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THE SECTION 8 VOUCHER REFORM ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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THE SECTION 8 VOUCHER REFORM ACT

Thursday, June 4, 2009

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:06 a.m., in room 2128, Rayburn House Office Building, Hon. Maxine Waters [chairwoman of the subcommittee] presiding.

Members present: Representatives Waters, Velazquez, Lynch, Cleaver, Green, Clay, Ellison, Driehaus, Himes, Maffei; Capito, Biggert, Putnam, Jenkins, and Lee.

Chairwoman WATERS. This hearing of the Subcommittee on Housing and Community Opportunity will come to order. Good morning, ladies and gentlemen.

I would like to thank our ranking member, Shelley Moore Capito, and other members of the Subcommittee On Housing and Community Opportunity for joining me for our second hearing on the Section 8 Voucher Reform Act (SEVRA).

At our first hearing, we were joined by HUD Secretary Shaun Donovan, who testified about the need for this legislation and its importance in protecting the continued viability of the Section 8 Program which provides housing assistance for 2 million low-income families nationwide.

Today, we will hear from residents, housing advocates, housing authorities, and the housing managers who deal with this Program on a day-to-day basis, and will be directly affected by this legislation.

This is legislation that has broad support, including the support of 72 housing and redevelopment stakeholders in California, and the California Housing Partnership. These groups have sent a letter of support, which I would ask unanimous consent to enter into the record.

It also has broad bipartisan support, passing the House in 2007 on a vote of 333 to 83.

Over the years, the Section 8 Program, which pays the difference between 30 percent of a tenant's income and the fair market rent, has become increasingly complicated for residents and the PHAs that administer the Program. Residents must routinely re-verify their income, through a time-consuming, error-prone process.

As we will hear from Ms. Robinson, the inspections process, although well-intended, can actually prevent a tenant from leasing a unit if it needs minor repairs.

The proposed bill would simplify these processes by streamlining the rent determination process requiring certifications less often, and improving inspections by allowing PHAs to perform some repairs.

The proposed bill also addresses the funding formula for the Section 8 Program. Because of a drastic Bush Administration change to how vouchers were funded, over 150,000 vouchers were lost. I agree with the assessment of Secretary Donovan, who testified that the changes to the funding formula contributed to a slide in funding utilization.

In fact, in order to make up for lost funding, PHAs limited services to residents and even began to restrict or deny moves to higher-cost areas.

While the Democratic Congress has corrected this funding formula, the Program has still not achieved the same leasing levels as it had before the formula change.

In short, the voucher program serves fewer people today than it did in 2004. Last year, only 90 percent of authorized vouchers were under lease. In 2004, 96 percent of vouchers were under lease.

The legislation before us would establish a sustainable and transparent formula that would stop the reductions in voucher use and actually increase the number of families assisted through the program.

The draft we will be discussing today does not include the Moving To Work Program, which allows about 30 PHAs to waive most of the rules that govern public housing and Section 8.

As I stated in our first hearing, Chairman Frank and I have agreed that there will be a Moving To Work component to this bill,

I would like to reiterate the concerns I have about the Moving To Work Program:

First, I'm deeply concerned about the imposition of time limits and work requirements by Moving To Work agencies. Second, I'm aware that there has been a substantial decrease—by one estimate 24,000 vouchers have gone unused—in the number of vouchers issued by Moving To Work agencies. Finally, there has never been a thorough evaluation of the Moving To Work Program.

So I look forward to hearing from our witnesses on these very important issues, and I would now like to recognize Ranking Member Capito for her opening statement.

Mrs. CAPITO. Thank you, Madam Chairwoman.

I would like to yield to my colleague, Ms. Biggert, because she has time constraints, let her make her statement first, and then make mine second. Thank you.

Chairwoman WATERS. Without objection.

Mrs. BIGGERT. Thank you very much, Ranking Member Capito, and thank you, Madam Chairwoman, for holding this hearing today. I would also like to thank all of the witnesses. And many of them worked on this with us in the last draft, in the last passage of this bill, and I think that, so they bring real expertise, and hopefully, we can get the Senate to move a bill this year, after we finish this one.

There seems to be something that happens in that rarified air over in the Senate that sometimes the bills just sit there, and I think this is a very important bill, this is a very important hearing,

and I hope that we will be able to do it expeditiously, and then the Senate will take it up.

I thank you for talking about the Moving To Work, because I do think that is a very important component of this bill for those who are able to move expeditiously, and hopefully we will be able to work out something that will be of benefit to all of us.

And I would also like to thank you for having the family self-sufficiency bill that I worked on early on in this bill.

So again, thank you very much for holding this hearing, and I look forward to the witnesses.

I yield back.

Chairwoman WATERS. Thank you very much.

Mr. Lynch.

Mr. LYNCH. Thank you, Madam Chairwoman. I appreciate you holding this hearing, and all your good work on this issue.

As someone who grew up in Section 8 housing, project-based Section 8 housing—I lived there for 15 years with my mom and dad when I was growing up—I understand how important this program is to a lot of families, especially now. In tough economic times, when people may have been able to rent in the private market or maybe they were forced out of their homes because of foreclosure, this is becoming a more important program to a lot of families.

The Section 8 Housing Choice Voucher Program provides monthly rental assistance to about 2 million low-income households every year. Nearly 2,500 public housing agencies administer the program at the local level across the country.

During the past two sessions of Congress, under the great leadership of Chairwoman Waters, this committee has completed a great deal of work on this issue, and I'm pleased to help in the effort to bridge those efforts to this Section 8 Voucher Reform Act of 2009.

As we know from our past work, however, the Section 8 Program has encountered structural inefficiencies and challenges that do affect the ability of public health authorities to effectively administer the Program.

We know, from a 2003 HUD quality control study, that there have been high error rates in the subsidy calculations. A study released in 2004 also found that 40 percent of the subsidies were erroneously calculated. These high error rates are not acceptable, and formulas must be simplified to avoid those errors.

We have also heard from public housing authorities that many times there are not sufficient staff and resources to perform inspections to certify Section 8 housing stock. Especially in the Northeast, in my area, notably in the district of Boston, where the housing stock is older than in many parts of the country, additional inspections are necessary to ensure tenant safety and proper allocation of Federal resources.

The Section 8 Voucher Reform Act of 2009 addresses a lot of these issues, and it puts in place needed reforms to this essential program that play an important part in our communities.

I look forward to the testimony from all of our witnesses on both panels, and I thank you for the courtesy, Madam Chairwoman, and I yield back the balance of my time.

Chairwoman WATERS. Thank you.

Ranking Member Capito.

Mrs. CAPITO. Thank you, Madam Chairwoman, and thank you for holding this hearing on the Section 8 Voucher Program, as you said in your opening statement, the second hearing on this subject following Secretary Donovan's appearance before the committee.

We're going to hear from witnesses who interact with this program every single day, and I look forward to their assessment of the program, and ways in which we can make improvements.

As has been stated before, this program is already, the Federal housing voucher program, assistance program, is helping approximately 2 million low-income families and individuals each year, administered by 2,500 public housing authorities.

The Section 8 Program provides families and individuals with the flexibility to choose where they want to live and tailor their housing to their needs, rather than being designated to public housing, and the freedom and mobility of this program, I think, are two of the key benefits.

But the Section 8 Program does face, I believe, significant challenges.

The program already consumes over 40 percent of HUD's budget and it is overly complex and burdensome to administer. This program is in need of some fundamental reform that revises the funding formula, reduces the administrative cost, simplifies the rent calculation, and levels the playing field for those working families in rural America.

We have tried to reform this program since the 108th Congress, and it is my hope we will be successful this time.

I look forward to working with Chairwoman Waters to improve the Section 8 Program for Americans living in both urban and rural areas. Today's witnesses will give us valuable input on how to best reshape this program.

I would also like to introduce a gentleman on the second panel, from West Virginia, Mr. Tony Bazzie, who is a friend of mine, and he has been working with the public housing authority in Raleigh County for 29 years, so I think, I know he has seen it inside and out, so I look forward to hearing his experience and his unique perspective on the second panel, and I welcome the other panelists, as well.

Thank you.

Chairwoman WATERS. Thank you very much.

Mr. Cleaver.

Mr. CLEAVER. Thank you, Madam Chairwoman, and Ranking Member Capito.

And I apologize. At 10:30, I will have to go get another meeting started, and I will rush back to this committee, because this is a very personal issue with me.

As did my colleague, Mr. Lynch, I, too, lived in public housing, and in those tough days when my mother, father, 3 sisters, and I lived in public housing, I never thought the day would come when I would actually be in charge of public housing, but when I became Mayor of Kansas City, I walked into a buzzsaw, because our housing authority was in receivership, and I had to work to get that taken care of, and having lived there, I understood a lot of the problems that the people faced.

And it pains me that we failed in the 109th and 110th Congresses to do the Section 8 reform. I agree with my colleague that we did our part under the leadership of Chairwoman Waters to get legislation from this subcommittee through the full committee to the House Floor and over to the Senate, where all good legislation goes to die.

And we hopefully will be able to do this reform, because it's more needed now than ever.

I just read yesterday that the foreclosure rate is not dropping, that people are continuing to lose their homes, and when you look at all of the GM and Chrysler workers, not the CEOs, the workers who will lose their jobs, which means that in many instances, they will lose their homes, we're going to need to make sure that this program is inclusive and that the reform will allow us to address the housing needs that we have in this country.

I was hurt over the fact that the President, for the last 4 years, zeroed out the public housing, because we already had a terribly underfunded program, and now we have to restore not only the units, but some credibility to the program.

And so I appreciate this hearing. We have not only 2 million people who are currently using the program who desperately need to see this reform, but I think the people who are going to be lined up at public housing doors, local public housing authority doors, trying to get vouchers.

So, Madam Chairwoman, thank you very much for all the work that you have done on this issue, and I stand ready to be of continuous support to you. Thank you.

Chairwoman WATERS. Thank you very much.

Mr. Maffei?

Mr. MAFFEI. No statement.

Chairwoman WATERS. No statement?

Then we will go right to our panel. And I am very pleased to welcome our distinguished first panel.

Our first witness will be Ms. Linda Couch, deputy director, National Low Income Housing Coalition.

Our second witness will be Mr. William Fischer, senior policy analyst, Center On Budget and Policy Priorities.

Our third witness will be Ms. Nan Roman, president and chief executive officer, National Alliance to End Homelessness.

Our fourth witness will be Ms. Gloria Robinson, a Section 8 voucher holder, from Washington, D.C., who will be testifying on behalf of the National People's Action.

And our fifth witness will be Mr. Ted Houghton, executive director, Supportive Housing Network of New York. Mr. Houghton, we were told by Ms. Velazquez that, if she were present, she would want to introduce you. She's not here yet, so please feel welcome.

I would like to thank you all for appearing before the subcommittee today, and without objection, your written statements will be made a part of the record.

You will each be recognized for a 5-minute summary of your testimony.

We will start with our first witness.

STATEMENT OF LINDA M. COUCH, DEPUTY DIRECTOR, THE NATIONAL LOW INCOME HOUSING COALITION

Ms. COUCH. Chairwoman Waters, Ranking Member Capito, and members of the subcommittee, thank you for the opportunity to testify today on draft legislation to stabilize and expand the Section 8 housing choice voucher program.

The National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, we work on behalf of and with low-income people who need safe, decent, and affordable housing, especially those with the most serious housing problems.

On behalf of the Coalition, I would like to thank you for your work on the draft bill, which is testament to the subcommittee's commitment to the Nation's housing programs for the lowest-income people.

Nationally, more than 70 percent of extremely-low-income renters, those with incomes below 30 percent of area median, pay more than half of their incomes toward rent.

Our analysis of the latest American community survey data finds that half of the 9 million renter households in the United States spent a stunning 80 percent or more of their incomes on housing in 2007.

The voucher program, which targets 75 percent of its assistance to extremely poor households, addresses these most significant housing affordability challenges.

We applaud the bill's authorization of 150,000 new vouchers. At least this many are needed. Vouchers can prevent homelessness and allow severely cost-burdened families to rebalance their lives with affordable housing.

We hope that the voucher program can be doubled in size, to serve 4 million families over the next 10 years, and that the number of authorized vouchers in the bill can be increased as the legislation moves forward.

We also congratulate the subcommittee on developing a bill that simultaneously achieves several important rent-setting policy goals, assuring tenants will have affordable rents, simplifying public housing agencies' administrative burdens, and encouraging increased earned income, among others.

Affordable rent is one of the voucher program's most basic benefits. Without affordable rents for each household, vouchers would quickly lose their ability to correct the significant and severe housing cost burdens faced by the Nation's lowest-income households lucky enough to access them.

The Coalition, however, does not support the ability provided in the bill that allows housing agencies to establish alternative rent structures for public housing residents, even though the bill includes a provision requiring the new rent structure not to result in rents higher than a household would pay under the normal rent structure. This sounds like double work for agencies that are asking for less paperwork.

It is our firm belief that the innumerable benefits the Brooke Amendment has brought to low-income people with housing assistance should continue to be guarded with great fervor.

We commend the bill's several provisions that expand the ability of voucher holders to live in neighborhoods of their choosing by im-

proving how fair market rents are set, directing HUD to improve the portability of vouchers, and allowing higher payment standards where a high rate of voucher concentration exists.

The bill would also provide important protections for tenants in other federally-assisted housing programs, improve the inspection process for voucher units, and encourage the expansion of the family self-sufficiency program.

The draft bill provides significant efficiencies for the voucher and public housing programs without compromising on which income groups are served or how deep their subsidies are.

We do not believe that providing greater flexibilities from the program's core goals by expanding and extending the existing Moving To Work demonstration program to more housing agencies should be included in this bill as it moves forward.

Such flexibilities are not a correct counterbalance to the ongoing and historic underfunding of public housing. Increased funding for public housing and vouchers is among the Coalition's highest priorities.

We are certain that some agencies have used Moving To Work's flexibilities to provide more housing to more people in more communities. We are equally certain that some agencies have done quite the opposite.

Federal housing policy should not gamble on most agencies doing the right thing.

We feel it is the responsibility of Federal housing policy to ensure to the greatest extent practical that Federal housing programs will do the right thing. Without such assurances, the Coalition worries that future funding for vouchers and public housing will be jeopardized.

Given the lack of thorough evaluation and several scathing HUD Inspector General reports on agencies' use of Moving To Work's flexibilities, we believe Moving To Work should not be expanded or extended until we can assess what has occurred, move forward with the good, and leave behind that which has harmed residents with time limits, fewer housing options, and unaffordable rents.

Thank you for considering our views on these issues. We look forward to working with you all to improve and expand HUD's affordable housing programs.

[The prepared statement of Ms. Couch can be found on page 60 of the appendix.]

Chairwoman WATERS. Thank you very much.

Mr. Fischer.

STATEMENT OF WILL FISCHER, SENIOR POLICY ANALYST, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. FISCHER. Madam Chairwoman, Ranking Member Capito, and members of the subcommittee, I am Will Fischer, senior policy analyst with the Center on Budget and Policy Priorities. It's a privilege to testify before you today.

The main point of my testimony is to commend the committee for considering SEVRA and to emphasize the important benefits that the bill would provide for housing agencies, for private owners, but particularly for the low-income families who receive housing assistance or are on waiting lists around the country.

I also want to urge caution concerning any expansion of the Moving To Work demonstration.

First, I will talk some about the benefits of the bill.

Overall, it is a package of important, timely, carefully crafted improvements that would strengthen and update the housing voucher program, which is already a highly effective form of housing assistance. SEVRA's most important provisions would establish a stable, fair, efficient voucher funding system, and this is important because, as the Chair noted, the program has come out of a period of instability in funding policy from 2003 to 2006.

Appropriations legislation changed the voucher funding policy every year, and this led to the decline, to close to 150,000 vouchers being taken out of use.

The improvements that Congress made in 2007 and in 2008 restored about a third of those vouchers to use, and there's a graph on Page 3 of my testimony, my written testimony, that shows that trend. SEVRA would build on that with the improvements to funding policy, and put more vouchers to use serving needy families.

Importantly, SEVRA's renewal funding provisions would do this without increasing costs. They would provide a series of tools and incentives for housing agencies to serve as many families as possible with the resources that are provided to them.

SEVRA's funding provisions are important under any circumstances, but they take on particular urgency during this period of an economic downturn, when rising poverty and unemployment are increasing homelessness and the need for housing assistance.

The sooner that SEVRA is enacted, the sooner it will extend voucher assistance to more people who would otherwise be homeless or at risk of homelessness.

Another improvement in SEVRA would be the provisions which simplify the rules for setting tenant rent payments, although we share some of Linda's concerns about the provisions allowing alternative rent structures in public housing.

Other key improvements in the bill would streamline the housing inspection system, strengthen work incentives, and allow expanded use of project-based vouchers. And project-based vouchers, because they can be tied to particular buildings, can be used to preserve and develop affordable housing.

The bill's project-based voucher provisions could be strengthened further by allowing some public housing developments to be converted to project-based vouchers to support their revitalization.

I will turn now to our concerns about Moving To Work.

The Moving To Work demonstration is intended to support experimentation with housing policies by allowing housing agencies to operate their programs without regard to many Federal statutes or regulations.

The demonstration has allowed some housing agencies to test innovative and promising policies, but at the same time, it does allow many harsh measures, as has been mentioned, including sharp increases in tenant rents and time limits on assistance, even for working poor families who cannot afford housing without help.

Importantly, the demonstration has not been subject to any rigorous evaluation, so it's simply not known what the effects of these measures have been, and there also has not been any adequate

monitoring of people after they leave the program in situations where you have rent increases and time limits.

In addition, there's the issue that Moving To Work allows housing agencies to shift funds around and to accumulate very large reserves in ways that are prohibited for other housing agencies.

Close to $1 billion just from 2005 to 2008 has been diverted out of the voucher program, either for other purposes or into large reserves, and that is money that could have been used to assist tens of thousands of families.

As a result, those families went without assistance, even though Congress had provided money specifically for that purpose.

If an expansion of Moving To Work is included in the bill, it's important that it be of limited scope, that it have strong tenant protections, rigorous evaluation and transparency requirements, and that it have strict prohibitions on the diversion of voucher funds.

Thank you for the opportunity to testify, and I would be pleased to take any questions from the committee.

[The prepared statement of Mr. Fischer can be found on page 70 of the appendix.]

Chairwoman WATERS. Thank you very much.

Ms. Roman.

STATEMENT OF NAN ROMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL ALLIANCE TO END HOMELESSNESS

Ms. ROMAN. Chairwoman Waters, Ranking Member Capito, and members of the subcommittee, I am honored that you have invited the National Alliance to End Homelessness to testify before you today.

Section 8 is probably the most important government resource to prevent and end homelessness. If we had an adequate supply of Section 8 vouchers, there would be virtually no homelessness in our Nation, and the Alliance commends the work that the committee has done to stabilize, simplify, and expand the program.

With respect to the connection between housing and homelessness, people's lack of housing is what defines them as homeless. However, their need for housing plays out in different ways.

About 80 percent of individuals, and well over 90 percent of homeless families, are homeless for economic reasons. If they had affordable housing, while they might still be poor, they would not be homeless.

Research has consistently shown that a Section 8 voucher allows virtually everyone to exit homelessness and never become homeless again.

The remainder of homeless people need permanent, supportive housing. This includes people with disabilities, about 50,000 veterans, and the increasing number of elderly homeless people. Tenant and project-based Section 8 have proven to be effective in providing permanent, supportive housing.

In terms of preventing homelessness, Section 8 is also effective. There is a much larger pool of extremely poor people and doubled-up people from which the homeless population emerges. Some 16 million people live at half of the poverty level, and as many as 10 million live below the poverty level and are doubled up. Only a

handful of these people would become homeless if they had affordable housing.

In summary, housing is the key intervention in ending and preventing homelessness, and Section 8 is the linchpin to providing that housing.

It is for this reason that we're so grateful to the subcommittee for its work to stabilize the Section 8 housing choice voucher program. The draft SEVRA bill improves Section 8 in several ways that will specifically help to end homelessness.

It makes the program more reliable. Landlords, developers, and tenants must have confidence in the Section 8 Program, in how it operates and in what resources it can deliver.

By settling basic questions of funding distribution in ways that incentivize full utilization of authorized vouchers, SEVRA accomplishes this goal. This will encourage landlord participation, sometimes a challenge in housing homeless people, and it will increase the number of families who are assisted.

Project-based Section 8 is essential for the creation of permanent, supportive housing for disabled and elderly homeless people, including veterans. SEVRA takes a much-improved approach to project basing, and this will have a positive impact on communities' efforts to end homelessness among people with special needs.

SEVRA's simplification of rent calculations and inspections makes an important contribution, as well. This simplification will encourage more landlords to participate and make the program easier for tenants to understand.

To maximize the impact of the Section 8 Voucher Program, we offer the following suggestions:

Distributing scarce resources across a wide variety of eligible populations has little impact, while tightly targeting distribution can drive toward solutions. Section 8 is a rich resource, and it should be targeted to those who need it most in order to maximize its impact. In particular, targeting to people with mental illness, veterans, and families with children in foster care should be retained.

Further, given the extensive unmet need for affordable housing among very poor people, we can see no situation in which it would be reasonable to waive or raise income eligibility. Income targeting should be retained.

In the recovery legislation, Congress recently passed the Homelessness Prevention and Rapid Rehousing Program, HPRP, to ameliorate recession-related homelessness. This Program provides short- to moderate-term rent assistance to people who are threatened with homelessness, or who are homeless.

HPRP should work well for a lot of people. However, there are some people who need longer-term assistance, such as people with disabilities, and we need to figure out how to make a linkage between HPRP and Section 8.

The Housing Trust Fund is a key piece of legislation to develop affordable housing. We thank you very much for creating it. However, to reach the target population of that program, operating subsidies will be required. When the Trust Fund is resourced, it is also going to be important to consider how Section 8 can best be linked with it.

Section 8 should be a vehicle for exiting homelessness, not a vehicle for entering homelessness. A small percentage of people become homeless while receiving Section 8. The reasons tend to be administrative. PHAs should be given the resources to solve such problems before eviction, and in particular, we recommend that PHAs report their termination rates on a regular basis, including whether or not people terminated end up homeless.

On behalf of the board of directors of the National Alliance to End Homelessness, we support your efforts to try to improve the Section 8 Program. We hope that they will eventually lead to an adequate supply of Section 8 vouchers to meet the needs of all people who need them.

Thank you very much.

[The prepared statement of Ms. Roman can be found on page 116 of the appendix.]

Chairwoman WATERS. Thank you.

Ms. Robinson.

STATEMENT OF GLORIA J. ROBINSON, TENANT ORGANIZER, ORGANIZING NEIGHBORHOOD EQUITY DC (ONE DC), AND HOUSING CHOICE VOUCHER RECIPIENT

Ms. ROBINSON. Thank you, Chairwoman Waters, Ranking Member Capito, and members of the committee for inviting me to testify on the draft of SEVRA.

My name is Gloria Robinson, and I work for Organizing Neighborhood Equity, or ONE DC, which is a member of the National People's Action Network. I am also a housing choice voucher holder.

In the past year, there has been a great deal of dialogue about the ailing economy, the housing and mortgage crisis, and its devastating effects on middle-class America.

I'm pleased to be a part of a dialogue that addresses another population, a population that often seems to exist beneath the radar screens of lawmakers and politicians. This is a population for which little has changed as a result of the economic downturn and the mortgage and foreclosure crisis.

Many of us were poor, living in substandard housing, or homeless way before this conversation began to take place. I was part of this population.

In 1994, I entered a transitional housing program, and was placed on the waiting list for subsidized housing. Fifteen years later, I have still yet to receive the letter informing me that my name had reached the top of that list.

