



Jon Gutzmann

Try new strategies to increase supply of affordable housing

A Minnesota Affordable Housing Policy Interview

December 7, 2018

St. Paul Public Housing Agency (PHA) Executive Director Jon Gutzmann lays out both the national and local pictures of the supply and demand for subsidized deeply affordable housing. He says both Minneapolis and St. Paul want to try new strategies to increase the supply of affordable housing: creating city-funded, affordable-housing trust funds; protecting naturally occurring affordable housing; and advocating for a state-funded Section 8 housing voucher program.

Present

John Adams, Steve Anderson, John Cairns (vice chair), Janis Clay (executive director), Paul Gilje, Dana Schroeder (associate director), Clarence Shallbetter, T Williams.

Summary

According to St. Paul Public Housing Agency (PHA) Executive Director Jon Gutzmann, only four percent (5 million) of the 133 million housing units in the U.S. receive federal subsidies through the Department of Housing and Urban Development (HUD). He says to meet the actual need for subsidized units, there should be, instead, 20 percent of the units deeply affordable through subsidies.

Gutzmann says the 1 million-unit supply of public housing nationally has been static since the mid-1980s. Increasing the supply does not have bipartisan support or public support, he

says. In contrast, Congress has given bipartisan support to the Section 8 housing-voucher program.

PHA houses 22,000 people, Gutzmann says, about half in public housing (about 4,300 units) and half in housing subsidized by Section 8 vouchers (about 5,000 units). He says only one in four households that qualify for the vouchers actually receives one. And he notes that only 50 percent of people who apply for PHA public housing are admitted, after screening for income and other requirements and for criminal backgrounds.

Gutzmann says both Minneapolis and St. Paul want to try new strategies to increase the supply of affordable housing units. Both cities have created city-funded, affordable-housing trust funds. PHA wants to use the fund to work with longstanding partners, such as Ramsey County, to increase the supply of affordable units, he says.

Another strategy-protecting naturally occurring affordable housing (NOAH)-is the next wave of advocacy in housing, he says. He believes that issue will get played out through local legislative initiatives and possible court challenges. And he says there are now proposals for a state-funded Section 8 housing voucher program that could double the supply of housing vouchers in the Minnesota.

Biography

Jon Gutzmann is executive director of the St. Paul Public Housing Agency (PHA), a position he has held since August 1987.

Previously, he worked for seven years at the Minneapolis Public Housing Agency, where he served as assistant director, then director, of public housing. Before that, he served as city manager of the Minnesota cities of Tracy, Little Falls, and Oakdale.

The St. Paul PHA has received numerous performance awards under Gutzmann's leadership: the 1990 HUD Outstanding Performance Award for a large public housing authority in Region V and the 1991 and 1996 Outstanding Sustained Performance Awards for a large public housing authority. In 1996, the PHA had the highest performance ranking of the nation's largest housing agencies.

The agency remains designated today as a "high performer agency" and, among other statistics, annually collects 99.5 percent of all rent it is owed, has maintained a 99 percent occupancy of its units for 22 consecutive years and has data compiled by the St. Paul Police Department confirming that the crime rates in the PHA's family developments continue to be lower than the citywide averages for Part 1 crimes. (Part 1 crimes include homicide, rape, robbery, aggravated assault and residential burglary.)

Gutzmann earned a B.A. in political science from the University of Minnesota and a Master of Public Affairs degree from Indiana University.

Background

The Civic Caucus is undertaking a review of the issues of affordable housing and homelessness in Minnesota. The Caucus interviewed Jon Gutzmann of the St. Paul Public Housing Agency to learn about the agency's role in providing housing to low-income individuals and families.

About the St. Paul Public Housing Agency (PHA)

The St. Paul PHA houses 22,000 low-income people in St. Paul. The PHA owns and manages a \$688 million physical plant-4,273 housing units providing affordable, quality housing to about 10,000 low-income residents. PHA owns 418 single-family homes that are part of its public housing units.

The other 12,000 people use \$36.7 million in Section 8/Housing Choice vouchers to subsidize their rents in 4,724 private-sector units with 1,000 owners. Voucher participants pay 30 percent of their adjusted gross income in rent.

Most PHA public housing households (77 percent) are extremely low income, i.e., 30 percent or below of area median income. In 2017, the average public-housing unit tenant paid \$404 per month for rent and utilities. The average federal subsidy per PHA public housing unit is \$386 per month. Two-third of the tenants in PHA's family housing units are employed.

