Rent Collection Challenges in Public Housing

Tenant Accounts Receivable (TARs) – that is, rent that housing authorities are unable to collect from public housing tenants – have risen dramatically since the beginning of the pandemic. Because tenant rent collection is a crucial revenue source for local housing authorities, increasing TARs represent a serious threat to many agencies' fiscal solvency.

Proposed 30-Day Notice Policy Will Exacerbate Agencies' Fiscal Issues

Of course, TARs are far from the only fiscal issue confronting housing authorities. Combined with insufficient federal funding; higher insurance, utility, and maintenance costs; burdensome federal regulations; and staff training needs, higher TARs levels are challenging agencies' already stretched-thin budgets.

PHADA has written extensively in the *Advocate* and to Congress about the increase in TARs levels and how they are impacting housing authorities' bottom lines.

HUD has proposed permanently establishing a 30-day notice requirement to evict tenants for non-payment of rent in the public housing and project-based rental assistance (PBRA) programs. In an arbitrary decision that appears to acknowledge its proposal is problematic, HUD has chosen not to impose this requirement on the 2.2 million low-income families and private owners in the Housing Choice Voucher program.

PHADA is deeply concerned that this proposal will exacerbate rent collection issues while not preventing evictions and will soon provide formal comments opposing this requirement. We encourage members and other interested stakeholders to provide comments as well.

Why is Rent Collection Important?

The public housing program is largely funded through three sources: operating and capital fund subsidies appropriated by Congress, and tenant rents. As shown in the Fig. 1, rents comprise over 30 percent of all public housing funding, and nearly half of operating funding. Failing to collect even a small portion of tenant rent can have disastrous fiscal implications for housing authorities.

TARs Increased Dramatically Since the Pandemic Began

Before the pandemic, the TARs ratio – the percent of rent that housing authorities cannot collect – was approximately 4–6 percent every year. Beginning in 2020, TARs increased dramatically as the pandemic began and eviction moratoria were put in place. However, even with the health emergency ending and the economy adding jobs, TARs have continued to increase and show no signs of abating. In 2022, the TARs ratio across all HAs, including the New York City Housing Authority, was over 19 percent – roughly three times the pre-pandemic average.

Fig. 1: Rent as % of Operating Budget

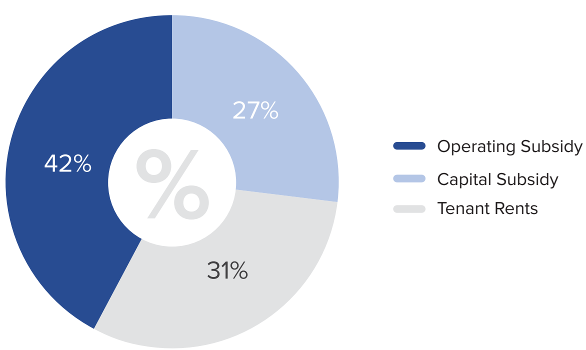
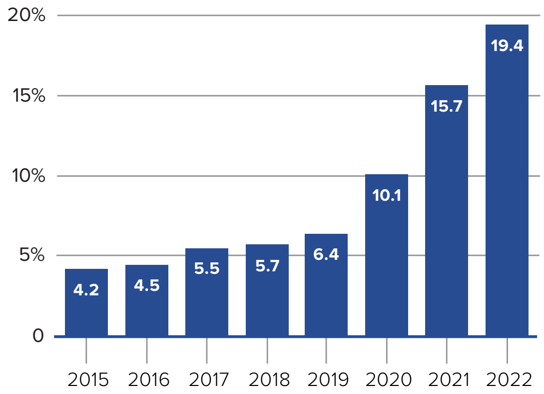


Fig. 2: TARs Ratio All HAs



One in Five Housing Authorities are "Severely Impacted" by TARs

HUD defines "severely impacted" housing authorities as those where TARs are increasing and total cash flow is decreasing. Per the Department's 2022 data, 500 housing authorities – roughly one in five HAs with a public housing program – were "severely impacted" by TARs.

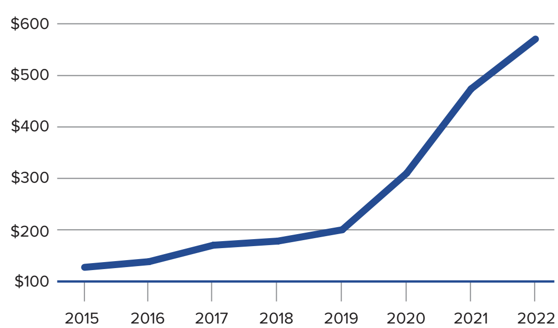
This figure is especially worrisome as it indicates that many HAs may soon experience, or are already experiencing, fiscal solvency concerns due to TARs.

PHADA anticipates that the number of severely impacted agencies will only increase as agencies continue to struggle with high insurance and utility costs, expiration of pandemic-era fiscal stimulus programs, and continued high TARs levels.

TARs Are Approaching $600 Million Across The Public Housing Program

Corresponding to the increase in the TARs ratio, the total amount of uncollected rent across the public housing program is approaching $600 million (see Fig. 3 below). By the end of 2022, total TARs stood at $582 million – an increase of over $80 million from the year prior, and nearly three times the pre-pandemic figure.

Fig. 3: Total TARs
IN MILLIONS $



Rent Collections Are Still Falling For Most Housing Authorities

Over three years since the pandemic began, most housing authorities are still seeing their TARs levels increase year-over-year.

In 2022, 70 percent of housing authorities (1,873 agencies) with a public housing program saw their TARs levels increase compared to 2021 figures. Of those, 444 agencies saw their TARs increase by more than 5 percent from the prior year.

Keep in mind, these TARs increases followed a record-breaking year for TARs in 2021 and confirm that rent collection problems are only getting worse for most housing authorities.

Given these increases, PHADA believes that the number of agencies that are "severely impacted" by TARs will only increase, and that HUD should take immediate action to improve rent collection—which starts with not putting policies in place that will only make rent collection more challenging.

A 30-Day Notice Requirement Would Exacerbate TARs and Not Help Tenants

As part of the CARES Act, Congress established a 30-day notice requirement for evicting tenants from federally assisted housing due to non-payment of rent. Despite the public health emergency ending in May 2023, HUD has chosen to continue to enforce this requirement against PHADA's objections.

Now, HUD has proposed making the 30-day notice requirement permanent for both the public housing and Project-Based Rental Assistance (PBRA) programs. PHADA is extremely concerned that this proposal will exacerbate TARs, threaten agencies' fiscal solvency, and yet not reduce evictions.

PHADA has written to both HUD and Congress expressing our concerns about rising TARs and the impact of the 30-day notice. The Association will soon be providing formal comments to HUD's proposal to make this ill-designed policy permanent, and we encourage members and interested parties to consult the bullet points below in developing their own comments. ■

PHADA's Concerns About the 30-Day Notice Requirement

PHADA strongly believes that the 30-day notice requirement will not reduce evictions in the public housing and PBRA program, and will instead lead to:

- Greater threats to agencies' fiscal solvency, which will threaten their ability to provide much-needed affordable housing.
- Even higher TARs levels for agencies, which are not covered by HUD appropriations and will lead to reduced supportive and maintenance services for all households.
- Higher rent arrears for households, which will have negative impacts on tenants' future housing opportunities.
- Longer wait times for households on agencies' waiting lists as eviction cases make their way through the courts.
- Greater confusion for local magistrates regarding which tenants fall under the 30-day notice rule.
- Unnecessary and unfunded administrative burdens as housing authorities must revise their leases and train staff on new procedures.