The D.C. Housing Authority has over 26,000 households waiting. That number is growing steadily.

Without the 750,000 vouchers proposed by SEVRA over the next 5 years, they will continue to wait. They will wait in substandard housing, and they will wait on the streets. Some of them will die waiting for decent, affordable housing. It is essential that SEVRA gets introduced and passed through the House with this provision in place.

I became a housing choice voucher holder in June of 2008, not because of any movement on the waiting list, but because there

was an opt-out at the project-based subsidized property where I was renting.

Over 2,000 affordable housing units have been lost in Washington, D.C., since 2000, and the rent burden carried by thousands of low-income tenants continues to grow. For this reason, I applaud the proposal to increase the number of vouchers made available, and the continued funding for the current housing choice vouchers.

I'm concerned about the sometimes prohibitive background checks required of voucher applicants. For example, outstanding or delinquent student loans would negatively affect an applicant's credit score. These debts may be decades old, but their negative impact is current.

Generally, low-income people are going to have weaker credit histories, because the reality is that it's more expensive to be poor in this country. For that reason, an applicant's credit history shouldn't be considered when they apply for a voucher, unless there is overwhelming evidence that they will not be able to pay rent.

D.C.'s Housing Authority requires criminal background checks for all household members over the age of 18. I would like to see SEVRA include language that limits criminal background checks to certain felonies that have occurred within the past 2 years.

I don't know if it's still the case now, but the Chicago Housing Authority used to only screen for drug offenses and violent crimes, such as rape or murder.

Although there is a law in D.C. that is supposed to protect tenants from being discriminated against based on the source of income, I was told on more than one occasion that the property did not accept vouchers.

There needs to be a provision added to SEVRA that expressly prohibits discrimination based on source of income at the national level. There also needs to be a mechanism put in place to enforce this provision.

I am happy that SEVRA addresses the issue of inspections, especially failed inspections that result in delayed lease-ups where there are no life-threatening reasons for the failure.

When I located an apartment and was approved on August 2nd, 7 weeks later, the inspections were done, and the unit failed, the first time, for one bedroom window that had been painted shut, and the second time for a shower pole missing in the master bathroom—not life-threatening issues. Each time the unit failed, it went to the end of the inspection list.

While housing authorities should withhold rents from landlords who don't make necessary repairs within 30 days, non-life-threatening issues should not delay the occupancy of an otherwise habitable unit.

I was finally able to lease up and move in on November 3, 2008, after sitting in overflowing waiting rooms every week, sometimes from 7:30 a.m. to 3:00 p.m.

Every employed housing authority client doesn't have the luxury or flexibility to spend 6 to 8 hours away from their jobs every week, without seriously jeopardizing their employment status.

Finally, I agree with Secretary Donovan's opinion on the Moving To Work Program.

Because housing authorities were not required to collect any data, there is no empirical evidence to show that the program has been effective. Extensive data needs to be collected, and that data thoroughly analyzed before the program is expanded.

Thank you for the opportunity to submit this testimony on behalf of SEVRA.

[The prepared statement of Ms. Robinson can be found on page 113 of the appendix.]

Chairwoman WATERS. Thank you.

Mr. Ted Houghton.

STATEMENT OF TED HOUGHTON, EXECUTIVE DIRECTOR, SUPPORTIVE HOUSING NETWORK OF NEW YORK

Mr. HOUGHTON. Thank you, Madam Chairwoman, Ranking Member Capito, and members of the subcommittee. I am glad to be here.

I want to say that the Supportive Housing Network, which represents 180 nonprofit providers and developers of supportive housing across New York State supports all of these comments that our national advocacy partners and Ms. Robinson have made.

There is an awful lot of consensus on this bill. You guys have done a terrific job of listening to people and crafting a very strong bill that not only provides additional resources, but also makes some very smart decisions and makes some efficiencies and gets some incentives in there that are going to really help this program along.

But I can't help but emphasize that the most important thing here is that we're going to get more vouchers. There is such a great need both in urban areas and in rural areas for more housing assistance.

We have 34,000 people living in homeless shelters each night in New York City right now. It's one of the highest levels ever. And we really have not been able to address that, because we don't have the long-term rental assistance available to us in the numbers that we need.

Not only that, but if we can get these vouchers, we will be able to not only create housing stability for the families who need them, but it will also create community stability, neighborhood stability, as we are able to maintain housing in good condition.

And that's going to also help create jobs in maintaining this housing. It also creates housing stability. That helps people concentrate on getting jobs.

We use the supportive housing network, and our partners in government use the Section 8 Program as a means to leverage other resources to build supportive housing for people with special needs, and the Section 8 Program is one of the most important sources of that. There's just not nearly enough shelter-plus-care vouchers under the McKinney Program to build the amount of supportive housing that we need in New York City.

We are about to open up our 40,000th unit of housing in New York State for people with special needs. We're very proud of that. But we could be doing much more if we had the ongoing rent subsidies to serve the extremely-low-income people who live in our residences.

A person on SSI in New York State gets $8,000 a year. You cannot fund housing and the ongoing need to maintain that housing and pay for oil and heat and all those other things with that level of money. You need to have Section 8 in addition to that.

We use that, in New York City, we take tenant-based Section 8s and we put them in supportive housing. What happens, though, is that there is so much administrative burden in inspections and certifications.

And try to inspect an apartment or get a signature on a certification from a mentally ill tenant who is paranoid, who has had all sorts of troubles working with authorities over the years. It's very difficult. And sometimes what happens is, we lose the Section 8, but we continue to keep the tenant, and we end up paying for that.

Because of late Section 8, our members are losing millions of dollars a year because we rent to people, they apply for Section 8, and then we wait as long as 11 months, maybe 18 months, before that Section 8 certificate comes through.

And so what happens is that we lose money and we still serve the people, but the buildings struggle to maintain themselves.

There are a lot of great things in this bill. We're very happy about it. What we would like to see is improvements in the prioritization, so that we're not just stuck with homeless prioritization, but we're also able to prioritize people who are just about on the edge of homelessness, and get them, and we can hook that up with HPRP and will be able to do that, and also to work with the project basing.

What happens is, there's a disincentive for localities to project-base because if they give out a Section 8 to a tenant-based, they know that they will just have to pay for that one tenant-based Section 8. If you do a project-based, the person is allowed to move in a year, and they go to the front of the line and get a tenant-based. Then the next person comes in, and they move a year later, and they get another tenant-based. So you start generating more and more.

So if we could create a national pool of tenant-based, to help people moving on from supportive housing that is project-based, I think that would be a very helpful thing, because then we would be able to project-base more and help people move on to independence.

Thank you very much. I think that I have used up my time. I'm open to any questions.

[The prepared statement of Mr. Houghton can be found on page 96 of the appendix.]

Chairwoman WATERS. Thank you very much for your testimony.

I will now recognize myself for 5 minutes for questions.

I want to talk a little bit about Moving To Work, because, as you can imagine, this becomes kind of a hot political issue.

There are members who believe that somehow the Moving To Work Program will make you, if you're in it, more deserving, that somehow, if we have rules that dictate your life in some way, that this is what you deserve to have happen in exchange for being able to receive government support or live in public housing.

Ms. Couch, in your testimony, you state that Moving To Work should not be expanded unless there is a thorough evaluation of existing sites.

Could you explain how Moving To Work has had a negative impact on residents and communities? How can Moving To Work be reformed so that residents are protected from harmful policies, such as time limits or work requirements? I mean, would you give me your thoughts on this?

Ms. COUCH. Sure. Thank you for the question. And it is truly an honor to be here today to testify before you.

I wish I could tell you a lot more about the Moving To Work Program, but the truth is, we don't know very much. We don't know very much about the residents going into Moving To Work Programs and the housing agencies participating in the demonstration, and we don't know very much about what has happened to them at a national level.

Our concerns, I think, are your concerns that you have expressed, that there is some data that show that resident rent burdens have increased from pre-Moving To Work participation to participating in the Moving To Work Program after a few years, because housing authorities in the Moving To Work are given the ability to divorce rents from incomes, and the Brooke Amendment, which housing residents have today, says that rents have to be about 30 percent of a resident's income.

With the ability of Moving To Work to divorce rents from income, rents can be what housing agencies think might be a good deal, and it seems to us frequently that the Moving To Work aspect of the program is simply ratcheting up rents in such a way that people would be compelled to get higher earning jobs, but when they can't find those higher earning jobs, their public housing or their voucher assistance becomes unaffordable to them.

Some of the more troubling aspects of Moving To Work, from our perspective, are the ability to change the income targeting of the program. The public housing, in particular the voucher program, are deeply income targeted.

Under Moving To Work, housing agencies can allow 90 percent of their assistance to serve residents up to 60 percent of area median, and in many, many communities across the country, you would be hard-pressed to find severely cost-burdened residents at 60 percent of area median income, which is precisely why the public housing and voucher programs are targeted so deeply. So income targeting, we think, must be maintained at least at today's current standards.

And again, as I said in our testimony, the ability of residents to know that in a Federal housing safety net program like public housing or the voucher program, their rents will be affordable, is critical, and we must have national standards that ensure affordable rents. Time limits, work requirements, other social policies or the contracts associated with the Moving To Work Program we think are troublesome.

We do think that there have been some goods, some flexibilities that have allowed more supportive services in Moving To Work agencies, but we just don't know, and we think it would be quite troubling to expand the Moving To Work Program to more agencies

until we have a solid sense of what has been demonstrated, so we can really move forward with what has worked and leave behind that which has harmed not just housing residents, but the health and the financial health and the physical health of the housing stock.

Chairwoman WATERS. Thank you very much.

Ms. Robinson, I wanted to talk with you or get you to answer some questions about background checks.

Ms. ROBINSON. Sure.

Chairwoman WATERS. Now, Ms. Robinson, politically here in the House of Representatives, we have members who say we must keep all criminals out of public housing, we must have these background checks so that we can make sure that these bad people don't move into public housing.

But you're saying that there are people who would otherwise be eligible, and you alluded to the fact that there may be people who are excluded because they have been in trouble, they were not felonies, they were more minor crimes.

Can you talk a little bit about that?

Ms. ROBINSON. Yes, absolutely.

Except for the more serious crimes, the drug offenses—and even with the drug offenses, if an applicant is completing some sort of treatment program and really trying to get well, they should have the opportunity, if there's a need for assisted housing.

In cases where applicants or members of their family who are over 18 have served their time and completed their sentences, their families and they should not be prohibited from getting the assistance for housing.

If they do, then essentially, they're back on the streets, which opens up the door for more criminal activity.

So I believe that within the 2-year period, you know, if there is no significant criminal activity, then they should be able to receive the assistance as any other low-income person.

Chairwoman WATERS. Thank you.

Ms. Capito, for questions.

Mrs. CAPITO. Thank you, Madam Chairwoman.

I would first like to ask unanimous consent to enter into the record the National Multi-Housing Council's comments on the proposed Section—

Chairwoman WATERS. Without objection, it is so ordered.

Mrs. CAPITO. Thank you.

This is a question for whomever wants to answer on the panel.

In recent years, Congress changed the way the voucher program was funded, moving from a formula-based on the number of units that a PHA has under contract with HUD at their current per-unit cost, to a dollar-based formula established by the number of units under lease on a given date adjusted by an inflation formula.

Has this change proven to be more cost-effective, and what further improvements would you recommend be made?

Will anyone take that?

Mr. Fischer?

Mr. FISCHER. I think the change has, certainly the cost of vouchers has fallen during this period. The average cost of a voucher, I think it hasn't necessarily been reflecting increased efficiency.

In a lot of cases, housing agencies have ratcheted down the cost of vouchers, in some cases excessively, so they don't cover rents in an adequate range of areas.

And I think that the changes in the formula, the way they have been done, and particularly the fact that they have—the formulas have changed, or did change significantly from year to year during this period from 2003 to 2006, made it difficult for housing agencies to manage their program, and contributed to a really big loss in the number of vouchers that were in use.

Agencies took those vouchers out of use, in some cases because they didn't have enough funding to cover them in the current year, but sometimes also because they didn't know how much funding they would receive the next year.

I think SEVRA, what SEVRA does is it builds on that system, it builds on the change that you mentioned. It sticks with a system that's not—it provides funding based on the vouchers in use in the previous year, but it doesn't actually, on an ongoing basis, fund every voucher at its current cost.

But it builds on that by establishing a stable funding system year after year, and creating a series of incentives for agencies to use more vouchers. It allows reserves that let them plan their programs better.

And I think it really does start from the change that you were talking about going to a dollar-based system, then improve on its strengths, and strengthen it in a way that will make the program work better going forward.

Mr. HOUGHTON. And if I can add—

Mrs. CAPITO. Yes.

Mr. HOUGHTON. —that uncertainty is a big cause for a lot of the delays in payments, because the PHA is wondering how much Section 8—

Mrs. CAPITO. Let me just clarify. Uncertainty as to what's going to be coming down the pike?

Mr. HOUGHTON. Yes.

Mrs. CAPITO. Okay.

Mr. HOUGHTON. Yes. Because you don't know how much you're going to get this year, and so you don't know whether you can release enough tenant-based Section 8s to cover our developments and make sure that they're running well. And so that has been very important for us, if we can get that change in there.

Mrs. CAPITO. Okay. I have a question that, we're talking about redoing the rent calculations and the problems of income verifications that everybody has, and the reason this kind of caught my attention is, certainly we have learned through the subprime lending debacle that the income verification was either: (a) non-existent; or (b) extremely inadequate.

What kind of improvements can be made for income verifications? Do you think we address that, that this is addressed in this bill, and is that sort of a moving target, I think, that presents more difficulties in, I don't know, in this day and time?

Ms. COUCH. Well, I think that this is a great question for the public housing agency administrators, as well, but I would just say that the bill's simplification of rents is going to help a lot, but it's my understanding that what is in place to certify incomes could

work well if the housing authority staff had enough funding and enough staff to implement what's there as far as certifying incomes.

It's extremely important that we have an accurate understanding of what incomes are, and it's my sense that what is in place now works, but we just have to make sure we comply with what is in place.

Mrs. CAPITO. I think some of the studies that were out showed that, and it was a rather large percent, maybe 30 percent, under or over—

Ms. COUCH. Right, and I think that's because there are inconsistencies with how the rules that exist are implemented.

Mrs. CAPITO.Does anyone else want to—

Mr. HOUGHTON. I would say that the—a lot of Section 8s are now used to support tax credit projects, where the income verifications are very strict, and so we're able to do it well there.

I think with the additional administrative fees that are, the administrative costs that are covered under SEVRA, we will be able to do a better job at the PHAs, as well.

Mr. FISCHER. I think that's absolutely right, that the administrative funding in SEVRA would give PHAs more ability to manage their programs well, including income verification.

There are also several provisions in SEVRA that make it both simpler, the system simpler so it's easier to verify, and there are also things that directly help with verification, and one example of that is that the bill allows housing agencies to rely on verifications from other public assistance programs, so a housing agency could set up a system with a food stamp agency that would let them avoid duplicating all the work that the food stamp agency does, and that, I think, could help a lot.

Mrs. CAPITO. Okay. One final question. And this is sort of at the 30,000-foot level.

Ms. Couch, in your written statement, you mentioned that you hoped the voucher program could be doubled in size to serve 4 million families over the next 10 years.

What effect do you think that could have, doubling the size of that, on other discretionary programs? I mean, it's like putting air in a balloon. You only have so much. And we have other great programs under HUD's jurisdiction, the homeless program being one, disabled housing, elderly, and others.

Do you have a comment on that?

Ms. COUCH. Well, we think it would greatly increase the cost of the Section 8 voucher program over the years, but we do think that we do need to put significant new resources into new vouchers.

Unless and until we do that, we will not address our Nation's homelessness problems, we will not address the number of families of all types living with severe housing cost burdens.

As you well know, housing programs are not an entitlement, and it's estimated only 1 in 4 families eligible for them actually receive them.

We would like to see a rebalancing of where we put our resources, and the Nation has long supported financially people's ability to enter into homeownership, and we would like to see a

commitment at the national level to also support people's ability to rent homes that are affordable to them.

So I guess what I'm saying is that we would anticipate that a doubling of the voucher program would greatly increase the cost of the voucher program to the Federal Government, but we think that the society's benefits to those costs would greatly outweigh them.

Ms. ROMAN. If I could just add one thing to that, I think one of the lessons from the homelessness field is that there are a lot of costs associated with not housing people.

There are increased health care costs, there are education costs, there are law enforcement costs and corrections costs, and the costs of unemployment.

So while that might not be within the HUD budget, I think that we have to look at cost offsets in other programs when we talk about housing people.

Housing stability seems to be a necessary bedrock upon which a lot of other things rest, and if you don't have it, you pay in other ways.

Mr. HOUGHTON. I'm sorry—

Mrs. CAPITO. Go ahead.

Mr. HOUGHTON. To add onto Nan Roman, in New York City, we discovered, and this is 10 years ago, a homeless mentally ill person costs $40,000 a year, because of their use of emergency rooms, shelters, and all those other things. And once you place them into supportive housing, it reduces it so much that it pays for almost all of the cost.

And we have gotten very good at targeting the housing to the most needy, and really been much more cost effective.

So I think this is a very good investment. It will rise, but I think the costs that you spend on homelessness dwarf any increase that would happen in the Section 8 Program.

Mrs. CAPITO. Thank you.

Chairwoman WATERS. Thank you very much.

Ms. Velazquez.

Ms. VELAZQUEZ. Thank you, Madam Chairwoman.

Ms. Couch, I heard what you were saying about your concern regarding the changes to the Moving To Work Program, and one of them is the lack of data and evaluation.

Can you tell us what are some of the critical resident protections that must be included in any program expansion?

Ms. COUCH. Well, we would start with income targeting. We think at least the current income targeting standards must be maintained.

The current rent structures, we think that giving flexibility to divorce rents from incomes for households or for tiers of households is a mistake that could lead to harm to residents.

We think an important protection would be an inability of housing authorities to impose time limits. I think the HUD data show that most people who can move out of the housing assistance programs when they're able to, and those who don't would be the ones most likely to be harmed under time limits.

We also think that there has to be a strong evaluation component and that the data have to be evaluated regularly, you know, at 2 years, at 4 years, at—you know, so that we can not just collect

that data, but evaluate it, so that HUD could have the authority and Congress could step in to make sure that those housing agencies which are obviously harming residents or harming the physical or financial health of their own housing agencies would be directed to change their policies because the demonstration wasn't working in the best interests—

Ms. VELAZQUEZ. Thank you.

If any of the other members of the panel would like to comment, I would like to ask you where and how should we focus our evaluation efforts regarding the Moving To Work Program, since we know that there is such a strong push to allow more housing authorities to participate?

Ms. Robinson?

Ms. ROBINSON. Yes. My concern with the Moving To Work Program is the quality of work that participants would have the ability to get.

With employment rates being in the double digits, I'm concerned that folks won't be able to find work that preserves some human dignity, you know. If people are going to be forced to work in order to receive housing assistance, where are they going to work? Will they be sweeping streets?

You know, I'm just concerned with any measure that makes it mandatory that you work in a climate of unemployment. And that's my comment.

Ms. VELAZQUEZ. Mr. Fischer?

Mr. FISCHER. I think I agree with both of the comments that we heard before.

I think it's also very important in order to have adequate tenant protections in Moving To Work, in order to avoid exposing tenants to unnecessary risk to limit the scope of any expansion. I think Moving To Work's purpose should be research, it shouldn't be something that's just meant to give general flexibility to agencies.

If there are statutes or regulations that are too burdensome or too complex, it's something that Congress should look at nationally and see if there are ways to improve that, and SEVRA does that in a whole range of areas.

But the purpose of Moving To Work should be targeted on testing particular policies and should only be expanded to cover a limited number of agencies to do that.

Ms. VELAZQUEZ. And how do we measure success?

Mr. FISCHER. Well, I mean, I think that the—I will give you an example of something where experimentation might make sense, is rent policy. I think that there are a lot of ideas out there about changes that could be made to rent policy.

I think it would be important to narrow the scope and look at things that protect the lowest-income tenants and make sure that you're not putting people out on the streets because you're charging excessive rents.

But there is some experimentation that could be done that would be effective, and I think that if the Moving To Work demonstration should only allow experimentation on rents, it should be focused on that.

It should be just the relatively small number of agencies that would be needed to do that, and it should have controlled experi-

mental evaluation so that you have—so that you don't go through, like you have with the current demonstration, where 10 years later, or 13 years later, you don't know what exactly happened.

Ms. VELAZQUEZ. Thank you.

Mr. Houghton, you spoke about homelessness that is on the rise due to the economic downturn. And in this draft, we have an appropriation for 150,000 incremental vouchers.

Given the circumstances that we are facing today in our Nation, are the proposed levels sufficient, and if not, what is an appropriate level to have a real impact?

Mr. HOUGHTON. Well, I think Nan Roman could speak to the national level, but I think in general, New York State often gets about 10 percent of housing assistance because of need and population, and so that would be about 15,000 vouchers a year, and we could use that very, very quickly. We have 125,000 people on the waiting list for Section 8, and we have 34,000 people in the shelters, as I said.

When you talk about the number of people who are homeless each night, you're not capturing the entire group of people. Five percent of all people living under the poverty line in New York City are going to end up in the shelter at one time during the course of a year. So it goes on. There's shifting through.

And so when you have those homeless episodes again and again, especially when you're hitting children with this, you have these long-term effects that really end up costing in educational attainment, in employment prospects, in health, and all those things cost us in all these other different systems. This investment is really what we need to do.

So I think that if you took a look at the total cost of what homelessness does, you could very well justify a much larger investment, and I could certainly find the people to get these vouchers to them. So, if you can do that.

Ms. VELAZQUEZ. Thank you. Thank you.

Chairwoman WATERS. Thank you very much.

Mr. Lee?

Mr. LEE. Thank you.

Just a few brief questions.

I am one of the newer Members here in Congress, and I have tried to learn as much as I can about this program, and I know in two of my counties, it is very much needed. In fact, there is a 5-year backlog in terms of a wait period.

The part that I'm troubled with, because it is a very good program, I have heard a lot of positives, the other issue, though, is the reality of the fact that we have limited dollars and the fact that this program has continued to take an inordinate amount of the entire HUD budget, and eventually, you know, we're going to run out of dollars. Look at our current fiscal situation.

So my concern is making sure we use these dollars most effectively. The little research that I have done shows that, on average, an individual who is in this program is in it for up to 8 years, an 8-year average, while you have other people who are waiting 4 or 5 years to get in, and that, to me, is a concern. How do you equitably try to incentivize individuals to—because this was supposed to be a helping hand to get them out of trouble, but ultimately, it's

not a long-term solution. It's to ultimately let them be self-sufficient.

I would be interested to hear any ideas on ways to promote or ultimately move people off this, so that you can—those in need can get on, because right now, on an 8-year average, that means only 12 percent of the people are getting out of this program a year, which is a fairly small number.

Does anybody have a comment on any concepts or ideas?

Mr. HOUGHTON. We serve an awful lot of people who are on SSI and SSD, supplemental security income for people with disabilities, and that, as I said, is about $8,000 a year, about almost $700 a month.

They're not going to get off that. They're disabled. And it's not enough to pay for the rent.

And so getting them Section 8 and having them on, it's akin, I think the corollary might be health care reform. We're trying to figure out ways to reduce emergency room spending by increasing primary care.

And this is the same thing. We're trying to get—we're willing to make the investment in subsidizing the rent for this group in order to reduce the amount of spending, and it is an inordinate amount of spending that we spend on emergency shelter, on repeated detoxes, and psychiatric hospitalizations, and all the other costs that are going.

Now, that's one part of the population, but the fact is that we are targeting, I think, better and better, within the housing world, because we have been able to use data and really be able to figure out who needs it and be able to track income—

Mr. LEE. I agree, those individuals, that data can be separated out, but again, that might skew the numbers somewhat, but on average, you have people there for 8 years.

