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OA/ID Number:	29188
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Folder Title:
Kemp (HUD - 1989) [1]

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Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Memo	Re: Homeless: Vouchers and Other Options (9 pp.)	10/28/89	~~P-5~~	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
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By JP (NLGB) on 5/12/05

Date Closed: 12/2/2004	**OA/ID Number:** 29188-007
FOIA/SYS Case #: 1998-0004-F[1]	**Appeal Case #:**
Re-review Case #: 2005-0426-S	**Appeal Disposition:**
P-2/P-5 Review Case #:	**Disposition Date:**
AR Case #:	**MR Case #:**
AR Disposition:	**MR Disposition:**
AR Disposition Date:	**MR Disposition Date:**

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.

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HUD

October 28, 1989

MEMORANDUM

SUBJECT: Homeless: Vouchers and Other Options

This memorandum provides:

- an analysis of one-night vouchers to provide emergency shelter to the homeless;
- an analysis of another voucher model to provide services to the homeless; and
- a menu of ideas for addressing homelessness.

I. One-night vouchers

APPROACH: Homeless individuals would be able to obtain vouchers of a fixed amount redeemable at any provider of overnight accommodation. Each voucher would be dated and valid only for that night.

A. Design issues:

- Vouchers could be issued either on a demand basis, where anyone who wants one gets one, or, alternatively, along the lines of traditional income maintenance programs, with careful measures taken to assure that only the "truly needy" are assisted.
  - Vouchers-on-demand would have to be issued at designated points by someone who was not in the business of providing overnight shelter (otherwise there would be the potential for self-dealing as providers issued vouchers for non-existent homeless in order to get vouchers.)
  - If the program an overnight-shelter voucher program sought to assure that only the truly homeless were helped, some sort of eligibility determination process would be required. Eligibility determination costs could be made less by deeming eligible for vouchers all receiving presenting Food Stamp cards or similar identification. (The program could still help all who sought help by offering an initial presumptive eligibility period during which eligibility was determined.)
  - There is a trade-off between fraud and the choice implied by the voucher. The best way to minimize fraud is to make the voucher pick-up point the same

point as check-in for shelter. No fraud, but what choice has the voucher created? In a no-fraud arrangement, one would have to say that the choice is not the voucher itself but the increased potential for choice in the voucherized system (e.g., the fact that you can choose to show up at the Marriott rather than the DC Armory).

Any distance between pick-up and redemption creates the potential for a black market. To the incorrigible homeless, such as alcoholics, drug addicts and the most socially alienated, overnight shelter may not be very valuable compared to the black market price being paid for shelter vouchers. This incentive would be strengthened by the continued existence of "free" shelters. If Mitch Snyder continues to make the doors of his shelter open whether or not you have a voucher, the "rational" thing to do if you don't put much of a premium on living conditions is to sell your voucher for at whatever price is being offered (say, a flask of alcohol) and to go to Mitch Snyder's free shelter.

- o The one-night shelter voucher program could be operational only on those nights when being outside at night would be life-threatening. (The rule of thumb followed by shelter administrators is that nights with temperatures below 32 degrees Fahrenheit pose life threatening conditions; there are on average 71 such nights per year in DC.) The potential for fraud would be limited by the on-again, off-again nature of the market, making it harder for would-be defrauders to set up shop.

- o Minimum criteria for shelter providers and certification programs for potential providers would limit scandal potential (otherwise there is the strong potential for, "This is 'Live at Five' Action News. Tonight, coverage from a hell hole that has been redeeming Overnight Shelter Vouchers.")

  - Some action (either moral suasion or legislative coercion) may be needed to require "public accommodations" to accept the vouchers, otherwise the vouchers may wind up all being redeemed at facilities that currently call themselves "homeless shelters."

  - Limits on occupants per unit, for example, would have to be bent if homeless persons were to pool successfully their voucher amounts to pay the market rate at the J. W. Marriott.

o Unless there was some federal coercion, vouchers would only happen where there was a willing buyer-willing seller arrangement between the federal government and the local government.

