

# **PUBLIC HOUSING AGENCY**

**SAINT PAUL**

## **Important News**

**June 1, 2004**

- *No Rent Increases for 12 to 18 months*
- *Lower Contract Rents for 12 to 18 months*
- *Lower Payment Standards/Subsidies for Tenants*
- *HAP Contracts Will be Canceled and Reissued*
- *Public Hearing set for June 15, 2004*

In April 2004 HUD, without prior notice, drastically and retroactively cut payments to Housing Authorities for the Section 8 Voucher Program. HUD cut the money available to the St. Paul PHA for transfer to property owners by \$3 million for this fiscal year. HUD also cut administrative fees by 13%. This is causing severe cash flow problems at many housing authorities, including the St. Paul PHA. (The PHA is experiencing a \$250,000 monthly cash shortfall.)

Since the PHA has no way to absorb these funding cuts, we have worked hard to convince Congress and HUD to restore full funding for this valuable affordable housing program. We have had incredible support in this advocacy from all our elected officials, especially Senator Coleman, Governor Pawlenty, and Mayor Kelly, other members of Minnesota's Congressional delegation, our Board, and other individuals and groups. That effort resulted in HUD's announcement on May 20, 2004 that some additional funding will be made available in the future. Unfortunately, HUD did not fully restore the cuts and our cash flow problem continues at an unprecedented level. The PHA must now devote full attention to implementing an emergency cost reduction strategy that saves an estimated \$3 million over the next several months.

Our work in managing this funding crisis is premised on our belief that it will be more equitable to spread the cost cutting measures across all 1500 owners and 4000 tenant households rather than cancel approximately 400 to 500 vouchers currently in use. To reduce the PHA's deficit without inflicting the severe hardship of canceling vouchers the PHA is proposing the following steps:

1. No rent increases for the next 12 to 18 months: As of May 12, 2004, the PHA stopped accepting new requests for rent increases for units with vouchers.

Owners who submitted a request for a rent increase before May 12<sup>th</sup> will have it reviewed as in the past. No further requests will be accepted for the next 12 to 18 months. This means owners will not be able to raise rents for units with vouchers and owners cannot ask those tenants to pay a rent increase. According to the owner's contract, the PHA payment and the tenant payment cannot be more than the contract rent shown on the lease and contract.

2. **Reduce contract rents and payment standards:** To fairly spread the burden of cost cuts among both owners and tenants, the PHA must reduce both the allowable rents (to 85% of current rents) and payment standards (to 90% of FMR). This means that rents will be cut by 15% and payment standards lowered by approximately 10% from where they are today. These lower rents and payment standards will also remain in effect for the next 12 to 18 months.
3. **Cancel and re-issue HAP contracts:** The PHA plans to cancel all HAP contracts as of September 1, 2004 (as permitted by Part B.4.b. (5) of the contract, when HUD funding is insufficient, and 24 CFR, Sec. 982.54). Before that date, the PHA will contact all owners and offer new contracts with these lower payment standards and lower contract rents.
4. **Tenants will keep vouchers:** In cases where the owner and/or the tenant do not want to sign the new contract and lease with the lower contract rent and payment standard, the tenant will keep their voucher and they can shop for another unit. Owners who agree to the new contract with the lower contract rents will keep their current tenants with vouchers, under a new lease. Owners can lease to new tenants at these lower rents/payment standards.
5. **Offer alternatives for tenants who move:** If tenants are unable to stay—or don't wish to stay—in the same unit at the lower rent and subsidy, they will have to look for alternative housing. Some tenants will find other market rate units with their voucher. The PHA will try to find and offer opportunities for interested and eligible tenants to move to homeownership (with assistance from an outside agency). Some voucher tenants may be eligible to transfer to a public housing unit when a vacancy occurs. Other tenants may be able to move to other affordable rental housing where there are vacancies. Tenants who decide to move will also be referred to local community organizations that can help them look for alternative housing.
6. **Delay issuing new vouchers to tenants moving from PBA (Project-based assistance) units:** Until the PHA has funding to support all of the current vouchers, we will not be able to issue additional vouchers to PBA “movers”.
7. **No new vouchers issued to waiting list:** The PHA has not issued vouchers to new families on its waiting list since September 2003. The waiting list has been closed since November 2002 and still has over 4400 families on it. At this time the PHA has no plans to reopen the waiting list and cannot resume issuing vouchers to families on the list.

We regret having to take these actions, but the PHA has no choice but to reduce the amount of rent assistance it is paying out. **We will discuss these actions at a public hearing on Tuesday, June 15, 2004, from 2:30 – 5:30 PM at the PHA's public housing hi-rise at 554 West Central Avenue (near Dale and I-94). You are welcome to attend.** We will send another newsletter next month, and post other information on our website, [www.stpaulpha.org](http://www.stpaulpha.org). A special telephone line has been established (651-298-5158, menu option 6) where PHA staff will be available to take comments or answer questions. Thank you.