



## **Public Housing Capital Needs Study Confirms Funding Levels Too Low To Address Long-Term Capital Need**

On June 24<sup>th</sup>, HUD released the 2010 [Public Housing Capital Needs Study](#). In general, the study shows that since the last capital needs study in 1998, federal appropriations have been too low to make significant progress at reducing the backlog of capital needs. The study also shows that ongoing accrual costs have increased by about 15 percent. These findings reinforce CLPHA's call for additional capital investment in public housing through increased appropriations levels and new approaches to leverage private capital.

### **Capital Backlog**

The 2010 study estimates the capital backlog to be \$25.6 billion, or about \$23,365 per unit. The backlog is divided into five different component areas, including:

- Inspection-based estimate of need
- Additions for Alaska, Hawaii, Guam, and US Virgin Islands
- Additions for lead paint abatement
- Additions for accommodating persons with disabilities
- Additions for cost-effective energy and water efficiency improvements

The bulk of the capital needs (\$20.7 billion) fell within the inspection-based estimate of need, and the cost effective energy and water efficiency improvements (\$4.1 billion). The remaining \$800 million were distributed fairly evenly among the other three categories.

Among the inspection-based needs component, there was wide variation of needs. About one-quarter of all units have a backlog of less than \$5,248, while another quarter have backlogs exceeding \$28,570. Furthermore, the median backlog is about \$15,374, significantly below the average backlog amount, revealing that some outlier high-needs properties are driving the average higher. The study found that properties owned by large PHAs and properties that house families are associated with higher needs.

### **Ongoing Accrual Needs**

The annual accrual estimate is an estimate, over the next 20 years, of funding needed each year to cover new repair and replacement needs, after the capital backlog work has been completed. The 2010 study estimates that the annual accrual need over the next 20 years is about \$3.4 billion per year, or about \$3,155 per unit. This represents a 15 percent increase over the 1998 estimate after consideration of methodological changes.

During the last decade, capital fund appropriations have dwindled from about \$3 billion in 2001, to nearly \$2 billion in recent years after set-asides are taken for various programs. While accrual estimates were increasing by 15 percent, actual available funds

were decreasing by one-third. This is a major reason why the backlog remains enormous and affordable units are being lost each year. This trend is not sustainable. Alternative approaches are urgently needed to leverage private capital to address the lack of federal investment.

### **Public Housing Conversions**

Based on the results of this study, it is clear that the current funding system is failing to address the long-term capital needs in public housing. Since the last capital needs study, public housing developments across the country have been dramatically improved due to programs like HOPE VI and the Capital Fund Financing Program (CFFP). In fact, without these programs the backlog would likely be much higher. However, it is clear that these programs, in conjunction with the annual capital fund appropriation, have not been adequate to make a significant dent in the capital backlog during the past decade.

CLPHA believes that a significant portion of the capital backlog can be addressed by leveraging property-based market rents either through the use of Section 8 project-based vouchers or project based rental assistance contracts as proposed by HUD's Rental Assistance Demonstration. PHAs could use this rent, along with other property income, to leverage private resources in a number of ways, including by placing debt on a property; leveraging low-income housing tax credit equity; and issuing bonds. This approach allows housing authorities, on a property by property basis, to leverage the private resources that are necessary to preserve the existing public housing stock. It is clear that without this alternative, housing authorities will continue to grapple with unmet capital needs and fewer public housing units will be available in a time of growing demand and economic stress.