- Mayors would probably have to see fiscal advantage to a one-night voucher system. Comparatively low amounts of additional federal assistance would be required for cities like Washington and New York which have comparatively high costs paid for with city-only dollars ($51 in city costs per city resident per year in Washington), while cities which have been more successful at keeping overnight shelter the province of voluntary agencies have lower levels of public financing ($5 in city costs per resident per year in Chicago; near zero in a city like Houston which has no municipal shelter program) and would require stronger inducements to participate.

  Accepting the District's estimate of 15,000 homeless in DC, the cost of providing shelter to all DC homeless on nights of life threatening temperatures at the District's average per night cost is $46.9 million.[1] The current DC program providing shelter on 365 days per year costs $32 million. From the District's point of view, it would want new federal funds equal to or more than the increment between whatever portion of the $32 million is spent on the 71 coldest nights and $46.9 million before it would be rational to accept the one-night voucher program.

B. <u>One-night vouchers and the situation in Washington, DC</u>

As in so many other ways, patterns of providing shelter are different in Washington and New York from the rest of America. In most of America, overnight shelters get most of their financial support from the private sector, around 90% from the private sector according to HUD. Not so in Washington and New York, where most shelter spaces are run municipally.

Washington's situation changed significantly in 1984. DC voters adopted a Mitch Snyder-inspired ballot initiative

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[1] 15,000 homeless x 71 nights x $44 per night average cost in the District's emergency shelter program. Of course, the District government's estimate of the number of homeless, not being the product of rigorous study, is in dispute. A voucher-driven competitive approach would tend to reduce the cost per night. At the same time, it would tend to increase the number of homeless. The net effect is difficult to estimate.

guaranteeing anyone who wants it shelter that is "accessible, safe and sanitary and has an atmosphere of reasonable dignity," thus becoming the first electorate in the country to make such a guarantee.

Because of the initiative, there can legally be no shortage of spaces since the District government is obliged to provide whatever supply is demanded. As a practical matter there has been and continues to be a shortage; a recent judicial order has required the District to add 200 additional shelter beds (see Washington Times story, attachment #1). As the Times story points out, the District's financial situation has turned homelessness funds into a zero-sum game, with additional emergency shelter costs being met by taking funds away from programs that seek to do more for the homeless that provide a bed for the night.

Costs to the District government for emergency shelter have skyrocketed from $6.5 million in 1984 to $32 million last year. The $32 million purchased 724,000 shelter nights at an average cost of $44 per shelter night. Costs vary significantly; at the high end is the Capitol City Inn where the District government's contract pays $99 per family per night and includes meals.

Some part of the federal contribution could come from within funds already flowing to the District. FY 89 funds from the federal government provided $19.8 million to the District of Columbia for homelessness-related purposes. The largest amount, $12 million, was emergency assistance under the AFDC program. (Because of poor documentation, HHS allowed less than $1 million of the $12 million claimed.) AFDC emergency assistance pays back rent and other activities to keep housed families from becoming homeless. Comparatively little of the $12 million, about $1 million, was claimed for overnight shelters of the type being funded by one-night vouchers. Thus Federal financial participation in one-night vouchers would require either new federal funds or Congressional cooperation in re-directing existing funds to this purpose. (A table showing a breakdown of the $19.8 million appears as attachment #2.)

C. Pros and Cons of the One-Night Voucher Plan

Pros

- This would demonstrate that everyone sleeping outdoors is there because they want to be; if they didn't want to be there, they would have utilized vouchers.

- Vouchers have the ability to create casual participants in the shelter market who could provide valuable surge capacity when weather is worst.

- Create incentives for higher quality city services; rather than having no choice but to accept what the District government offers, homeless persons could actually go elsewhere.

Cons

- Easily available one-night vouchers, at the margin, would increase the "demand" for shelter and thus increase total cost. If the J. W. Marriott became a provider, more individuals might decide they are better off becoming homeless than living with a sibling, etc. Also, what would keep associates at a law firm, stranded in town by snow, from trudging over to the voucher distribution point and pooling their voucher for a room at the J. W. Marriott?

- The effect of the vouchers might more easily be created without extensive administrative apparatus by putting pressure on the District to diversify shelter providers, either by signing standby capacity agreements with non-traditional providers like hotels or a procurement process that seeks to obtain a more diverse provider base.

