and unrealistic in all cases when compared with trends in local revenues.

Operating costs in large cities have increased in recent years at rates double the rate used in the HUD formula while operating revenues since 1969 have been falling rather than rising. As the reserved funds of public housing authorities are consumed in making up the difference between actual deficits and HUD subsidies, public housing authorities will face an increasingly uncertain future.

- If an assured means of meeting projected operating deficits is not found, many public housing authorities may not be able to develop the additional public housing that is needed.

On the average, every new unit of public housing opened in the future in Texas cities with at least 5,000 population will require an operating subsidy, in some cases of sizeable proportion. Since there is only one federal appropriation for public housing, HUD funds paid for operating subsidies reduce the amount of money available for new public housing construction.

Recommendations

Recommendation Number 1: Change the HUD Subsidy Formula

THE COMMISSION RECOMMENDS THAT THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ADOPT A NEW BASIS FOR PAYING OPERATING SUBSIDIES TO COVER THE "FULL AMOUNT" OF OPERATING DEFICITS.

Payment of adequate subsidies would require HUD to give over a greater percentage of present appropriations for this purpose, reducing by a like amount the funds available for major renovation and new construction. Even though there is a pressing need for new facilities, this action should be taken to preserve existing public housing.

The new basis for paying subsidies could permit a reasonable annual rate of operating cost increase for public housing authorities based upon historical trends such as those described in this report. Subsidies might properly be paid in advance on an estimated basis and adjusted after the close of each fiscal year. Adjustments should be based upon actual rather than expected revenues although specific rent collection performance might be required.

The change in HUD subsidy policy would relieve local housing authorities of responsibility for trying to fund operating deficits over which they have only partial or negligible control. Of course, any deficit incurred by a housing authority that exceeded the allowed percentage increase in operating costs would have to be absorbed by the authority itself. A required collection record would assure that authorities make every reasonable effort to collect the rentals charged their tenants.

Recommendation Number 2: Stabilize Federal Financing

THE COMMISSION RECOMMENDS THAT CONGRESS MAKE AN APPROPRIATION SUFFICIENT TO COVER OPERATING SUBSIDIES SEPARATE FROM APPROPRIATIONS FOR NEW PUBLIC HOUSING CONSTRUCTION AND MAJOR RENOVATIONS.

Within the limits of eligibility and similar policies established by the federal government, tenant selection is best left in the hands of public housing authorities that can more carefully match individual housing need and circumstances to available public housing in the community. The growing financial pressure on public housing authorities forces them to attempt to limit tenant selection to families whose circumstances permit them to pay higher rental rates. A continuing appropriation would commit the federal government to funding the actual deficits which might result from the application of federal eligibility and rental rate policies. At the same time, it would assure public housing authorities of their ability to exercise the widest discretion in tenant selection consistent with these policies.

A commitment by the federal government to fund with appropriate safeguards, the deficits incurred by public housing authorities also would permit those authorities to develop new public housing units without endangering their entire public housing program. HUD would be able to estimate future subsidy costs associated with the separate appropriation of new construction funds so that the total amount of federal monies committed to public housing would be considered by the Congress. With adequate operating funds assured, both HUD and public housing authorities would have the ability to make each new, as well as each existing, unit available to the families of low income who most need it.

CHAPTER 1

THE POLICY BASIS OF PUBLIC HOUSING

Public housing in the United States was initiated with passage of the National Industrial Recovery Act of 1933 which first authorized the use of federal funds to finance public housing and slum clearance. Under this legislation the Public Works Administration built 21,000 units of public housing in 37 cities of the nation. In addition, the Resettlement Administration developed 15,000 units in resettlement projects and "Greentowns," and loans were made to construct another 3,000 units.[1] Although these units of public housing were built by the federal government under the 1933 act, the principal focus of the legislation was on increasing employment and enlarging the flow of money to moderate-income families for the purchase of private dwellings. The chartering of secondary mortgage purchase associations and creation of the Federal Housing Administration and the Federal Savings and Loan Association were designed to meet the needs of these families.[2] The expected residents of the federally constructed public housing were intended to be families experiencing temporary poverty as a result of the Depression.

Federal Public Housing Legislation

The U.S. Housing Act of 1937 succeeded the housing provisions of the 1933 legislation to become the basic law for federally assisted low-rent public housing in the United States. This act declared it to be the policy of the United States:

> To provide financial assistance to the States and political subdivisions thereof for the elimination of unsafe and unsanitary housing conditions, for the eradication of slums, for the provision of decent, safe, and sanitary dwellings for families of low income, and for the reduction of unemployment and the stimulation of business activity.[3]

While the federal government directly administered the 1933 act through the Public Works Administration and the Resettlement Administration, the 1937 act provided that construction, ownership and operation of public housing projects would be undertaken through state or local agencies authorized by state law. State and local public housing authorities were created in response, and existing federal projects were transferred to these authorities.

In order to expand the number of adequate dwellings available to the nation's low-income population, the 1937 act provided 60-year loans to public housing authorities to cover 90 percent of the capital costs of public housing projects. It was anticipated that the local matching 10 percent would be paid from revenue bonds issued by public housing authorities. To assure the marketability of these bonds the 1937 act provided for "annual contributions" by the federal government to cover debt service requirements. Another important feature of the act required that the construction of new public housing units be matched by the removal of a substantially equal number of substandard dwellings from the local housing supply. This concept of "equivalent elimination" implied that public housing should improve the quality of housing in the community without significantly increasing local housing stock.

The advent of World War II produced a shift in the public housing policy of the United States. The Lanham Act of 1940 permitted the use of public housing funds for defense housing.[4] Income restrictions were waived during this period so that defense workers and returning veterans were eligible for public housing occupancy. Until 1949 federal housing assistance centered on assisting post-war veterans and middle-class families with housing problems attributable to building material shortages and restricted mortgage capital.

Housing Act of 1949. With war concluded and the post-war veterans crisis subsiding, public consciousness turned more directly to domestic issues, and in 1948 and 1949 public housing became a focal point of national debate. Although Congressional debate was intense and voting close, the U. S. Housing Act of 1949 passed to become one of the most significant landmarks in the evolution of U. S. housing policy. The act's preamble, perhaps its best known feature, recorded the first official national housing policy:

> The Congress hereby declares that the general welfare and security of the nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family, thus contributing to the development and redevelopment of communities and to the advancement of the growth, wealth, and security of the nation.[5]

Under the 1949 act, Congress authorized the construction of 135,000 units of public housing annually for six years, a total of 810,000 units. Added to the 190,000 units already under management, Congress was attempting to provide 1 million units to house approximately 4 million citizens by 1955. In accordance with the mandate to improve the total living environment, Congress also established a $1 billion program of urban renewal assistance which provided loans and grants to urban centers for redevelopment. Persons displaced by such redevelopment projects were given priority among families eligible for public housing.

The Housing Act of 1949 also sanctioned housing assistance in rural areas. Because of the dispersion of rural needs, however, public housing project development was not feasible, and a separate program administered by the U. S. Department of Agriculture was established. A fund containing $250 million was created to provide loans and grants to rural residents for constructing and renovating rural homes, usually single family units. Small town housing needs were also recognized in the 1949 act, and special provisions were included which exempted small towns from the "equivalent elimination" requirement. With the inclusion of the rural and small town provisions, direct federal housing assistance was then available to all segments of American society, and public housing was no longer confined exclusively to large urban centers.

Still another major facet of the 1949 act was the emphasis by Congress on the importance of local control and avoidance of competition with the private housing industry. Public housing units constructed prior to 1949 were subject only to the requirements of state-enabling legislation and a local resolution citing the need for low-rent units in the community. The new legislation required that federal funds not be committed to public housing projects until:

- Local housing authorities submitted proposed applications for preliminary loans from the U.S. Public Housing Agency (PHA) for surveys and planning to the local governing body for approval.[6]
- Housing needs in the community that could not be met by the private market had to be demonstrated to the satisfaction of PHA. To avoid competition with the private sector, a 20-percent gap had to exist between the upper limits for admission to public housing and the lowest rents at which decent housing was being provided by the private sector.
- A "cooperation agreement" had to be executed between the local housing authority and the local governing body.[7]

1950s Legislation. The emphasis in the 1949 act on development of a suitable total living environment and the resulting federal urban renewal program was augmented by the 1954 Housing Act. Under this act local communities were required to have an approved "Workable Program for Community Improvement" incorporating public housing into a community action plan designed to deal with all facets of renewal and development.[8] New public housing, furthermore, was limited to persons displaced by such renewal or development projects. That provision was deleted two years later, but its brief existence reflects the extent to which public housing was linked to renewal and development during this period. Local housing authority payments in lieu of taxes also were made mandatory by the 1954 act.

Public housing production during the mid and latter 1950s did not equal the authorizations contained in the 1949 act. In the years 1950 through 1952, a total of 208,690 units were placed under annual contribution contracts. In contrast to that production record only 112,792 units were placed under contract between 1953 and 1958. In 1954 there were no contract awards, and in 1957 only 5,391 new units were authorized.[9] Thus, only 31 percent of the units authorized for a six-year period in the 1949 act had been placed under contract at the end of the projected time schedule. This period, however, did witness dramatic increases in the provision of private homes to moderate-income families through the FHA and VA insurance programs.[10]

Emphasis on Tenant Welfare: The 1960s Forward. In the late 1950s U. S. public housing policy began to shift once again. Increasing attention was given to the needs of the elderly, disabled persons, and larger families. In 1956 single persons over the age of 65 (later reduced to maintain consistency with Social Security laws) were made eligible for public housing occupancy.[11] In that same year higher construction cost allowances were permitted for projects specifically for the elderly. In 1959 the administrative provisions favoring the elderly and disabled were elevated by Congress to U. S. policy status. The Housing Act of 1961 had several important sections pertaining specifically to the elderly and disabled:

- The eligibility age for elderly males was lowered from 65 to 62.
- All age requirements for persons qualifying by reason of disability were removed (since 1959 the minimum age had been 50 years of age).
- A "special subsidy" of up to $120 a year per unit occupied by an elderly family was provided if a project could not otherwise maintain its solvency.
- Room cost limits for low-rent housing designed for the elderly were increased.
- The 20-percent gap requirement between rents charged and the lowest rents for adequate housing on the private market for elderly families and those displaced by governmental activity was eliminated.[12]

In subsequent housing acts throughout the 1960s and early 1970s, increasing attention was given to expanding the low-income clientele. In 1964 legislation permitted admission of single low-income persons displaced by governmental activities such as urban renewal, and handicapped single persons were also declared eligible for public housing occupancy. In 1965 handicapped persons and families were extended the same benefits available to elderly tenants, most importantly the special subsidy.[14] While reaffirming the nation's commitment to the provision "of a decent home and suitable living environment for every American family," the Housing Act of 1968 authorized public housing assistance for Indians and made families with four or more minor dependents or families with unusually low incomes eligible for the $120 per year speccial subsidy. In 1969 the "Workable Program" requirement was eliminated, making all communities eligible for public housing projects if the local resolution was passed and the "cooperation agreement" executed.[15] The Civil Rights Act of 1964 prohibited the denial of benefits from federally assisted activities on the basis of race, color, or national origin. Title VIII of the Civil Rights Act of 1968 made it the policy of the United States to permit "freedom of choice" in all federally assisted housing programs.

In addition to expansion of clientele served by public housing, concern for the welfare of public housing tenants became prominent during this period, particularly in the later housing acts. The Housing and Urban Development Act of 1968 authorized grants to housing authorities for the purpose of providing tenant services although no funding was appropriated for the program and the provision was subsequently repealed. The 1968 act also prohibited high-rise projects where children are tenants unless HUD decides there is no alternative. The Housing and Urban Development Act of 1969 reduced rentals for very low-income tenants by placing a maximum limit of 25 percent of income on rents to be charged, which had the net effect of eliminating any minimum rents. Moreover, the act required prompt notification of applicants and a hearing for those ruled ineligible for admission and required that eligible applicants be provided with an approximate occupancy date.

The Housing and Urban Development Act of 1970 contained several provisions pertaining to tenant welfare:

- Defined income for the purpose of deriving maximum rental charges at 25 percent of income and allowed several deductions from gross income, which substantially reduced net income to which the 25 percent maximum is applied.

- Authorized HUD to provide counseling to tenants.

- Authorized provision of tenant services to be financed by project income and annual contribution payments.

- Authorized grants to states for the purpose of providing training for public housing management with utilization of low-income persons being stressed.

- Announced the sense of Congress that public housing tenants should be allowed to serve on housing commissions.[16]

Changes in management of public housing also occurred in the late 1950s and throughout the 1960s. The Housing Acts of 1959 and 1961 vested in the public housing authority maximum responsibility for the operation of the public housing program. The 1959 act assigned the responsibility of establishing income limits and rents specifically with the authority subject to approval by the Public Housing Administration. The 1961 act permitted authorities to adopt regulations establishing their policies for admission to public housing.

Production of public housing units increased significantly throughout the 1960s. Between 1959 and 1965, a total of 193,909 units was placed under annual contribution contracts. This figure represents a 49-percent increase in contract awards over the preceding six-year period. Appropriations by Congress for federal contributions increased even more beginning in 1966 and resulted in 460,535 units being placed under contract during the years 1966 through 1971.[17]

Texas Public Housing Authority Law

As noted, state authorization of public housing authorities was required by the 1937 federal law as a condition for federally assisted public housing within a state. This requirement was met in Texas with the passage of two companion state housing acts, the Housing Authority Law and the Housing Cooperation Law, in the same year the federal statute was adopted. With minor amendments in 1941 and again in 1969 and 1971, these acts stand today as the basic state law for local public housing programs in Texas.[18]

Creation and Organization. The Texas Housing Authority Law of 1937 actually established in law a public housing authority in every city and every county in Texas as "a public body corporate and politic" and, in addition, permitted contiguous county authorities to join together to form regional authorities. As autonomous public and corporate entities, local housing authorities are separate political subdivisions of the state and are not subject to any constitutional or statutory restrictions which may apply to cities or counties. Texas law, nevertheless, establishes direct and visible bonds between a city or a county and its local housing authority. No city authority may be activated until the city council passes a resolution declaring "that there is need for an authority to function in such city."[19] Likewise, no county authority becomes operational until a similar action is taken by the county commissioners court. The mayor of each city that activates its housing authority, furthermore, is by terms of the 1937 Texas act given the power to appoint and to remove for cause the commissioners of the city housing authority. Similarly, members of a county housing authority are appointed and may be removed by the county commissioners court. Commissioners of regional authorities are appointed and may be removed by the commissioners courts of counties comprising the authority (with one exception, found in section 23d of article 1269k, V.A.C.S.).