Over half (58 percent) of PHA public housing units are one bedroom. Three- to six-bedroom units make up 23 percent of the units.

The waiting list for PHA public housing units as of August 31, 2018 was 11,894. (See chart of waiting list by unit size in [packet about the PHA](#).) The waiting list had been open as of May 14, 2018.

Almost all of the PHA Section 8 voucher participants are classified as extremely low-income households, i.e., incomes at or below 30 percent of area median income. In 2017, the average voucher-holding tenant paid \$359 per month for rent and utilities. The average voucher subsidy payment to the property owner was \$677 per month. As of December 31, 2017, the average length of stay for participants in the voucher program was eight years, although 29 percent stayed for 10 to 20 years and eight percent for more than 20 years.

A map in the [packet about the PHA](#) shows the location of 2016 PHA Section 8 voucher holders in high-poverty areas (defined as more than 22.3 percent of people in poverty) and low-poverty areas (fewer than 22.3 percent of people in poverty). Almost two-thirds (62 percent) of the voucher holders lived in high-poverty areas in 2016.

In 2017, 62 percent of housing choice voucher participants were African American, 29 percent were white, with the other nine percent made up Asian/Pacific Islanders, American Indians or multiple races. Five percent of the voucher participants were Hispanic.

The PHA's Section 8 voucher waiting list was closed to new applications from 2007 to 2015. It was opened in September 2015 for one week and 12,000 applications were submitted online. The PHA conducted a lottery among those submissions for 3,500 spots on the list. The PHA started drawing from the list in November 2015. Depending on turnover and funding, the PHA might issue 300 to 400 vouchers per year to people on the waiting list.

For more information, see [packet about the PHA](#).

Discussion

1. Subsidized affordable housing nationally.

Out of 133 million housing units in the U.S., about 5 million units (four percent) receive federal subsidies through the Department of Housing and Urban Development (HUD). St. Paul Public Housing Agency Executive Director Jon Gutzmann said the subsidized units are aimed at households at or below 30 percent of area median income. He said Met Council data have determined that one household out of four that qualify for affordable housing actually receives that benefit. So to meet the need, 20 percent of the U.S. housing supply should be deeply affordable through subsidies.

He said 1 million of the 5 million subsidized, deeply affordable units are public housing units; 2 million private-sector units are subsidized through Section 8 housing vouchers; and the other 2.5 million to 3 million are subsidized nonprofit housing units.

He said the 1 million-unit supply of public housing nationally is static. "It's been steady state since the mid-1980s," he said. "It hasn't gotten bipartisan support, which has helped erode public support for it."

In contrast, Gutzmann said, Congress has given the Section 8 housing-voucher program bipartisan support. He said Republicans like the voucher program because the housing is not government-owned. Democrats like it because it allows choice and mobility, he said. People can live in the community and are not labeled as living in the projects.

If there is bipartisan support for vouchers, why is there such resistance to expanding the program at the federal level? An interviewer asked that question and Gutzmann responded that the program *has* grown over the years. He said 31 years ago, PHA had 2,000 vouchers and now it has nearly 5,000. He said a lot of federal money is now flowing to veterans' housing and supportive units for homeless veterans. The needs are still great and not fully met, but the Housing Choice Voucher program has had incremental growth over the years.

The private sector is currently building high-rise, market-rate rental buildings. "The current supply and demand for rental units is so high that the developers can do it without a subsidy," Gutzmann said. "But no one in the country is producing a 100-percent deeply affordable, 200-unit housing complex."

2. St. Paul Public Housing Agency (PHA) subsidized housing.

Of the 22,000 people PHA houses, approximately half live in public housing (about 4,300 units) and half in housing subsidized by Section 8 vouchers (about 5,000 units).

Fifty percent of people who apply for PHA public housing are admitted. Gutzmann said people who apply for PHA public housing know it's going to be hard to get in. He noted that the St. Paul PHA has over 28 years of data confirming that the annual eviction rate is only one percent. He said applicants get screened for income and other requirements, according to HUD mandated non-economic eligibility requirements. Those requirements include review of criminal convictions, especially drug-related ones.