- Getting the new shelter opportunities created by the one-night vouchers requires allowing those who currently receive nothing or an amount less than the voucher amount to paid for something they are already doing.

- Financing the program requires new funds or redirecting current funds. (For the consequences of redirecting funds, see the attached Washington Times story. At the anecdotal level, redirecting means providing a place to sleep to the person evicted from public housing for drug use at the expense of the pregnant woman trying to get her life in order.)

II. Voucher for housing and services

A. Overview

As a concept, a voucher useable at facilities providing social services and housing seeks to provide the missing link that advocates of emptying mental hospitals forgot: housing. The deinstitutionalized were sent from a world that provided housing and mental health services in a highly integrated fashion to a world that offered mental health services on a catch-as-catch-can basis. Those who have become mentally ill since the wave of deinstitutionalization of two decades ago have often gone straight to marginal housing (often SROs -- single room occupancy -- or boarding houses.) Urban renewal, gentrification, and capital investment in new buildings in the inner city during the current economic upturn have deprived the mentally ill of many of the marginal housing units they once occupied.

The integrated voucher provides housing and services, but without the element of confinement of the old large-scale mental hospitals. The kinds of housing to be used are either extant or newly-constructed SROs. The voucher would serve as the glue to create the extra purchasing power needed to piece together a place to stay, Supplemental Security Income (SSI), Food Stamps, and someone who, at worst, lets the psychiatrist know when pills are not being taken and, at best, links residents with a job and other tools for re-entry into the mainstream.

Both the New York Times (editorial, October 26, attachment #3) and the Department of Housing and Urban Development have come out for vouchers redeemable for combined housing/social service packages, targeted at the "innocent" homeless who can not care for themselves on their own, principally the mentally ill. (The HUD proposal is in Secretary Kemp's most recent Housing Opportunity for People Everywhere - HOPE - package.)

This voucher is different from one-night shelter vouchers in that:

1. These vouchers are for getting the homeless out of shelters to stay, not for putting them up for the night.

2. These vouchers are for a segment of the homeless population, primarily the chronically mentally ill, not just those who don't have a place to stay tonight.

3. The vouchers proceed from the assumption that the first problem of this segment of the homeless is not a lack of housing but mental illness.

4. They are not made available on a "meet whatever the demand is" basis.

5. They can be used only at facilities that offer some form of supervision along with a room.

6. Their fraud potential is much lower because a voucher that lasts for a year is a lot easier to check on than one that lasts for a night.

The Federal government already has available to it resources that could be mobilized immediately for this purpose, largely the programs of the Department of Housing and Urban Development.

Putting them to work to serve the needs of those with difficulties in caring for themselves is largely a matter of turning around old-line program managers and entrenched interest groups who don't want "their" program turned into a program for the homeless.

B. Pros and Cons of Combined Housing/Social Service Vouchers

Pro

- Focusing on this population makes the point that many homeless are without fixed address because they are in some way dysfunctional, either mentally ill, addicted to alcohol or drugs, or suffering personality disorders, not because of budget cuts and the workings of a capitalist economy.

- Focusing on this population makes the distinction between those who are homeless because of illness and other factors beyond their control and those who could probably put their lives together on their own (young, unattached males who do day labor and crash at a homeless shelter at night.)

- This is the population the typical city dweller thinks of when thinking of the homeless.

Con

- Doesn't do anything to build surge capacity to get people off the street on the coldest winter nights.

- Has the potential from turning HUD into the Department of Housing and Housing-based Social Services.

- Has the potential for succumbing to the permanent client-helper relationship social service providers tend to create.

III. TWELVE IDEAS TO MOVE US FORWARD ON HOMELESSNESS

1. Declare "ending homelessness" a national goal.

   This implies reorienting federal programs away from giving a bed tonight to helping those who will never figure out how to put together a stable life of a job and home. Federal programs should help you make the transition to a more normal life, not keep you where you are. We should invest in the transition, hoping to reduce the long-term need for emergency shelters. (This is a parallel to our use of the word "mainstreaming" in talking about the disabled. We seek to mainstream the homeless, not keep them in a permanent state of dependence on overnight shelters.)

2. Call on each American psychiatrist, psychologist, and private practice-social worker to take on two homeless individuals/families as pro bono clients.