Both city and county authorities have governing bodies composed of five commissioners who are responsible for basic policy decisions of the authorities. (The number of commissioners of a regional authority depends upon the number of participating counties.) Commissioners serve two-year terms after the initial appointment of two members for one-year terms and three members for terms of two years. The first chairman is named by the appointing authority, but thereafter commissioners select their own chairman "when the office of chairman...becomes vacant."[20] Legal restrictions on commission membership necessitate only that "no commissioner...of an authority shall acquire any interest, direct or indirect, in any housing project or in any property included or planned to be included in any project, nor shall he have any interest, direct or indirect, in any contract or proposed contract for materials or services to be furnished or used in connection with any housing project."[21]

An opinion of the Attorney General in March, 1972 held that tenants of public housing were not qualified to serve as commissioners because they have an obvious interest in the authority.[22] In a more recent expression of opinion, issued as a Letter Advisory concerning a bill before the Sixty-third Legislature that would have required the appointment of two tenants as additional commissioners of every authority, the present Attorney General, however, reversed the previous view. This opinion states:

> We do not agree that all tenants have a conflict of interest on all questions which might come before a board of directors of a housing authority. Undoubtedly, there would be issues upon which they would be faced with a conflict, just as other members might be faced with conflicts on other matters. The resolution of that problem is for <u>all</u> members to abstain from voting on those issues in which they have a direct interest. We do not construe Section 6 of Article 1269k, V.T.C.S., to disqualify those interested in housing projects as tenants.... (emphasis in original)[23]

<u>Jurisdiction</u>. The jurisdiction of city authorities extends five miles beyond city boundaries--and is coterminous only with the extraterritorial jurisdiction of very large cities. Until recently, county authorities could operate only in the area of the county not included within a city, and jurisdiction of regional

authorities was restricted to the aggregate jurisdictions of participating counties. A 1971 amendment empowers a county or regional authority to operate within a city with approval of the city governing body and the city housing authority if it has been activated.[24]

Powers. With regard to the powers of local housing authorities, there appear to be only two important limitations: (1) authorities must be nonprofit and cannot be operated as a source of city or county government revenue, and (2) every housing project must be developed and operated in compliance with the applicable local planning and zoning ordinances, sanitary regulations, and building code requirements. Authorities have no taxing power and are exempt from all state and local taxes. State law does allow authorities to agree to make payments to local governments in lieu of taxes. (Federal law makes these payments mandatory.)

Texas law enumerates for local authorities the power, among others:

- to release or rent the dwellings, lands, buildings or other structures or facilities of any housing project;

- to establish and revise rents;

- to purchase, lease, take options on or otherwise acquire and to own any real or personal property;

- to exercise the power of eminent domain in the acquisition of real property.

In addition, authorities have the power to conduct surveys, to make studies and recommendations, and to take evidence under oath and issue subpoenas requiring the attendance of witnesses and the production of books and papers in connection with investigations into local housing conditions and into means for the development of improved housing for persons of low income.

Every public housing authority in Texas is authorized to issue bonds, subject to their bearing an interest rate no greater than 8 percent, "for any of its corporate purposes." An authority may pledge all or any portion of its rents or other revenues to support its bonds and may mortgage any of its real or personal property. An authority may covenant against pledging its rents or other revenues or mortgaging or disposing of its property; may covenant as to rents and fees it will charge and as to the amounts to be raised each year from its rents and other sources of revenue; and may otherwise contractually agree to terms and conditions pertaining to its property and operations not inconsistent with other provisions of Texas housing authority law.

Federal Supremacy in Matters of Eligibility and Rentals. The legal purpose of housing authorities is to provide housing for persons of low income. In carrying out this purpose an authority may rent or lease living accommodations to "families or persons who lack the amount of income which is necessary (as determined by the authority....) to enable them, without financial assistance, to live in decent, safe, and sanitary dwellings, without overcrowding."[25] An authority may not, however, accept any individual or family as a tenant if the "aggregate annual income" of the tenant exceeds five times the annual rental rate of the quarters furnished, or in the case of a family with three or more minor dependents, six times the rental rate (the income of children in school is not counted). Authorities are directed by law to set rental rates "no higher" than necessary (1) to pay interest and principal on authority bonds as due, (2) to cover maintenance, operation and administrative costs, and (3) to establish within at least six years from the date of issuance and to maintain a reserve sufficient to pay the largest annual principal and interest payment that will be due on its bonds.

As may be apparent, Texas law specifies a procedure for determination of the maximum rental which may be charged by an authority, but it does not require that this maximum rate be imposed. While seeming to establish an income limitation for qualifying for public housing, the eligibility provisions of Texas law presumably require only that the actual rental rate -- which cannot exceed but may be less than the maximum allowed under the law -- be not less than 20 percent of tenant income, or 16.67 percent in the case of families with three or more minor children. The eligibility rules utilized by Texas housing authorities and the rentals actually charged are primarily controlled by federal law and regulations. This predominance of federal provisions apparently is permitted under Texas law because the law does not define "aggregate annual income" and because it contains the following "federal supremacy" statement:

> It is the purpose and intent of this Act to authorize every authority to do any and all things necessary or desirable to secure the financial aid or cooperation of the Federal Government in the undertaking, construction, maintenance, or operation of any housing project by such authority.[26]

Public Housing Programs

Until 1965 all public housing in the U. S. was constructed and rented according to traditional federal program methods. In recent years several different program options have become available in an attempt to expedite the development process and to meet the diverse conditions of different localities. In addition, public housing tenants may now be given the opportunity to purchase their unit. All the following federal programs may be utilized by public housing authorities.

Conventional. The vast majority of existing public housing units have been constructed under the so-called "conventional" program which until 1965 was the only method for the development of public housing. With this method a public housing authority purchases a site and develops plans and specifications for a proposed project. While the authority administers design and construction of the project, HUD unit cost limitations and design standards must be met for the project to qualify for federal financial assistance.

The Annual Contribution Contract. When project plans are complete but prior to advertisement for construction bids, the authority and HUD enter into an annual contribution contract. This contract signifies official federal project approval and commits the federal government to underwrite the capital costs of the project. The public housing authority then can sell its long-term serial bonds, with maturities up to 40 years, to finance the project.

The Cooperation Agreement. Federal aid is conditioned, also, upon the signing of a cooperative agreement between the authority and the local government having primary jurisdiction where a project will be constructed. In this agreement the tax exempt status of the project is acknowledged, and the authority pledges to pay, as required by federal law, 10 percent of rents in lieu of local taxes. The agreement further commits the local government to furnish ordinary municipal services and special supportive services for the project.

Turnkey I. A 1967 administrative decision by HUD first enabled private builders and developers to submit proposals in response to open bid invitations by a public housing authority to build or rehabilitate structures for public housing on a site and according to plans of the bidder or involving existing housing owned by the bidder. Private proposals are assessed by the housing authority on the basis of site, design and construction plans, credentials of the developer and costs. Upon acceptance of a proposal, the authority signs a contract with the developer agreeing to purchase the project upon completion. This project contract is backed by an annual contribution contract with HUD and a cooperation agreement with the local government, as in the case of the conventional program.

Turnkey I was initiated to promote faster development of public housing through more direct involvement of the private developer and builder. The program has been heavily utilized nationwide. Between 1968 and April, 1972, 46 percent of the units added to public housing stock in the nation were developed through the Turnkey I program.[27]

Turnkey II. Several variations in the Turnkey program have been created by HUD in an effort to further increase private participation in public housing programs. In 1968 HUD developed Turnkey II, which allows for private management of public housing projects selected by local authorities. Except for a demonstration project in Washington, D.C., the program has not been utilized because bids submitted by private managers have been too expensive.[28]

Turnkey III (Ownership). Since 1968, also, eligible public housing tenants have had the opportunity to purchase their individual units through the Turnkey III program. Under this program the tenant assumes responsibility for routine upkeep and maintenance, and a portion of his monthly payment is channeled into an Earned House Payment Accounts (EHPA). The federal subsidy reduces the capital debt while, simultaneously, the tenant is building credit in his EHPA. When the funds credited to the EHPA are great enough to pay off the remaining capital debt, the tenant assumes full ownership and title.

The Turnkey III program is not restricted to the conventional project site. Privately owned housing on scattered sites, in planned unit developments, or in condominiums may be leased by the authority and made available to tenants through a lease purchase contract. Eligibility criteria for the program require that tenants must have "potential for homeownership," and those families "that have a member who is gainfully employed or has potential for gainful employment" are given priority.[29] Like Turnkey II, this program has not been extensively utilized.

Turnkey IV (Ownership). Turnkey IV is basically the same as Turnkey III except that it pertains to privately leased housing. Under the provisions of this program, the private owner-lessor retains title until the tenant's EHPA is sufficient to transfer ownership to him. Again, this variation in the Turnkey program has not been utilized extensively.

Leased-Privately Owned. Under authority enacted in 1965, HUD may enter into an annual contribution contract allowing a public housing authority to lease privately owned dwellings, including new housing constructed for this purpose, under an agreement between the authority and a builder and to sub-lease these units to eligible renters.[30] The annual contribution contract in this case pays the difference between the rental charge imposed by the public housing authority and the full amount of the lease with the private owner, subject to the restriction that this difference must be comparable with federal subsidy costs in a conventional program. Leases between the authority and owner may extend to 20 years in the case of new housing and 15 years in the case of rehabilitated housing.

Since the leased property is privately held, there is no cooperation agreement, no exemption of the property from local taxes, and no payments by the authority in lieu of taxes. In place of the cooperation agreement, however, federal law requires an affirmative resolution by the governing body of the local government in which the program is used before it can be implemented.

Fifteen percent of the units added to the public housing supply between 1968 and early 1972 were attributable to the lease program.[31] Growth of the program undoubtedly has accelerated because an amendment to the 1970 Housing Act mandated that 30 percent of all new annual contribution contracts be committed to leased units.[32]

Acquisition. A public housing authority also may purchase existing housing for use as public housing. If some rehabilitation is required, the authority may hire a private contractor or use its own employees. This program is similar to the lease program with the notable exception that the authority owns the dwellings under the acquisition method.

NOTES

1. United States Department of Housing and Urban Development, Low-Rent Housing Guide, Publication No. HMG, 7401.3 (Washington, D.C.: Government Printing Office, 1971), p. II-1.

2. Robert Taggart III, Low-Income Housing: A Critique of Federal Aid (Baltimore, Md.: The Johns Hopkins Press, 1970), pp. 11-12.

3. 42 U.S.C.A. 1401, as amended, Pub. L. 75-412 (1937).

4. 42 U.S.C.A. 1505, Pub. L. 76-671 (1940).

5. 42 U.S.C.A. 1441, as amended, Pub. L. 81-171 (1949).

6. A reorganization plan in 1947 provided that the United States

Housing Authority (USHA) should be administered and known as the Public Housing Administration (PHA), one of the constituent agencies of the Housing and Home Finance Agency (HHFA).

7. 42 U.S.C.A. 1411(d) (1954), 1415 (7)(b)(i), 1415(7)(b)(ii), Pub.L. 81-171 (1949).

8. 42 U.S.C.A. 1451(c), Pub. L. 83-560 (1954, repealed 1969).

9. United States Department of Housing and Urban Development, 1971 HUD Statistical Yearbook (Washington, D.C.: Government Printing Office, 1972), p. 145.

10. Ibid., p. 336.

11. 42 U.S.C.A. 1402(2), as amended, Pub. L. 84-1020 (1956).

12. 42 U.S.C.A. 1402(2), as amended; 1410(a), as amended; 1415(5), as amended; 1415(7)(b), as amended, Pub. L. 87-70 (1961).

13. 42 U.S.C.A. 1402(2), as amended, Pub. L. 88-560 (1964).

14. Ibid., Pub. L. 89-117 (1965).

15. 42 U.S.C.A. 1451(c), Pub. L. 91-152 (1969).

16. 42 U.S.C.A. 1402(1), 1401(6), 1401, Pub. L. 91-609 (1970).

17. HUD, 1971 Statistical Yearbook, p. 145.

18. Vernon's Annotated Revised Civil Statutes of the State of Texas, art. 1269k, art. 1269l. Hereinafter cited as V.A.C.S.

19. V.A.C.S., art. 1269k, sec. 4.

20. Ibid., sec. 5.

21. Ibid., sec. 6.

22. Texas Attorney General Opinion No. M-1096, 1972.

23. Texas Attorney General Letter Advisory No. 13, 1973.

24. V.A.C.S., art. 1269k, sec. 23c.

25. Ibid., sec. 3(j).

26. Ibid., sec. 21.

27. Anthony Downs, Federal Housing Subsidies: Their Nature and Effectiveness and What We Should Do About Them (Summary) (Chicago, Ill.: Real Estate Research Corporation, October 1972), p. 12.

28. National Center for Housing Management, Inc., Report of the Task Force on Improving the Operation of Federally Insured or Financed Housing Programs, Vol. II: Public Housing (Washington, D.C.: National Center for Housing Management, Inc., 1973) p. 35.

29. United States Department of Housing and Urban Development, Public Housing - RHA Informational Paper (Fort Worth, Tex.: U.S. Department of Housing and Urban Development, 1972), p. 3.

30. 42 U.S.C.A. 1421b(a)-(f), Pub.L. 89-117 (1965).

31. Downs, Federal Housing Subsidies, p. 12.

32. 42 U.S.C.A. 1410(e), Pub. L. 91-609.

CHAPTER 2

TEXAS PUBLIC HOUSING: LOCATION, DEVELOPMENT AND NEEDS

Measured by the number of organized public housing authorities, Texas has by far the largest public housing program of any state in the nation with 400 organized authorities as of December, 1972. Of this number, 297, or about 75 percent, were actually providing public housing.

While state law permits city, county and regional public housing authorities, city authorities account for 392 of the 400 organized authorities and 295 of the 297 authorities with public housing units under management. Six county authorities, one regional authority--the South Plains Regional Authority covering Terry, Cochran, Lamb, Hockley, Garza and Lynn counties -- and the Alabama-Coushatta Indian Reservation authority account for the other eight organized authorities. Of these eight only the Orange County authority and the Alabama-Coushatta authority have public housing units under management. Quite obviously, city authorities predominate the organizational landscape of public housing in Texas, and they are the subject of this report.