What other way—to do this in a way that incentivizes people to ultimately be self-sufficient, are there any concepts or ideas for those individuals who have been on it for a long time?

Mr. HOUGHTON. In supportive housing, which has services attached, our average is about 5½ years, and then people move on to independence, where they probably take a Section 8 with them, but they're not using the services in the level that they were. So there is some independence and there is some lowering of cost.

But I'll give it over to—

Mr. FISCHER. I'm not familiar with the 8-year average. The numbers I had heard you know, either median or average, were move in the 3- to 5-year range for the voucher program.

But I think regardless, it's important to have, as you're saying, incentives, ways to encourage people to increase their income to a point where they don't need housing assistance anymore.

And this bill does some really important things to do that. The rent provisions would provide a new earnings incentive that would—an earnings deduction that would count less of earned income towards the rent, so there would be a little bit more of a—less of a rent increase when your earnings go up.

Probably the most important provision is that it would strengthen the family self-sufficiency program, which is a program within both vouchers and the public housing program that provides em-

ployment counseling to tenants and it also gives a work incentive, where tenants, if they have—if they are following a self-sufficiency plan that they come up with, with their employment counselor, then their increases in earnings will go into an escrow account that then they can use for purchasing a home or starting a business or an education or things along those lines. That provides both support and incentives for people to increase their earnings, and SEVRA would provide a dedicated source of administrative funding for employment counselors under that, and would also provide a better source of funding to cover these financial incentives, and I think that really would go a long way towards furthering the goals that you're talking about.

Ms. ROBINSON. Statistics have shown that in the D.C. area, a resident would need to earn at least $21 an hour to afford a one-bedroom market rent apartment.

So we would need better quality jobs to increase the incomes of these Section 8 voucher holders.

Ms. COUCH. And I would just like to chime in and say that the data that I have seen show that about 54 percent of voucher holders cycled out of the program within 5 years, and so it would be good if we all got on the same page on the data.

But I would strongly agree with Will that the bill does several things to encourage increased earned income of voucher holders and of public housing residents.

And the gap today between what people are earning at the lowest income levels and what rents are is so broad that you will have to do what Ms. Robinson said, get those higher-paying jobs and make them available, or we're going to continue to have to subsidize people's rents if we want to bolster their ability to have stable housing.

Mr. LEE. Thank you.

Chairwoman WATERS. Thank you very much.

Mr. Driehaus?

Mr. DRIEHAUS. Thank you, Madam Chairwoman.

I would like to continue the conversation that Congressman Lee has initiated.

And I'm struck by the last figure, Ms. Couch, that you give, about 54 percent of the people cycling off the program within 5 years.

It's the 46 percent who stay longer than 5 years that concern me, and it goes back to Ms. Robinson's comment about the waiting list.

And, you know, the fact is that, the more people we have on the program for a longer period of time, the longer that waiting list becomes.

I think all of us believe very strongly in emergency housing, and we believe very strongly in providing housing for people with disabilities, for people who have lost their jobs. But I think we have to have the courage to have a conversation, a serious conversation, about dependency.

My background is in international development. We talk a great deal about dependency, and creating dependent situations.

And that number, that 46 percent who are over there, over 5 years, that's a big number. That's no small number.

And so when we talk about Moving To Work, just not having enough data for it, you know, that really doesn't make me very comfortable, that we shouldn't be working on programs such as that because there's not enough data.

Sometimes I feel as if we look at this equation, and we think, well, there are a lot of people who need housing, so we should provide more housing.

I look at the equation and say, there are a lot of people in poverty. They need housing. So we should try to get them out of poverty.

You know, and I think too often we look at our housing program in the wrong way, in that rather than building the capacity of individuals on the program, especially those prone to long-term times on the program, we look at continuing and expanding the number of vouchers.

So I would really like you to explore a little further, you know, how we might do a better job of building the wealth of families.

You know, we embarked initially on things like IDAs through the Congress, individual development accounts, to help build the wealth and build the capacity of families to achieve self-sufficiency.

So I would like you to explore a little further with me how we might do a better job of working with that 46 percent, because that's a big number, in my mind.

Ms. COUCH. My first response is that, let's say the number is 54 percent are on for less than 5 years, and then we have that balance of that 46 percent.

What Mr. Houghton is saying happens in New York, is also the case nationally, that a large percentage of the people in voucher assisted households are people who are elderly or disabled and on fixed incomes, whose incomes won't be increasing to the point that we can count on that they'll be able to enter. And so I think that they take up a large majority of that balance.

Mr. DRIEHAUS. Do you know how much—and I'm with you there, and I don't think any of us are talking—

Ms. COUCH. Forty percent.

Mr. DRIEHAUS. —about people with disabilities or who fall into those situations.

Ms. COUCH. Right.

Mr. FISCHER. In the voucher program. It is closer to 30 percent in public housing.

In project-based Section 8, it is much higher, but it varies. But it is a substantial—when you look at people who are on for longer lengths of time, a lot of those people are elderly or people with disabilities.

Mr. HOUGHTON. I would say that also a large number of them are children who are getting educations and growing up in a stable environment.

The one thing that I think it's important to talk about with Section 8 is that, while it may be framed as dependency, it does not disincentivize work.

You pay 30 percent of your income, and the fact is, many, many people are working who receive Section 8. I don't know if you have statistics, but I know that, within our residences, people who are

struggling with disabilities, we have 25 to 40 percent of them are getting jobs of some kind.

The fact is, though, that it's very difficult for them to live completely independently with the levels of income that they're earning.

And we get into a problem of markets. The job market has depressed wages and the housing market has made it very difficult to build enough housing where it's needed.

When you try to build—I spend most of my time talking about developing housing and representing nonprofit developers. When you try to site buildings in an urban area, it takes years to get all the approvals and zoning regulations and everything like that.

And because of those pressures, housing has gotten much more expensive, and at the same time, globalization and other pressures have lowered wages, and so we have a very big gap that we're trying to fill. Section 8, I think, is one of the best, most efficient targeting of trying to address that gap.

Mr. FISCHER. I think the other point to remember, or another thing to be aware of in looking at these length of stay numbers is that they vary enormously from one part of the country to another, and in places like New York City, it tends to be much longer, because you can be a person who is working and climbing the ladder in New York City for a long time before you can afford an apartment, or in a place like San Francisco, whereas in places with lower housing costs, the costs tend to be lower.

And as we heard, the majority of people who are not elderly or not disabled in the voucher program do work. They do have some kind of employment.

But I think what needs to be done is we need to look at things to build their assets, build their—give them incentives to work more.

And I mentioned this before, but I think it's important, this family self-sufficiency program within the housing assistance programs is one of the largest asset development programs out there.

It's a major work incentive, and it just has been underused so far because it hasn't had the resources, it hasn't had the funding, and SEVRA would make enormous progress in changing that.

Chairwoman WATERS. Thank you very much.

Mr. Clay?

Mr. CLAY. Thank you so much for holding the hearing, and thank you all for being here.

Let me kind of follow up on Mr. Driehaus' line of questioning, and what you just mentioned, Mr. Fischer, about employment assistance, Section 3, and just what we should do, or should that be part of this restructuring or new law that would allow people who live in economically-socially disadvantaged communities in Section 8 housing to seek and capture gainful employment, especially when we do these projects in these communities.

Just panel-wide, give me your impression of what you think could make Section 3 more effective and how we could actually connect the people who live in these communities with meaningful employment opportunities.

I represent Missouri, and we have two different strategies going now between Kansas City and St. Louis, and the whole Section 3

issue. Kansas City seems to do it a little better than St. Louis when it comes to employment opportunity.

So can I start with you, Ms. Couch, and get your impression of how we can improve a program like Section 3, so that it actually provides meaningful employment opportunities to people?

Ms. COUCH. Sure. The Section 3 Program could be a very important way to help residents increase their earned income.

I would say off the cuff that the new HUD could do a better job in clarifying and making very clear to housing agencies what the rules are with Section 3, to make sure that everyone is on the same page with educating resident advisory boards and tenant councils about what they should be expecting as far as Section 3 notices and what the work opportunities are.

You know, the Nation, I think, was very grateful for the stimulus money for public housing that's pushing a lot of new capital funds down to the local level, and that $4 billion in new public housing capital funds I think is a great place to test new mechanisms to make sure that housing agencies are implementing Section 3, and that Section 8, or that public housing tenants and low-income people get some of those jobs.

Mr. CLAY. Thank you for that response.

Mr. Fischer, anything?

Mr. FISCHER. Just on the issue of voucher holders and Section 3, Ms. Velazquez has a bill that would do that, would expand the Section 3 preferences to cover voucher holders. That improves the ability of voucher holders to benefit from jobs under Section 3, so that's sort of something that's going forward and that there could be progress on.

Mr. CLAY. And where do you think the disconnect is as far as having an effective program and having something written on a piece of paper and saying it's law but not really implementing it? Where is the disconnect?

Mr. FISCHER. Well, I think there has to be HUD enforcement, HUD monitoring of it, in order to make sure that people really are getting the jobs that they should be getting.

Mr. CLAY. I see.

Ms. Roman, anything there?

Ms. ROMAN. Well, I'm not an expert on Section 3, but I will say that people's need for training is an issue that comes up a lot around Section 3. Also, there is a tremendous opportunity moving forward with the Administration's goals around energy and green construction, to create a highly trained new workforce. And therefore, there is an opportunity to use Section 3 and train Section 8 and public housing residents in these new skills.

Mr. CLAY. Okay. Thank you.

Ms. Robinson?

Ms. ROBINSON. I agree with Ms. Roman. There does need to be training. But not only for the participants of Section 3, but also for the local public housing authorities.

And then there ought to be some monitoring in effect to make sure that the program is being implemented as established.

Mr. CLAY. Thank you.

And Mr. Houghton.

Mr. HOUGHTON. I would echo the connection Section 3 to development.

The National Housing Trust Fund in addition to the Federal stimulus money, the National Housing Trust Fund will also drive development of housing and there are a lot of opportunities that maybe we can try to focus, that we try to get jobs to people like that.

In New York right now, we are struggling with an issue of prevailing wages and affordable housing. My members build about half their housing with prevailing wage, and we do a very good job with that, and then we also do the other half with non-prevailing wage. It's still very good money. It's better than what our case managers get. But the fact is that it's—and the end result is the same.

But there is talk now, there are two bills in the State that are going to look at making all affordable housing construction prevailing wage.

One of our concerns is that when we go into a community, one of the things we're able to give in return for their approval of our siting our building is that we will hire locally, and in prevailing wage, that's not always possible, because often the unions don't always hire from the minority neighborhoods that we often—

Mr. CLAY. Thank you. And I do understand. And thank you for that response.

And before I close out, Madam Chairwoman, I don't know if Section 3 fits on this legislation, but I'm really interested in it, and hopefully we can shed some light and have a discussion about that as a committee.

Chairwoman WATERS. Thank you very much, Mr. Clay.

I will talk with you and work with you to see what we can do to maybe include some more definitive ways by which we can offer opportunities for work and be of assistance to the housing authorities.

Mr. CLAY. Thank you, Madam Chairwoman. I yield back.

Chairwoman WATERS. You're welcome. Thank you very much.

The Chair notes that some members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record.

This panel is now dismissed, and I would like to welcome our second panel. Thank you very much.

Ladies and gentlemen, I get to introduce our first witness. Mr. Rudy Montiel happens to be the executive director for the Housing Authority of my City, the City of Los Angeles.

Since his appointment as executive director, at the end of 2004, Mr. Montiel's leadership has been instrumental in the financial turnaround of the Housing Authority of the City of Los Angeles.

Under his guidance, the housing authority has turned a $25 million operating loss at the end of 2004 into net operating income in 2005.

Prior to coming to Los Angeles, he successfully led the Housing Authority of the City of El Paso for 3 years.

His strong private sector experience includes engagements with Fortune 500 companies such as General Motors, Delphi, and the IT Group Shaw Companies.

He is a licensed professional engineer in Texas and sits on the boards of the Housing Authority Insurance Group, the Public Housing Authority Directors Association, the Council Of Large Public Housing Authorities, and the Hispanic Engineers National Achievement Awards Corporation.

I thank you for joining us today. Welcome, Mr. Montiel.

Mr. MONTIEL. Good morning.

Chairwoman WATERS. Our second witness will be Mr. Tony Bazzie, executive director of the Raleigh County Housing Authority, which I will turn to my ranking member, Ms. Capito, for an introduction.

Mrs. CAPITO. Thank you. I am very pleased that Mr. Bazzie is joining us here today.

As I mentioned in my opening statement, he has been in this field for 29 years, and I can personally attest that he is a forceful advocate, as I see him and many others in the group that he comes with every year to tell their story and to make improvements and to serve as many people as possible with good quality housing.

So thank you, Tony, for joining us, and I appreciate and look forward to your comments. Thank you.

Chairwoman WATERS. Thank you very much.

Our third witness will be Mr. Curt Hiebert, president of the Public Housing Authorities Directors Association.

Our fourth witness will be Ms. Renee Rooker, president of the National Association of Housing and Redevelopment Officials.

Our fifth witness will be Ms. Sunia Zaterman, executive director, Council of Large Public Housing Authorities.

And our sixth witness will be Ms. Karen Newsome, vice president, WinnResidential, on behalf of the National Affordable Housing Management Association.

Without objection, your written statements will be made a part of the record. You will now be recognized for a 5-minute of your testimony.

Mr. Montiel.

STATEMENT OF RUDOLF C. MONTIEL, P.E., PRESIDENT AND CEO, THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

Mr. MONTIEL. Good morning, Chairwoman Waters, and Ranking Member Capito. My name is Rudolph Montiel, and I come to you from Los Angeles, the Nation's second-largest city and the city with the largest homeless population on any given night in this country.

In 2004, L.A. was near receivership and close to bankruptcy. Today, we are HUD-certified high-performance Section 8. We have over 50,000 units, 100 percent leased up, and this year we'll complete expending all of our net restricted assets. We are running the program the way the program should be run.

Over the last 3 to 4 years, we have experienced significant innovation and development utilizing Section 8 funds.

We have instituted a permanent supportive housing program in Los Angeles that has created over 700 units in close partnership with the City of Los Angeles.

We have a homeless set-aside that today serves almost 9,100 families in Los Angeles, families and individuals.

And most importantly, we are embarking on a redevelopment of Jordan Downs in Watts with one-to-one public housing replacement for a 2,100 mixed-income unit development that will be the start of redevelopment of public housing citywide.

But there is a price to pay for this success. The price is that today we are fully utilized. Today, we cannot serve additional homeless families. Today, we cannot serve additional low-income working families. And, in order to be able to do more, we need additional resources.

We need stable funding. We can no longer, as Secretary Donovan said in one of his presentations, operate under a binge and purge scenario for Section 8 funding. It needs to be predictable. We need to know how many families we can serve year-to-year.

We need to reallocate resources in this country. If there are areas of the country that are not using the resources, and yet there are areas of the country that have desperate need, then we should be able to reallocate those resources nationally. In Los Angeles, when we open our wait list next year, we expect fully 300,000 households to apply for Section 8 assistance.

And we need to provide flexibility when it comes to converting tenant-based vouchers to project-based vouchers, especially in redevelopment of public housing or in development of permanent supportive housing or other affordable units.

I think it is widely accepted now that the project-based voucher represents a hard unit.

We are also in support of MTW, and I prefer the name housing innovations program, HIP, when it comes to redevelopment and creation of new hard units, with a focus on that, and not necessarily a focus on somehow disenfranchising tenant protections. We believe that we should focus on incentives to Moving To Work, and not so much exclusions or requirements.

That is my testimony, and I again applaud your leadership for bringing this very important hearing forth, and this very good piece of legislation. Thank you.

[The prepared statement of Mr. Montiel can be found on page 102 of the appendix.]

Chairwoman WATERS. Thank you very much.

Our next witness is Mr. Curt Hiebert.

STATEMENT OF P. CURTIS HIEBERT, PRESIDENT, THE PUBLIC HOUSING AUTHORITIES DIRECTORS ASSOCIATION

Mr. HIEBERT. Thank you, Chairwoman Waters, Ranking Member Capito, and subcommittee members.

My name is Curt Hiebert and I am president of the Public Housing Authority Directors Association, which, as another acronym, I'll refer to as PHADA in the interest of time, as we go on.

Our Association was founded in 1979 and represents over 1,900 housing authority chief administrative officers. A significant pro-

portion of PHADA members administer small or medium-sized agencies that operate a mixture of assisted housing programs.

Some operate public housing, some the housing choice voucher program, many operate both programs, and a number of members operate assisted, financed with HOME, CDBG, low-income housing tax credits, Department of Agriculture, and other non-Federal support.

We're very grateful that you're investing the committee's resources to address this assisted housing reform initiative. Many provisions contained in the draft bill are attractive to PHADA and its members.

Some may reduce administrative requirements for program sponsors, or program intrusiveness into participants' personal affairs, such as reducing the frequency of housing choice vouchers subsidized unit inspections, reducing the frequency of some household income recertifications, and other things.

However, other provisions may have some significant cost or revenue implications for housing authorities and some may introduce new, more complex administrative requirements, such as new asset eligibility standards may require new inquiries into real estate ownership and its availability to applicants and participants.

Of particular concern to us are provisions that may diminish potential rent revenue in public housing when the Congress faces significant budget challenges, which they shall.

The public housing program lacks cost-reducing mechanisms that are available in various Section 8 Program components.

The bill, however, permanently restores the housing choice voucher funding allocation protocol based on units in use and actual cost.

The bill also establishes an administrative fee that is based on vouchers in use.

Such funding mechanisms are critical to the program's stability, permit sponsors to build HCV utilization, and provide ways for program sponsors to accommodate local market variability.

In the interest of full disclosure, Madam Chairwoman, as you could probably tell from the horns I wear, and I am carrying a pitchfork, the Keene Housing Authority is an MTW agency, and has been since 1999.

While I applaud the intentions of the concerns about MTW, I do have a couple comments about that portion of the bill.

Unlike the previously passed version of SEVRA, the proposed bill does not yet include provisions concerning the housing innovation program, HIP, or other permanent authorization for Moving To Work.

We believe the committee should include HIP or another MTW authorization provision as it considers a revised SEVRA bill.

We urge the committee to include provisions that: make the MTW demonstration permanent; moderately expand the MTW program; assure a robust evaluation process focused on the effects of local flexibility on program participants and applicants; offer reasonable protections for applicants, tenants, and participants; and continue existing MTW agencies' participation.

I agree with the sentiments of the previous panel, in that tenant protections are vital, and the effects on our tenants are vital, as well, and as a matter of fact, I don't think they go far enough.

I think it is wrong to just insist on protecting our tenants. They are not our children, and also, MTW is not just an experiment.

I can speak from personal experience. What we were doing was working with our community, working with our residents, working with the people on our waiting list, to find problems that were exigent in Keene, New Hampshire.

It's wonderful if we develop a program that may work in Detroit or Kansas City or wherever, but the circumstances are entirely different there.

The flexibility to allow dealing with local conditions, demographics, employment circumstances, opportunities for training, education, and everything else is vital for housing authorities. It would be a mistake to make a "one-size-fits-all" program again. I urge the continuation of the MTW Program.

I do know that we have a very transparent process. We go through a long process every year of saying what we're going to be doing the following year.

There are public hearings. There are opportunities for our stakeholders to be part of that entire process.

And at the end of every year, we report back to our community, not only to HUD, but to our community, to our residents, to our participants, to our waiting list. Okay, what happened with last year's program? Did it work? Did it not?

In our case, we have actually increased the utilization of Section 8. We now range between 105 and 110 percent utilization. We house more people than we would under the normal program.

Other MTW programs have used vouchers to support homeless participants' transition to permanent housing in ways that aren't permitted presently; have implemented homeownership initiatives that enhance Section 8 ownership; and encourage landlord participation in increased housing choice.

PHADA has participated in the development of the HIP provision in the previous version of SEVRA passed by the House during the last Congress, and we strongly urge the committee to include a similar section in the version of SEVRA under consideration.

SEVRA is a complex statute with many provisions that will have unanticipated and anticipated outcomes. The bill includes many provisions that PHADA has supported and it includes some provisions that PHADA has opposed.

On balance, we believe that this bill represents a very positive step for the Section 8 Program and for public housing.

However, we are concerned that the bill lacks authorization and modest expansion of the MTW demonstration.

[The prepared statement of Mr. Hiebert can be found on page 86 of the appendix.]

Chairwoman WATERS. Thank you very much.

Mr. HIEBERT. Thank you.

Chairwoman WATERS. Now, Mr. Bazzie.

STATEMENT OF TONY BAZZIE, EXECUTIVE DIRECTOR, RALEIGH COUNTY HOUSING AUTHORITY

Mr. BAZZIE. Thank you, Chairwoman Waters, Ranking Member Capito, and members of the subcommittee.

My name is Tony Bazzie, and I have been the executive director of the Raleigh County Housing Authority in Beckley, West Virginia, for the past 29 years.

My agency assists nearly 1,300 families in a 6-county area of our State. Due to the time constraints in addressing you today, I certainly cannot touch upon a number of the topics included in the draft legislation, so I would encourage you to read the lengthier written testimony that has been submitted to you.

I do thank the members of the subcommittee for all the work that has been done thus far in the draft legislation, as it seeks to bring about changes that will make the housing choice voucher program more inviting to landlords, ease the administrative burden on housing authorities, and better assist low-income families in their quest for decent, safe, and affordable housing.

For the most part, housing authorities in West Virginia are small and medium-sized, but yet all are hopeful for the changes that will ensure the continued viability of the voucher program which assists families in every county in my State.

I and others in West Virginia support many of the proposed changes, including one that will allow HUD-funded rental assistance to begin from the date of the initial inspection, so long as there are no life-threatening HQS violations.

One agency in West Virginia, the Charleston-Kanawha Housing Authority, which is in your district, Ranking Member Capito, has determined that, on average, 18 days elapse between the initial failing inspection and a date that the unit does meet HQS. Removing this obstacle, as this bill would, will provide an incentive for more landlords to participate in the program, in addition to getting families into units much sooner.

Likewise, I support the biennial inspection option as a change that would be cost-efficient for many housing authorities.

In West Virginia, a number of agencies administer the program in multiple counties. My agency administers the voucher program in 6 counties, with more than 3,350 square miles, a geographic area larger than the States of Rhode Island and Delaware combined.

The annual inspection process is a major program expense, ranging from staff salaries to vehicle maintenance to postage for mailing notification of inspection results.

While I do support the goal of trying to keep low-income families from having to relocate as much as possible due to HQS violations, I do not favor the provision in this bill whereby a housing authority can use the abated HAP funds to make or cause to be made repairs to a landlord's unit.

My agency and many others in West Virginia are ill-equipped to administer such a provision, and in my opinion, this would have the negative consequence of keeping landlords from participating in the voucher program, as they would view this as an intrusion into their private property.

The rent reform and simplified reporting provisions in SEVRA are a welcome change that will encourage work on the part of assisted households and relieve housing authority staff of many verification and processing tasks.

For example, in 2008, again, the Charleston-Kanawha Housing Authority conducted approximately 1,200 interim reviews in addition to over 2,400 annual re-exams. Undoubtedly, many of these interim adjustments would be eliminated through the provisions that would no longer require examinations for increases in earned income.

Also, the provision that allows for 3-year recertifications for fixed-income households will provide much relief.

In recent years, the uncertainty of the renewal funding process has made the management and operation of the voucher program a difficult challenge. The goal of any housing authority is to maximize its leasing to the baseline.

Unfortunately, with constant formula changes and delays in the annual budget process, many agencies have been hesitant to issue vouchers.