   E. Fuller Torrey, a noted psychiatrist with ties to Ralph Nader has recently written a book on the ironic impact of federal programs of the '60s and '70s to train more people for the counseling professions. Federal programs subsidized many who wound up practicing in upper middle class communities or well-insured individuals, not providing services in the community to people who were being released from mental institutions.

3. Direct GSA to make inner-city federal buildings available as emergency shelters on nights of life-threatening cold. Consider making a high-profile building like the NEOB or the Federal Courts building on Lafayette Place one of them. Have the President visit the first night the shelter is open.

4. Move aggressively to redeploy and make available assets taken over from dead S&Ls for use to assist the homeless. Apparently several thousand mobile homes in Texas are now the property of the federal government; make a Presidential visit to a holding yard and announce they will be made available to any city that wants them to provide emergency shelter.

5. Highlight the troubled nature of some homeless through a Presidential visit to a drug addiction treatment facility that serves homeless people. This can help draw out the point that most homeless people aren't people like you and me who had some bad luck and then got hurt by budget cuts.

6. Propose waiver authority that allows state or local governments that want to take responsibility the ability to have all the dollars they receive for different aspects of homelessness to receive those funds as a lump sum to be used as they see best.

7. Revise the requirements in the Medicare and Medicaid programs to require hospitals and institutions to arrange transitional or permanent housing before discharging the mentally ill or addict.

8. Tell Jack Kemp that he needs to make homeless populations a higher priority in each of his programs, revise SES performance plans to include this point.

9. Revise the proportion of units going to the chronically mentally ill in the Section 202 housing program

(aged/disabled) from 1,000 out of 8,000 units last year to 4,000 out of 9,000 units this year and 7,000 out of 9,000 next year.

10. Invite people to the White House for a Cabinet Room meeting with the President and senior Administration officials (Secretary Kemp, Gregg Petersmeyer, etc.) to discuss how the country can do a better job serving the homeless.

11. As follow up to the meeting, Gov. Sununu or Secretary Kemp could make some highly publicized calls to governors and mayors giving them some very concrete suggestions about what is lacking in their efforts.

12. Encourage Jack Kemp to voice his thinking that the ACLU, in fighting paternalism everywhere, is wrong when it defends the right of the mentally ill to remain in the streets. Accept the premise that we should be more aggressive with some in offering the "offered hand" (a phrase from the resident's Inaugural Address).

Other "bad cop" roles for Jack Kemp:

- Cajole public housing authorities into making the elements of the homeless who can't care for themselves (the mentally ill, etc.) a higher priority. Name those doing the worst job.

- Attack rent control ~~as an~~ evil that has hurt most those in the most marginal housing to help the middle class. Float the idea of cutting off homelessness funds to cities that refuse to help themselves by easing their rent control regimes.

#

#2

McKinney Act and Related Federal Funds for the Homeless Allocated to Washington, D.C. -- 1989

Type of grant	Amount	Grantee
HUD		
o Transitional Hsing ($4,419,592)	$ 181,368	Green Door, Inc. - mentally ill
	548,659	Community Family Life Services
	70,000	Mary House, Inc.
	366,615	Community Connections - ment. ill
	2,699,786	House of Ruth - women's shelters
	553,165	So Others Might Eat
o Emergency Shelter	261,000	
o Permanent Hsing for Handicapped	266,284	Woodley House
	38,214	United Planning Organization
Subtotal, HUD	**$4,985,090**	
o FEMA - Emergency Food & Shelter	$ 375,680	multiple local recipients; $110,980 meals; $122,020 rent/mortgage; $ 34,390 mass shelter
HHS		
o Emerg Community Svcs	$ 318,615	United Planning Organization
o Ment Health Blk Grnt	267,944	
o Health Care for Hmls	773,429	multiple providers
o Runaway & Hmls Youth	45,692	Sasha Bruce Youth Works
	29,308	American Youth Work Center
o AFDC/EA	12,200,000	(approx. total appropriation - D.C. does use some of these funds for the homeless)
Subtotal, HHS	**$13,634,988**	
o Job Training for Hmls	$ 414,415	Arch Training Center
	250,359	Jobs for Hmls People, Inc.
o Education for Hmls Children & Youth	$ 50,000	State Dept of Education
o Adult Education	75,000	
Total, D.C. Funds	**$19,785,532**	