Location of Texas Public Housing

Cities of practically every size in Texas have housing authorities. Among cities in various size classes, the percentage with authorities varies, however, as shown in Table 2-A. While

TABLE 2-A
CITY HOUSING AUTHORITIES IN TEXAS, 1972

City Population Size	No. of Cities	No. of Cities with Organized Authorities	Percent of Cities with Authorities	No. of Authorities with Public Housing	Percent of Cities with Public Housing
500,000 & over	3	3	100.0%	3	100.0%
100,000-499,999	7	6	85.7	6	85.7
50,000-99,999	17	8	47.1	7	41.2
5,000-49,999	194	97	50.0	80	41.2
Below 5,000	768	278	36.2	199	25.9
TOTAL	989	392	39.6	295	29.8

Source: U.S. Department of Housing and Urban Development.

about 40 percent of all cities in Texas have activated their authorities, all three cities with 500,000 or more population (Houston, Dallas, and San Antonio) and six (Austin, Beaumont, Corpus Christi, El Paso, Fort Worth and Lubbock) out of the seven cities with at least 100,000 but less than 500,000 population have organized their authorities. In cities with less than 100,000 population, however, no more than one out of two cities have organized authorities. When only cities with authorities having units under management are considered, the most notable change is in cities with under 5,000 population. Only about one out of four of these cities have authorities that actually are providing public housing.

With just over 16,600 public housing units, the three large city authorities in the state account for 34 percent of the total of 48,800 units of public housing in Texas as of the end of 1972 (Table 2-B). When the units in cities of between 100,000 and 499,999 population are considered in combination with the three big cities, it is evident that virtually 50 percent of public housing has been developed in nine of the ten largest municipalities in the state. The other half of the state's public housing is spread among cities of lesser size.

When compared with the distribution of population among Texas cities,the pattern of public housing in the state takes on a markedly different configuration. Table 2-C compares the aggregate populations of various city size classes to the number of existing public housing units for each of these classes. This relationship is expressed in units per 1,000 population, and the comparative index compares this relationship among city size classes.

In comparison to the population of all cities in each size class, more public housing is available in the

TABLE 2-B
LOCATION OF PUBLIC HOUSING IN TEXAS, 1972

City Population Size	No. of Cities with Public Housing	No. of Housing Units	Percent of Housing Units	Cumulative Percent of Housing Units
500,000 & over	3	16,609	34.0%	34.0%
100,000-499,999	6	7,656	15.7	49.7
50,000-99,999	7	5,436	11.1	60.8
5,000-49,999	80	11,160	22.9	83.7
Below 5,000	199	7,939	16.3	100.0
TOTAL	295	48,800	100.0%	

Source: U.S. Department of Housing and Urban Development.

TABLE 2-C
PUBLIC HOUSING IN RELATION TO POPULATION OF ALL TEXAS CITIES

City Population Size	No. of Housing Units (1972)	Population of all Cities (1970)	Units per 1,000 Population	Comparative Index
500,000 & over	16,609	2,731,356	6.1	1.15
100,000-499,999	7,656	1,564,100	4.9	.92
50,000-99,999	5,436	1,247,418	4.4	.82
5,000-49,999	11,160	2,533,785	4.4	.83
Below 5,000	7,939	1,112,995	7.1	1.34
TOTAL	48,800	9,189,654	5.3	

Source: U.S. Department of Commerce, Bureau of the Census.
U.S. Department of Housing and Urban Development.

state's three largest cities and in cities with populations under 5,000 than in other Texas municipalities. These cities, respectively, have 6.1 and 7.1 units of public housing per 1,000 population as compared to the less than five units per 1,000 for other cities of the state. If public housing were distributed in proportion to population, each city size class would have a comparative index number of one. In comparison with a proportional distribution, therefore, it may be seen that the three big cities have 15 percent more public housing than would be expected, and cities under 5,000 have a 34 percent greater supply. Cities in the other size classes have "deficiencies" ranging from 8 to 18 percent.

Not all cities, of course, have public housing. In fact, slightly more than 3 million of the state's residents live in cities with no public housing. Added to the almost 2 million persons who live outside incorporated areas, nearly 5 million individuals, or 45 percent of the state's population, reside in areas where no public housing is available.

Table 2-D compares the existing public housing supply to the population of cities with public housing. Among these cities, public housing appears to be a relatively more important source of housing supply in cities below 100,000 population. In relation to population, almost twice as much public housing is available in cities with populations between 5,000 and 99,999 as in larger cities; and approximately four times as much, in cities with populations below 5,000.

TABLE 2-D
PUBLIC HOUSING IN RELATION TO POPULATION OF CITIES WITH PUBLIC HOUSING

City Population Size	No. of Housing Units (1972)	Population of Cities with Public Housing (1970)	Units per 1,000 Population
500,000 & over	16,609	2,731,356	6.1
100,000-499,999	7,656	1,437,090	5.3
50,000-99,999	5,436	485,795	11.2
5,000-49,999	11,160	1,119,877	10.0
Below 5,000	7,939	395,642	20.1
TOTAL	48,800	5,169,760	9.4

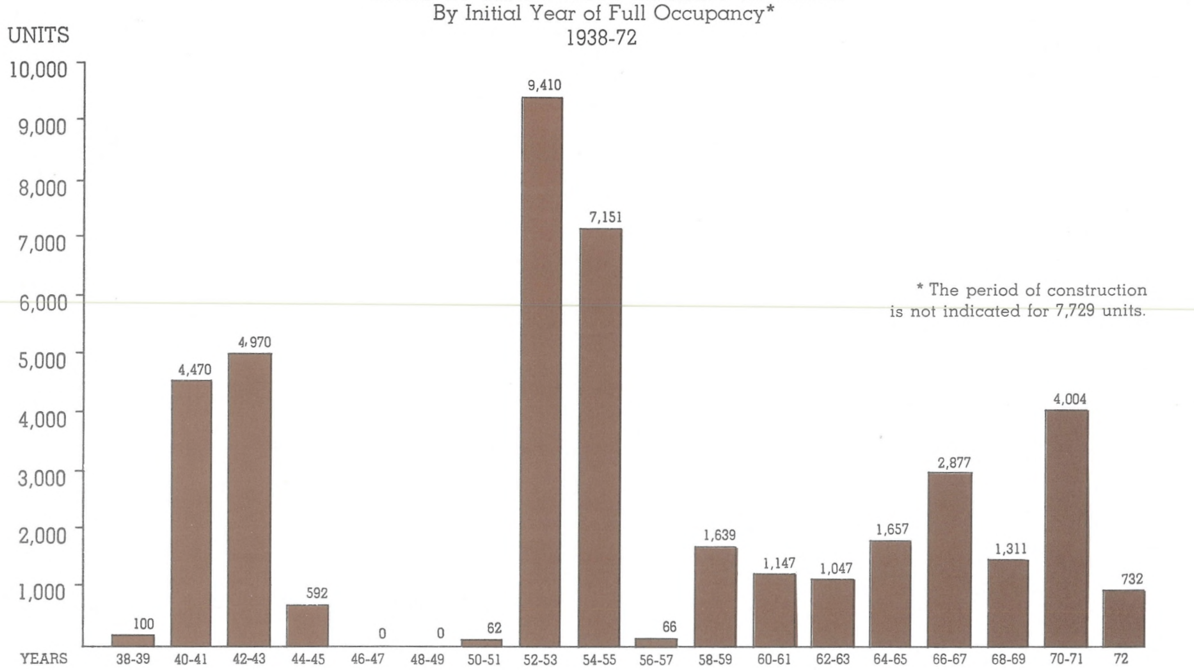
Source: U.S. Department of Commerce, Bureau of the Census.
U.S. Department of Housing and Urban Development.

Development of Texas Public Housing

The first unit of public housing in Texas was opened in Austin in 1939. From that beginning, the development of public housing in the state set a rapid pace in early years with over 4,400 units opening in 1940 and 1941 and almost 5,000 in 1942 and 1943 (Figure 2-A). World War II and the recovery period that followed brought public housing production to a standstill, but during the first half of the 1950s, development made up for the time lost to the war and its aftermath.Over 9,000 units opened in 1952 and 1953 and more than 7,000 additional units became available in the following two years. While public housing development has continued on a relatively steady course since the mid-1950s, only in 1970 and 1971 did the addition of new units even approach the lowest point of the record levels of the early 1940s and 1950s. As a result of these past high levels of public housing production and the comparatively modest development since 1955, almost two-thirds of Texas' public housing has been in existence almost 20 years, and approximately 20 percent -- the early 1940s units--are now 30 years old.

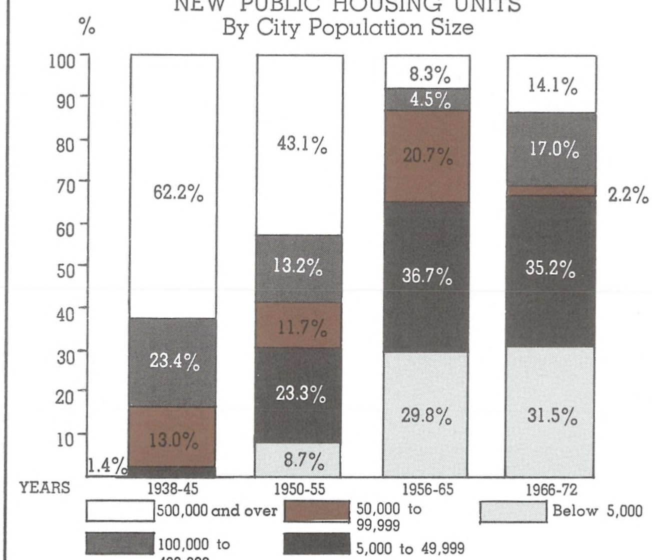
As Figure 2-B shows, the mid-1950s marked not only a noticeable deceleration in the development of public housing in the state but also a significant acceleration of the developing shift in the location of expansion. During the 1938-1945 period, over 85 percent of new public housing units were opened in cities of at least 100,000 population (in 1970). During the years 1950 through 1955 (no units are recorded as opening between 1945 and 1950), these cities still accounted for over 56 percent of development, but municipalities with populations ranging from 5,000 to 49,999 accounted for slightly more than 23 percent. Since 1955, however, cities below 50,000 population have shown a clear lead in public housing development with

FIGURE 2-A
UNITS OF NEW PUBLIC HOUSING IN TEXAS
By Initial Year of Full Occupancy*
1938-72



Source: **Report S-101, Low-Rent Project Directory,** Department of Housing and Urban Development, Washington, D.C.

FIGURE 2-B
NEW PUBLIC HOUSING UNITS
By City Population Size



Source: **Report S-101, Low-Rent Project Directory,** Department of Housing and Urban Development, Washington, D.C.

over 66 percent of new public housing opened through 1972.

Not insignificant additional public housing development in cities under 50,000 is expected to continue in the near future as these cities, and cities between 50,000 and 99,999 population, increase present units by about 20 percent. As Table 2-E illustrates, however, an anticipated 61-percent increase in public housing in cities with populations between 100,000 and 499,999 will shift the lead in public housing development to these cities during the next several years. Additions to public housing in the three big cities will be quite modest during this time.

The great majority of existing public housing was built under the conventional program, which is to be expected since no alternatives were available until 1965. Analysis of authority development plans, however, indicates a visible movement to use of nonconventional public housing programs (Table 2-F). This movement is particularly sharp for public housing authorities in cities between 50,000 and 499,999 population. Over 80 percent of units under development in cities with populations between 100,000 and 499,999 will be nonconventional, with the Turnkey program expected to account for 69 percent of new units. In cities with populations between 50,000 and 99,999, over 75 percent of planned additional units will be nonconventional. Authorities in these cities, however, do not expect to utilize the Turnkey program but to develop additional units through the lease and acquisition methods. Cities under 5,000, on the other hand, do not plan to use either the lease or acquisition programs, and these cities, in addition to cities with

TABLE 2-E
ANTICIPATED ADDITIONAL PUBLIC HOUSING IN TEXAS, 1972

City Population Size	No. of Units under Management	No. of Units under Development*	Percent Development of Units under Management	Percent of Total Units under Development
500,000 & over	16,609	767	4.6%	7.6%
100,000-499,999	7,656	4,637	60.6	46.1
50,000-99,999	5,436	977	18.0	9.7
5,000-49,999	11,160	2,183	19.6	21.7
Below 5,000	7,939	1,498	18.9	14.9
TOTAL	48,800	10,062	20.6	100.0%

*Annual contribution contract commitments with HUD have been signed for all units counted as under development.

Source: U.S. Department of Housing and Urban Development.

TABLE 2-F
PERCENT OF UNITS UNDER DEVELOPMENT BY TYPE BY SIZE OF CITY, 1972

	City Population Size					Exhibit
Type of Development	500,000 & over	100,000-499,999	50,000-99,999	5,000-49,999	Below 5,000	Existing Units
Conventional	59.7%	16.3%	23.5%	78.7%	75.0%	88.8%
Lease	24.8	3.2	45.8	15.5		2.4
Turnkey	15.5	69.0		5.8	25.0	6.6
Acquisition		11.5	30.7			2.2
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: U.S. Department of Housing and Urban Development.

populations between 5,000 and 49,999 and cities of 500,000 or more, will continue to rely heavily upon the conventional program.

Public Housing Needs in Texas

A massive two-year study of housing conditions and housing needs in Texas, completed in 1972 by the Texas Research League, reported that Texas probably has more substandard dwellings in proportion to the size of its housing stock than any other state in the nation. While the study found that many families in inferior units could acquire adequate housing through other means, a major conclusion of the study was that much more low-rent public housing -- or, at least, heavily subsidized housing -- is needed in the state.

> Only about 57,000 new units of public housing are projected [by 1978] compared with 84,000 families now occupying inadequate shelter and earning less than $3,000 per year. An additional 59,000 families with incomes below the $3,000 level are living in marginal rented shelter. Under present conditions, these 143,000 families can afford no alternative to their present quarters other than public housing which will be in critically short supply.[1]

(The estimated number of new units to be built by 1978 was derived from federal sources. These numbers were goals and would have required more public housing to be built in Texas in each year, starting with 1970, than was opened in the record years of 1954 and 1955.)

The study also found that an additional 166,000 Texas families with annual incomes under $6,000 need financial assistance to rehabilitate their own homes, which are in marginal condition, but that federal program support probably would be available for no more than 20,000 families during this decade.[2] The study concluded that unless some means were found in the near future to provide financial assistance to the balance of about 146,000 families, their homes, too, would become unsuitable as shelter by or before 1980.[3]

According to the findings of the League study, about 50 percent of presently unsuitable housing is located in the state's urban centers--a central city (or cities) within an urbanized area having a population of 50,000 or more; 2 percent in the urban fringe; almost 20 percent in cities with populations from 10,000 to 49,999; and the balance of about 28 percent in smaller cities and rural areas. Over 53 percent of marginal shelter also is located in urban centers. The urban fringe accounts for more than 4 percent, and 20 percent and 22 percent, respectively, are found in cities with populations from 10,000 to 49,999 and in smaller cities and rural areas.[4] The location of both unsuitable and marginal housing was not determined by size of family income but probably does not differ substantially from these relationships.