In closing, Madam Chairwoman, and Ranking Member Capito, let me thank you again for your work.

However, I would caution that a number of the proposed changes in this bill, such as increased deductions for earned income, elderly and disabled, and child care, and applying HAP dollars towards relocation, while they certainly will provide a benefit to the families we serve, they will increase the overall HAP costs and, as I'm sure you know, I know Ms. Capito knows, there already exists a serious situation being encountered by housing authorities in that net restricted assets, which can be used to cover increasing and unfunded HAP costs, are dwindling.

For example, my agency will be losing at least 26 families per month for the next 6 months this year, just due to inadequate funding in HAPs by the Federal Government.

Overall, I'm very confident that the proposed changes to the program will make it more attractive to private property owners and increase the available housing stock.

Reducing the reporting burdens and providing incentives for work will make the program more accommodating to low-income families.

I also trust the provisions related to administrative simplification will produce more customer-oriented agencies throughout the State.

[The prepared statement of Mr. Bazzie can be found on page 50 of the appendix.]

Chairwoman WATERS. Thank you very much.

Ms. Renee Rooker, president, National Association of Housing and Redevelopment Officials.

STATEMENT OF RENEE ROOKER, PRESIDENT, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

Ms. ROOKER. Chairwoman Waters, Ranking Member Capito, and members of the subcommittee, my name is Renee Rooker. I am the executive director of the Walla Walla, Washington, Housing Authority. I'm pleased to be here today in my capacity as president of the National Association of Housing and Redevelopment Offi-

cials, representing the Association's 23,000 agency and individual members.

NAHRO is the Nation's oldest and largest nonprofit organization representing public housing authorities and redevelopment agencies.

This year, we are celebrating our 75th anniversary. NAHRO agency members administer more than 80 percent of the vouchers under the Section 8 housing choice voucher program.

The need to advance voucher reform legislation in this Congress is unquestionable. We applaud you for holding this hearing today to move this process forward.

Madam Chairwoman, there is much about SEVRA, as it has matured to date, that is extremely positive, including a sound distributional funding formula, the ability to retain and use unobligated fund balances, authorization to undertake maximized leasing with funds available, a reallocation provision to provide, among other things, funding to housing authorities with high budget utilization rates and a need for additional voucher assistance to increase leasing rates, and housing quality standard inspection reforms.

My written testimony goes into greater detail on these and other SEVRA reforms that we like and can support.

I would like to highlight this morning our more significant comments on the current discussion draft of the legislation.

First, regarding the inspection of dwelling units, there is much in the draft that we support.

I agree with my colleague, Mr. Bazzie, that it would be a hindrance to the program to have housing authorities do the repairs on owner units, and it would disincentivize landlords from participating in the program.

With regard to income reviews and rent determinations, NAHRO recognizes that efforts to address rent simplicity are difficult. We applaud the effort in the discussion draft to simplify some administrative elements in the rent and income calculation process.

We do have some concerns, and we suggest that the Secretary be given the discretionary authority to address increases in rent for elderly or disabled families and for families with dependent children whose rent has increased due to changes in the allowable exclusions for medical or disability expenses, or child care expenses enacted in this Act. I refer you to my written testimony for further recommendations.

We appreciate that the draft bill demonstrates an understanding that the rent and income provisions in SEVRA may have an unintended and negative impact on housing authorities' rent revenue and public housing program.

In this regard, we suggest that language be included in the bill to compensate housing authorities, through increased operating funds, the same year that they go into effect and thereafter. Improvements to the portability feature of the voucher program through regulation are welcome.

We support the provision on portability that provides tenant mobility, reduces or eliminates interagency billing, and gives the ability for local agencies to address their wait list.

NAHRO has consistently recommended that the Secretary administer funding for portability adjustments, primarily through a central fund.

NAHRO continues to recommend that funding structured to support the administrative functions necessary to help families succeed and to enforce housing quality standards should be stabilized by the Congress, and not left open to change by the executive branch.

Additionally, we suggest modifying the Housing Act to provide affirmatively that the same administrative fees shall be paid with respect to housing authority-owned units assisted by the program, as is paid to non-owned units.

Currently, housing authority-owned and operated units receive 60 percent less in administrative fees than vouchers leased in the private sector.

However, because housing authorities must contract out for inspections of their units and for the rent reasonableness determination, the case can be made that fees for housing authority units exceeds non-owned units.

In closing, we understand the subcommittee is considering the possible inclusion of language regarding the housing innovation program in the version of SEVRA you intend to move forward in this Congress.

NAHRO has long advocated for greater program flexibility that brings innovation and expanded the Moving To Work demonstration, and urges you to include provisions previously contained in H.R. 1851.

This concludes my testimony, and NAHRO looks forward to continuing to work with you and other members for the passage of this important bill, and I would be happy to answer any questions that you or the members have.

[The prepared statement of Ms. Rooker can be found on page 120 of the appendix.]

Chairwoman WATERS. Thank you very much.

The committee will stand in recess. We have about 5 minutes to get to the Floor. We have a series of votes which are going to take us about half-an-hour. I would suggest you stretch your legs. We will be back as quickly as possible.

[recess]

Chairwoman WATERS. The committee will come to order, and we will resume our testimony from our witnesses. My page has been turned, and I think we were—Ms. Zaterman. Okay.

STATEMENT OF SUNIA ZATERMAN, EXECUTIVE DIRECTOR, COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES (CLPHA)

Ms. ZATERMAN. Chairwoman Waters, Ranking Member Capito, and members of the subcommittee, my name is Sunia Zaterman, and I am the executive director of the Council of Large Public Housing Authorities, comprised of nearly 60 of the largest public housing authorities in the country, in virtually every major metropolitan area. These agencies serve over 1 million households under the public housing and Section 8 programs.

We thank the subcommittee for holding this hearing, and the opportunity to present CLPHA's views on the Section 8 Voucher Reform Act.

In some respects, this hearing today has a deja vu quality to it. As you well remember, this committee worked hard on the passage of H.R. 1861, the 2007 version of SEVRA, and CLPHA applauds the subcommittee for once again continuing with efforts to reform and improve this much-needed program.

We are pleased that this bill will stabilize the funding of voucher renewals. With a permanent statutory formula, PHAs will be able to plan for the future, taking steps to increase utilization, reduce costs, eliminate inefficiencies, and improve service delivery.

An adequate and stable reserve is the bedrock of any well-run enterprise. While we would prefer a higher level of allowable reserves, for example, at least 1 month of funding, we appreciate that the bill allows agencies to retain not less than 5 percent of their allocation, allowing the Secretary to determine when a higher amount is needed.

This provision could be especially helpful when renewal funds must be pro-rated and agencies need more reserves to maintain their program.

CLPHA recommends that reserve amounts be based on formula eligibility rather than funding allocations, so that agencies do not have to wait for HUD to determine their pro-ration before knowing the amount of their allowable reserves, or alternatively, the higher of the formula eligibility or funding allocation.

We applaud the commitment to increase the supply of tenant-based subsidies; 150,000 incremental vouchers annually for the next 5 years is sorely needed to move families off waiting lists and into decent, affordable housing.

The provision allowing agencies to lease more vouchers than their specific authorized level is one we have sought for years. We strongly support removing the authorized caps to allow housing authorities to fully utilize their funding allocation.

We are very pleased that the bill increases the cap on project-based vouchers, and al lows PHAs to project base vouchers in their own buildings without going through a competitive process. This provision eliminates a significant, unnecessary administrative burden.

Further, we urge greater flexibility in using project-based vouchers to preserve and replace public housing that would not be subject to this cap.

We appreciate the program simplification measures in SEVRA, particularly those allowing biennial inspections and triennial income recertification.

We commend the committee for taking important first steps in rent reform. However, during the first year of implementation of SEVRA's public housing rent reforms, housing authorities may receive substantially less rental income than anticipated by their operating fund formula allocation. We believe that the Secretary should be directed to provide funding adjustments in such cases.

Once again, we are concerned that the bill authorizes agencies to take on the role of private landlords and make repairs and pay for

utilities in units where the actual landlord is neglecting his or her duties.

Though understandably well-intentioned, these provisions will open PHAs to many legal, administrative, and liability issues. We recommend removing this language from the bill.

Expansion of Moving To Work is a high priority for us. H.R. 1861, renamed MTW the housing innovation program and expanded it to 60 PHAs and another 20 PHAs granting funding fungibility, in what was called HIP Lite. It also included provisions that provided for rigorous program evaluation and strong tenant protections.

While this bill does not yet include the MTW provisions of HIP provisions, we are hopeful that it will included the HIP provisions from H.R. 1851.

Adding HIP from the 2000 SEVRA is a well-reasoned approach, as these provisions represent policies and principles that were already vetted through a full airing of the issues, and they were achieved through the consensus building amendment process at the subcommittee, full committee, and House considered levels.

Under HIP Lite, work requirements and time limits are prohibited and rent reform initiatives are limited. What remains under HIP Lite is the funding fungibility, flexibility, and innovation that PHAs desperately need to undertake redevelopment and expansion activities. We recommend that HIP Lite be expanded.

We urge you also to consider a preservation proposal that would allow the conversion of public housing subsidies to project-based voucher assistance under Section 8.

In addition, we propose linking the award of project-based vouchers for public housing preservation activities with the award of low-income housing tax credits in order to facilitate greater leveraging of resources and public housing.

In closing, we appreciate the subcommittee's dedication to reshaping the voucher program through the initiatives included in SEVRA. We look forward to continuing to work with you and with HUD on refining these proposals for reform and developing additional improvements.

Thank you again for the opportunity to testify.

[The prepared statement of Ms. Zaterman can be found on page 136 of the appendix.]

Chairwoman WATERS. Thank you.

Ms. Newsome.

STATEMENT OF KAREN NEWSOME, VICE PRESIDENT, WINNRESIDENTIAL, ON BEHALF OF THE NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION (NAHMA)

Ms. NEWSOME. Thank you, Chairwoman Waters, and good afternoon, Ranking Member Capito, and members of this distinguished subcommittee.

My name is Karen Newsome. I'm here on behalf of the National Affordable Housing Management Association, NAHMA. I'm also the vice president of administration for WinnResidential.

NAHMA strongly supports the Section 8 Housing Choice Voucher Program, and we look forward to working with this subcommittee

to improve this program, as well as the project-based Section 8 Programs administered by HUD's Office of Housing.

My written statement has been submitted for the record, and I would like to summarize that testimony by focusing on the positive results that can be achieved by creating a more efficient voucher inspection process, authorizing a limited English proficiency technical assistance program at HUD, and expanding the project-based and enhanced voucher programs.

I would also like to express NAHMA's strong support for authorizing a stable voucher renewal funding formula and providing 150,000 new incremental vouchers for each of Fiscal Years 2010 through 2014.

And finally, I would like to thank Chairwoman Waters and the subcommittee for the strong leadership you provided in stabilizing the project-based Section 8 funding.

SEVRA proposes common-sense reforms to the inspection requirements that will help expedite the lease-up process for voucher holders.

NAHMA strongly supports provisions in SEVRA which will permit housing authorities to approve lease-ups in properties which pass inspections under a program with standards at least as stringent as HQS, such as the home or tax credit program, to provide residents with housing sooner and to reduce lost income for owners, to allow minor repairs to be made after the tenant moves into the apartment, and to give public housing agencies the discretion to inspect units occupied by voucher holders every other year, rather than annually, for the term of the HAP contract.

The streamlined inspection process proposed in SEVRA would remove a major obstacle for voucher holders in tight rental markets.

NAHMA strongly supports Section 17 of the SEVRA draft, which allows HUD to better serve persons with limited English proficiency, LEP, by providing technical assistance to recipients of Federal funds. In the last Congress, this language was included in both the House and Senate versions of SEVRA.

HUD's LEP guidance became effective on March 7, 2007. The guidance states that recipients of HUD funding, including affordable rental housing providers, have an obligation to provide translated documents and oral interpretation services to persons who have difficulty communicating and reading in the English language.

Originally, HUD provided no additional funding for affordable housing providers to offset the costs of providing language services, nor did they identify a specific list of documents housing providers would be expected to translate.

In the summer of 2007, a coalition of multi-family housing representatives and civil rights advocates proposed the LEP language which is included in language. Our compromise addresses the cost and vagueness concerns raised by housing providers, and it will provide greater assistance to our residents and applicants with LEP.

NAHMA is especially interested in the provisions which create a task force of industry and civil rights stakeholders to identify vital documents, require HUD to translate the vital documents within 6

months, create a HUD-administered 1–800 hotline to assist with oral interpretation needs, and authorized appropriations.

In Fiscal Year 2008 and Fiscal Year 2009, Congress appropriated funds for HUD to provide LEP technical assistance and document translations. So far, HUD has used this funding to translate the four multi-family model leases and other important documents into 12 languages.

We appreciate HUD's progress, but we strongly believe the authorization language is still necessary.

First, it reaffirms Congress's commitment to provide consistency in the level of service for individuals with LEP, but NAHMA is concerned by HUD's budget request to consolidate the account. We fear eliminating the LEP line item will make it more difficult to secure funding for future translations or to update current translations as the documents change.

Project-based vouchers are an important tool for expanding the supply of affordable housing, particularly when used for the tax credit program. NAHMA welcomes the new project-based preservation vouchers which will protect residents while ensuring that actual units are preserved as affordable.

In July 2004, GAO released a report on the options for protecting tenants in properties with expiring HUD mortgages, noting that mortgages on more than 2,300 subsidized properties will reach maturity through the year 2013.

In many instances, rents in these developments were kept low by subsidizing the mortgage and limiting the rents that could be charged, and on several occasions, NAHMA has called on Congress to provide enhanced vouchers to tenants whose rent would be unaffordable after the HUD mortgage reached maturity when affordability requirements expire. We are pleased that the SEVRA draft authorizes enhanced vouchers for low-income and certain moderate-income tenants who live in properties with expiring mortgages under the Section 221 and 236 Programs.

Thank you for allowing NAHMA to comment on the draft SEVRA bill, and we look forward to working with you to improve what works about the Section 8 Program and to reform the areas that need attention.

Thank you.

[The prepared statement of Ms. Newsome can be found on page 106 of the appendix.]

Chairwoman WATERS. Thank you very much.

I will now recognize myself for 5 minutes to raise a few questions.

How many people feel—well, let me ask how the credit reports work. If you have a tenant, or a would-be tenant applying, and they meet all the criteria except for credit reports, could they be denied Section 8 or rentals in public housing? I mean, how does it work?

Mr. MONTIEL. In Los Angeles, they would not be denied that assistance.

Furthermore, we would go on record, Madam Chairwoman, indicating that we believe that minimum credit scores, especially in a redevelopment right to return situation, don't make sense, in the sense that if people have minimum credit scores, or good credit

scores, they probably would not require our public housing assistance to begin with.

Chairwoman WATERS. Does anyone feel differently about credit scores?

[no response]

Chairwoman WATERS. Okay. Mr. Montiel, you talked about a different way of dealing with Moving To Work, and you talked about incentives.

Can you give us some idea of what you were talking about?

Mr. MONTIEL. Indeed. And we have seen many aspects of that, Chairwoman Waters, in our redevelopment efforts in Jordan Downs.

Incentives could be things such as linking people to jobs, for example, skilled trades jobs, to take advantage of massive redevelopment efforts that will take place, but then, to keep those people engaged with unions, so that they can move up, if you will, the income ladder without necessarily leaving their unit. They can go from a public housing unit, then it is a workforce housing unit, and then it is a market rate unit, then maybe even to homeownership, without ever having moved.

Incentives also become—

Chairwoman WATERS. Would you pay initially, like union initiation fees?

Mr. MONTIEL. Initiation fees, it could be things such as helping a person who wants to become a carpenter but doesn't have the GED and algebra skills, getting them the assistance, so that they are then prepared to enter the job market in the apprenticeship program.

Chairwoman WATERS. And let me just ask, it has been brought up several times that perhaps the role of the housing authorities should not include, I guess hiring a workforce to do repairs when the owners of our Section 8 units are not in compliance, that this somehow creates, what, additional responsibility?

Didn't we say something about limiting the liability or making sure that you would not be held responsible for repairs in some way? Does that not satisfy your concerns? Or is it something else you would like to tell us about that?

Yes, Ms. Rooker?

Ms. ROOKER. Chairwoman Waters, yes, in the bill it does limit the liability issues to the housing authority. I'm not clear that it even goes far enough.

But one is, it's the property that's owned by the landlord, and in the experience in the Walla Walla Housing Authority, landlords are not particularly in favor of other people touching their property and abating those issues, and they want to take ownership. It's their property. They want to maintain it as they see fit.

Maybe we could have more discussion of how we can encourage them to do that in some rental markets that are very tight, how to do that, but it is private ownership that is so important, and it is for them to deal with that, and I think there's other incentives we could look at.

Chairwoman WATERS. Another way of looking at this may be that the owner who is in noncompliance could be asked, what contractors, what handymen, what—who do they use, and then we

could—you could utilize those persons, because they're familiar with the building or the units, etc., and then the owner could be billed by the housing authority for that work, or something like that?

Ms. ROOKER. That may entail more legal aspects, so if the owner didn't pay you, and you were already out that money, then you'd have to go through a whole collection process.

But I think there are opportunities to further discuss this in more detail, that there could become some resolution so that there are more units opening up for families.

Chairwoman WATERS. Despite the fact that we have a housing shortage and we need units, do we have landlords who are constantly in violation, who do not do the repairs, and who may be troubled even in another way, that we attempt to do it, that we could just exclude from the program?

Mr. MONTIEL. I think that's an approach that could possibly work, Chairwoman Waters, and keep in mind that many, certainly all the large urban areas—New York, Chicago, Los Angeles—have very appropriate code enforcement areas, so that's one way of tying it to having landlords meet their obligation for safe, decent, and affordable housing, is many times just meeting the strict code enforcement requirements of the city.

Ms. ROOKER. And also, for example, in some rural areas, if that housing is on the substandard side, landlords can make more money renting to non-voucher holders, because they will allow doubling-up in their units, especially with agricultural workers, and they'll charge a rent per head.

So they don't want to make the repairs. Unless it's a court enforcement issue within that particular community, they can just make more money.

Chairwoman WATERS. Lastly, are any of our housing authorities dealing with the cities about their codes and code enforcement, so as to eliminate your having to even get into all of that?

Mr. HIEBERT. Yes, Madam Chairwoman.

It's an ongoing conversation, in a lot of smaller to medium-sized communities, about formulation of codes and how they affect, and it really is an ongoing discussion, particularly in areas such as our community, which is also a college community, which we have the same problem with landlords can very often make more money by renting to a number of college kids instead of a family.

So we're constantly having conversations, both with groups of landlords and with the city inspection group.

Chairwoman WATERS. All right. Thank you very much.

Ms. Capito?

Mrs. CAPITO. Thank you.

Mr. Bazzie, in your statement, your verbal statement, you mentioned that your PHA is going to be losing 26 families a month. Could you expound on that, why that is, and just, I know you gave a brief explanation, but I would like a fuller explanation for that. And do you think that's a trend nationwide?

Mr. BAZZIE. I know that it is definitely a trend in West Virginia, and I would expect that it's a national problem.

The funding that our housing authority received this year, based on past numbers, has just not been adequate to cover our increasing costs to house a family.

As a result, we're using what's called net restricted assets, or money that had been in reserve for some time, to cover those costs, and in my county, in my county housing authority, our HAP costs are exceeding our funding by about $100,000 a month now.

So we're able to use that net restricted asset to cover those costs. However, come next month, that money is gone, and if we continue to lease at our current leasing rate, by the end of the year, we'll have a large 70-some thousand dollar deficit.

So to not have that deficit, where we have no money in the bank to pay landlords, we're going to have to start decreasing the number of families who are receiving assistance by at least 28 per month, which comes out to about 150-some at the end of the year, just to have enough HUD HAP money to pay landlords.

Mrs. CAPITO. How are you going to pick which 28 are the ones that don't—

Mr. BAZZIE. That's going to be the difficult question towards the end of this year. We do have a certain amount of attrition each month—

Mrs. CAPITO. Right.

Mr. BAZZIE. —maybe 20, 25, sometimes more, sometimes less, so come November or December, I don't know what we're going to do to—are we going to have to decide who on our program must come off? And that's a conference call I have scheduled with HUD Baltimore come next week.

Mrs. CAPITO. What kind of notification do you have to give of the non-renewal? Is it 30 days or 60 days? Thirty?

Mr. BAZZIE. The notification for—

Mrs. CAPITO. Non-renewal of your voucher.

Mr. BAZZIE. You know, because this has never been a problem before, I'm not sure, but I would think that it is probably a 30-day notice, but we would definitely want to give a family as much possible notice as we can.

Mrs. CAPITO. Right.

Mr. BAZZIE. Because the rent from then on is up to them.

Mrs. CAPITO. You also mention in your written testimony some issues concerning the utility allowances in rural areas. Has that been a problem for you?

Mr. BAZZIE. It is somewhat of a problem. The requirement is that each year, housing authorities update their utility allowances so that the family is not paying more than 30 percent of their income towards rent and utilities.

So for every—

Mrs. CAPITO. So utilities are included in that, right?

Mr. BAZZIE. Yes.

Mrs. CAPITO. Okay.

Mr. BAZZIE. So for every dwelling unit that is rented, we'll make an individual determination of an estimated utility cost.

In order to come up with that estimate, we have to contact every utility company within our jurisdiction, and in a 6-county area, that's hundreds, when you include all of the water and sewer public service—

Mrs. CAPITO. Right.

Mr. BAZZIE. —districts, gas.

HUD is already determining estimated utility costs for every fair market area. They have to, in order to come up with this fair market—

Mrs. CAPITO. Right.

Mr. BAZZIE. So my suggestion in the written was that this may be one area that SEVRA will explore, because it's not in there now, is to allow housing authorities to use this HUD data if they so desire.

Now, a smaller community, it may not be a problem. In West Virginia, the average housing authority is covering three counties. So it is very staff-intensive and time-consuming when the information is already there.

Mrs. CAPITO. Okay. I would like to ask whoever wants to answer this question, are any of your housing authorities or the folks that you interact with daily, are you all receiving any money from the stimulus package?

Could you just briefly tell me how much and what you're using it for, just really quick, because I don't have much time.

Mr. MONTIEL. $25 million in Los Angeles for rehab of vacant units and for public safety cameras in public housing developments.

Mr. BAZZIE. In Raleigh County, approximately $100,000, $120,000 we're going to receive, really just to make additional repairs to our public housing units.

Mr. HIEBERT. I'm extremely envious of the $25 million figure. We got $400,000, which is used for roofs and siding that we hadn't been able to do in the last 20 years.

Ms. ROOKER. And in Walla Walla, we're getting $245,000, we'll deal with energy upgrades.

Ms. ZATERMAN. Every one of our members is using their stimulus money, a lot of the money focused on upgrades that have been in their 5-year plans for more than 5 years.

Many housing authorities are using it to fill a credit gap on deals that were stalled or the value of the tax credit dropping, so they can move forward with expanding the supply of affordable housing.

And many of them are very focused on green energy efficiencies and upgrading properties, not just on reducing energy conservation, but looking at the surrounding sites to how they impact climate change.

Ms. NEWSOME. And the $2 billion in project-based Section 8 funding to fund the gap has helped all of the members of NAHMA.

Mrs. CAPITO. Thank you.

Chairwoman WATERS. Thank you.

Mr. Cleaver?

Mr. CLEAVER. Thank you, Madam Chairwoman.

I would like to focus on the rent structure. And this probably is a question that I should have asked the Secretary when he was here on this same subject a couple of weeks ago.

Where do we get the 30 percent of the adjusted income from? I mean, do any of you know?

Ms. ROOKER. The Brooke Amendment.