#3

The New York Times

Founded in 1851

ADOLPH S. OCHS, *Publisher 1896-1935*
ARTHUR HAYS SULZBERGER, *Publisher 1935-1961*
ORVIL E. DRYFOOS, *Publisher 1961-1963*

How to House the Mentally Ill

Here's a way for the Department of Housing and Urban Development, lately known for scandal, to gain some positive notice and give some real relief to the nation's cities: Create a new housing voucher for the homeless mentally ill.

Help the Homeless Off the Street

New Calcutta: An occasional series

Across the nation, the mentally ill living on the streets number in the hundreds of thousands. Many of them fear the public shelters now available but are too dysfunctional to take advantage of new cheap housing on their own. Their public suffering symbolizes a gross failure of policy and insults the civility of their communities.

Mental health workers know how to get them off the street. There are already models of what needs to be done: outreach, transitional sites for diagnosis and initial treatment, and permanent housing with social services on the premises.

New York City now operates an outreach program empowered to hospitalize the homeless mentally ill, even against their will. New York State provides them with mental health evaluation and treatment. Then it assigns each patient a case manager responsible for helping find a permanent place to live and for monitoring progress.

This process works: Case managers now point to dozens of the homeless removed from the street who are decently and permanently housed with social service supports. But the scope of the effort remains severely limited for lack of resources — most crucially for permanent housing. For the most part, the homeless mentally ill need clean, safe versions of the city's old single-room-occupancy hotels, staffed with resident social workers.

Society also knows how to create more such places. Virtually every mental patient on the street now qualifies for some form of public assistance (see chart). These benefits now often go unclaimed, and the amounts are not usually enough to finance housing along with other basic needs.

Washington could augment the revenue with a new housing voucher. It would provide anyone who qualifies for treatment as mentally ill with, say, $500 per month. The money could be used only for housing in a supervised S.R.O. room.

Nonprofit groups in New York are already utilizing existing benefits of the homeless to help finance small S.R.O.'s. A Federal voucher would provide more reliable income to pay off state bonds and even private bank loans and thus make possible a considerable construction program.

Ready Money

A mentally disabled, single adult in S.R.O. housing now may qualify for one or more of the following monthly benefits.

Supplemental Security Income	$368
Veterans benefits*	539
H.U.D. rental subsidies	380
New York State Home Relief	335

*For veterans with limited income, honorable discharge and non- war related disabilities.

H.U.D. and Congress are preparing legislation to extend the McKinney Act, which this year provides nearly $700 million in housing and health care services for the homeless. The extension is a sensible place to test an idea that could help the most fragile of the homeless — and all the communities that have come to look like new Calcuttas.

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02. Letter	From Jack Kemp to John Sununu Re: Capital Gains Tax Reduction (2 pp.)	10/26/89	~~P5~~	

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

October 26, 1989

Honorable John H. Sununu
The White House
Washington, D.C. 20500

Dear Governor Sununu:

The President's national television address outlining his comprehensive plan to fight drug abuse was one of his greatest successes. The speech elevated his anti-drug strategy to the top of the national agenda, crystallized public support for an action program, and helped persuade Congress to pass legislation to meet the Administration's goals.

I really believe, John, that it is great time for the second important televised speech of the Bush Administration, seeking the American people's support for capital gains tax reduction. I believe a speech by the President at this time would not only demonstrate his Administration's commitment to improving economic growth, hope, and jobs but also would capture the high political and moral ground.

Without a Presidential call for national support on this issue, it now seems possible that the capital gains tax cut could go down to defeat or be indefinitely delayed, meaning a serious setback for the President's agenda and undercutting the foundation for strong economic growth in the nineties.

I can't imagine a better issue or a more compelling opportunity to capture the popular high ground or to draw our differences with the Senate leaders who are blocking this measure. Majority Leaders Mitchell and Gephardt and other Democrats are relying on demagoguery and strident rhetorical assaults against the capital gains tax cut for favoring the wealthy over the middle class. But their class-conflict rhetoric is really at odds with this Administration's bipartisan efforts to unify the whole nation, for which you have achieved such high marks by the American people.