The state housing rehabilitation program recommended in the League report has not been implemented, and no significant improvement has occurred in federal rehabilitation programs. The Sixty-third Texas Legislature did consider a bill that would have established a state housing rehabilitation program (H. B. 1483). The House of Representatives passed this measure, but it died in a Senate committee. This legislation would have authorized the Texas Department of Community Affairs (TDCA) to make loans to "any political subdivision of the State, any agency, board, department, division of local general purpose government, any public housing authority, and any non-profit organization" designated by TDCA as a "local home rehabilitation agency." These agencies, in turn,would have been able to make or to insure loans to eligible individuals or families, with eligibility established under requirements promulgated by TDCA, for the rehabilitation of their homes. The bill also would have required the approval of the local general purpose government or governments (cities and counties) in whose jurisdiction(s) the rehabilitation program would be administered before any organization could be designated as a local home rehabilitation agency by TDCA. State funds for the program would have been provided through regular legislative appropriation.

NOTES

1. Texas Research League, Volume II: Housing for Texans (Austin, Texas: Texas Research League, 1972), p. xiii.

2. *Ibid.*, p. xiv.

3. *Ibid.*, p. 74.

4. *Ibid.*, p. 7.

CHAPTER 3

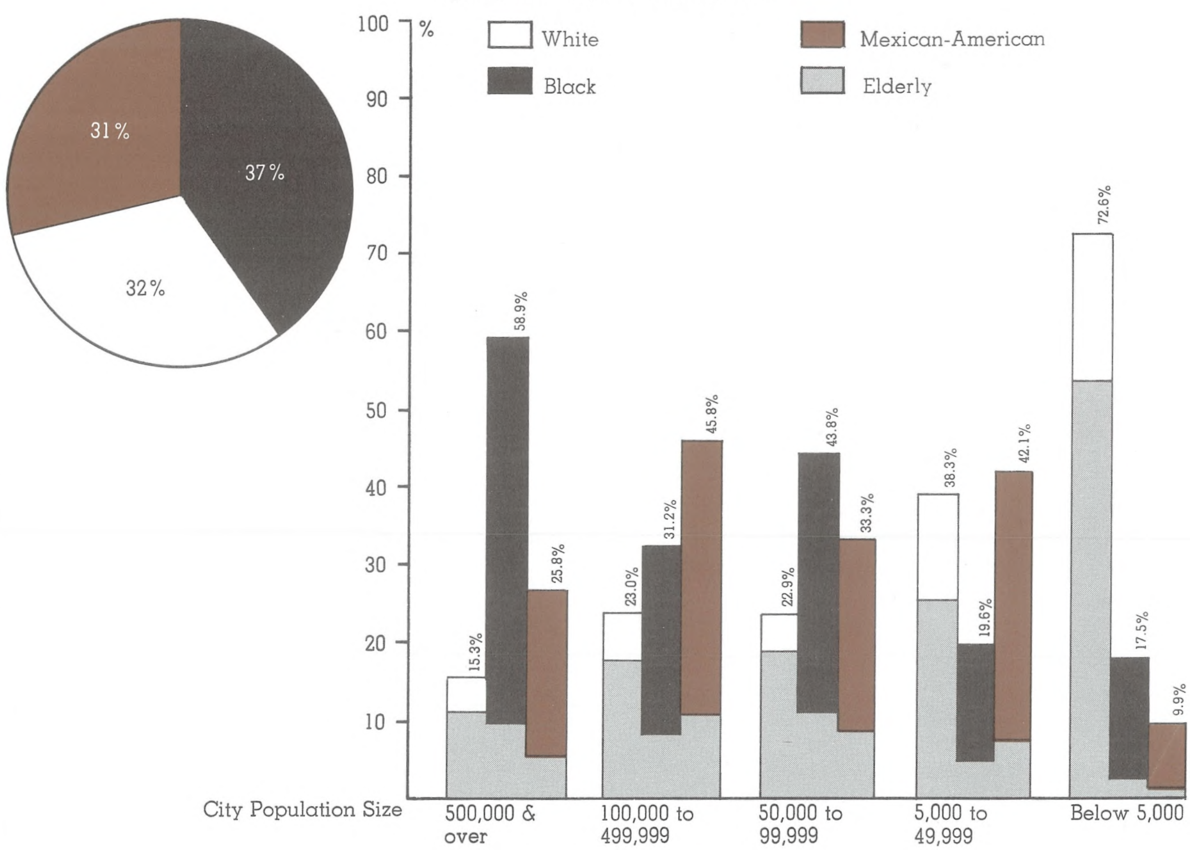
FAMILIES IN TEXAS PUBLIC HOUSING

Public housing authorities across the state are estimated to have provided essential shelter for approximately 46,360 Texas families in 1972. Families, for purposes of this report, include single persons living alone in addition to multimember households sharing the same public housing unit, and while no actual count is available, apparently about 200,000 individuals comprised the families who in 1972 lived in public housing in Texas.

Black, Brown and White

The ethnic composition of families in public housing in Texas is relatively uniform (Figure 3-A). Statewide, based on 1972 data, 37 percent of public housing was occupied by Black families. White families comprised the second largest racial group, accounting for 32 percent of all families in public housing in the state. Mexican-American families occupied almost as much pub-

FIGURE 3-A
FAMILIES IN PUBLIC HOUSING IN TEXAS
By Ethnic Group and Elderly, 1972



lic housing as Whites, accounting for 31 percent of families. Both White and Mexican-American families, it may be seen, occupied not substantially less public housing than Blacks.

By ethnic group, however, families are by no means evenly distributed throughout public housing in Texas. As Figure 3-A reveals, Blacks and Mexican-Americans, when taken together, occupy a significant majority of public housing units in all cities with at least 5,000 population and a large majority of public housing in all cities with 50,000 or more people. Black families alone, however, are found in almost 60 percent of public housing in the combined units of Dallas, Houston, and San Antonio. Black families also occupy more units than either Mexican-Americans or Whites in cities with populations between 50,000 and 99,999, accounting for about 44 percent of families in public housing in these cities. Black families are significant, but not the primary ethnic group, in cities with 100,000 to 499,999 population. Mexican-American families occupy more public housing than either Blacks or Whites in these cities and in cities with populations between 5,000 and 49,999. Public housing occupancy by Black families declines markedly in cities below 50,000 population, and Mexican-American families account for no more than about 10 percent of families occupying public housing in cities below 5,000 population.

Although White families are found in public housing in cities of every size, they occupy no more than 23 percent of units in cities with a population of at least 50,000. In the largest cities they are found in only 15 percent of public housing. White occupancy does increase noticeably, to just over 38 percent of families, in cities with populations of 5,000 to 49,999. In the state's small cities, moreover, White families are by far the majority. In cities under 5,000 population, White families occupy almost three out of every four units of public housing, which is practically the reverse of the ethnic composition of public housing in cities with populations of 50,000 and above. In these cities, other ethnic groups occupy four out of five units. White occupancy in small cities is also considerably greater than in cities with populations between 5,000 and 49,999 where other ethnic groups occupy about two out of every three public housing units.

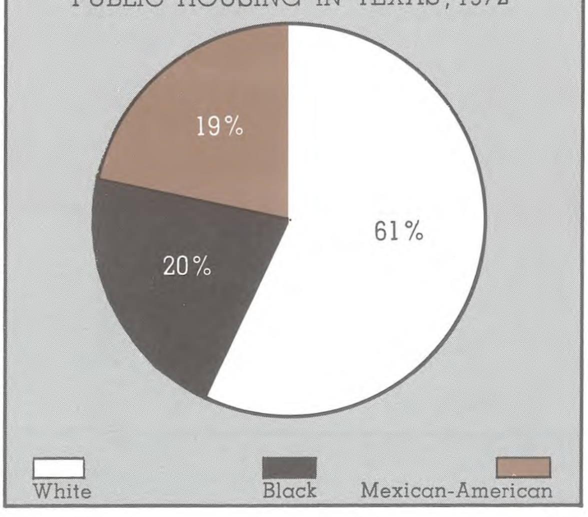
The Elderly and Nonelderly

On a statewide basis, 20 percent of public housing has been constructed specifically for the elderly (generally defined as families with a male head at least 65 or a female head at least 62 years of age). A substantial majority of these units, about 71 percent, are found in cities with less than 50,000 population. In providing living accommodations for the elderly, however, public housing authorities are not limited to these units, and elderly families occupied 38 percent of all public housing in the state in 1972. Elderly families comprise a significant percentage of families in public housing in cities of all sizes in Texas, and in small towns the elderly are found in a large majority of public housing, as the following percentages show:

CITY POPULATION SIZE	PUBLIC HOUSING OCCUPIED BY ELDERLY FAMILIES
500,000 and over	31.4%
100,000 to 49,999	37.8
50,000 to 99,999	37.5
5,000 to 49,999	33.6
Below 5,000	62.0

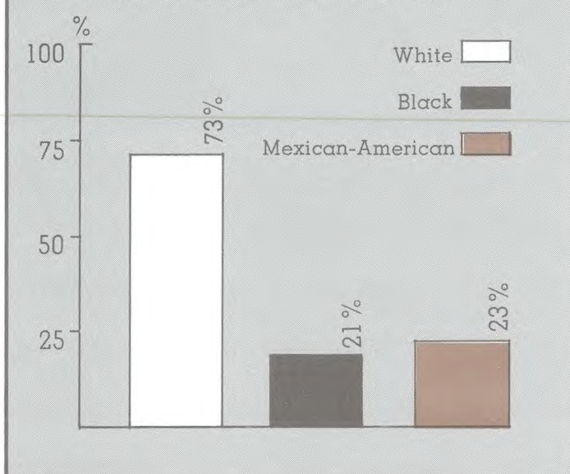
Statewide, elderly White families predominate in public housing occupied by the elderly. Whites occupy 61 percent of these units while elderly Black and Mexican-American families are found in only 20 percent and 19 percent respectively (Figure 3-B).

FIGURE 3-B
ELDERLY FAMILIES LIVING IN PUBLIC HOUSING IN TEXAS, 1972



Furthermore, White families are predominantly aged. Of all public housing occupied by White families, 73 percent house the elderly. In all public housing occupied by Black and Mexican-American families, on the other hand, the elderly account for only 21 percent and 23 percent respectively (Figure 3-C).

FIGURE 3-C
ELDERLY AS PERCENT OF TOTAL FAMILIES, 1972



Elderly White families occupy a comparable percentage of total public housing units in cities with populations of 50,000 to 499,999 (Figure 3-A), and these families comprise a high percentage of all public housing occupied by Whites in cities with 50,000 or more. Elderly Blacks and Mexican-Americans, while occupying also a similar total percentage of all public housing in these cities, account for a much smaller percentage of all Black and Mexican-American families. Elderly Blacks constitute a particularly lower percentage of all Black families in public housing in Texas' three big cities as compared with other cities having 50,000 or more people.

As a percentage of all families in public housing, elderly Whites show an increase in cities between 5,000 and 49,999, approaching twice the percentage found in the three largest cities. These families, however, comprise a markedly lower percentage of Whites in these cities as compared with larger cities in the state. Elderly Black and Mexican-American families also account for a smaller percentage of all families in public housing in these cities. Nonelderly Mexican-American families, in particular, make up the difference.

In cities under 5,000, the elderly occupy three out of every five public housing units. Elderly Black and Mexican-American families, however, are insignificant in number, comprising together only 5 percent of all families in public housing in these small towns. Elderly Whites, on the other hand, not only constitute a majority of White families in public housing in cities under 5,000 (as in cities of every other size) but also comprise a majority of all families in public housing in these cities. More than one out of every two units of public housing in cities below 5,000 population is occupied by an elderly White family.

The Poor and the Poorer

Residents of public housing are by definition poor since they must have low incomes to qualify to live there. Just how poor they are may be seen from an examination of the incomes of families reexamined for eligibility, the only source of available data on tenant income (which includes all sources of money payments). Using the incomes of these families as representative of the incomes of all public housing tenants, it is evident that a large majority of public housing families are, indeed, quite poor. As Table 3-A indicates, almost 44 percent of families in public housing have annual incomes of less than $2,000. Two out of every three families, moreover, have a yearly income under $3,000, and four out of five have annual incomes under $4,000. Only somewhat more than 8 percent have an income totaling as much as $5,000 a year.

Surprisingly, perhaps, White fami-

TABLE 3-A
INCOMES OF FAMILIES IN PUBLIC HOUSING IN TEXAS, 1972

Annual Family Income (dollars)	Percent of Families	Cumulative Percent of Families
Below 2,000	43.9%	43.9%
2,000 - 2,999	23.1	67.0
3,000 - 3,999	15.1	82.1
4,000 - 4,999	9.5	91.6
5,000 - 5,999	4.7	96.3
6,000 and over	3.7	100.0

Source: U.S. Department of Housing and Urban Development.

lies are considerably poorer than nonwhite families (Table 3-B). Among White families, over 57 percent have yearly incomes under $2,000 while among nonwhite families only 42 percent have an annual income that low. Four out of every five White families have incomes which total less than $3,000 per year, but not quite two out of every three nonwhite families are as poor. At every level of annual income, actually, White families are poorer.

TABLE 3-B
COMPARISON OF INCOMES OF WHITE AND NONWHITE FAMILIES LIVING IN PUBLIC HOUSING, 1970 (latest data)

Annual Family Income (dollars)	Percent of White Families	Percent of Nonwhite Families
Below 2,000	57.4%	42.0%
..... 3,000	80.2	66.3
..... 4,000	92.0	84.6
..... 5,000	97.0	94.2
..... 6,000	98.8	98.0
All Incomes	100.0	100.0

Source: U.S. Department of Housing and Urban Development.

Elderly White families, as previously noted, comprise 73 percent of White families in the state living in public housing, and the poverty of these families accounts for the relatively lower incomes of White families compared to nonwhite families. As Table 3-C shows, over 65 percent, almost two out of three, elderly families have annual incomes under $2,000 while only about half as many, or just one out of three, nonelderly families have a yearly income as low. Over half again as many elderly as nonelderly families have incomes under $3,000. Among elderly families, in fact, over 95 percent have annual incomes of less than $4,000, but almost 25 percent of nonelderly families have yearly incomes of more than $4,000.

TABLE 3-C
COMPARISON OF INCOMES OF ELDERLY AND NONELDERLY FAMILIES LIVING IN PUBLIC HOUSING, 1972

Annual Family Income (dollars)	Percent of Elderly Families	Percent of Nonelderly Families
Below 2,000	65.3%	33.3%
..... 3,000	88.2	56.5
..... 4,000	95.3	75.5
..... 5,000	97.9	88.4
..... 6,000	99.0	94.9
All Incomes	100.0	100.0

Source: U.S. Department of Housing and Urban Development.