Mr. CLEAVER. Yes, I know. But I mean, where did it come from? I mean, what is it based on? How was it designed? Was it just a figure that was just pulled out of the air?

Ms. ROOKER. It was negotiated by Congress, and this is where we're at today.

Mr. CLEAVER. Well, you're not suggesting we did that technically and that we actually thought deeply about it?

Ms. ZATERMAN. It began at 25 percent, and it has been raised to 30 percent, so there has been a second look. We have looked at the percentage before, and in terms of the development.

Mr. CLEAVER. Well, do you believe that—do any of you believe that in this legislation, that maybe we ought to look at a flat rate? Do any of you have difficulty with a flat rate?

Mr. HIEBERT. I think that may be something that can be done on a case-by-case basis in different areas, depending on their local community and their residents and their waiting list. I think that ought to be part of the discussion that they have, and that's why we're recommending the housing innovations program.

That's the sort of thing that they can take a look at, rather than making one decision here, allowing that local flexibility to be able to work it in a particular community or region.

Ms. ZATERMAN. And Congressman Cleaver, I would like to add also that if we look at the current MTW agencies, they submit annual plans every year, and report on what they have accomplished each year.

A number of housing authorities are looking at rent reform policies, not just flat rents, but reducing the percentage of the rent to income to 28 or 27 percent, and eliminating deductions.

I think this is a very strong argument for the housing innovations program, where you continue to have tenant protections and a rigorous evaluation, because we need to look at what the impact actually is on residents, both in the incentives for work, the amount of disposable income available for education expenses and transportation, work-related expenses.

So this is really the time we should be looking at what current MTW housing authorities are doing in rent policy, because I think we will find some very interesting results, and contrary to early testimony, they are required to report on their activities and the outcome of their activities.

But we do currently have data that we can look at, and we should expand our experimentation in this area.

Mr. CLEAVER. So all of you would then support the flexibility to modify the rent subsidy?

I mean, you talked about, Ms. Zaterman, the—you know, someone who has to, you know, ride the bus each day and who has to pay for child care, may need a greater level of help, and maybe 30 percent is too high, compared to someone who works around the corner, they walk around the corner, and they can drop their kids off at Grandma's.

Ms. ZATERMAN. I think the other case is for households who are increasing their income, that every additional dollar that they earn goes into an increased rent payment.

The thinking behind flat rents for some housing authorities who are interested in this is, it is an incentive for work, in that your

rent does not go up when your income goes up, and that you can budget and plan in terms of your expenses and not be subject to rent increases every time your income goes up.

Mr. CLEAVER. Well, the previous HUD Secretary—well, not the—Mr. Jackson had supported the flat rate, which caused me to not want to support it, but the—that was not nice—but he pushed that, and I just recently started looking more thoroughly and deeply at it, and if we can achieve what a flat rate would do by making adjustments, then that certainly ought to be something that we would include in the legislation. I'm assuming all of you would agree with that.

Mr. MONTIEL. Yes.

Mr. BAZZIE. Mr. Montiel?

Mr. MONTIEL. Yes.

Mr. BAZZIE. Yes.

Mr. HIEBERT. Yes, I very strongly agree with that. Also, Congressman, in the original legislation of MTW and also contained in the new contracts, is public housing, and our programs have often been referred to as a safety net.

We have to have a safety net within that safety net. Nobody fits the entire mold of any program. So we do take into account somebody who has different circumstances and can't afford whatever innovative program is being tried. So that is contained in every HIP or Moving To Work Program.

Mr. CLEAVER. Ms. Rooker?

Ms. ROOKER. I would agree, and just on the administrative side, it's just very complicated to deal with rent calculations, and, you know, error rates, all the exclusions, and NAHRO has done some modeling and studies as to what those exclusions cost and then where that percentage goes to be able to react to this bill, and hopefully be informative.

Mr. CLEAVER. Ms. Newsome?

Ms. NEWSOME. NAHMA would definitely welcome looking into how rents are calculated. In our written testimony, we also brought up the issue of the fact that many of our residents we pay a check to, to live in our communities.

Mr. CLEAVER. Thank you, Madam Chairwoman. I yield back.

Chairwoman WATERS. Mr. Driehaus?

Mr. DRIEHAUS. Thank you, Madam Chairwoman.

I would like to pursue a little further the issue of rent, but from a different perspective, and that is rent reasonableness. And I'm interested in your perspectives.

We talked a little bit about HIP and MTR and the flexibility that local housing authorities might want or should have with regard to those programs, but I also find, certainly in Cincinnati, we have seen that there are restrictions placed upon local housing authorities when it comes to rent reasonableness studies.

And at times, it has caused a reconcentration of pockets of poverty in neighborhoods, because we see certain neighborhoods where the rents are so high and landlords are not willing to accept vouchers, that they're essentially closed off.

And so where that rental reimbursement is rather significant relative to the market rate, and where the greatest profit margin exists, we see landlords flocking into those neighborhoods, especially

to purchase very affordable single-family homes, and then, you know, an introduction of significant numbers of vouchers into those neighborhoods, thereby reconcentrating pockets of poverty.

You know, the idea initially of the voucher program was to deconcentrate poverty, not to reconcentrate it. And I'm interested in your perspectives in terms of the flexibility given to local housing authorities when it comes to rent reasonableness and whether or not you are limited in your ability to achieve the objective of decentralizing poverty.

Mr. Hiebert, maybe you could offer some perspective?

Mr. HIEBERT. Yes. The original intent was very good, to make sure that program participants weren't overpaying for housing.

Our program in Keene exactly went through that thought process you were just talking about. It makes allowance for somebody to make a choice, if they would like to live closer to their school, where they're working, closer to public transportation. For instance, if they did that, maybe they wouldn't have to have a car, wouldn't have to pay for parking, wouldn't need insurance.

And even the housing industry, in looking at the magic 30 percent figure, and looking at, for instance, if somebody is qualified for a mortgage, goes beyond that, and looks at what other debts do they have, do they have a car payment, do they have insurance, and that sort of thing.

If somebody would like to pay a little bit more to get closer to their school or work of whatever, or a nicer neighborhood, they should be able to have that choice. That's what it's all about.

So yes, I would certainly like to see that added flexibility, which is not actually contained in the Section 8 Program now, but is during, again, in my mantra, in the Moving To Work Program.

Mr. DRIEHAUS. Mr. Montiel?

Mr. MONTIEL. Yes. I think your comments are very well taken, and whether definitely would benefit from the flexibility, as would the clients that we serve.

In Los Angeles, we have our council district of 15 in the city that has 25 percent of our 50,000 vouchers, Councilman Parks.

And whereas, I'm not one to advocate that everyone should live in Brentwood, that would be great, but that's really not what the program is designed for, it's obvious that, as you get into better neighborhoods, you have a double bottom, or triple bottom line, more jobs, better transportation, and better schools.

So anything that we can do to help the families get into situations where they can become more self-sufficient quicker, I think is a good thing, and that flexibility would certainly be welcome.

Mr. DRIEHAUS. Do you feel that there are restrictions right now placed upon you in terms of your ability to adjust reimbursement rates in given neighborhoods?

Mr. MONTIEL. Absolutely. We have a maximum of 100 percent that we can provide of the FMR for any particular neighborhood in Los Angeles, and to go past 110 percent, you have to get HUD approval.

I'll give you an example. Right next door in Santa Monica, they have gotten a HUD waiver because their minimum is 147 percent of the FMR, just because of the markets.

So yes, right now, we have a cap of 110 without approval.

Mr. DRIEHAUS. Ms. Rooker?

Ms. ROOKER. One item that may be of assistance is that HUD bases the fair market rent at 40 percent of the percentile within your market. Some markets have been raised to the 50th. And it used to be at the 50th.

And raising the amount of rental stock available within your fair market rent and your payment standard, whether it goes to 110, opens up what I think you're trying to achieve, is deconcentration, so the more rental units.

But that has a cost to the program, and that's why HUD decreased the fair market percentile to the 40th versus keeping it at the 50th, which provides more rental options within your community, and then you get deconcentration.

Mr. DRIEHAUS. Thank you, Madam Chairwoman. I yield back the balance of my time.

Chairwoman WATERS. The Chair notes that some members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record.

Now, this panel is dismissed, but before we adjourn, the written statements of the following organizations will be made part of the record of this hearing: The National Leased Housing Association; the Poverty and Race Research Action Council; and the California Housing Partnership.

I would like to thank our witnesses for being here today, for their patience while we had to go to vote. We appreciate the work that you are doing.

And this hearing is now adjourned.

[Whereupon, at 1:08 p.m., the hearing was adjourned.]

A P P E N D I X

June 4, 2009

Testimony

of

Tony Bazzie, Executive Director

Raleigh County Housing Authority
Beckley, West Virginia

Regarding the Section Eight Voucher Reform Act (SEVRA)

before

The House Subcommittee on Housing and Community Opportunity

June 4, 2009

Introduction

Chairwoman Waters, Ranking Member Capito and members of the Subcommittee on Housing and Community Development, my name is Tony Bazzie, the Executive Director of the Raleigh County Housing Authority in Beckley, West Virginia. My agency assists nearly 1,300 families in a six-county area in southern and central West Virginia. I also serve in a leadership position with the West Virginia Association of Housing Agencies, a group of 34 public housing authorities that assist approximately 15,000 families in our state through the Housing Choice Voucher Program. I am very pleased to be here today to offer my thoughts, and the collective thoughts of a number of other administrators of the Housing Choice Voucher Program at various West Virginia housing authorities, about the Section Eight Voucher Reform Act (SEVRA) being considered by this subcommittee. For the most part, the housing authorities in my state are small and medium-sized and all are hopeful for reforms and program changes that will ensure the continued viability of the voucher program in their communities.

Needed Change that will Reduce Burdens and Bring Stability

I thank the members of the subcommittee for the work that has been done thus far in the draft legislation as it seeks to bring about changes that will make the Housing Choice Voucher Program more inviting to landlords, ease the administrative burden on housing authority staff, and better assist low-income families in their quest for decent, safe and affordable housing. The emphasis on local discretion in a number of SEVRA provisions provide much needed flexibility for housing authorities across the country that serve families in varied geographic and economic conditions. Other provisions of the bill

seek to provide a consistent subsidy and fee structure will bring stability to a program that has been extremely difficult to manage over the past decade due to the uncertainty of annual funding for housing assistance payments and administrative fees. While not everything in the draft legislation is ideal for every housing authority, the proposed changes will, I believe, make the Housing Choice Voucher Program more effective and efficient in providing decent, safe and sanitary housing to low-income families. I intend to focus most of my comments on those changes that I believe will most affect the day-to-day operation of the program.

Housing Quality Standards Inspections

Presently, housing authority staffs advise Voucher Holders not to move into a rental unit until it passes an initial inspection by a housing authority inspector. Otherwise, the family could be held responsible for paying the rent until the unit meets all Housing Quality Standards (HQS). I and others in West Virginia support the proposed change that would allow HUD-funded rental assistance to begin from the date of the initial inspection as long as there are no life-threatening HQS violations and the rent is deemed to be reasonable. This would prove beneficial to both the assisted family and the landlord in getting them into a unit and starting the rent assistance much sooner. One agency in West Virginia -- the Charleston-Kanawha Housing Authority, which is in your district, Ranking Member Capito -- determined that on average, 18 days elapsed between the initial failing inspection and the date the unit met HQS. I believe removing this obstacle -- delaying a housing authority's ability to start paying rent due to minor inspection violations -- would provide an incentive for more landlords to participate in the program, besides getting a family into needed safe and adequate shelter much sooner.

Likewise, while it may not be the most practical in all areas, I support the biennial inspection option as a change that would be cost-efficient for many housing authorities. In West Virginia, a number of housing authorities administer the voucher program in multiple counties. The average agency serves three counties with a total area of 1,200 square miles. My agency administers the HCV Program in six counties with more than 3,350 square miles to cover -- a geographic area larger than the states of Rhode Island and Delaware combined. The annual inspection process is a major program expense from staff salaries to vehicle maintenance to postage for mailing notifications and inspection results. However, a large part of the housing stock in my jurisdiction, and throughout the state, is between fifty and seventy years old. In many rural areas such as those served by my agency, houses and manufactured homes are not subject to municipal building codes, thus HQS is the only standard enforced. I think the discretion the legislation provides is critical in this area because, in my opinion, most agencies in West Virginia will continue to inspect their units annually. In some regions, where Low-Income Tax Credit or other multi-family properties are inspected by other government agencies, housing authorities may be able to reduce the number of inspections they perform annually. However, due to the age of the housing stock, many areas will require more regular attention than once every two years. It is good, however, to have the option as provided in the draft legislation.

As a result of an older housing stock and the marginal quality of some units, failed inspections are a common problem. That, in turn, places greater demands on families to relocate and is an administrative burden on housing agency staff. I support the use of abated funds to be used to cover relocation expenses for families who must

move after the abatement period. While these funds may not cover all the costs associated with moving, it will certainly provide relief for many families. I would point out, however, that as currently written, the language in the bill does appear to limit the amount of assistance to two months of HAP, and I believe that should be better defined. Additionally, this would create a new administrative task on housing authorities, so perhaps this subcommittee will consider adding a provision that would include an add-on fee to pay for the administrative expenses associated with relocation assistance.

While I support the goal of trying to keep low-income families from having to relocate as much as possible due to HQS violations, I am unable to support the provision whereby a housing authority would use abated funds to make repairs or hire contractors to correct violations. Most agencies are ill-equipped to administer such a program and, in my opinion, could have the negative consequence of driving landlords from participating in the HCV Program as they would see this as an intrusion into their private property -- the "long arm of the government," so to speak, making decisions affecting the property without even requiring owner approval.

Simplified Income and Rent Determinations

The rent reform and simplified reporting provisions in SEVRA are a welcome change that should encourage work on the part of assisted households, reduce burdensome reporting requirements placed on families and relieve housing authority staff of many verification and processing tasks. For example, in 2008, one agency in West Virginia -- again, Charleston-Kanawha Housing Authority -- reported conducting 1,200 interim reviews in addition to over 2,400 annual re-examinations. Undoubtedly, many of

these interim adjustments would be eliminated through the provision that would no longer require requiring interim examinations for increases in earned income. Also, the provision that allows for three-year recertifications for fixed-income households, with the application of an annual adjustment factor to their income, will provide relief to those participants who struggle to attend meetings due to physical limitation or simply do not have reliable transportation in areas where there is no public transit system. However, please know that in terms of potential administrative relief under this provision, housing agencies will still be required to perform annual income and rent calculations.

I support other simplification provisions included in the bill, such as the elimination of the requirement to verify and maintain records of excluded income and the use of prior year's earned income to determine future income, but with a stipulation that adjustments may be made to accurately reflect current income. In addition, permitting the use of other government agency income determinations will assist in relieving some administrative burden.

In addition to reducing the reporting and processing responsibility on low-income households and PHA staff, the rent reform changes in SEVRA have the potential of promoting work among assisted families without them feeling the immediate burden of having to pay higher rent. The elimination of the interim reporting requirement for earned income, along with the exclusion of the first ten percent of earned income up to $9,000, should provide greater incentive for some working households. Those households with children also get the benefit of an increase in the dependent allowance, though I would recommend reducing the proposed threshold for un-reimbursed child care

expenses from 10% of gross income to 5%. This still represents an increase over the current 3% threshold of gross income.

Stable Funding and Fee Structure

In recent years, the uncertainty of the renewal funding process has made the management and operation of the voucher program a difficult challenge. The goal of any housing authority is to maximize its leasing up to its baseline total in order to assist as many families as possible and to earn all allowable administrative fees. Unfortunately, with constant formula changes and delays in the annual budget process, many agencies have been hesitant to issue vouchers to either keep from over committing their dollars or from leasing beyond their baseline.

The provision in SEVRA that bases funding on the actual leasing and voucher costs for the prior calendar year and the five-year authorization for renewing leased vouchers may provide the needed stability to properly manage the program. The authorization for annual leasing up to 103% of baseline is a welcome change and the retention of 5% of annual funding in Net Restricted Assets will make this possible. However, annual funding should not be offset by the amount in the Net Restricted Asset account.

Conclusion

In closing, Madame Chairwoman, let me thank the Committee again for their work to improve the Housing Choice Voucher Program through SEVRA. I believe the changes proposed in this legislation will assure the voucher program remains one of the

most effective and efficient means of providing housing for millions of low-income Americans.

However, I would caution that a number of the proposed changes -- disregard of increases in earned income; the earned income disregard; increases in deductions for elderly and disabled families; an increase in dependent deductions; increases in child care and health care deductions; applying HAP dollars towards relocation costs, and the like -- while good on paper and certainly a benefit to the families served -- will have a consequence of increasing overall HAP costs. As I'm sure all of you are aware, there is a serious situation currently facing a large number of housing authorities in that Net Restricted Assets, which can be used to cover increasing HAP costs, are dwindling and will disappear altogether prior to the end of this calendar year. As a result, my agency and hundreds of others will have no choice but to reduce the number of families it serves because our HAP expenses exceed the amount of HAP dollars provided monthly by HUD. For example, I've estimated that beginning next month, we will need to reduce the number of families receiving assistance by 26 per month for every month for the next six months just to have enough HAP money to cover payments on behalf of low-income families to participating landlords. This, in effect, reduces our baseline of 1,300 vouchers by 156 families this year alone. The fact that the voucher renewal funding formula then requires HUD to use the new leasing numbers to determine how much we'll receive in HAP funding the following year results in a continually downward spiraling of families that can be served.

Overall, I am confident that many of the proposed changes to the program, including changes in the inspection process to permit timelier leasing and issuance of

initial payments, will make the program more attractive to private property owners and increase the available housing stock. I believe reducing reporting burdens and providing incentives for work will make the program more accommodating to low-income families who may otherwise become frustrated with over complicated requirements. I also trust the provisions related to administrative simplification will produce more efficient, customer-oriented agencies that have greater discretion to manage the program in consideration of local needs. And, finally, the implementation of a stable, consistent HAP funding and fee structure will enable housing authorities across the country to make timely decisions on how to serve the most people in their communities. One provision I especially like, as it relates to administrative fees, is that the legislation authorizes the Secretary to include in the administrative fee an amount for the cost of issuing a new voucher. A considerable amount of time and costs are associated with issuing a voucher, however, unless the family is successful in actually utilizing the voucher, the housing authority receives no fees. I believe an appropriate apportionment to pay housing authorities for issuance of a voucher would be a substantial percentage of the fee to help pay for eligibility determinations and briefings, etc., and the remaining percentage at lease-up.

Unaddressed Matters

One area not touched on in the draft SEVRA legislation is in regards to utility allowances. Currently, each housing authority must devise a utility schedule for their jurisdiction. The data is many times imprecise and changes constantly. For an agency with a large geographic area, such as the agency I head, the task is arduous. There are

more than 100 different utility companies, when you consider all the small public service districts that must be contacted for rates and consumption. I would suggest that since HUD's Office of Policy Development and Research calculates and includes utilities within the annual Fair Mark Rents, SEVRA should include a provision to have HUD share these utility costs and allow housing authorities, if they so desire, to utilize these estimated utility costs as standard allowances.

Thank you for the opportunity to come before you and express my opinions of the legislation and offer my support for reforming the voucher program.

Testimony of Linda M. Couch
Deputy Director of the National Low Income Housing Coalition
presented to the
Housing and Community Opportunity Subcommittee
Financial Services Committee
United States House of Representatives
June 4, 2009

Chairwoman Waters, Ranking Member Capito, and Members of the Subcommittee, thank you for the opportunity to testify today on draft legislation to stabilize and expand the Section 8 Housing Choice Voucher program.

I am Linda Couch, Deputy Director of the National Low Income Housing Coalition (NLIHC). NLIHC is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes. Our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. The National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. NLIHC is entirely funded with private donations.

On behalf of NLIHC, I would like to thank you for the Subcommittee's tireless work to address the housing needs of the lowest income people. The draft bill Section 8 bill under discussion today is testament to the Subcommittee's commitment to the nation's housing programs.

The voucher program's goals, as stated in the 1974 Housing and Community Development Act, are "aiding lower-income families in obtaining a decent place to live and ... promoting economically mixed housing." Over the years, the voucher program has worked to improve the ability of low income people to afford rental housing in the private market, improve the quality of housing that people rent, expand housing and locational choice for low income people, and increase the ability of low income people to achieve economic self-sufficiency, among other goals.

Housing Need in the United States

Currently in the United States, 9 million extremely low income (ELI) renters, households with incomes below 30% of area median, compete for only 6.2 million homes they can afford to rent (affordability is defined as paying no more than 30% of their income for their homes). The absolute shortage of 2.8 million affordable rental units for extremely

low income renter households does not tell the whole story because households with higher incomes frequently reside in units affordable to extremely low income households. As a result, roughly 5.5 million ELI households lived in units affordable only to households with higher incomes in 2007.[1]

With a surplus of affordable and available units for households with incomes above 50% of area median, future efforts to expand affordable housing – either through the production of physical units or by providing income supplements to bring higher-cost units within reach – should target renters with the lowest incomes. The voucher program, which targets 75% of its assistance to extremely poor households, addresses the nation's most significant housing affordability challenges.

In the Chair's district in Los Angeles, 66% of extremely low income renter households, those with annual incomes below about $18,000, pay more than half of their incomes for housing. In the 2nd District of West Virginia, 44% of extremely low income renter households pay more than half of their incomes toward rent and this lowest income group accounts for 81% of all the renter households that do so. Indeed, more than 70% of extremely low income renter households nationally pay more than half of their incomes for rent. How much more?[2] NLIHC analysis of the latest American Community Survey data finds that half of the 9 million extremely low income renter households in the United States spent a stunning 80% or more of their income on housing in 2007.[3]

Starting in earnest in April 2004, the previous administration sought to weaken the Housing Choice Voucher program, when HUD changed the formula for distributing voucher renewal funds to voucher administrators. Even though Congress fully funded the voucher program for FY04, the administration found a way to distribute the funds in such a way that many public housing agencies and other voucher administrators were left without sufficient funding to either maintain voucher payment standards at their current levels or reissue used vouchers to the next households on their waiting lists. By 2007, the nation's voucher program had shrunk by 150,000 households at the same time housing needs were increasing dramatically.

In direct response to the actions of the Administration to undermine the voucher program, NLIHC convened a summit on the voucher program in February 2005. The summit was attended by sixty-six voucher stakeholders, including voucher holders and representatives from advocacy groups, public housing agencies and their trade groups, affordable housing developers, housing finance agencies, HUD, the Office of Management and Budget, financial institutions and congressional policy and appropriations staff from both houses and both sides of the aisle. The objective of the summit was to develop policy recommendations that would restore confidence in the

[1] NLIHC tabulations of 2007 American Community Survey Public Use Microdata Sample (PUMS) housing file.
[2] NLIHC tabulations of 2007 American Community Survey PUMS.
[3] Forthcoming, NLIHC tabulations of 2007 American Community Survey.

voucher program and increase its ability to serve the people who need vouchers the most in the most effective and efficient manner.

NLIHC is extremely pleased that the draft bill includes many of the recommendations made by the participants in our 2005 voucher summit, including provisions in the bill on income targeting, funding, inspections, portability, rent simplification, project-basing vouchers and enhanced vouchers.

Increasing the Supply of Affordable Housing

NLIHC applauds the draft bill's authorization of 150,000 new vouchers. At least this many are needed. Vouchers can prevent homelessness and allow severely cost burdened families to rebalance their lives with affordable housing. NLIHC hopes that the voucher program can be doubled in size, to serve 4 million families, over the next ten years and that the number of authorized vouchers in the bill can be increased as the legislation moves forward. Producing new homes affordable to the lowest income people, preserving the existing federally subsidized housing stock and providing new vouchers will, together, address our nation's severe housing affordability challenges in ways that best fit individual communities' needs.