What the Democratic leadership does not seem to understand is that the capital gains tax cut is not primarily a budget issue to raise revenues nor is it a tax cut for old wealth and upper income groups. What the American people need to hear is that the capital gains tax cut is to help those seeking to work and become rich by "unlocking" money tied up in existing assets. This would free capital for the use of new entrepreneurs, risk takers, and small businessmen and women who need access to seed capital for start ups or expansion. The enormous expansion of small business startups and venture capital following the Steiger and 1981 Reagan/Bush capital gains tax cuts is concrete evidence that this Administration is right to make a stand on this issue.

In giving speeches to poor and minority groups, one of the best received lines is when I have suggested that President Bush not only wants to cut the capital gains tax rate to 15 percent for the nation but that he also wants to eliminate the capital gains tax in Enterprise Zone areas of abject poverty like the South Bronx, Overtown, or Watts. These people recognize that high tax rates on entrepreneurs and small business are preventing them from getting on the first rung on the ladder of opportunity.

Governor, I think the President -- if I may be so bold -- has the right to go over the heads of Mitchell, Gephardt and the Democratic leadership right to the American people and say "enough is enough." This Administration has tried to negotiate this issue with the Senate leadership and has exhausted every opportunity for bi-partisan comity. The capital gains tax cut is part of a winning strategy to create jobs, expand the economy, and reach into areas which have yet to be revitalized.

A Presidential speech explaining the benefits of the capital gains tax cut coupled with perhaps Enterprise Zones and the extension of the low income housing tax credit could -- in my view -- give the Administration the high moral ground as well as the high political ground vis-a-vis Mitchell-Gephardt.

As always, it is a privilege to serve in this Administration, and I look forward to help this President achieve his mission of sustained economic growth which is the fundamental precondition for all our hopes for this country.

Sincerely,

Jack Kemp

P.S. I'm including as an addendum for your reading a great speech by President Coolidge to the New York Republican Party on Lincoln Day 1924, which is self-explanatory. I hope you and the President get a chance to read it.

By the way, I'm enclosing another copy of the HOPE package for the President's speech to the Realtors in Texas next month to show to the President licly stated the position of the Treasury in a speech at Chicago, in which he said:

"There is no reason why the subject of taxation cannot be approached from a purely non-partisan viewpoint. The outstanding feature of the Mellon plan is the Secretary's recommendation for a reduction of the high surtaxes. Similar recommendations have been made by the last two preceding Secretaries of the Treasury, both of whom held their offices under a Democratic President. There is nothing political in recommending a sound basis of taxation. It is simply common sense."

President Coolidge, in his Lincoln Day address at New York on February 12, 1924 (see Appendix E), gave a masterly analysis of the tax situation and urged that the existing system be revised along the lines recommended by the Treasury. The President said:

"The first object of taxation is to secure revenue. When the taxation of large incomes is approached with that in view, the

problem is to find a rate which will produce the largest returns. Experience does not show that the higher rate produces the larger revenue. Experience is all in the other way. . . .

"I agree perfectly with those who wish to relieve the small taxpayer by getting the largest possible contribution from the people with large incomes. But if the rates on large incomes are so high that they disappear, the small taxpayer will be left to bear the entire burden. If, on the other hand, the rates are placed where they will produce the most revenue from large incomes, then the small taxpayer will be relieved. The experience of the Treasury Department and the opinion of the best experts place the rate which will collect most from the people of great wealth, thus giving the largest relief to people of moderate wealth, at not over 25 per cent.

"A very important social and economic question is also involved in high rates. That is the result taxation has upon national development. Our progress in that direction depends upon two factors—personal ability and surplus income. An ex-

The fortunate condition of the Government's finances in 1924 justifies not only a revision but a reduction of taxes. It is possible to visualize the effect which such a reduction will have when it is realized that a reduction of three hundred million dollars a year over a twenty-year period will leave in the pockets of the people over six billion dollars for other purposes.