The Fatherless and the Aged

Again using families reexamined for continued eligibility as representative of all families in public housing in Texas, Table 3-D reveals that over 44 percent of all these families are headed by a female with children. Thirty-three percent of families in public housing, according to Table 3-D, are elderly. (The difference from other estimates in the percentage of families that are elderly is accounted for by a difference in data source and is not significant for this analysis.) These elderly families and female-headed families with children -- less the small number of elderly female-headed families with children -- comprise just over 75 percent of all families. Fully three out of every four families in public housing in Texas, consequently, are composed of members who, as far as that family is concerned, probably cannot be considered likely to be primary wage earners. Most of these families undoubtedly are numbered among the 70 percent of families in public housing that receive some form of cash or other government assistance, and their incomes are likely to be composed largely of government cash assistance.

dents of public housing, though, are elderly, and over one-third of husband and wife families are composed of elderly persons. A great majority of these families probably rely upon social security payments for most of their income. The ages of adults in nonelderly families are not known, nor the degree of disability some of them may have. Some of these families may also rely upon government aid for some part, if not all, of their incomes. As previously noted, however, almost 25 percent of nonelderly families in public housing have annual incomes of at least $4,000. Many of these families probably are numbered in the 30 percent of families that do not receive cash or other government benefits and, consequently, may be assumed to be employed.

TABLE 3-D
CHARACTERISTICS OF FAMILIES IN PUBLIC HOUSING IN TEXAS, 1972

Family Characteristic	No. of Families (examined for continued eligibility)	Percent of Families	No. of Elderly Families	Elderly Families as Percent of Total Families
Total Families	24,561	100.0%	8,106	33.0%
Single Persons	5,361	21.8	4,582	18.6
Female Head with Children	10,909	44.4	509	2.1
Female Head without Children	661	2.7	375	1.5
Husband and Wife present	7,439	30.3	2,601	10.6
Receiving Cash or Other Govt. Benefits*	17,122	69.7%	7,848	32.0%

*Includes OASDI, OAA, AFDC, APTD, and others.

Source: U.S. Department of Housing and Urban Development.

The source of annual incomes among the approximately 25 percent of public housing families that are not elderly or composed of minor children and a female head may be somewhat different. Most single resi-

CHAPTER 4

FINANCING TEXAS PUBLIC HOUSING AUTHORITY OPERATIONS

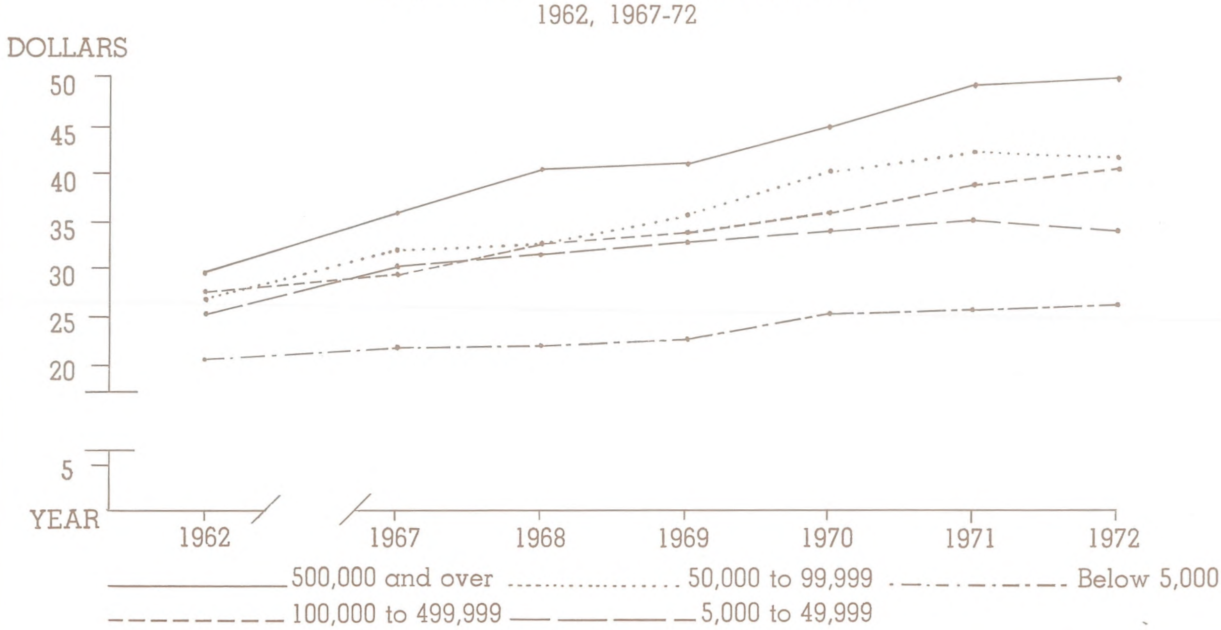
Every public housing authority in Texas is providing low-rent housing only through existing federal programs under which all land acquisition, building construction and major renovation costs are paid by the national government. Under these federal programs the financing of public housing authority operating costs traditionally has been largely a local responsibility. This chapter discusses the trends in operational financing since the early 1960s and the future prospects for financing the operations of public housing authorities in Texas.

Operating Costs

The costs of operating public housing in Texas have risen in recent years as shown in Figure 4-A. In 1962 costs per unit month ranged from a low of just over $20 to a high of less than $30. The lowest operating cost in 1962 was in cities with less than 5,000 population; the highest, in cities with populations of 500,000 and over. The difference between the highest and the lowest operating costs per unit month was on the order of 50 percent; that is, the high was about 50 percent greater than the low.

While public housing authorities in cities of every size class experienced an increase in costs between 1962 and 1972, these cost increases were by no means uniform among the various size classes. The average rates at which operating costs rose between 1962 and 1972 and between

FIGURE 4-A
OPERATING COST PER UNIT MONTH
1962, 1967-72



1967 and 1972 for authorities in various city size classes (as shown in Figure 4-A) were:

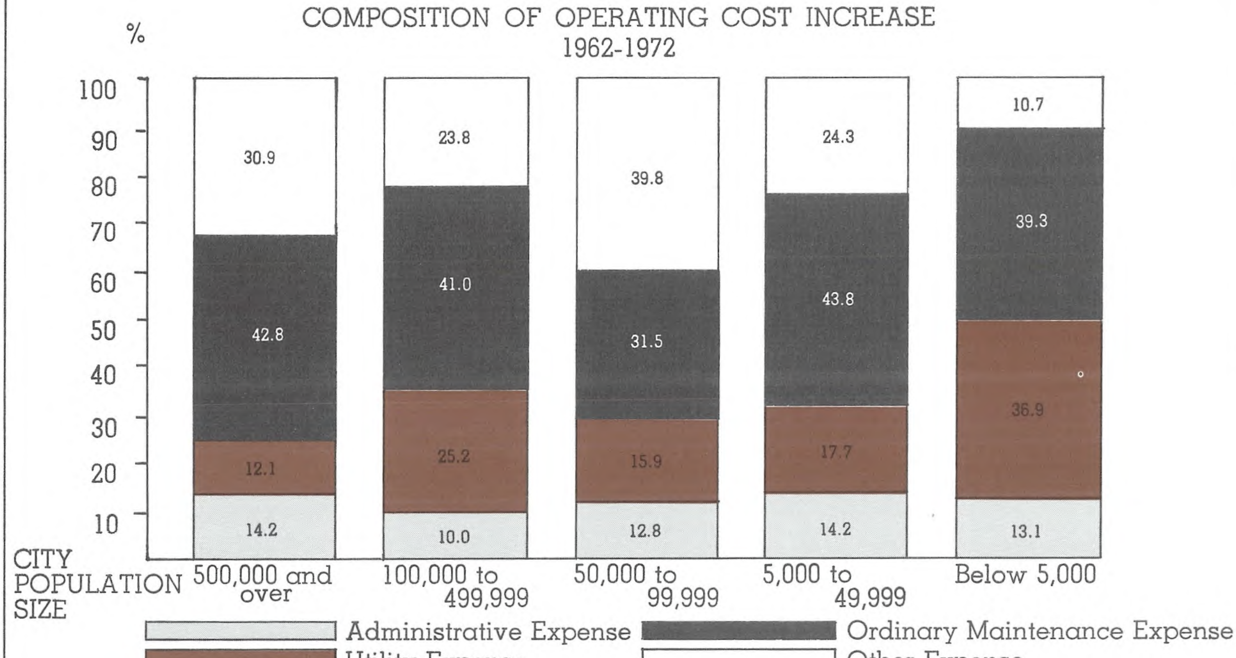
City Population Size	Average Annual Rate of Operating Cost Increase	
	1962-72	1967-72
500,000 & over	5.3%	6.3%
100,000-499,999	4.1	6.3
50,000-99,999	4.7	5.7
5,000-49,999	3.2	2.8
Below 5,000	2.6	2.5

Public housing authorities in cities of less than 5,000 population, which had the lowest cost per unit month in 1962, experienced the smallest cost increase over the 10-year period. The greatest rise in costs occurred in public housing authorities in cities with 500,000 or more population where costs were highest in 1962. Operating costs for these authorities in 1972, in fact, were almost double the costs for authorities in cities with less than 5,000 population. Public housing authorities in cities with populations from 5,000 to 49,999 had the second lowest cost per unit month in 1962 and continued in that position in 1972. In cities with 50,000 to 99,999 and in cities with populations of 100,000 to 499,999, operating costs were almost identical in 1962 and nearly the same in 1972; however, operating costs in cities with populations of 50,000 to 99,999 were second highest in the state in 1972, up from third place in 1962.

Trends in Operating Cost Components

Operating costs in public housing authorities are divided into four basic components: (1) administration, (2) utilities, (3) ordinary maintenance, and (4) other expenses (Figure 4-B). The "other" category of expenses includes such items as payments in lieu of taxes, capital expenditures for replacement of equip-

FIGURE 4-B
COMPOSITION OF OPERATING COST INCREASE
1962-1972



ment and property improvements or additions, employee benefits contributions, collection losses, and prior year adjustments related to annual contribution contracts with HUD. An examination of changes in the components of public housing operating costs between 1962 and 1972 shows how the four components have contributed to the rise in total operating costs over the 10-year period (see Figure 4-B).

In cities of every size class, ordinary maintenance expense and other expenses account for at least 50 percent of the total increase in costs experienced by public housing authorities between 1962 and 1972. These two components contributed most to the rise in operating costs in cities with populations of 500,000 and over. In these same cities and in cities with populations between 50,000 and 99,999, which in 1972 had the second highest operating costs, other expenses account for a greater percentage of the total costs increase than in other cities. (The increase in other expenses in cities with populations between 50,000 and 99,999 may explain why costs in these cities overtook costs in cities with populations of 100,000 to 499,999 during the 10-year period.) Ordinary maintenance expense also was significant in cities of every size. As a percentage of the total cost increases, ordinary maintenance expense was smallest in cities with populations between 50,000 and 99,999 where other expense was greatest. Utilities accounted for a greater percentage of the total cost increase during the 10-year period in cities with populations between 100,000 and 499,999 and in cities below 5,000 in population. Administrative costs accounted for less than 15 percent of the total cost increase in any case, and the range in the percentage of cost increases attributable to administrative expense was quite narrow.

Operating Revenues

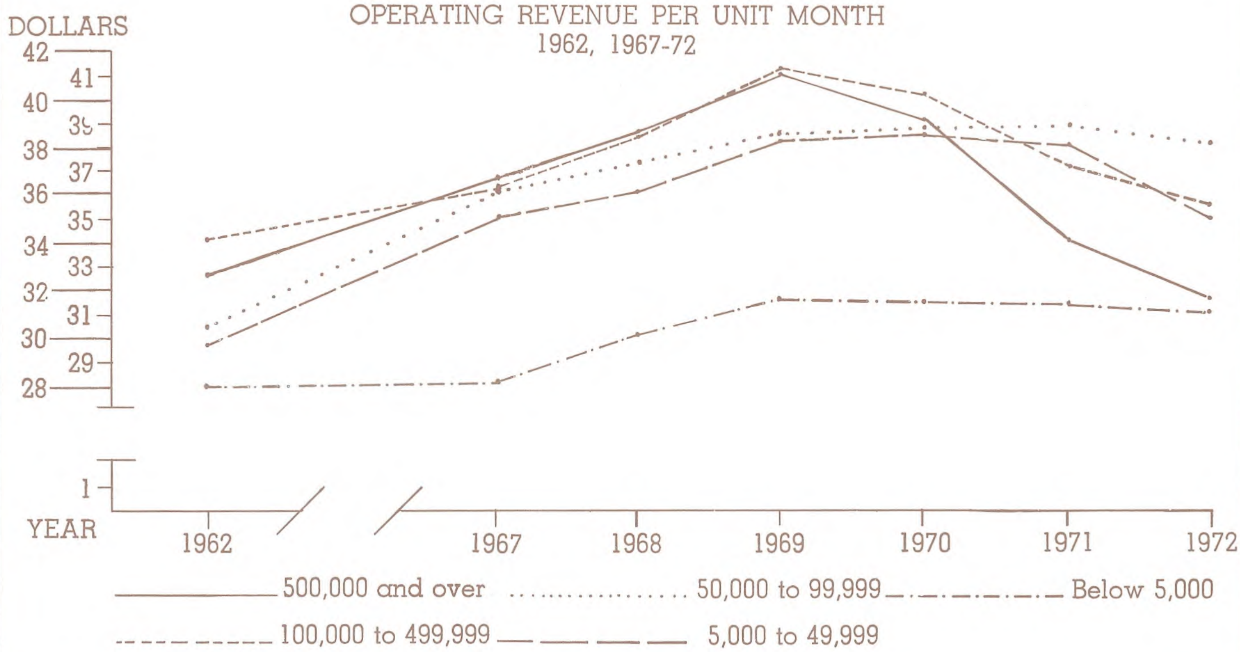
The primary source of public housing authority revenues is rental charges. As noted in Chapter 1, Texas law anticipates that rental rates will be established at a level no higher than that required to meet the costs of operation and debt repayment for each public housing authority. Since public housing authorities in Texas provide public housing through federal programs under which capital costs are paid by the national government, authorities must try only to meet the operating costs discussed in the previous section out of local revenues. As noted also in Chapter 1, the actual rents charged by public housing authorities in Texas are determined under applicable laws and regulations of the federal government. Eligibility for public housing is not based on actual rental charges, as a strict interpretation of the Texas law would make it appear, but also upon federal law which requires a 20-percent gap between the highest family income permitted for public housing eligibility and the income at which a family can obtain adequate housing in the local private housing market. Eligibility income limits are established by each local authority and approved by HUD.