There is a long waiting list for PHA public housing units-11,894 households as of August 31, 2018, he said. The short waits are for the smaller units in PHA high rises, usually for the elderly or for people with disabilities. For three-, four- or five-bedroom units, he said, people might wait for three to seven years. People apply by the number of bedrooms they need. "Our public housing inventory is fixed," Gutzmann said.

He said 12 percent to 15 percent of PHA public-housing residents move out of public housing each year. A lot of that movement is because of growth in the residents' income and residents purchasing homes or changing cities, etc., he said. That leaves 600 vacant units each year for PHA to repair before other tenants can move in. Nevertheless, the PHA's public housing supply has achieved a 99 percent occupancy rate for 22 consecutive years.

Public housing owned by the PHA is exempt from property taxes, but makes payments in lieu of taxes. Gutzmann said those payments amount to \$350,000 per year paid to the county, cities and school districts. He said PHA property has an insured value of \$688 million. There is no tax exemption for private units using PHA vouchers.

What are the most politically viable ways to help make a dent in the affordable housing problem? An interviewer asked that question and Gutzmann said he focuses more on the supply side. He said the demand side gets fraught with politics and prejudice.

He noted that two-thirds of PHA public housing residents are seniors or people with disabilities. "There is a real safety net to this program for seniors," he said. "They have done hard things in their life and deserve this."

Both Minneapolis and St. Paul want city-funded, affordable housing trust funds, given the households on the waiting list for public housing-nearly 12,000, just in St. Paul. Gutzmann said both cities have created the funds. He said the Minneapolis Public Housing Authority wants to partner with federal tax-credit projects. "St. Paul PHA wants to preserve our core product: affordable rental housing," Gutzmann said. "We want to work with longstanding partners, such as Ramsey County, to increase the supply of affordable units where possible-primarily by attaching some of our Housing Choice Vouchers to affordable housing developments via project-based vouchers. But our supply is limited, once again, by federal appropriations and will not meet the demand."

Protecting naturally occurring affordable housing (NOAH) is the next wave of advocacy. Gutzmann made that remark in response to an interviewer pointing to the example of Meadowbrook Apartments in St. Louis Park, which used to offer low rents. The interviewer said the son of the long-time owners inherited the apartment complex, remodeled the units and "jacked up the rent."

"This is very new," Gutzmann said. "It'll ultimately get played out through local legislative initiatives and possible court challenges."

All public housing rules and programs are literally "Acts of Congress" or state or city governance. "Policymakers' hands are everywhere on this," Gutzmann said. "It's mind-boggling and complex. These programs are best managed locally."

He noted that there are 3,200 housing authorities around the country, with 10 in the Twin Cities metro area.

3. State role in affordable housing.

The Minnesota Housing Finance Agency (MHFA) is the conduit for \$100 million for affordable housing through bonding. Gutzmann said MHFA ranks projects statewide to receive loans and grants. He said the funding criteria are tilted towards family housing. "It's real money producing real supply," he said.

For the last five or six years, Minnesota has allocated state resources-\$15 million or \$20 million-for public housing rehabilitation throughout the state. "That's unique to Minnesota," Gutzmann said. There are now proposals in Minnesota, he said, for a state-funded Section 8 voucher program that almost mirrors in supply the existing Section 8 vouchers in the state. Elsewhere, he noted that the City of Seattle has supported funding for increased affordable housing.

Some PHA housing vouchers are project-based, i.e., attached to a particular unit.

Gutzmann said 516 of PHA's 4,700 housing vouchers are attached to particular units. "People want developers to attach vouchers," he said.

He noted that the PHA currently has 125 vouchers available via Minnesota Housing's Super RFP process for which developers have applied. These will be awarded by the MHFA in June 2019. These will be vouchers that can be attached to units in mixed-income housing, veterans housing or supportive housing developments.

4. St. Paul's Ford Plant site development.

Ryan Companies is the developer of the former Ford plant site in St. Paul, working with the City of St. Paul. Gutzmann said that while the PHA is not a formal partner in that activity, its project-based vouchers will no doubt be sought after to help Ryan Companies meet its affordable housing goals for the site.

He said the City of St. Paul has a certain amount of money to use for federal tax credits that go to builders who include affordable housing units in their developments. The tax credits then go to the investors in the buildings. He said housing tax credits are typically aimed at developers building housing for households at 60 to 80 percent of area median income, the top level that is deemed as affordable housing.