During this time, the budget will provide for continued payments which will gradually reduce the public debt, so that, if a sound system of taxation is adopted and the present policy of economy in government is continued, the country may look forward during the present generation not only to a decrease in the tax burden but to increased prosperity in which everyone will share. The prosperity of each individual is, after all, dependent upon the prosperity of the whole country; and anything that endangers or retards the country's normal development also jeopardizes to that extent the prosperity of each individual taxpayer.

CHAPTER VIII

TAX-EXEMPT SECURITIES

RECAPTURING THE AMERICAN DREAM

President Bush's Stated National Housing Policy

- "Both Jack and I are dedicated to making America, to the fullest extent possible, an opportunity society. And that means an economy that's thriving and creating jobs; cities that are filled with enterprise and offer residents a good life and good living; neighborhoods that are vibrant and safe, with affordable houses going up, old ones being restored."

  "It means giving people — working people, poor people, all our citizens — control over their own lives. And it means a commitment to civil rights and economic opportunity for every American. The chance for a greater America lies before us and we're going to seize that chance."

  President Bush
  February 13, 1989.

- "And together we must and will find a way to stop the decline in our inner cities—to restore hope and make the '90s a decade of urban renaissance."

  President Bush
  August 8, 1989

Theme HOPE: Homeownership and Opportunity for People Everywhere

Purpose to give the Bush Administration the high moral ground on the issues of homeownership, homelessness, and economic opportunity during the upcoming Congressional debate of national housing policy

Proposal for HOPE

1. $1 billion HOPE grant program

   - Targetted homeownership for low-income families
   - Will be used for urban homesteading and resident management in public housing, HUD assisted housing, and non-profits
   - Grants for rehabilitation, acquisition, loans, technical assistance
   - Requires 50% state, local, private match

2. Service Supported Housing Vouchers for Homeless

   - Mentally ill and substance abusers make up largest portion of "street people"
   - Housing alone will not be enough to get them off the streets
   - $100 million needed for grants to non profits and states to combine shelter with comprehensive mental health, rehabilitation and social services

3. IRAs for First Time Homebuyers

   - President Bush endorsed homeownership IRAs in campaign
   - Encourage savings for investment in a first home
   - Congress is moving to expand IRAs far beyond the popular idea of homeownership
   - No threat to retirement security, because they must be repaid to IRA

4. Preserving Vulnerable Housing Stock

   - Owners of about 350,000 subsidized rental units are eligible to prepay mortgages and kick out low income tenants

- Congress has placed a virtual moratorium on prepayment which expires Februrary 1990
- HUD currently has insufficient money and no immediate workable policy to address this problem; tenant groups, property owners and Congress are demanding action
- HUD proposes using the 10 year equivalent of a housing voucher to help low income tenants and non-profits buy the buildings or give tenants rental vouchers
- $1 billion needed in FY 1991; resources for 1990 are adequate if Congress extends legislative restrictions through the end of the fiscal year

5. Enterprise Zones

   - Tax incentives to encourage entrepreneurship and jobs in distressed urban and rural communities
   - President Bush's proposal is currently before Congress and needs immediate passage

6. Operation Bootstrap

   - Tie new housing vouchers to actions at the local level to provide child care, job training and social services that lead to self-sufficiency
   - No incremental cost

7. FHA Credit Expansion to Greenline Inner Cities

   - FHA credit underserves distressed inner cities and rural areas
   - FHA will provide greater access to credit to non-profits and state finance agencies on a shared basis to encourage rehabilitation, lease purchase and acquisition for low income use
   - No incremental cost

8. Low Income Housing Tax Credit

   - Only incentive remaining for construction of low income housing
   - Legislation to reauthorize highly likely to pass Congress this year

9. S & L Assets for Low Income Use

   - FIRREA requires use of S & L assets to create affordable housing (right of 1st resfusal)
   - HUD's strategy will combine non-profit sponsors, property discounts, and other incentives
   - No incremental cost

10. Supportive Services for Frail Elderly

    - Keeps low income elderly in own homes to prevent premature institutionalization
    - $100 million to provide supportive health care and social services to seniors living in HUD assisted housing

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Cost $2.2 billion BA in Fy 1991

- compared to $4 billion for Cranston-D'Amato

  $23 billion plus for House Banking

  $4 billion for Rep Study Committee