Prior to 1969 public housing authorities in Texas individually determined their rental charges limited only by the minimum 20 percent of annual income requirement of Texas law (or 1/6 of annual income in cases of families with three or more minor dependents). Rental rates generally were based on a sliding scale related to the size of each family and the amount of annual family income. Most, if not all, authorities also established a minimum monthly rent, however, that was paid by every tenant family regardless of size or income. Every rented public housing unit, consequently, produced some revenue each year, and annual rental revenues of most authorities were sufficient to meet operating costs.

A national study in the late 1960s revealed that 50 percent of all elderly families and 22 percent of all other families in public housing in the United States were paying in excess of 30 percent of their annual incomes in rental charges.[7] In 1969 Senator Edward Brooke of Massachusetts succeeded in passing legislation that required public housing authorities to allow a $100 per minor dependent deduction per year from total family income and limited maximum rental charges to 25 percent of adjusted family income. The new federal law reduced rental payments to nothing or near nothing at the lowest income levels, thus effectively eliminating minimum rents. In 1970 and 1971 Senator Brooke authored additional legislation which increased the deduction for minor dependents to $300 each, included an additional 5-percent deduction from gross income (10 percent if elderly), and expanded the application of deductions to include families receiving public welfare. The impact of the Brooke amendments on the operating revenues of many public housing authorities in Texas has been dramatic.

With the exception of public housing authorities in cities below 5,000 population, the trend of operating revenues per unit month was steadily upward between 1962 and 1967, as illustrated in Figure 4-C (which shows operating revenues from rental charges and other local sources and does not include federal operating subsidies of any kind). In cities below 5,000 population, operating revenues per unit month remained more or less constant during the same period of time. Between 1967 and 1969,

FIGURE 4-C
OPERATING REVENUE PER UNIT MONTH
1962, 1967-72



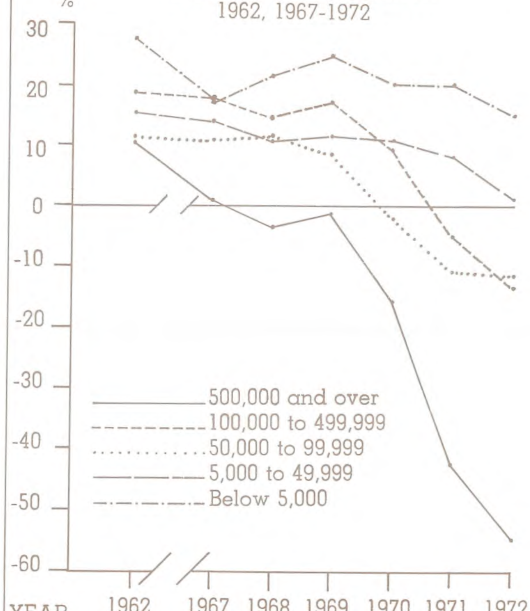
for an unexplained reason, operating revenues per unit month for authorities in cities of all sizes rose rapidly. Operating revenues peaked in 1969 for authorities located in cities with 100,000 or more population and in cities below 5,000.

In the larger authorities, operating revenues took a significant and immediate downturn in 1969, undoubtedly as a result of the Brooke amendments, and continued to fall rapidly through 1972 (the latest year of data analyzed). The peak year for operating revenues was delayed to 1970 for authorities located in cities with populations from 5,000 to 49,999 and to 1971 in cities with 50,000 to 99,999 population. The decline in operating revenues for authorities in cities below 5,000 and in cities with populations from 50,000 to 99,999 has been relatively slow since their peak year. While the decline was slow in the first post-peak year in cities with populations from 5,000 to 49,999, it accelerated significantly in the second year. In these cities and in those with populations from 100,000 to 499,999, operating revenues per unit month in 1972 were approaching the 1962 level. In cities with 500,000 or more population, operating revenues per unit month in 1972 were actually below the 1962 level.

Operating Costs and Revenues Compared

When the operating revenues and costs of public housing authorities in Texas are compared, development of the sizeable operating deficits incurred by authorities in Texas and their present magnitude are graphically demonstrated. As Figure 4-D shows, with the exception of public housing authorities in cities with populations ranging from 50,000 to 499,999, public housing authorities in the state were experiencing a decline in the degree to which operating revenues exceeded costs per unit month prior to 1969. In 1962, for example, authorities in cities with populations below 5,000 collected revenues which were approximately 28 percent greater than the amount required to meet their expenses. While still substantially in excess of operating costs, local revenues in these same authorities in 1967 were only 18 percent higher than the amount needed to cover expenses. In cities with populations of 500,000 and over, operating revenues in 1962 were 10 percent greater than were required to meet operating costs. By 1967, however, operating revenues had declined in relation to operating expenses so that there were practically no excess revenues in that year, and in 1968 public housing authorities in these cities did not generate sufficient revenues from local sources to meet their operating costs.

FIGURE 4-D
OPERATING REVENUE IN EXCESS OF OPERATING COST PER UNIT MONTH
1962, 1967-1972



The significant upturn in revenues that occurred in Texas public housing authorities between 1967 and 1969 (Figure 4-C) gave promise not only of keeping most authorities from experiencing operating deficits but also of reversing the financial situation of authorities in the three big cities. When the first Brooke amendment became effective in 1969, however, the trend toward insolvency that was developing, in some cases rapidly, before 1967 became a certainty. In the following year, authorities in cities with between 50,000 and 99,999 population could not meet operating costs out of local revenues. In 1971, authorities in cities with populations from 100,000 to 499,999, found their operating revenues to be less than expenses. Authorities in cities with between 5,000 and 49,999 population were approaching the same situation by 1972, and authorities in the small cities of Texas were headed a little more slowly, but apparently just as surely, toward the same fate. By 1972, also, the situation had worsened for authorities in cities with 50,000 population or more, even to the extent that in cities with 500,000 or more people an increase in operating revenues of approximately 55 percent would have been required to meet operating costs in that year.

Sources for Funding Operating Deficits

There have been two sources of funds available to meet the operating deficits charted in Figure 4-D. General operating subsidies provided by HUD since 1969, as authorized in the Brooke amendments, and prior to that a special subsidy enacted in 1961 have been one source. The other source has been the operating reserve funds of public housing authorities.

HUD operating subsidies are paid from the same federal appropriation that supplies funds for the construction of new public housing and major renovations to existing public housing in the nation. This appropriation is made in the form of a specified amount of annual contribution contract authority for each federal fiscal year. The division of this amount of expenditure authority into smaller amounts for use to support either new construction, major renovation or operating subsidy requirements is made at the national level by HUD.

In the early days of public housing it was anticipated that local operating revenues would exceed operating costs and that excess revenues would be paid to the federal government to offset part of the costs of financing public housing construction. Excess revenues, however, would first be channeled into an operating reserve fund maintained by each public housing authority, also in accordance with federal policy.

Prior to 1971 the amount of excess revenues placed in operating reserve funds was determined by a formula based on the number of housing units operated by each authority. In 1971 HUD policy was changed to permit public housing authorities to retain excess revenues sufficient to maintain operating reserves at 50 percent of annual ordinary maintenance expense. This policy was changed again in 1972 to allow public housing authorities that had experienced operating deficits to maintain reserves equal to no more than 20 percent of annual ordinary maintenance costs.

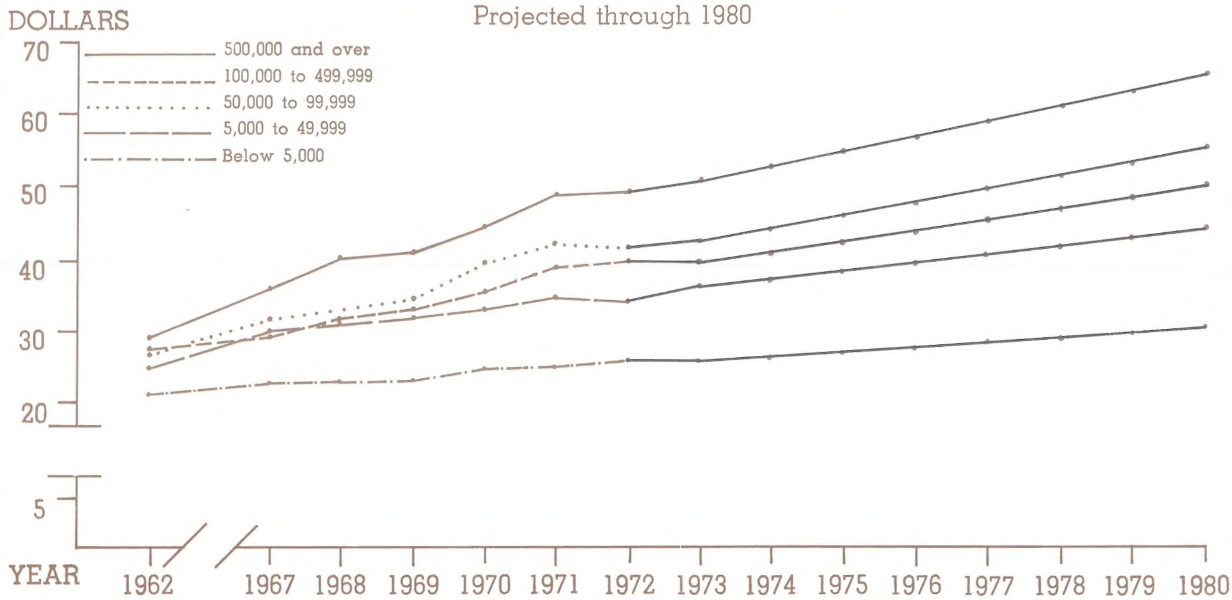
The Future

The future course of public housing authority operating revenues is uncertain. The drastic decline in revenues experienced by many public housing authorities in Texas since 1969 probably will not continue indefinitely into the future. At some point the effect of the Brooke amendments should be more or less complete, and housing authority revenues could then stabilize. Future revenue trends, however, are subject to policy decisions at both the federal and local levels. HUD, for example, has suggested to public housing authorities in Texas the adoption of a "rent range" concept in an attempt not only to stabilize but to increase operating revenues. This concept basically calls for an authority to determine the amount of revenue required to meet its annual operating costs and to determine a scale of rental charges which would permit the authority to raise these revenues. New tenants then would be selected according to whether their incomes were of sufficient size to allow the authority to charge them according to its scale of needed rents. While no present tenant could be removed because family income was insufficient to meet "rent range" requirements, tenant turnover presumably would permit the authority to raise its average rent to a level sufficient to meet operating costs.

The "rent range" concept may be workable in any city where there is a wide gap between the supply of public housing units and the number of eligible families. Even in these situations, however, the mix of incomes of families constituting "effective demand" for public housing in the community would have to be properly balanced. (See also Appendix IV.)

While it is not possible to estimate with accuracy the future trend of public housing authority revenues, operating costs can be projected on the basis of historical data. Figure 4-E presents the projections made in this study. As expected, total operating costs of public housing authorities in Texas may be anticipated to continue to rise through 1980, the end of the projected period. Costs

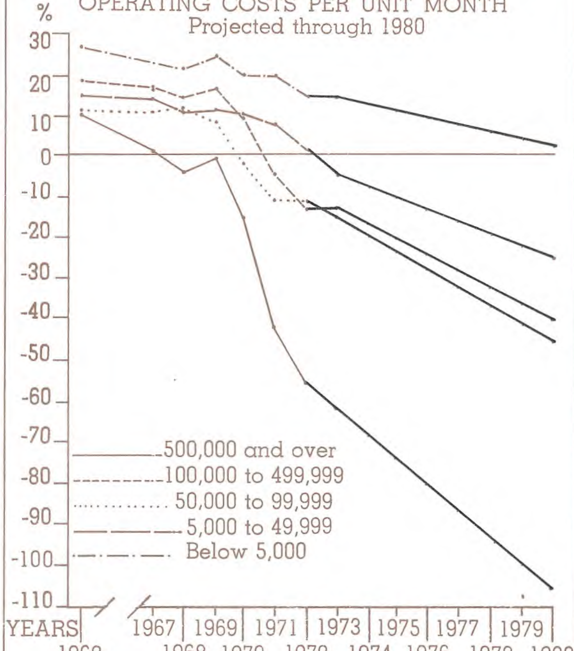
FIGURE 4-E
OPERATING COST PER UNIT MONTH
Projected through 1980



per unit month for housing authorities in cities with 500,000 population and over will approach $65 per month by 1980. Costs for these authorities may be expected to rise somewhat faster through 1980 than costs for authorities in cities below 500,000 population. On the other hand, in cities below 5,000 population, costs will not rise appreciably by 1980. Authorities in small cities, however, are the only ones likely to escape continuing cost increases in public housing authority operations, as they have done in all the years for which data were collected for this study. In the future, as in the past, ordinary maintenance and other expenses will be the greatest source of the significant anticipated cost increases in larger authorities (Figure 4-G).

In Figure 4-F, trends in the relationship between public housing authority operating revenues and expenses are projected through 1980 with operating revenues for authorities in each city size class held constant at their 1972 level. These projections show that by 1980 public housing authorities in cities with 500,000 or more population, where over 34 percent of public housing is located, are likely to be experiencing deficits of staggering proportions, requiring approximately a 110-percent increase in operating revenues to be able to meet their operating costs. Authorities in cities below 5,000 population will be rapidly approaching the time when their revenues do not meet operating costs. Public housing authorities in cities with at least 5,000 but not more than 499,999 population will require increases in operating revenues of between approximately 20 and 40 percent to match operating costs by 1980.