NLIHC strongly supports the draft bill's Section 8 voucher funding formula. The revised formula would provide for the reliable renewal of vouchers currently in use as well as for any new, incremental vouchers. NLIHC believes the bill's provisions that allow public housing agencies to serve more than their authorized number of families and that direct HUD to allocate some unused funds to other agencies will encourage increased voucher utilization rates.

Another area where the draft bill seeks to expand the nation's affordable housing options for the lowest income households is its positive changes to the project-basing of vouchers. The bill would allow a public housing agency to project-base more of its vouchers. And, if the unit is funded by the new Housing Trust Fund or the Capital Magnet Fund, as NLIHC hopes many will be, the level of the voucher's subsidy could be decreased if both the housing agency and the owner agree to the decrease. This would allow public housing agencies to gain a higher yield of vouchers out of their budget authority and serve more families in units developed with other federal dollars.

NLIHC encourages the Subcommittee to consider expanding its support for the project-basing of vouchers and consider proposals that would allow public housing agencies to convert public housing units to project-based vouchers. Such conversion would provide some housing agencies with a mechanism to preserve their public housing units, as they would have access to private capital to rehabilitate or replace public housing units, while resident rights and protections would be maintained. NLIHC supports broadening the continuum of resources to protect residents and preserve affordable units. We also support, to the maximum extent possible, the preservation of public housing as "public," in order to maintain the units for the longest term possible and to encourage

mission-driven ownership and management of these units. NLIHC looks forward to working with the Subcommittee on ways to preserve the nation's historic and significant investment in public housing.

Improving Administration of the Voucher Program

NLIHC congratulates the Subcommittee on developing a bill that simultaneously achieves several important rent-setting policy goals: assuring tenants will have affordable rents, simplifying public housing agencies' administrative burdens and encouraging increased earned income, among others.

Affordable rent is one of the voucher program's most basic benefits. Without affordable rents for each household, vouchers would quickly lose their ability to correct the significant and severe housing cost burdens faced by the nation's lowest income households lucky enough to access them. For residents and administrators alike, the current rent-setting system is cumbersome and complicated. The bill provides much needed simplicity to the system while maintaining the critical link between an individual household's income level and the rent that is paid by that household.

NLIHC applauds the bill's provisions that encourage increased earned income. These include using the prior year's income at annual income certifications, applying earned income deductions for all households by deducting 10% of the first $9,000 of earnings for employed individuals, and prohibiting interim rent increases due to increased income.

NLIHC does not support the ability provided in the draft bill that allows public housing agencies to establish alternative rent structures for public housing residents, even though the draft bill includes a provision requiring the new rent structure to not result in rents higher than a household would pay under the normal structure. It is our firm belief that any compromise that allows housing agencies to move away from the Brooke Amendment is a hollow compromise and that the innumerable benefits the Brooke amendment has brought to low income people with housing assistance should continue to be guarded with great fervor.

The alternative rent provision seems also to be counter to the bill's efforts for simplicity. Any public housing agency that establishes an alternative rent structure must still make sure the new structure results in rents no higher than a family's rent under regular rules. This sounds like double work for agencies that are asking for less paperwork.

NLIHC believes that the provision paves the way for housing agencies to return to Congress after enactment and plead for simplicity and to ask for the ability to establish alternative rent structures without the double-work of comparing the alternative rent to the normal one. The ability of HUD's housing programs to provide affordable housing, defined by the federal government as households paying no more than 30% of their incomes for housing, is critical if the programs are to remain meaningful.

If the alternative rent provision remains in the bill as it moves forward, NLIHC recommends that all public housing agencies should be required to minimally submit alternative rent structure plans to HUD for review as part of an annual Public Housing Agency Plan. In 2008, Congress enacted reforms that exempt 75% of the nation's public housing agencies from submitting annual Public Housing Agency Plans to HUD, plans that include housing agencies' rent determination policies. These 75% of public housing agencies now exempt from submitting annual plans administer 21% of the nation's public housing units. [4]

The local flexibilities authorized by the alternative rent structure seem to be the exact reason Congress established Public Housing Agency Plans in the 1998 Quality Housing and Work Responsibility Act. NLIHC maintains that HUD should collect data on all alternative rent structure plans from information provided in the Public Housing Agency Plans, including how the plans are impacting resident rents as well as rental income to the housing agency. HUD should then be required to make these data public, evaluate the alternative rent structures and make recommendations to Congress as to the viability of continuing any ability for agencies to set alternative rent structures.

In addition, to protect families on waiting lists and those served by agencies that do not adopt the alternative rent policies from being harmed by this policy change, it is important to include two additional provisions in the amendment. First, a proviso that public housing agencies adopting alternative rent policies are not eligible to receive additional public housing operating subsidies due to a reduction in rent revenues or increased subsidy costs that results from such rent policy changes (so that these policy changes do not result in a drain on scarce federal resources). Second, a requirement that PHAs may not reduce the number of people served in order to offset the cost of alternative rent policies.

Improving the Ability to Participate and Remain In the Voucher Program

In addition to increasing affordability, increasing mobility is one of the program's main goals. NLIHC commends the several provisions of the draft bill that expand the ability of voucher holders to live in neighborhoods of their choosing. The bill would also provide protections for tenants in other federally-assisted housing programs, improve the inspection process for voucher units and encourage expansion of the Family Self-Sufficiency program.

The draft bill would improve Fair Market Rents by requiring HUD to set FMRs for smaller geographic areas. The bill's changes to how FMRs are set will allow vouchers to be used in a wider range of communities, including in more low-poverty communities. The draft bill would also direct HUD to develop new portability regulations that minimize billing and administrative barriers to portability, provide public housing agencies and HUD with

[4] NLIHC tabulations of HUD data.

tools to address excessive rent burdens as well as concentrations of vouchers in higher poverty areas by adjusting payment standards, and allow for increased payment standards as a reasonable accommodation for persons with disabilities. All of these provisions will improve people's access to their neighborhoods of choice.

NLIHC also supports the bill's provision to direct the Government Accountability Office to analyze the use of vouchers in housing funded by the HOME and low income housing tax credit programs. The report would determine whether any provisions of the voucher program or other federally subsidized housing programs, or policies and practices of housing owners or public housing agencies may have the effect of making occupancy by voucher holders in federally subsidized housing projects more difficult to obtain than occupancy by non-voucher holders. Each federal housing program should be doing all that it can to better address the housing affordability needs of extremely low income households, the population targeted in the voucher program.

The bill also provides protections for tenants in privately-owned, federally assisted housing, who face displacement and unaffordable housing when the owners of their homes leave the federal subsidy program. The bill ensures that families eligible for enhanced vouchers are not required to be rescreened under the public housing agency's selection criteria. Also related to the screening of voucher applicants is the bill's provision limiting an agency's screening criteria to those that directly relate to the applicant's ability to fulfill the obligations of their lease. Housing agencies would also have to consider mitigating circumstances. NLIHC supports these provisions because they would allow people better access to the many benefits of the voucher program.

The bill would clarify that private owners of federally-subsidized housing that has transitioned out of the subsidy program are obligated to accept enhanced vouchers and that they can evict tenants only for good cause. The bill would also guarantee that all impacted tenants receive vouchers by clarifying that public housing agencies cannot rescreen these tenants under their selection criteria. It would also protect "empty nesters" and large families facing displacement due to family/unit size mismatches by allowing such families to stay in their homes with enhanced vouchers until an appropriately sized unit become available at the property. These provisions would protect tenants facing conversion of their properties to market-rate housing.

Another of the bill's important provisions is to provide tenant protection vouchers for every federally-assisted housing unit that is lost through demolition or conversion to market-rate housing. Such replacement vouchers will ensure that communities will not suffer an overall reduction in affordable housing resources when properties leave the federally subsidized inventory.

NLIHC also believes the draft bill's inspection provisions will expand housing options for voucher holders while giving public housing agencies new flexibilities regarding when units are inspected and what actions can be taken after inspections.

NLIHC also supports the bill's Family Self-Sufficiency program provisions, which would make funding for FSS coordinators a part of the voucher funding formula rather than through the current practice of an annual competition and require an outcome-based evaluation of the FSS program. We hope that these provisions will result in an expanded FSS program.

Moving to Work

NLIHC understands that the Subcommittee is considering including provisions to extend or expand HUD's Moving to Work (MTW) demonstration program in the bill as it moves forward. NLIHC is very concerned about any extension of current MTW demonstration agreements or any expansion of the MTW program and we urge the Subcommittee not to include MTW extensions and expansion in the bill.

There is no doubt that public housing agencies are underfunded. NLIHC advocates each year to support the highest possible funding for public housing's operating and capital funds. We do not believe the correct counter balance to insufficient funds is flexibility, however. The draft SEVRA bill provides significant efficiencies for the voucher and public housing programs without compromising on which income groups are served or how deep their subsidies are. For that, the Subcommittee should be congratulated. We urge you to approach deliberations on extending and expanding MTW with extreme caution. We are certain that some agencies have used MTW flexibilities to provide more housing to more people in more communities. We are equally certain that some agencies have done quite the opposite. Federal housing policy should not gamble on most agencies doing the right thing. It is the responsibility of federal housing policy to ensure, to the greatest extent practical, that federal housing programs will do the right thing. Without such assurances, NLIHC worries that future funding for vouchers and public housing will be jeopardized.

MTW is a demonstration program, begun in 1996, that has never been evaluated, nor can it be evaluated. The HUD Inspector General found, in 2005, that HUD did not design the MTW program to collect any data. Instead, HUD relied on its existing systems to collect data. But, the report says, "the existing system could not accept tenant information and was not adapted in time to support the interim evaluation and, as a result, HUD was not able to collect tenant information needed to measure interim program impact on costs, family self-sufficiency, and housing choices as planned."[5]

The report further found that, "HUD's evaluation could not cite (1) statistics showing MTW demonstration activities could be considered models for reducing costs and achieving greater cost-effectiveness, promoting resident employment and self-sufficiency, and increasing choice for low income households, and (2) comparative

[5] *Design and Implementation of Public Housing / Section 8 MTW Demonstration Program* http://www.hud.gov/offices/oig/reports/internal/ig500001.pdf).

analyses intended to show the impact of program activities and importance of individual policy changes...We recommend the Office of Public Housing Investments develop a means to collect performance information needed to evaluate Public Housing/Section 8 Moving to Work Demonstration housing authority accomplishments and determine whether any replicable models exist."[6] Given the lack of proof that the program is accomplishing any of its goals, expansion of the program seems ill-considered.

Several other HUD Inspector General reports have also been extremely critical of MTW implementation by specific public housing agencies:

- The Housing Authority of the City of Baltimore was found to have received MTW status even though it applied 31 months after the deadline with an incomplete application that lacked the required public comment period and public hearing. Further, in granting the application, HUD disregarded Baltimore's status as a troubled agency from 2001 to 2003 and, under the Section 8 Management Assessment Program (SEMAP), in 2004. [7]
- The Housing Authority of the City of Pittsburgh was found to have stockpiled more than $81.4 million of HUD funding during the first four years of its MTW status, all completely legally under MTW rules. Meanwhile, the Pittsburgh housing agency did nothing to modernize its 6700 public housing units and it failed to serve 3,000 families waiting for vouchers. According to the HUD Inspector General, "The relaxation of requirements under Moving to Work allowed the Authority to plan and execute a minimal modernization plan without penalty." Pittsburg Real Estate Assessment Center (REAC) scores were extremely low: in 2003, 16 of 44 developments (36%) had physical inspection scores below 70 (out of 100).[8]
- In Philadelphia, the housing authority's participation in MTW was criticized because HUD accepted this agency into the MTW program without carefully evaluating the agency's past poor performance in utilizing housing vouchers. *A previous HUD Inspector General report on the Philadelp*hia Housing Authority found very low voucher utilization rates there: in 1999 the agency had a 87.2% utilization rate and it declined from there with a 84.6% rate in 2000; a 77.8% rate in 2001 and a 76.8% rate in 2002. The PHA submitted its application for MTW in 2000 and it was approved in 2002. Despite PHA's poor performance, no restrictions were placed on it in the MTW agreement.[9]

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[6] ibid

[7] *The U.S. Department of Housing and Urban Development Improperly Admitted the Housing Authority of Baltimore City, Baltimore, MD, into the Moving to Work Demonstration Program,* www.hud.gov/offices/oig/reports/internal/ig630002.pdf. The agency's public housing score was below 80, and thus "troubled," when it requested entry into the MTW program.

[8] (*Housing Authority of the City of Pittsburgh, PA, Did Not Effectively Implement Its Moving to Work Demonstration Program* http://www.hud.gov/offices/oig/reports/files/ig531008.pdf

[9] (*HUD's Oversight of the Philadelphia Housing Authority's MTW Program* http://www.hud.gov/offices/oig/reports/internal/ig430003.pdf)

In a June 2004 report on the MTW program prepared for HUD, the Urban Institute concludes that three key aspects of the design and implementation of MTW to date limit its ability to inform public housing policy going forward. One, the MTW framework put limitations on what could be deregulated and for how long. Two, MTW was not designed as a rigorous research demonstration. Three, due to HUD's systems, critical data on the characteristics of public housing residents and Section 8 households have not been collected in a consistent and uniform fashion from the demonstration sites [10] This leaves much of what we know about MTW's impacts to anecdotes and piecemeal information gathering.

The Urban Institute report authors found that there is no way to determine with certainty whether individual programs have achieved the goal of work and self-sufficiency. And, while some housing agencies have expanded housing options for low income people, others restricted it. There has been no mechanism in MTW's history to move forward with what has worked within MTW to improve affordable housing options for the lowest income households and improve the physical and financial health of the housing agency and, critically, leave behind what in MTW agreements has harmed residents and housing agencies.[11]

NLIHC's concerns are focused on the ability of the voucher and pubic housing programs to continue to address the housing needs of their targeted populations in ways that are affordable to each household and that continue to provide residents choice. NLIHC does not believe that work requirements, self-sufficiency contracts and time limits should be allowed in federal housing safety net programs. Rent policies that increase rents beyond a household's affordability level are tantamount to time limits.

MTW should not be expanded to include other housing agencies and current MTW agreements should not be extended unless the following conditions are met:

- There must be full enforceability of residents' rights as provided by the U.S. Housing Act and HUD regulations.
- There must be no waiver of full portability rights for all households.
- There must be no waiver of any fair housing related requirements.
- There must be in place at the onset new, common data compilation and evaluation mechanisms, so that each program is subjected to the type of evaluation promised.
- Additional protections are provided for current and potential residents, including protections from unaffordable rents. Any determination of high rent burdens for MTW households would have to be followed by changes in rent policies to keep rents affordable for each household.

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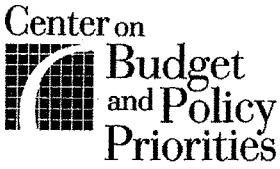
[10] Abravanel, M., Smith, R., Turner, M., Cove, E., Harris, L., & Manjarrez, C.. 2004. *Housing Agency Responses to Federal Deregulation; An Assessment of HUD's "Moving to Work" Demonstration.* Washington, D.C.. The Urban Institute.

[11] ibid

- No residents should be subjected to self-sufficiency provisions tied to leases and work or other threshold screening requirements tied to housing eligibility.
- Current income targeting should be maintained with no exceptions.
- Residents must also have a seat on each PHA board, be able to establish a resident advisory board and retain grievance and termination procedures.
- The PHA must continue to assist substantially the same number of families under the program as assisted in the year prior to MTW selection and continue to assist a comparable mix of families by family size.
- Those MTW PHAs that have been the subjects of HUD Inspector General MTW audits must prove their compliance with the program rules before their MTW status can be extended.
- If it is determined during the process of evaluation that a MTW PHA is imposing policies that are harmful to low income tenants or are otherwise found to be mismanaging its portfolios, its MTW status should be terminated. The MTW program must have room to be recalibrated regularly to address its impacts on residents and the future health of the housing agency.

Thank you for considering our views on these issues. We look forward to working with you to improve and expand HUD's affordable housing programs.



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June 4, 2009

Testimony of Will Fischer
Senior Policy Analyst, Center on Budget and Policy Priorities
House Financial Services Subcommittee on
Housing and Community Opportunity

Thank you for the opportunity to testify. I am Will Fischer, a Senior Policy Analyst at the Center on Budget and Policy Priorities. The Center is an independent, nonprofit policy institute that conducts research and analysis on a range of federal and state policy issues affecting low- and moderate- income families. The Center's housing work focuses on improving the effectiveness of federal low-income housing programs, and particularly the Section 8 housing voucher program.

The Section 8 Voucher Reform Act (SEVRA) would take a series of important, timely steps to strengthen the voucher program, the nation's most widely-used low-income housing program. The bill would enable state and local housing agencies to use available funds to make housing affordable to more needy families, a crucial measure at a time when poverty and homelessness are rising. In addition, it would sharply reduce administrative burdens for housing agencies and private owners, strengthen work supports, and provide more flexible and effective assistance to low-income families.

The voucher program makes housing affordable to about two million low-income families, usually by helping them rent modest housing of their choice in the private market. Vouchers have been found to be highly effective in reducing homelessness and housing instability (both of which have been linked to a range of developmental problems among children) and to help families move to lower poverty neighborhoods with better schools and less exposure to crime.

SEVRA would build on this record of success by updating and strengthening certain aspects of the voucher program (and in some cases the separate public housing and project-based Section 8 programs) while retaining features that have proven effective. The current SEVRA discussion draft is largely similar to H.R. 1851, a version of SEVRA that the House passed by a bipartisan vote of 333-83 in July 2007, but makes several modest improvements to that bill. Some of the most important SEVRA provisions would:

- **Establish a stable, fair voucher funding system** that would allocate resources more efficiently and encourage housing agencies to serve as many families as they can with the funds they receive.

- **Simplify rules for setting tenant rent payments,** while continuing to cap rents at 30 percent of the tenant's income.

- **Streamline housing quality inspections** to encourage private owners to participate in the program.

- **Protect tenants of owners who face financial difficulties** by giving housing agencies new tools to ensure that buildings are kept in livable condition.

- **Help develop and preserve affordable housing** by facilitating use of "project-based" vouchers (which, unlike more widely used "tenant-based" vouchers, can be tied to a particular development).

- **Expand housing choice** by linking the "Fair Market Rent" that limits the value of a voucher more closely to local market rents, and making it easier for a family with a voucher to move beyond the local housing agency's jurisdiction.

- **Strengthen the Family Self-Sufficiency program** so that it will provide employment counseling and financial incentives to a greater number of families, establish a new earnings disregard, and take other measures to support work.[1]

The committee could further strengthen SEVRA by expanding it to allow **conversion of some public housing developments to project-based vouchers.** This would enable housing agencies to make use of the strengths of the voucher program to reduce the concentration of poor families in public housing and attract private investment to revitalize public housing developments.

The current SEVRA draft omits a potentially risky provision that was included in earlier versions of the legislation: an expansion of HUD's Moving-to-Work (MTW) demonstration. It will be important that Congress **impose strict limitations on any MTW expansion** that is added as the legislative process moves forward.

MTW seeks to promote housing policy experimentation by allowing agencies to operate their voucher and public housing programs without regard to many federal statutes and regulations. Some of the policies that MTW allows agencies to test, however, have the potential to harm vulnerable families. These include alternative rent schemes that require sharply higher payments from some tenants and time limits that cut off subsidies even for working-poor families who cannot remain in their homes without assistance.

Moreover, MTW has permitted housing agencies to divert large amounts of voucher funds — approximately $950 million from 2005 to 2008 — away from their intended purpose, causing tens of thousands of families to be left without housing assistance even though funds were available to help them. And because the demonstration has not been subject to rigorous evaluation, it has generated few concrete policy lessons.

If an MTW expansion is added to SEVRA, it should be of limited size and subject to strong tenant protections, rigorous evaluation requirements, and strict limits on diversion of voucher funds.

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[1] A detailed side-by-side comparison between SEVRA's provisions and current law is available at http://www.cbpp.org/files/4-28-09hous-prac.pdf.

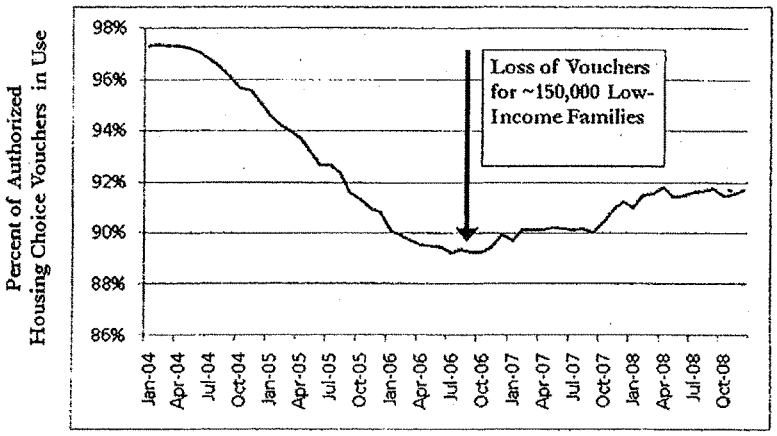
Establishing a Stable, Efficient Voucher Funding Policy

SEVRA's most important provisions would establish a stable, fair, efficient policy for distributing funds to renew voucher subsidies to the approximately 2,400 state and local agencies that administer the program, enabling those agencies to assist more families with the same amount of resources.

From 2003 to 2006, Congress and HUD repeatedly changed the voucher renewal funding formula. Largely due to the uncertainty this created, as well as to shortfalls in federal funding at a number of agencies during the last three years of that period, many agencies were hesitant to reissue vouchers to new families from their waiting lists after a voucher holder left the program. As shown in Figure 1, about 150,000 vouchers that agencies were authorized to administer were taken out of use in the ensuing period.

Since 2007, Congress has directed HUD to determine renewal funding for most agencies by multiplying the number of the agency's authorized vouchers in use in the prior year by the actual cost of those vouchers, and then adjusting for inflation and several other factors. Since this policy was adopted, about a third of the vouchers that were shelved during the period of funding instability have been put back to use — but voucher use rates still remain far below their peak.

Figure 1: About One-Third of the 150,000 Vouchers Lost from 2004 to 2006 Have Been Restored to Use



Source: CBPP analysis of HUD data. Line graph includes data reported by all agencies administering voucher programs. Voucher loss figure excludes data from MTW agencies and Gulf Coast agencies impacted by Hurricane Katrina.

Assisting as Many Needy Families as Possible with the Available Resources

SEVRA would build on the progress made in recent years through a series of measures that encourage agencies to assist as many families as possible with the funds they receive. Taken

together, these measures could be expected to put a substantial portion of the vouchers currently left idle to use helping needy families.

- **A permanent, stable funding policy.** SEVRA would establish, as part of the authorizing statute governing the voucher program, an ongoing policy that agencies' funding each year will be based on the cost of their vouchers used in the prior year. Annual appropriations bills in recent years enacted similar policies, but because SEVRA would make a permanent statutory change, it would provide agencies — as well as families with vouchers and private owners — with more confidence that renewal funding needs will be met in future years, even if agencies significantly increase the share of their vouchers that are in use.

- **Temporary advances for agencies that exhaust their voucher funds.** To encourage agencies to use all of their voucher funds, SEVRA would create an advance-funding mechanism that would work like overdraft protection. An agency that has insufficient funds in the last quarter of the calendar year to make all of the rent payments due to owners could borrow a small portion of its funding for the following year, which then would be subtracted from the funding allocated to the agency a few months later.