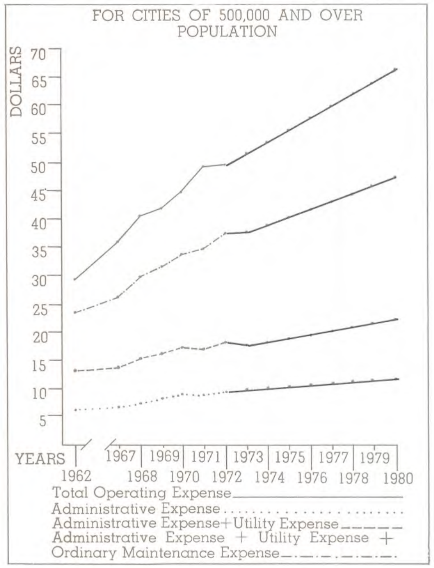
FIGURE 4-F
OPERATING REVENUE IN EXCESS OF OPERATING COSTS PER UNIT MONTH
Projected through 1980

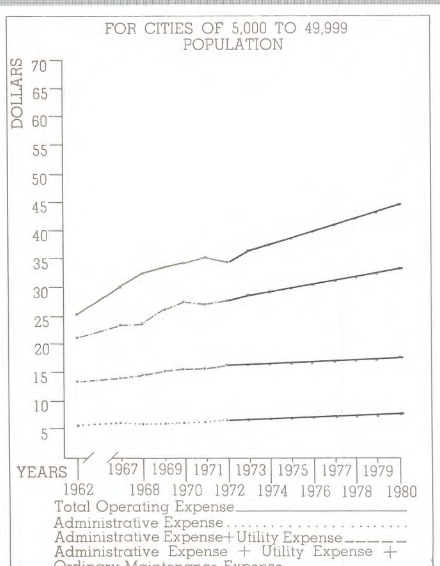


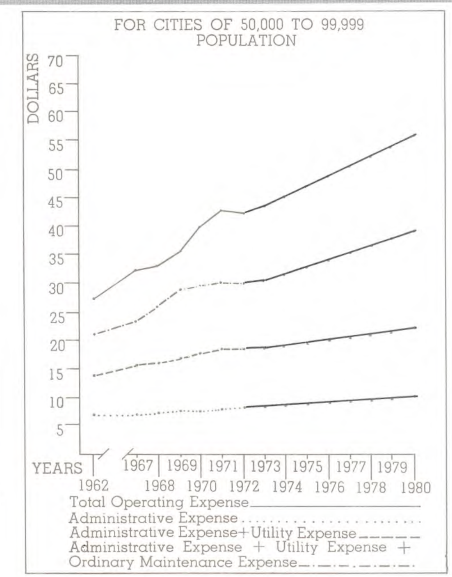
Revenues per unit month used in the projections in Figure 4-F, as indicated, are 1972 levels. If public housing authority operating revenues do not in fact stabilize at the 1972 level but continue to decline, the projected deficits will be even greater. Operating expenses, furthermore, may increase faster than has been estimated. The expenditure trend projections (Figure 4-E) are based upon 1962 through 1972 experience and, consequently, are lower than projections based on years since 1967 when rates of increase have been greater. New external forces also could make the operating expense projections used in this study conservative. The present shortages of fossil fuels, for example, could cause utility costs, which increased moderately between 1962 and 1972, to rise at a much faster rate in the future.

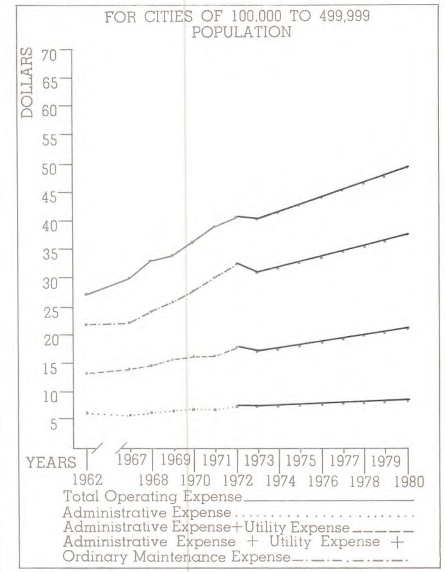
As previously noted, there are two sources for meeting the operating deficits of public housing authori-

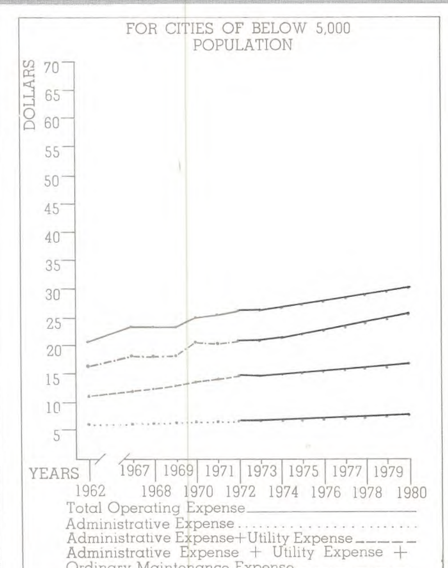
FIGURE 4-G
TOTAL OPERATING COST PER UNIT MONTH
Projected through 1980











ties in the state: (1) public housing authority operating reserves and (2) HUD operating subsidies. Current HUD policy adopted in October, 1973, does not provide for the retention of any additional funds by public housing authorities to increase operating reserves. Operating subsidies paid by HUD, moreover, presently are not based upon the actual operating deficits experienced by Texas public housing authorities but upon a formula that operates as illustrated in Figure 4-H.

FIGURE 4-H
HUD OPERATING SUBSIDY FORMULA

BASE YEAR (1971 or 1972)		
	Authority A	Authority B
Operating Expenses	$ 1,500,000	$ 450,000
Operating Revenues (Local Sources)	1,000,000	500,000
Excess Revenues (deficit)	($ 500,000)	$ 50,000
HUD Operating Subsidy (plus allowance for buildup of Operating Reserve if applicable)	$ 500,000	$ 0
SUCCEEDING YEAR		
Operating Expenses (Base Year)	$ 1,500,000	$ 450,000
HUD Formula Rate	x 1.03	x 1.03
HUD Formula Allowance	$ 1,545,000	$ 463,500
Operating Revenues (Local Sources in Base Year)	$ 1,000,000	$ 500,000
HUD Formula Rate	x 1.03	x 1.03
HUD Formula Expectation	$ 1,030,000	$ 515,000
HUD Formula Allowance	$ 1,545,000	$ 463,500
HUD Formula Expectation	- 1,030,000	515,000
HUD Operating Subsidy (allowance for buildup of Operating Reserve discontinued in 1973)	$ 515,000	NO SUBSIDY

In the base year (1971 or 1972, depending upon the ending date of the authority's fiscal year) Authority A in the illustration shows a deficit of $500,000 when operating expenses are compared to operating revenues from local sources. In that year the operating subsidy from HUD was presumably sufficient to cover this deficit completely and to build up the operating reserve of the authority if it was below the amount allowed by HUD policy. On the other hand, Authority B had an excess of local operating revenues after meeting all operating expenses in the base year. Authority B either retained the excess for its reserve fund, or if the fund was already at the maximum level permitted by HUD policy, paid the excess to HUD as reimbursement for capital costs incurred by HUD in financing the construction bonds of the authority.

In the succeeding year the HUD formula allowed for Authority A an increase in operating expenses over the base year of 3 percent and expected an increase in local operating revenues of 3 percent over the base year. The difference between the allowed 3-percent rise in operating expenses and the expected 3-percent increase in operating revenues determined the amount of the HUD subsidy in that year. The same formula was applied to Authority B. As illustrated, the formula produced expected operating revenues in excess of operating receipts for Authority B, and since the formula produced more revenues than expenses, it was determined that no HUD operating subsidy was required.

Examination of the illustration reveals that with the possible exception of the base year HUD operating subsidies, as determined by this formula method, do not have any necessary relationship to the actual operating costs or operating revenues of public housing authorities in the state. In the succeeding year neither the actual operating expenses nor the actual operating revenues of either Authority A or B were considered. The need for an operating subsidy and the amount of that subsidy were determined simply by application of HUD formula rates and the comparison of allowed operating expenses and expected operating revenues calculated under the formula. It is also apparent that Authority B will never be eligible for a subsidy under the HUD formula and that Authority A will continue to be eligible for a larger subsidy each year the formula is used. Because the formula applies a constant, uniform rate for both operating expenses and operating revenues, whichever amount is larger in the base year will continue to be larger -- in fact, will increase in size relative to the smaller amount -- in every succeeding year.

NOTES

1. Robert Taggart III, Low-Income Housing: A Critique of Federal Aid (Baltimore, Md.: The Johns Hopkins Press, 1970), p. 23.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

Public housing authorities today are making available essential shelter for upwards of 50,000 Texas families. Public housing is not available in all areas of the state, however, and the supply of public housing on a statewide basis is considerably less than the amount needed to provide decent shelter for all qualified low-income families. The financial problems experienced by many authorities in operating public housing in recent years has slowed the development of public housing in the state and may even reduce public housing supplies in some areas unless solved.

The Need for Low-Income Housing In Texas

Fully three out of every four families residing in public housing in Texas are composed of adult members who probably cannot be considered likely to become primary wage earners. Thirty-three percent of these families are composed of elderly persons, and 42 percent are families headed by a nonelderly female with children. Most of these families undoubtedly are numbered among the 70 percent of families in public housing who receive some form of cash or other government assistance (Table 3-D). Most single residents of public housing, furthermore, are elderly, and over one-third of husband-wife families are composed of elderly persons. While the ages of adults in nonelderly husband and wife families are not known, nor the degree of disability which some of them may have, less than 20 percent of families in public housing would seem at all likely to be able to raise their income materially through employment earnings. Almost 25 percent of nonelderly families in public housing, however, have annual incomes of over $4,000 (Table 3-C), and while no data is available on the employment earnings of families in public housing, many of these families are probably numbered among those that do not receive cash or other government benefits and may be assumed to be employed. Whether or how their earnings might be increased sufficiently to permit them to find private housing is not known.

The study of housing conditions and housing needs in Texas conducted for the state by the Texas Research League and published in 1972 concluded that 143,000 families in Texas live in unsuitable shelter and, under present programs, require public housing (Chapter 2). The $3,000 annual income limit used by the League certainly is not excessive, and when compared with the annual incomes of families currently in public housing in the state (Table 3-A) would suggest that possibly as many as 50 percent more families -- according to income only and not the condition of their present shelter -- are in need of public housing. Unless families with relatively low incomes who presently own homes in marginal condition, moreover, receive some kind of government support to rehabilitate their homes in the near future, current needs will double by 1980 as an additional 146,000 Texas families are forced to turn to public housing for decent shelter.

The League's estimate of 143,000 families in need of public housing in addition to the families living in the 48,800 units of public housing available in 1972 indicates that public housing in Texas is meeting about one-fourth of current needs. Since 1955 the average annual rate of public housing production in Texas is estimated to have ranged between 850 and about 1,300 units per year. To meet by the end of the decade the 1972 needs found by the League would require development of about 17,800 units of new public housing per year, well over ten times the highest estimated average rate since 1955.

More public housing is available in Texas cities below 5,000 population or with at least 500,000 people than in cities of other population sizes. Yet, the need for public housing is apparently balanced geographically in the state (Chapter 2). Cities between 5,000 and 99,999 population have 17 to 18 percent less public housing than they would if public housing were located in proportion to population. Cities with populations of 100,000 to 499,999 have a deficit of 8 percent (Table 2-C). Some cities with populations of 5,000 and over (as well as smaller cities) do not have any public housing. The general distribution of public housing needs suggests that many of these cities ought to provide public housing, particularly cities with population from 50,000 to 99,999 where only seven of these 17 larger cities presently supply public housing units (Table 2-A).

Almost 43 percent of all new public housing developed in Texas since 1955 is being utilized by elderly families (Figure 2-B and 3-A). A majority of these families are White and live in cities below 50,000 population. The incomes of the elderly living in public housing in the state (Table 3-C) indicate that many elderly persons cannot afford decent alternative shelter.

Financing Public Housing Authority Operations

Unless some means is found to increase local revenues, the operating deficits experienced by many public housing authorities in recent years will increase and spread in the future. While the Brooke amendments to federal public housing law contributed significantly to the timing and the severity of public housing authority operating deficits, they were not the sole cause of these deficits. Public housing authorities in cities with 500,000 and more population actually experienced their first deficit prior to the original Brooke amendment (Figure 4-D). Before the significant upturn in operating revenues between 1967 and 1969 (Figure 4-C), in fact, public housing authorities in several city size categories appeared headed toward a deficit operating condition.

The growing costs of operating public housing authorities have contributed their share to current deficit conditions and will contribute even more in the future. The trends in operating costs, furthermore, probably are not subject to significant downward change short of eliminating public housing maintenance, reducing tenant services or similar actions. Future rates of increase may be even faster than past trends would indicate.

The present HUD subsidy formula is clearly unrealistic as applied both to operating costs and operating revenues of authorities in cities with 50,000 or more population. Operating costs for authorities in these cities have increased in recent years at rates double the rate used in the HUD formula (Figures 4-A and 4-F). Operating revenues have been falling rather than rising in all cases (Figure 4-C) while the subsidy formula anticipates increasing revenues.

Since there is only one federal appropriation for public housing, HUD funds paid for operating subsidies reduce the amount of money available for new public housing construction. This situation obviously puts considerable pressure on HUD to apportion less than an adequate amount of funds for payment of operating subsidies and results in suggestions like the "rent range" concept which would appear to interfere with local control of tenant selection and to be inconsistent with the intent of the Brooke amendments.

The trends in operating revenues compared with operating costs prior to 1967 (although the data go back only to 1962) and recent deficits may explain, at least in part, the slowdown in public housing development in cities with 50,000 or more population in recent years (Figure 2-B). Some individual authorities within any size class, of course, may not have yet experienced an operating deficit, and some of these authorities may be able to avoid such deficits in the future. On the average, however, every new unit of public housing opened in the future in cities with at least 5,000 population will require an operating subsidy, in some cases of sizeable proportion, if operating revenues do not rise above their 1972 level. If HUD operating subsidy policy is not changed and local revenues do not rise, the prospect more likely than the opening of new units in these cities will be the closing of existing ones as authorities find themselves depleting their remaining reserves to make up the difference between HUD subsidies and their actual operating deficits.

Recommendation Number 1: Change the HUD Subsidy Formula

> THE COMMISSION RECOMMENDS THAT THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ADOPT A NEW BASIS FOR PAYING OPERATING SUBSIDIES TO COVER THE "FULL AMOUNT" OF OPERATING DEFICITS.

Payment of adequate subsidies would require HUD to give over a greater percentage of present appropriations for this purpose, reducing by a like amount the funds available for major renovation and new construction. Even though there is a pressing need for new facilities, this action should be taken to preserve existing public housing.

The new basis for paying subsidies could permit a reasonable annual rate of operating cost increase for public housing authorities based upon historical trends such as those described in this report. Subsidies might properly be paid in advance on an estimated basis and adjusted after the close of each fiscal year. Adjustment should be based upon actual rather than expected revenues although specific rent collection performance might be required.

The change in HUD subsidy policy would relieve local housing authorities of responsibility for trying to fund operating deficits over which they have only partial or negligible control. Of course, any deficit incurred by a housing authority that exceeded the allowed percentage increase in operating costs would have to be absorbed by the authority itself. A required collection record would assure that authorities make every reasonable effort to collect the rentals charged their tenants.