  This advance option is needed because voucher program costs are somewhat unpredictable. An agency cannot anticipate exactly how many of its vouchers will be in use at a given time, because it does not know what share of families issued vouchers will successfully lease housing or how many families will leave the program. And the average cost of a voucher can vary due to fluctuations in market rent and utility costs (within caps established by program rules on the amount a voucher can cover) and the incomes of low-income families (because tenant rent contributions are set at approximately 30 percent of a family's income).

  Without a back-up funding source like the advance option, many agencies would have to aim to spend less than 100 percent of their voucher funds, for fear that events beyond their control would temporarily push up their expenses and cause them to exceed their budgets.

- **A balanced policy toward unspent funds.** SEVRA would establish a permanent policy allowing agencies to accumulate 5 percent of their voucher funds as a reserve. But it would encourage them to put any excess unspent funds to use, by making clear that agencies would lose any funds beyond the permitted reserve amounts.

  This balance is important, since if there is no limit on reserves some agencies may accumulate large amounts of unspent funds (as many did during the recent period of funding instability) rather than using the funds to assist needy families. But a stable policy allowing prudent reserve levels can enable agencies to better manage their programs and cope with unexpected cost increases. (Reserves are not a substitute for the advance mechanism described above, since agencies that used all of their funds in previous years would not have accumulated reserves.)

- **Bonus funds for agencies with high utilization rates.** SEVRA would use the reallocation of excess unspent funds in part to reward the agencies that have been most effective in putting their voucher funds to use assisting families.[2]

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[2] Housing agencies that need funds to cover costs stemming from (1) absorbing "portability" vouchers held by families moving from the jurisdiction of another agency or (2) financial incentives under the Family Self-Sufficiency program

- **Removing the cap on the number of families agencies can assist with available funds.** Recent appropriations acts have prohibited housing agencies from funding more vouchers than they are authorized to administer, even if an agency has funds available that could be used for this purpose. This policy has pushed agencies to use substantially *less* than their authorized number of families, since just as an agencies cannot aim to spend 100 percent of its voucher funds without a risk that costs will go above that level, it cannot put every one of its vouchers to use without taking a chance that it will exceed its authorized number.

  SEVRA would allow agencies to assist families beyond their authorized level if funds are available to do so, and would take the cost of those added vouchers into account in determining the agencies' funding for the following year. In addition to making it possible for agencies to aim to use 100 percent of their vouchers, this would encourage agencies to keep per-voucher costs low. Agencies would be assured that if they take steps to limit costs, they could use any savings to provide vouchers to more families, even if this pushes them above their authorized voucher cap.

- **More administrative funding for agencies that use more vouchers.** From 2004 to 2007, HUD distributed administrative fees without regard to how well an agency performed. SEVRA would require HUD to allocate these fees primarily based on the number of vouchers the agency put to use, thereby encouraging agencies to use as many vouchers as possible. (Congress restored this policy, which had been in place until 2004, in the 2008 and 2009 appropriations bills; SEVRA would make clear that Congress intends to maintain this policy in future years.) SEVRA also would allow HUD to add incentives for agencies to perform well in other areas of program administration and to update the administrative fee formula to provide funding levels more closely linked to the actual cost of administering vouchers in different parts of the country.

The measures in SEVRA to serve additional families would *not* weaken Congress's control over the cost of the program. Congress would still determine the amount of annual program funding, and if the funds appropriated in a given year were insufficient to fully fund the renewal formula, HUD would reduce each agency's funding by the same percentage so funds would still be allocated based on agencies' relative needs. SEVRA would simply ensure that, *for any given level of funding,* more families would receive the important benefits that vouchers have been shown to provide.

Simplifying Rules for Determining Tenants' Rent Payments

Tenants in HUD's housing assistance programs generally must pay 30 percent of their income for rent, after certain deductions are applied. SEVRA would maintain this rule, but would streamline the process for determining tenants' incomes and deductions. As a result, the bill would reduce the burdens that rent determinations place on housing agencies, property owners, and tenants. The changes would also reduce the likelihood of errors in rent determinations and strengthen incentives for tenants to work.

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would receive top priority for reallocated funds. The remaining reallocated funds would be distributed to other agencies based on their performance in using their voucher funds and the relative need of agencies for more funds.

Most significantly, SEVRA would:

- **Reduce the frequency of required income reviews.** Currently, agencies must conduct annual income reviews for *all* tenants, including those who receive most or all of their income from fixed income sources such as Social Security or SSI and consequently are unlikely to experience much income variation from one year to the next. SEVRA would allow agencies to review the incomes of tenants with fixed incomes every three years.[3]

  Currently, agencies also must make rent adjustments between annual reviews at the request of any tenant whose income drops. SEVRA would require adjustments only when a family's annual income drops by $1,200 or more, thereby reducing the number of such "interim recertifications" that an agency must make while enabling tenants to obtain adjustments when they would otherwise face serious hardship. Interim rent adjustments would be required for *increases* in annual unearned income exceeding $1,200 as well.[4]

- **Simplify deductions for the elderly and people with disabilities.** Currently, housing agencies and owners are required to deduct medical expenses and certain disability assistance expenses that exceed 3 percent of a household's income if the household head (or his or her spouse) is elderly or has a disability. Agencies frequently state that this deduction is difficult to administer, since they must collect and verify receipts for all medical expenses. It also imposes significant burdens on elderly people and people with disabilities, who must compile and submit receipts that may contain highly personal information. Largely for these reasons, many households eligible for the deduction do not receive it. By contrast, a second deduction targeted to the same groups — a $400 annual standard deduction for each household headed by an elderly person or a person with a disability — is quite simple to administer.

  SEVRA would increase the threshold for the medical and disability assistance deduction from 3 percent of annual income to 10 percent. This would reduce the number of people eligible for the deduction — and therefore the number of itemized deductions that would need to be determined and verified — while still providing some relief for tenants with extremely high medical or disability assistance bills. At the same time, SEVRA would substantially increase the easy-to-administer standard deduction for the elderly and people with disabilities to $725 and index it for inflation.

- **Replace complex work incentives with a simple, equitable earnings deduction.** SEVRA would eliminate a complex provision that deducts some or all of the earnings of certain voucher holders with disabilities and public housing residents who have recently begun working. In its place, SEVRA would create a simple provision deducting 10 percent from the first $9,000 in earnings for all working families, not just the limited groups covered by the current deduction.

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[3] Many fixed-income benefits, such as Social Security and SSI, typically increase annually due to cost-of-living adjustments. To avoid a loss of revenue from this streamlined option, agencies would be required to assume that in the intervening two years these tenants' incomes rose by a rate of inflation specified by the HUD Secretary.

[4] The bill would not require families actually to lose (or gain) the full $1,200 threshold amount before they receive a rent adjustment. Instead, adjustments would be required for any income change "estimated to result in" an annual change at or above the $1,200. A family that experiences a loss of $100 in monthly income (which corresponds to a rent reduction of $30) that is expected to continue thus would be eligible for a rent adjustment immediately. In addition, the bill would allow housing agencies and owners to set thresholds lower than $1,200 for rent adjustments due to income reductions.

In addition, SEVRA would limit an existing deduction for all reasonable child care expenses (which evidence suggests is implemented inconsistently) by allowing deductions only for expenses above 10 percent of income.

- **Base rents on a tenant's actual income in the previous year.** Currently, rents are based on a tenant's anticipated income in the period that the rent will cover, usually the coming 12 months. Except when a family first begins receiving housing assistance, SEVRA would require agencies generally to base rents on actual income in the previous year. This would give tenants an incentive to increase their earnings, since such an increase would not affect their rent for as long as a year. It also would simplify administration, both by allowing agencies and owners to use tax forms and other year-end documentation to verify income and by reducing the need for mid-year rent adjustments for tenants whose earnings change during the year.

Provision Allowing Alternative Rent Systems Would Add Unnecessary Complexity

While SEVRA would generally simplify rent determinations, one provision would move in the opposite direction by unnecessarily making the process more complex for some tenants. The provision would allow agencies to establish alternative formulas for setting rents in public housing so long as no family pays more than it would pay under the existing formula.

The prohibition on raising rents above the level now permitted is important, since alternative rent systems could otherwise be used that would raise rents substantially on vulnerable families. However, alternative rent systems that only lower rent levels would reduce the revenues received by agencies administering public housing and increase the amount of federal subsidies for which those agencies are eligible. Under the terms of the public housing operating subsidy formula, if Congress does not provide sufficient added funding to pay for these extra subsidies, *all* agencies would face a pro rata funding reduction. As a result, part of the cost of alternative rent systems would fall on housing agencies that choose not to establish such systems. In addition, allowing alternative rents systems could result in a complicated patchwork of local rent rules that would be confusing for tenants and difficult for HUD to oversee.

Fortunately, because SEVRA only allows alternative rent systems in public housing, private landlords and the majority of housing assistance recipients would not be not be exposed to them. All parties would be better served, however, if SEVRA omitted the alternative rent provision entirely and stuck with the approach taken in the other SEVRA rent provisions, which maintain consistent national rules that set rents based on 30 percent of household income, while simplifying aspects of the current system that create unnecessary burdens. At a minimum, SEVRA should prohibit agencies that establish alternative rent systems from receiving additional funding as a result. This would prevent alternative systems from raising federal costs or forcing funding cuts for other agencies.

SEVRA's Impact on Rent Payments Would Generally Be Modest

No comprehensive analysis has been released on the impact of the current SEVRA discussion draft on tenant rent payments. A Congressional Budget Office (CBO) estimate released on September 5, 2007, however, indicates that the largely similar rent determination provisions in the

House SEVRA bill from that year would reduce total tenant rent payments by $205 million a year over five years. This means that, by CBO's estimate, that bill would have lowered rents on average for households currently receiving housing assistance.

CBO did not conclude, however, that the bill would have reduced the total rent revenues paid into the housing assistance programs. This is because another provision included in both the 2007 bill and the current discussion draft would target more vouchers and other assistance to households that have modestly higher incomes — and thus would pay higher rents.[5] Taken together, CBO estimates that the changes in the 2007 SEVRA bill would have increased the total amount of tenant rent payments by $10 million a year.

Some individual tenants would face higher or lower monthly rents under SEVRA, but the impact would generally be modest. For example, when the change in the medical deduction is offset by the increase in the standard deduction from $400 to $725, an elderly person or person with a disability with an annual income of $8,000 who currently receives a large deduction for medical expenses would face a maximum monthly rent increase of $5.88. The maximum rent reduction for a person who has few or no unreimbursed medical expenses (or has such expenses but does not currently receive the deduction to which he or she is entitled) would be $8.13 a month.

Streamlining Housing Inspection Rules to Encourage Participation by Private Owners

The voucher program requires that vouchers be used only in houses or apartments that meet federal quality standards. SEVRA would allow agencies to make modest changes in the inspection process used to ensure that units meet those standards. The changes would ease burdens on agencies and encourage landlords to rent apartments to voucher holders. Most significantly, SEVRA would allow agencies to inspect apartments every two years instead of annually.

In addition, to eliminate inspection-related delays, the bill would allow agencies to (1) rely on recent inspections performed for other federal housing programs, and (2) make initial subsidy payments to owners even if the unit does not pass the initial inspection, as long as the failure resulted from non-life-threatening conditions. Defects would have to be corrected within 30 days of initial occupancy for the payments to continue. These provisions would encourage owners to participate in the voucher program by minimizing any financial loss due to inspection delays. They also would enable homeless families to have a place to live more quickly than under current rules.

Protecting Tenants of Owners in Financial Difficulty

Owners who rent to voucher holders sometimes fail to maintain the units in decent condition or to pay utility bills for which they are responsible. Such situations occur from time to time under any circumstances, but are more frequent during the current economic downturn, as many owners struggle to make their mortgage payments while meeting other obligations.

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[5] Currently, 75 percent of vouchers and 40 percent of project-based Section 8 and public housing units must be allocated to households with incomes at or below 30 percent of the median income in the local area at the time they enter the program. SEVRA would adjust these criteria to require that those vouchers and units be allocated to households with incomes at or below 30 percent of local median income *or the poverty line*, whichever is higher. This change would address concerns, expressed by some housing agencies in areas with particularly low median incomes, that the current targeting criteria prevent them from assisting working-poor families. At the same time, it would maintain the emphasis on assistance for the poor.

Under current rules, if the owner does not make needed repairs or utility payments within a reasonable time, an agency has no choice but to terminate the subsidy payment, requiring the family to move. Such involuntary moves can disrupt children's schooling, force families to double up with others (or become homeless), and possibly lead to the loss of voucher assistance if families are not able to find a suitable new unit to rent.

SEVRA would encourage owners to bring their properties up to standards by stopping subsidy payments for a few months — or until the repairs are made — while families remain in their homes. In addition, the bill strengthens agencies' options when an owner fails to make needed repairs, by allowing agencies to use the subsidy payments to make or contract for repairs, or to cover the security deposit and moving expenses if a family is forced to move to another unit.

In addition, SEVRA would give agencies new authority to intervene when owners fail to make utility payments. Under current law, tenants in such cases would be forced to endure utility interruptions and to leave their homes if the units became uninhabitable. Under SEVRA, the agency would be permitted to divert subsidy funds that would normally be paid to an owner and use them for payments to utility companies that are needed to maintain service.

Expanding Housing Choice

One of the chief benefits of a voucher is that a family can use it to rent modest housing anywhere in the country where there is a voucher program. This mobility has important benefits for many groups of low-income people. For example, it can enable a family to move to a neighborhood with good schools and lower crime, a worker to relocate closer to a job or to take a new job in another community, an elderly person or person with a disability to move closer to family or a needed caregiver, or a domestic violence victim to flee an abuser.

In practice, however, many families face barriers to using a voucher to rent a unit in the location of their choice. SEVRA contains two important measures designed to address these barriers and expand the choices available to voucher holders.

- **Easing barriers to "portability."** Under current law, a family has the right to use a voucher to move from the jurisdiction of one housing agency to the jurisdiction of another. Many voucher holders who could benefit from this "portability" option do not, however, because current policies create disincentives for agencies to facilitate a family's relocation to another agency's jurisdiction.

  A major reason is that the agency that first issues a voucher to a family must continue to cover the cost of the voucher after the family moves, unless the agency in the destination community voluntarily "absorbs" the voucher. This arrangement is administratively cumbersome and can carry added costs for the issuing agency if the community to which the family moves has higher rents than the community the family left. For their part, destination agencies are often reluctant to absorb portability vouchers because that would divert scarce resources away from families on the agency's own waiting list.

  SEVRA would direct HUD to resolve this impasse by issuing regulations promptly after

enactment that eliminate or minimize the extent to which one agency must bill another agency for the cost of a voucher for a family that has relocated, without preventing each agency from assisting families from its own waiting list. HUD could achieve this, for example, by requiring destination agencies to absorb the vouchers while making those agencies eligible for funding to cover the resulting costs. This solution treats both agencies equitably and ensures that the portability process is not unnecessarily cumbersome.

- **Linking "Fair Market Rent" levels that limit voucher payments more closely to the local market.** Housing agencies generally must set the maximum amount of rent a voucher can cover (the "payment standard") within 10 percent of the "Fair Market Rent" (FMR) that HUD has established. FMRs are intended to reflect the cost of renting modest housing in local areas. Under current law, HUD has broad discretion to set the boundaries of FMR areas, and in some cases the areas are quite small. In rural areas they generally consist of a single county, in some cases with very small numbers of rental housing units.

  In metropolitan areas, however, HUD often has established very large FMR areas, sometimes stretching across several counties with millions of inhabitants. These expansive FMR areas mean that HUD sets identical FMRs for sections of metro areas that in reality have very different housing markets. In the Washington area, for example, high-cost suburbs such as Fairfax County, Virginia or Montgomery County, Maryland are assigned the same FMR as the District of Columbia and low-cost, semi-rural counties on the metropolitan fringe.

  As a result, FMRs (and thus payment standards) in many communities are far above or below the cost of a typical modest rental unit. When payment standards in a portion of a metropolitan area are too low, many families can only use their vouchers in neighborhoods where rents are below average for the area. Such neighborhoods are more likely to have higher poverty rates and weak schools. On the other hand, voucher payment standards that are too high can undermine the program's cost effectiveness, by increasing the chances that vouchers will pay above-market rents for poorly located housing.

  SEVRA requires HUD to set FMRs using smaller geographic areas with more uniform rental costs. This change — which would make use of newly available data from the Census Bureau's American Community Survey that allow more frequent rent estimates for small areas — would result in voucher payments more closely calibrated to local rental costs. The changes would be phased in gradually to avoid the disruptions that can result from sharp increases or decreases in FMRs. As they became effective, they would increase access to housing in lower-poverty neighborhoods with greater employment and educational opportunities and strengthen the cost-effectiveness of the voucher program.

  The bill also includes other changes to encourage agencies to set payment standards at levels that balance the competing goals of containing per-voucher costs, ensuring affordable rents, and enabling voucher holders to live in a range of neighborhoods.

Strengthening the Family Self-Sufficiency Program

The Family Self-Sufficiency (FSS) program encourages work and savings among voucher holders and public-housing residents through employment counseling and financial incentives. A key

component of this program is funding for agency staff to counsel participants and coordinate employment services with social services agencies and other service providers.

Unfortunately, this funding is distributed through annual competitions and HUD has changed the criteria for these competitions repeatedly in recent years, with the result that many agencies have experienced abrupt funding cutoffs and enrollment in the FSS program has declined.[6] To reverse this decline and encourage agencies to provide FSS services and asset-building opportunities to more families, SEVRA provides a stable formula to distribute funds for FSS staffing costs predictably to housing agencies. It would also establish a permanent mechanism to provide added subsidy funding to agencies facing higher costs due to FSS financial incentives.

Facilitating Use of Project-Based Vouchers

SEVRA would make it easier for a housing agency to enter into agreements with owners for a share of its vouchers to be used at particular housing developments. Through such "project-basing," agencies can partner with social service agencies to provide supportive housing to formerly homeless people or support development of mixed-income housing in low-poverty neighborhoods with strong educational or employment opportunities but tight rental markets. The bill would, for example, eliminate certain unnecessary procedural requirements, and increase the percentage of an agency's voucher funds that can be used for project-basing from 20 percent to 25 percent (or 30 percent under specified circumstances).

Residents of units with project-based voucher assistance have the right to move with a voucher after one year, using the next voucher that becomes available when another family leaves the program. (When this occurs, a voucher remains attached to the housing development and the family moving out of the development receives a separate voucher.) This "resident choice" feature and other policies make the project-based voucher option, which SEVRA would effectively expand, significantly different from earlier programs that provided project-based assistance.

SEVRA Should Be Expanded to Allow Use of Project-Based Vouchers to Revitalize Public Housing

SEVRA grants housing agencies greater flexibility to use project-based vouchers to preserve privately-owned subsidized housing,[7] but that flexibility does not cover public housing. Allowing agencies to use project-based vouchers more broadly in public housing would have several important benefits.

- **Supporting debt financing to address public housing capital needs.** Converting a public housing development to project-based vouchers would allow agencies to borrow more (or on better terms) than they could if a building remained in the public housing program. Lenders

[6] See American Association of Service Coordinators *et al.*, "Recommendations for Strengthening HUD's Family Self-Sufficiency Program," April 26, 2006, http://www.fsspartnerships.org/includes/Joint%20FSS%20Recommendations.pdf. It is likely that changes in the voucher renewal funding policy, which created a financial disincentive to enroll families in FSS, also contributed to the decline in FSS participation.

[7] Section 20 of the SEVRA discussion draft authorizes use of project-based vouchers to keep developments affordable when private owners opt to end participation in other federal housing subsidy programs, and exempts these "preservation project-based vouchers" from certain requirements that normally apply to project-based vouchers.

would likely perceive the stream of subsidies from project-based vouchers as more reliable, because Congress has provided adequate funding more consistently for vouchers than for public housing. Moreover, even if voucher funding were inadequate in a particular year, agencies would likely respond by cutting back their *tenant-based* voucher programs temporarily through attrition (that is, by not reissuing vouchers that become available) to try to avoid breaking an agreement to provide *project-based* voucher funds to a development. Public housing developments have no such cushion, so they bear the full brunt of any shortfalls.

- **Facilitating income mixing.** Since agencies can attach project-based vouchers to developments other than existing public housing developments, these vouchers make it much easier for an agency to create mixed-income developments without loss of affordable units. For example, an agency could replace a development that is 100 percent public housing with two or more developments containing some project-based voucher units and some units targeted at tenants with higher incomes.

- **Giving families the option to move.** By providing families with an option to use a tenant-based voucher to move after one year, conversion to project-based vouchers would not only give public housing residents more choices about where to live, but would impose a measure of market discipline on development managers. If a development were so unsafe or badly maintained that many tenants moved out after brief stays, the agency would face higher costs (to prepare units for new tenants and process other paperwork related to turnover) and could also face lower rent revenues (since project-based voucher payments cannot be made for a unit that has been vacant for more than 60 days, and it may be difficult for the agency to fill units in that time).

Currently, project-based vouchers can be used in former public housing units, but there are significant constraints on an agency's ability to do so. Even with the expansion of project-basing that would be permitted under SEVRA, agencies would not be able to use more than 25 to 30 percent of their voucher funds for project-based vouchers. In addition, project-based vouchers may not make up more than 25 percent of the units in a given development unless the development meets certain exceptions. Finally, converting a public housing development to project-based vouchers today involves a complex two-step transaction, in which agencies must first obtain approval to remove the development from the public housing stock and obtain an allocation of replacement tenant-based vouchers, and then undertake a separate process to set-aside some units to be rented through project-based vouchers. As a result, agencies have used project-based vouchers to replace public housing subsidies in only a relatively small number of developments.

SEVRA could encourage wider use of project-based vouchers to replace public housing by addressing each of these constraints. First, it could exempt converted public housing developments from the cap on the number of units in a development that can be project-based. Second, it could allow as much as 50 percent of an agency's voucher assistance to go to project-based vouchers when converted public housing units are included. And third, it could allow most developments to be converted directly from public housing to project-based vouchers in a single step (although the existing "demolition/disposition" approval process should still be required in cases where a public housing development is demolished and replaced by project-based vouchers in a different building). Developments that are converted to project-based vouchers would often be mortgaged, so it also would be important that they be subject to special requirements that would prevent tenant

displacement and preserve affordability in the event of foreclosure.

The number of project-based voucher conversions would be limited by the availability of funds for new vouchers (although the cost of the vouchers would be in substantial part offset by reduced public housing expenditures). It would make sense to target the initial conversions on (1) family developments in high-poverty areas, where tenant choice and income-mixing are particularly important, and (2) projects that meet important local needs, but require large capital investments and would struggle to obtain adequate resources without the expanded borrowing that project-based vouchers would allow in many markets.

Any Expansion of MTW Should Be Subject to Careful Limits and Address Flaws in the Current Demonstration

The current SEVRA draft omits a provision contained in earlier House versions of the legislation that would have expanded the number of agencies that can participate in HUD's Moving-to-Work demonstration and renamed the demonstration the "Housing Innovation Program" (HIP).

Established by legislation in 1996, MTW permits HUD to grant agencies broad waivers of the statutes and regulations governing the voucher and public housing programs, to allow them to experiment with a wide range of policies. Despite its name, MTW allows HUD to grant waivers that let agencies dispense with most federal rules and tenant protections — often with deregulation, rather than tenant self-sufficiency, as an end in itself. While some agencies have tested innovative, promising policies under MTW, the experience of MTW to date raises a number of serious concerns that should be taken into consideration in designing any expansion of the demonstration.

Agencies Have Exposed Tenants to Potentially Harmful Policies, but Few Useful Lessons Have Been Learned

MTW agencies are permitted to experiment with policies that potentially could harm low-income families. For example, some agencies have raised rents on the lowest income tenants substantially or established time limits on receipt of assistance. Since housing assistance in its current form has been found to reduce homelessness and severe housing instability — and those problems in turn have been linked to a variety of adverse effects on children's health and development — cutting off assistance or sharply raising rents poses a risk of serious harmful effects on vulnerable families.