Recommendation Number 2: Stabilize Federal Financing

> THE COMMISSION RECOMMENDS THAT CONGRESS MAKE AN APPROPRIATION SUFFICIENT TO COVER OPERATING SUBSIDIES SEPARATE FROM APPROPRIATIONS FOR NEW PUBLIC HOUSING CONSTRUCTION AND MAJOR RENOVATIONS.

Within the limits of eligibility and similar policies established by the federal government, tenant selection is best left in the hands of public housing authorities that can more carefully match individual housing need and circumstances to available public housing in the community. The growing financial pressure on public housing authorities forces them to attempt to limit tenant selection to families whose circumstances permit them to pay higher rental rates.

A continuing appropriation would commit the federal government to funding the actual deficits which might result from the application of federal eligibility and rental rate policies. At the same time, it would assure public housing authorities of their ability to exercise the widest discretion in tenant selection consistent with these policies.

A commitment by the federal government to fund, with appropriate safeguards, the deficits incurred by public housing authorities also would permit those authorities to develop new public housing units without endangering their entire public housing program. HUD would be able to estimate future subsidy costs associated with the separate appropriation of new construction funds so that the total amount of federal monies committed to public housing would be considered by the Congress. With adequate operating funds assured, both HUD and public housing authorities would have the ability to make each new, as well as each existing, unit available to the families of low income who most need it.

APPENDIX I

PUBLIC HOUSING AUTHORITIES IN TEXAS

By City Population Size Group

500,000 and Over	100,000 to 499,999	50,000 to 99,999
Dallas	Austin	Brownsville
Houston	Beaumont	Galveston
San Antonio	Corpus Christi	Laredo
	El Paso	Midland*
	Fort Worth	Port Arthur
	Lubbock	Texarkana
		Waco
		Wichita Falls

5,000 to 49,999

Alice	Colorado City	Henderson
Alpine	Commerce	Hillsboro*
Andrews*	Copperas Cove*	Huntsville*
Aransas Pass*	Corsicana	Kermit*
Bay City	Crockett	Killeen
Baytown	Crystal City	Kingsville
Beeville	Cuero	Lampasas*
Belton	Del Rio	La Porte*
Bonham	Denison	Levelland
Borger	Denton*	Lockhart
Bowie*	Donna	Marlin
Brady	Eagle Pass	Mathis
Breckenridge	Edinburg	McAllen
Brenham	Edna	McKinney
Brownfield*	El Campo	Mercedes
Brownwood	Ennis	Mexia
Bryan	Falfurrias	Mineral Wells
Burkburnett	Gainsville*	Mission
Cameron	Georgetown	Monahans*
Canyon	Gladewater	Mt. Pleasant
Carrizo Springs	Gonzales	New Braunfels
Childress	Grapevine	Orange
Cleveland	Haltom City	Paris
Coleman	Harlingen	Pearsall

*Housing authorities with no units under management.

5,000 to 49,999 continued

Pecos*
Pharr
Plainview*
Plano
Pleasanton
Port Lavaca*
Robstown
San Benito
San Marcos
Seguin
Sherman
Sinton
Slaton
Sweetwater
Taylor
Temple
Texas City
Tulia
Vernon
Victoria
Waxahachie
Weatherford
Weslaco*
Wharton*
Yoakum*

Below 5,000

Alamo
Alba
Alto
Alvarado*
Anson
Archer City
Aspermont
Avery
Avinger
Baird
Ballinger
Balmorhea
Bandera*
Bangs
Bartlett
Bastrop
Beckville
Bells
Bellville
Benavides*
Big Lake*
Big Sandy*
Blooming Grove
Blue Ridge*
Bogata
Brackettville
Bremond*
Bridgeport
Bronte
Browndell*
Bryson
Buffalo*
Burnet*
Byers*
Caddo Mills
Caldwell
Calvert
Canton*
Celeste
Centerville
Chillicothe*
Cisco
Clarendon
Clarksville
Clifton
Clyde*
Coldsprings*
Comanche
Como
Coolidge
Cooper
Corrigan
Cotulla
Crandall*
Crosbyton
Cross Plains
Crowell*
Cumby
Daingerfield
Dawson
Dayton
Decatur
Dekalb
DeLeon
Denver*
Deport
Detroit
Devine
Diboll
Dublin
Early*
Ector
Edcouch
Eden
Edgewood
Eldorado
Electra
Elkhart*
Elgin*
Elsa
Emory*
Falls City*
Farmersville
Ferris
Flatonia
Floresville
Floydada
Franklin
Frankston*
Freer*
Frisco
Frost*
Garrison
Gatesville
Gilmer
Glen Rose*
Goldsmith*
Goldthwaite
Gorman*

*Housing authorities with no units under management.

Below 5,000 continued

Granbury
Grandfalls
Grand Saline*
Grandview*
Granger
Grapeland
Gregory
Groesbeck
Groveton
Gunter
Gustine*
Hale Center
Hamilton
Hamlin
Haskell
Hearne
Hemphill
Henrietta
Hico
Holliday*
Honey Grove
Hooks*
Howe
Hubbard*
Hughes Springs
Huntington
Ingleside*
Iredell*
Itasca*
Jefferson
Joaquin*
Johnson City
Jourdanton*
Junction
Karnes City
Kaufman*
Kemp*
Kenedy
Kerens
Kirbyville
Knox City
Kyle*
Ladonia
La Feria
La Grange*
Leonard
Linden
Livingston
Llano
Lometa
Lone Oak*
Loraine
Los Fresnos
Lott
Lueders*
Luling
Lytle*
Mabank
Madisonville
Malakoff
Marble Falls
Marfa
Mart
Mason
Maud
McGregor
McLean
Memphis
Meridian
Merkel
Midlothian*
Miles*
Milford*
Moody
Mt. Vernon*
Munday
Naples
New Boston
Newcastle
Newton
Nixon
Nocona
Normangee*
Oglesby
Olney
Olton
Omaha
Overton
Paducah
Palacios*
Pilot Point*
Pinesland
Pittsburg
Point*
Port Isabel
Post
Poteet
Poth
Pottsboro
Princeton
Quanah
Quitman*
Ranger
Rankin
Rice*
Rising Star
Robert Lee
Roby
Rochester*
Rockdale*
Rockwall
Rogers
Roscoe*
Rosebud
Rotan
Round Rock*
Royse City
Rule*
Runge
Rusk*
Saint Jo*
San Augustine*
San Diego*
San Saba*
Santa Anna
Savoy
Schertz*
Schulenburg
Seagraves
Seven Oaks*
Seymour
Shepherd*
Smiley*
Smithville
Somerville*
Sour Lake*
Spearman
Spur

*Housing authorities with no units under management.

Below 5,000 continued

Stamford	Tioga	Whitesboro
Stanton	Tom Bean	Whitewright
Stockdale	Trenton	Whitney
Strawn	Trinidad	Wills Point
Taft	Trinity*	Windom
Tahoka	Turkey*	Wink
Talco	Valley Mills*	Winnsboro
Tatum*	Van	Winters
Teague	Van Alstyne	Wolfe City
Tenaha	Venus*	Winona*
Thorndale	Waelder	Woodville
Three Rivers	Walnut Springs*	Wortham
Throckmorton	Wellington	Yorktown
Timpson	Wheeler*	

Indian Reservations	County	Regional
Alabama-Coushatta Tribe	Jackson County*	South Plains (Cochran, Garza, Hockley, Lamb, Lynn and Terry counties)
	Orange County	
	Polk County*	
	Runnels County*	
	Tyler County*	
	Uvalde County*	

*Housing authorities with no units under management.

SOURCE: Office of Housing, Texas Department of Community Affairs, December 1, 1972.

APPENDIX II

AVERAGE REVENUE PER UNIT MONTH FOR AUTHORITIES SAMPLED
1962, 1967-1972

City Population Size	1962	1967	1968	1969	1970	1971	1972
500,000 & over	$32.86	$36.60	$38.72	$41.14	$39.01	$34.56	$31.77
100,000-499,999	34.03	36.36	38.76	41.26	40.10	37.17	35.73
50,000-99,999	30.62	36.29	37.74	38.80	38.86	39.01	38.30
5,000-49,999	29.99	35.20	36.35	38.25	38.65	38.12	35.11
Below 5,000	28.19	28.32	30.26	31.69	31.60	31.55	31.06

APPENDIX III

AVERAGE OPERATING EXPENSE PER UNIT MONTH FOR AUTHORITIES SAMPLED
1962, 1967-1972

City Population Size	1962	1967	1968	1969	1970	1971	1972
500,000 & over	$29.43	$36.36	$40.52	$41.58	$45.04	$49.20	$49.39
100,000-499,999	27.31	29.90	33.08	34.26	36.27	39.14	40.66
50,000-99,999	27.03	32.23	33.08	35.69	40.13	43.09	42.61
5,000-49,999	25.31	30.15	32.52	33.58	34.26	35.29	34.56
Below 5,000	20.47	23.41	23.54	23.63	25.05	25.14	26.52

APPENDIX IV

FEASIBILITY OF THE "RENT RANGE" CONCEPT UNDER CONDITIONS WHERE PUBLIC HOUSING SUPPLY APPROACHES TOTAL DEMAND

According to the 1972 Texas Research League study of housing in Texas, approximately 125,000 families with annual incomes under $6,000 live in unsuitable shelter. While $6,000 is below the actual eligibility limit for public housing in some cities (and may be above in others), it is acceptable for the purpose of illustrating the feasibility of the "rent range" concept under conditions where public housing supply approaches total demand.

For the illustration, it is assumed that public housing demand is proportional to population by city size class and that the incomes of families with annual incomes below $6,000 are distributed in each city size class proportional to the statewide distribution of the incomes of families in unsuitable housing. It is possible from these assumptions to estimate the amount by which the incomes of families needing but unable to afford decent housing in 1972 were insufficient to pay the rents that would have been required to cover public housing operating costs if supply had matched total demand.

On a statewide basis, the incomes of families presumed eligible for public housing in 1972 were insufficient by an estimated $50 million to pay rentals which would have covered the total operating costs of public housing meeting complete demand (see table, p. A-8). In cities with under 5,000 population and possibly in cities with populations between 5,000 and 49,999 (although there undoubtedly would be individual exceptions since these calculations are based on averages of estimates), families in public housing would probably have been able to afford rents at levels sufficient to meet operating costs. In cities with 50,000 or more population, however, significant increases in family incomes would have been required, ranging from 17 to 36 percent and totaling about $47 million.

TABLE A-IV

COMPARISON OF THE INCOMES OF FAMILIES PRESUMED ELIGIBLE FOR PUBLIC HOUSING WITH THE INCOMES REQUIRED TO MEET PUBLIC HOUSING OPERATING COSTS IN 1972

City Population Size	No. of Families[a]	Total Annual Incomes of Families (millions)	Total Annual Incomes Required (millions)	Amount of Income Insufficiency (millions)	Percent Increase Required
500,000 & over	37,000	$ 85.0	$115.7	$30.7	36%
100,000-499,999	21,000	48.2	50.4	8.2	17
50,000-99,999	17,000	39.0	47.3	8.3	21
5,000-49,999	35,000	80.4	83.2	2.8	4
Below 5,000	15,000	34.4	29.6	(4.8)	-
TOTAL	125,000	$287.0	$332.2	$50.0[b]	

[a]Assumes the average family is not elderly and includes two dependents.

[b]The amount by which incomes in cities below 5,000 population exceed requirements cannot be transferred to any other city size class and is not added in this column. Because this table, in effect, assumes transferability within city size classes, it is only suggestive and not conclusive notwithstanding the validity or invalidity of other assumptions made in constructing the table.

STATISTICAL DATA NOTES

Chapter 2

All data concerning public housing authorities presented in Chapter 2 were derived from Report S-101, Low-Rent Project Directory, December 31, 1972, U. S. Department of Housing and Urban Development, Washington, D. C. The population data in Chapter 2 were taken from Current Population Characteristics--Texas 1970 (PC(1) B45), U. S. Department of Commerce, Bureau of the Census, Washington, D. C.

Chapters 3 and 4

Data presented in tables in Chapter 3 were derived from internal data supplied by the Program Services Division, Office of Program Development, Assistant Secretary for Housing Management, Department of Housing and Urban Development, Washington, D. C.

The data in Figures 3-A and 3-B and the detailed financial data presented in Chapter 4 were developed from a sample of housing authorities drawn for this purpose. The cities in Texas that have housing authorities were stratified by population as follows:

500,000 and above

100,000 - 499,999

50,000 - 99,999

5,000 - 49,999

Below 5,000

In the three strata containing all cities of population 50,000 and above, all cities were included in the sample. In the other two strata, 20 percent of the cities were chosen at random. The total number of cities included in the sample in each stratum is as follows:

500,000 and above	3
100,000 - 499,999	6
50,000 - 99,999	6*
5,000 - 49,999	15
Below 5,000	40

Because a 20-percent sample was used in cities below 50,000, statistics for these cities were weighted by five whenever statewide percentages were computed using sample data.

All data were collected from two forms submitted by each authority to an area office either in San Antonio or Dallas of the Housing Management Division, U. S. Department of Housing and Urban Development. Tenant data are reported on Form HUD-51235 "Report on Occupancy." Financial data are reported on Form HUD-52599 "Statement of Operating Receipts and Expenditures."

Tenant data collected for each of the sample cities for 1972 included:

Number of units occupied by:

White families
Black families
Mexican-American families

Number of units occupied by elderly by:

White families
Black families
Mexican-American families

Financial data were collected for 1962 and 1967-1972. If for any reason data for an authority for any year were unavailable, that information was excluded. Financial data collected for each of the sample cities included:

Revenues (exclusive of HUD contributions)

Expenses:

Administration
Utilities
Ordinary Maintenance
Total Operating

Number of unit months of operation

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* Texarkana, Texas, has a housing authority, but its reports are submitted to an area office outside Texas, which required its exclusion from the population sampled in the study.

From this data, average revenue per unit month and average expense per unit month were computed.

Expenses per unit month were projected using the least-squares method to find the trend line. (The expenses for 1963-1966 were estimated by straight-line interpolation from 1962 and 1967 data.)

Comparison of revenues and expenses was accomplished by expressing the difference as a percent of revenue. This relationship was computed using the following formula:

$$\frac{\text{Revenues - Expenses}}{\text{Revenues}} \quad \text{X} \quad 100$$

If the result is positive, then the authority's revenue exceeds expenses by the calculated percentage. If the result is zero, the authority is just exactly covering expenses with its rental revenue. If the result is negative, the revenue of the authority would have to be increased by the calculated percentage in order to cover expenses (break even).

Projections of this measure of the financial condition of authorities were made by holding revenue constant at 1972 levels and using the expense projections referred to above. These estimates may be biased in a favorable direction since revenues have been declining.