Moreover, MTW has subjected tenants to these risks *without providing for careful evaluation of the policies with which agencies experimented.* As a result, while MTW was intended to test innovations in housing policy, is has generated a wealth of anecdotal reports but few firm, objective findings. Targeted, rigorously-evaluated, housing policy demonstrations (such as Moving-to-Opportunity, Jobs Plus, and the Welfare-to-Work Voucher program) have generated a far greater quantity of useful findings than the MTW demonstration, with much less disruption to tenants.

In addition, MTW does little to guarantee that housing agencies will be held accountable for the policies they adopt or be required to fully disclose to the public how they have used their flexibility under the demonstration. HUD's Office of the Inspector General has issued a series of sharply critical reports on MTW that have noted flaws such as ineffective oversight by HUD and poor use

of funds by some local agencies.[8]

MTW Has Permitted Diversion of Nearly $1 Billion in Voucher Funds, Significantly Reducing the Number of Needy Families Assisted

MTW agencies are permitted not only to experiment with new policies, but also to shift funds between the voucher and public housing programs. In addition, MTW agencies generally have been permitted to accumulate unlimited amounts of unspent voucher funds as reserves, and have not been subject to limitations on reserves that have applied to other agencies.

Agencies have used this flexibility to divert large amounts of the funding they receive out of the voucher program or to leave voucher funds unspent. From 2005 to 2008, MTW agencies with transfer authority used $950 million in voucher funds for purposes other than voucher assistance, or accumulated the funds as reserves. In 2008 alone, the amount diverted was $310 million.[9] Agencies with transfer authority left more than 36,000 vouchers unused in 2008, at least 25,000 of which could have been used with the funding available to the agencies.

There is no comprehensive information about how MTW agencies used the funds they diverted from the voucher program. Based on a review of agency plans and reports, the most widespread use appears to be repairing or replacing public housing developments, with other funds going toward a variety of other purposes. In some cases these uses may have been worthwhile, but they generally do not appear to have increased the number of needy families served — or at least not by nearly enough to offset the reduction in assistance from leaving tens of thousands of vouchers unused.

As a result, MTW has had the effect of significantly reducing the number of families assisted with the federal funding agencies received, a result that runs directly counter to SEVRA's central goal of establishing incentives and requirements that encourage agencies to assist as many families as possible with available funds.

Any MTW Expansion Should Be of a Limited Scale and Subject to Strong New Limitations

It is possible for a modestly expanded MTW demonstration to live up to its purpose and potential as a testing ground for future housing policies, while minimizing the risk of unnecessary harm to low-income families or misuse of public funds. But this will only occur if Congress enacts careful limits to address the serious flaws of the current demonstration.

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[8] The Office of the Inspector General has conducted a general audit of MTW design and implementation, audits examining the Seattle and Pittsburgh MTW programs, an audit of HUD's oversight of the Philadelphia MTW program, as well as an audit of HUD's decision to admit the Housing Authority of Baltimore City to the MTW program. The reports are available at http://www.hud.gov/offices/oig.

[9] These estimates are based on HUD data reporting the amount of voucher renewal funds provided to MTW agencies and the amount they spent on voucher subsidies. Some MTW agencies receive voucher administrative funding (which for most agencies is provided through a separate budget account) and subsidy renewal funds together in a single funding stream. In these cases, we estimated the amount that was intended as administrative funding and deducted it from the agency's funding level before calculating the amount of funds left unspent.

- **Any expansion should be limited to the size needed to accomplish specified research goals.** SEVRA could place a fixed limit on the number of additional agencies that can participate. It is likely that the need for policy experimentation could be met with fewer than 50 MTW agencies (an increase of close to 20 above the current size). Alternatively SEVRA could permit HUD to add agencies to MTW only during a limited time period (perhaps one year after enactment), and only to the extent needed to test specified policy innovations.

- **Limit diversion of funds.** Few of the fund transfers between the voucher and public housing programs that the current MTW demonstration has permitted have been necessary to test innovative policies. Such transfers should be sharply limited under any expansion of the demonstration. This could include both limitations on the circumstances under which agencies are permitted to transfer funds and strict requirements that MTW agencies must continue to serve the same number of families as they did at the start of the demonstration (increased to reflect any new vouchers they receive). The current MTW demonstration requires agencies to serve "substantially the same" number of families. But HUD has interpreted this requirement to allow declines as great as 10 percent, and it is not clear that HUD has enforced even that loose requirement.

- **Require rigorous evaluation.** HUD should be required to rigorously evaluate all MTW activities, including controlled, random-assignment evaluations wherever feasible.

- **Strengthen transparency, accountability, and protections for tenants.** MTW agencies should be subject to new requirements to ensure that they use federal funds effectively and protect tenants from unnecessary harm. Agencies should have to consult with residents and the public concerning MTW plans and to issue periodic, publicly available reports on the activities carried out under the demonstration and their impact on families. These requirements should apply not only to agencies that are newly admitted to MTW, but also to agencies currently operating under MTW agreements.

Conclusion

SEVRA would build on the voucher program's many strengths through a series of measured, targeted improvements that, taken together, would deliver important benefits to housing agencies, private owners, and low-income families. Moreover, because several of the bill's provisions extend beyond the voucher program, it also would improve the public housing and project-based Section 8 programs.

There are three reasons why it is important that Congress not only act on SEVRA, but do so expeditiously. First, SEVRA is already long overdue. More than 10 years have passed since the last major authorizing legislation affecting the voucher program, the 1998 Quality Housing and Work Responsibility Act. As with any government program, there are substantial benefits to be reaped from updating the voucher program as circumstances change and lessons are learned.

Second, enacting the bill promptly would allow the new Administration to use it as a foundation for efforts to strengthen the voucher program and other housing assistance programs through administrative or regulatory action. If Congress delays action, HUD may undertake some administrative streamlining and other reforms, but such efforts would be limited by the constraints

of the current statutory framework and likely would require revision once SEVRA is enacted. As a result, later enactment of SEVRA would increase administrative burdens on HUD and its partners.

Last and most important, SEVRA is urgently needed to help low-income families cope with the consequences of the economic downturn, including rising homelessness and poverty and widespread foreclosures. The bill's provisions enabling agencies to assist more families with available resources and protecting tenants of owners facing financial difficulty are particularly timely. The sooner SEVRA is enacted, the sooner it will begin helping families that are clinging to their homes or are already doubled up with friends or relatives, living in shelters, or on the streets.

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Testimony of

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The Public Housing Authorities Directors Association

before the

House Financial Services Committee

Subcommittee on Housing and Community Opportunity

"The Section 8 Voucher Reform Act"

Rayburn House Office Building
Room 2128

Thursday, June 4, 2009

Chairperson Waters, Ranking Member Capito and Sub Committee members, I am Curt Hiebert, President of the Public Housing Authority Directors Association (PHADA) and Executive Director of the Keene Housing Authority located in Keene, New Hampshire. I am honored to testify before you today on PHADA's behalf.

Our association was founded in 1979 and represents over 1,900 housing Authority chief administrative officers. A significant proportion of PHADA members administer small or medium sized agencies that operate a mixture of assisted housing programs. Some operate public housing, some the Housing Choice Voucher program, many operate both programs, and a number of members operate assisted housing financed with HOME, CDBG, LIHTC, Department of Agriculture or other non-federal support.

We are grateful that you are investing the Committees' resources to address this assisted housing reform initiative. The draft bill language that PHADA has reviewed includes modest changes to the bill adopted by the House of Representatives during the 110th Congress. PHADA is looking forward to reviewing a draft that addresses all major components of that bill, and we hope to collaborate on further refinements, clarifications and improvements to a final version of SEVRA.

Many provisions contained in the draft bill are attractive to PHADA and its members. Some may reduce administrative requirements for program sponsors or program intrusiveness into participants' personal affairs (e.g. reducing the frequency of Housing Choice Voucher subsidized unit inspections, reducing the frequency of some household income recertifications, simplifying some elements of rent calculation). However, other provisions may have significant cost or revenue implications for HAs, and some may introduce new more complex administrative requirements (e.g. new asset eligibility standards may require new inquiries into real estate ownership and its availability to applicants and participants, new targeting provisions using local poverty lines may require sponsors to track a number of different eligibility and targeting incomes). Of particular concern to us are provisions that may diminish potential rent revenue in public housing when the Congress faces significant budget challenges. The public housing program lacks cost reducing mechanisms available in various Section 8 program components (e.g. temporarily removing units from the assisted inventory, lowering voucher utilization rates to accommodate funding reductions).

The bill permanently restores a Housing Choice Voucher (HCV) funding allocation protocol based on units in use and actual costs. The bill also establishes an administrative fee that is based on vouchers in use. Such funding mechanisms are critical to the program's stability, permit sponsors to build HCV utilization, and provide ways for program sponsors to accommodate local market variability while encouraging cost constraints and maintaining voucher utilization rates.

Although the bill proposes reforms for the assisted housing rent and income calculation protocols, the bill may not make a very complicated system much simpler. We would prefer an income and rent calculation protocol dramatically less complicated than the existing system that we believe could also be fairer to a large proportion of public housing residents and Housing Choice Voucher program participants.

Unlike the previously passed version of SEVRA, the proposed bill does not yet include provisions concerning the Housing Innovation Program (HIP) or other permanent authorization for the Moving to Work (MTW) demonstration program. We believe the committee should include HIP or another MTW authorization provision as it considers a revised SEVRA bill. We urge the committee to include provisions that:

- Make the MTW demonstration permanent,
- Moderately expand the MTW program,
- Assure a robust evaluation process focused on the effects of local flexibility on program participants and applicants,
- Offer reasonable protections for applicants, tenants and participants, and
- Continue existing MTW agencies' ongoing participation by right.

Utilizing the flexibility allowed under the current MTW contracts, existing MTW agencies have implemented local initiatives that are not currently available to general HCV program sponsors:

- Used vouchers to support homeless participants' transition to permanent housing.
- Implemented homeownership initiatives that enhanced Section 8 homeownership.
- Project based vouchers outside current statutory limits to leverage conventional financing and improve the assisted housing inventory.
- Encouraged landlord participation and increased housing choice.

While it is important to include an evaluation process in the MTW/HIP program, it is also important to recognize that the vast majority of small to medium sized, well run PHA's around the country would be able to serve their communities and program participants better if granted some of the flexibility supplied by the program. Applicants, tenants and program participants can be protected effectively while program innovations could increase housing choice and reduce unnecessary administrative red tape designed or imposed under a "one size fits all" program made to deal with large metropolitan areas as well as small rural developments.

PHADA had participated in the development of the HIP provision in the version of SEVRA passed by the House during the last Congress, and strongly urges the committee to include a similar section in the version of SEVRA under consideration by the current Congress.

SEVRA is a complex statute with many provisions that will have anticipated and unanticipated outcomes. The bill includes many provisions that PHADA has supported and it includes some provisions that PHADA has opposed. On balance, PHADA believes that the bill represents positive steps for the Section 8 program and for public housing. However, PHADA remains concerned that the bill lacks authorization and modest expansion for the MTW demonstration or HIP.

We concur with Secretary Donovan that elements of SEVRA point to the importance of authorizing and expanding MTW, accompanied by robust evaluation and protection of residents and participants. PHADA believes that the HIP provision of the bill approved last year meets those thresholds and deserves inclusion in a SEVRA bill reported to the full House of Representatives.

In answer to the questions distributed by the subcommittee:

How will the Section 8 Voucher Reform Act be effective in assuring the long-term viability of the Section 8 program?

> The provision of the bill most influencing the program's long term viability concerns the funding allocation system. Although it appears that Appropriations Committees in the House and the Senate have addressed funding uncertainties of the past few years, permanent authorization of a stable funding method will be very helpful. Other attractive provisions of the bill (e.g. some rent changes, recertification and inspection requirements) are offset by provisions that make the program more difficult to administer (e.g. abatement and relocation provisions, developing Fair Market Rents for smaller geographic areas).

How will the Act lead to an increase in the supply of affordable housing?

> Elements that encourage greater voucher utilization (e.g. removal of the prohibition on overleasing, loosening some restrictions on project basing HCVs) or ease administrative burdens for HAs and owners in the voucher program (e.g. reduced inspection requirements, less frequent recertifications for elders and people with disabilities) can help expand local supplies of affordable housing. These provisions can also serve to broaden geographic choices for voucher holders.

In what ways will the Act improve public housing agencies' administration of the Section 8 program?

> The HCV program has become an increasingly complicated program to administer, involving the prediction of voucher holder behavior, local rental real estate market forces, and the future flow of federal funds. Stabilization of federal funding and simplification of program administrative processes can help improve program administration, expand the utilization of federal Housing Choice Voucher funds and increase housing choice in some communities.

In what ways will the Act improve the ability of low-income persons to participate in or remain in the Section 8 program?

> Provisions that increase local administrative discretion and facilitate maximum use of federal housing assistance resources, such as expanding opportunities to project base HCVs, will tend to expand opportunities to participate in the HCV program. Funding stability and administrative simplicity for landlords will tend to expand housing choice for participants and encourage participating landlords to continue that participation.

Following are more detailed comments arranged by section in the draft language.

Section 2. Inspection of Dwelling Units

PHADA supports discretion for HAs to begin short term housing assistance while owners complete repairs to non-life-threatening HQS deficiencies. That discretion may help avoid unreasonable disruptions to participants' lives and give owners the flexibility to address housing quality deficiencies more deliberately. PHADA also supports HA discretion to conduct HQS inspections every 2 years, and to target inspection resources on housing and owners most prone to HQS difficulties, reducing administrative overhead. In addition, defining other federal, state or local housing assistance program housing quality inspections as meeting the Section 8 inspection requirement will help avoid duplicative and wasteful inspections and help reduce the program's administrative burden.

PHADA understands the intentions of provisions concerning abatement of Housing Assistance Payments (HAP) when HQS deficiencies in HCV subsidized housing are not remedied. However, these new provisions may result in some vouchers remaining unutilized for the better part of a year while landlords attempt to affect repairs and participants search for alternative housing. Abatement of HAP resulting from HQS deficiencies may also lower average costs of vouchers. In combination, these outcomes may reduce an HA's eligibility for renewal funding in a subsequent year.

PHADA also appreciates the intentions surrounding the provision of relocation assistance. However HQS deficiencies are not the only reason HCV participants may need to move through no fault of their own. It isn't clear why one class of participants has been singled out for this support or why resources that could help increase voucher utilization should be devoted to relocation assistance. PHADA is also concerned with complexities introduced by these relocation provisions.

Section 3. Rent Reform and Income Reviews

PHADA supports a number of proposed provisions that offer HAs opportunities to reduce administrative overhead and deliver housing assistance more efficiently and effectively. On balance, we believe that the provisions concerning reviews of income are helpful despite our misgivings with new statutory standards for interim recertifications that are currently subject to local discretion.

PHADA also remains concerned with income and rent provisions that may constrain HAs' rent revenues. These include increases in the deduction for elderly and disabled households, the deduction for minor household members, and the deduction of a proportion of earned income. One effect of these changes is to move HAs' public housing operating revenue from rent residents pay to Operating Subsidy the government pays. For several years, HAs have been able to collect only 88 percent of the federal Operating Subsidy obligation while most HAs are able to collect over 95 percent of rents receivable. Moving public housing revenue from rent to Operating Subsidy may reduce that revenue by approximately 10 percent.

Alternative Rent Structures

Although PHADA supports the use of alternative rent structures, few HAs may find the bill's provisions particularly attractive. The exclusion of the HCV program and of elderly and disabled

public housing residents from the provision along with the cap on rents means that an HA will have to maintain several different rent structures and maintain the capacity to calculate several different forms of rent for each public housing resident subject to an alternative rent structure. The provision complicates rather than simplifies the rent system for residents and HAs, and it offers little opportunity for administrative efficiency.

Reviews of income

Although PHADA is concerned generally with setting a $1,200 threshold for interim recertification in statute, a threshold that has declined from $1,500 in the previous bill adopted by the House of Representatives, the proposed language does clarify the Congress's expectations and provides HAs with a clear safe harbor for interim recertification policies. Until now, HAs had broad discretion over their treatment of interim recertifications in locally developed Admission and Continued Occupancy Policies. Agencies will still retain discretion to conduct interim recertifications at income change thresholds lower than $1,200.

A triennial recertification requirement for households that receive fixed incomes could affect up to 52 percent of public housing residents and up to 45 percent of HCV participants. PHADA supports this significant reduction in the program's intrusiveness into households' personal affairs and in HAs' administrative responsibilities. Self certification of income adjusted for inflation during intermediate years, coupled with HUD's web based Enterprise Income Verification (EIV) system should provide sufficient safeguards against improper payment of housing subsidy to self certifying households.

Permitting HAs to use historical income information in redetermining income and rent should be very helpful to HAs and PHADA supports this approach. The current requirement to anticipate annual income is often a very difficult and uncertain exercise with assisted housing's clientele that has contributed to the impropriety of some payments of housing assistance. However, PHADA urges the committee to make this provision permissive for both initial certifications and for recertifications. Some PHADA members have expressed a preference for using anticipated income and PHADA believes they should have the discretion to use either option as they see fit.

Defining income determinations for other means tested federal assistance programs as a safe harbor for assisted housing programs may offer sponsors significant opportunities to reduce administrative overhead and eliminate duplicative, wasteful redeterminations. However, agencies must make arrangements with sponsors or administrators of other programs to gain access to that information, and the impact of this provision will likely depend heavily on other state and federal requirements (e.g. privacy and confidentiality laws and rules).

Instructing HUD that de minimus errors in income and rent determination do not represent a failure to comply with federal requirements will prove helpful to HAs. The provision may preclude some of the egregious findings that have been reported in HUD oversight reviews in the last few years.

Definition of Income

The new definition will exclude imputed income from assets. In PHADA members' experience including this imputed income rarely produces significant amounts of rent and has been a frequent source of calculation errors. The costs of determining such imputed income far exceed its benefits and PHADA strongly supports this change.

Adjusted Income

PHADA strongly supports a simplified version of an earned income disregard and supports application of the provision to all assisted housing participants rather than just public housing residents. Although the provision should encourage some assisted housing participants to gain earned income without dramatic increases in their housing costs, PHADA believes that alternative approaches could increase incentives for more households to increase earnings. In July, full time employees earning the minimum wage will have annual earnings that exceed the income exclusion ceiling by over $6,000.

Alternative approaches to excluding 10 percent of the first $9,000 of earned income may risk less lost rent revenue and offer participants greater incentive to increase earned income. These alternatives include offering a disregard of some substantial proportion of annual marginal earned income or offering participants a disregard of some proportion of annual earned income in excess of $9,000. Although the second alternative is not progressive in its impact, it is simple and straightforward for participants to understand and for HAs to administer. Both alternatives offer significant incentives to increase earnings. PHADA is very interested in remaining engaged in discussions concerning the optimal feasible alternative for offering a rent incentive in assisted housing that encourages rising earned incomes, doesn't risk substantial losses of potential rent revenue, and represents a simplification of the rent calculation system.

PHADA does not object to increases in deductible amounts for dependents ($20 per year) and for elderly and disabled households ($325 per year), except as they impact rents, particularly in the Public Housing program. The provision for inflating these deductions annually will grow this impact over time.

The bill proposes to change the deduction for child care expenses to costs in excess of 10 percent of annual income. PHADA supported elimination of the deduction in the version of the bill passed by the House of Representatives in 2008. The deduction is used by a comparatively small number of participants and duplicates other federal support for the costs of child care expenses, including tax expenditures. PHADA continues to support elimination of this income deduction in the interest of equity, clarity and simplicity.

The proposed change in the medical expense deduction will reduce the amount of that deduction available to elderly and disabled households, and will reduce the programs' intrusiveness into the affairs of elder and disabled participants. The change will also reduce the administrative burden the medical deduction imposes on program sponsors. PHADA supports the provision.

PHADA has appreciated that several versions of SEVRA have included a provision designed to protect HAs from unanticipated declines in rent revenue that could have adversely affected agencies' eligibility for Operating Fund resources. However, the frozen rent revenue provision of HUD's asset management implementation is scheduled to expire in 2009 and the department is not continuing that element of the Operating Fund rule. As a result, PHADA does not anticipate that HAs' Operating Fund eligibility will be at risk in the future due to changes in rent calculation requirements that reduce rental income and increase Operating Subsidy eligibility.

Section 4. Eligibility for Assistance based on Assets and Income

In general, PHADA remains convinced that over income households do not generally remain in assisted housing for long and that they represent a human resource asset that only lightly burdens the properties while they do remain. The permissive exclusion of public housing residents from ongoing tests of income eligibility based on an explicit local policy avoids the eviction of the most successful residents in that program.

We understand concern over the potential for cash poor but asset rich applicants or participants obtaining rare assisted housing resources, but we remain convinced that requirements to assess the net values of liquid and non-liquid assets for ongoing eligibility consume administrative resources that might be put to better use. PHADA supports the bill's permissive exclusion of asset limitations for elder and disabled residents.

Section 5. Targeting Vouchers to Low Income Working Families

In general, PHADA supports efforts to make assisted housing available to poor working households. This provision expands the targeting standards to apply to households with incomes between 30 percent of Area Median Income and the poverty line, although the provision may complicate program administration for agencies operating in more than one jurisdiction.

Section 6. Voucher Renewal Funding

PHADA supports proposed changes to the Housing Choice Voucher program's funding allocation system. The changes will make an allocation system similar to that implemented by the Congress through appropriations bills permanent through authorizing legislation. The bill also permits using vouchers up to 103 percent of the previous years leasing rate, an improvement that reinstates a flexibility that HAs lost several years ago. In its 2010 budget proposal, the administration has proposed to eliminate the prohibition on placing vouchers under contract in excess of an HA's authorized vouchers as well.

The proposal bases funding on the, "preceding calendar year." That period may either be a year for which HUD has accurate information but is approximately 18 months old, or the period may be the more recent year for which HUD may not have accurate unit and cost information, delaying timely notices of funding levels. PHADA suggests consideration of a non-calendar 12 month period for which we can expect HUD to have accurate utilization and cost information and also provide the department with the time to notify sponsors of an accurate funding level in a timely manner.

The provision requiring that all reserves be exhausted before a sponsor can access the funding advance presents difficulties. If an agency depletes all reserves and borrows against its next year's allocation, and that allocation is prorated due to insufficient appropriations, sponsors may risk having to terminate existing voucher participants currently receiving assistance due to insufficient funds. PHADA suggests that sponsors' reserve levels not be a factor in receiving a funding advance.

On reallocation of recaptured funds, the current provision provides for priority based on funding utilization. PHADA suggests that the bill include a specific benchmark for sponsors to reach in order to receive reallocated funds. We believe that utilization of 97 percent of allocated funds is a sound benchmark to use for reallocating recaptured funds.

We appreciate that uses of reallocated funds are not limited to increasing utilization to a sponsor's authorized level. HAs may use funds to exceed authorized leasing levels (to 103 percent) so long as agencies have the resources necessary to support assistance payments for vouchers. HAs will be able to serve more households given their funding and local market conditions.

The bill's treatment of portability is appropriate, given the complexities of changing from the current scheme to one which minimizes or eliminates billing between agencies and administrative barriers to housing choice. PHADA believes that the current rules concerning portability are overly complex, impose unnecessary financial and administrative burdens on HAs and on participants, and unnecessarily restrict the ability of families to move between jurisdictions as they choose. PHADA looks forward to working with HUD to develop regulations that implement portability in a simpler and less burdensome manner.

Section 7. Administrative Fees

PHADA supports the distribution of administrative fees based upon voucher utilization, but the bill also authorizes the Secretary of HUD to modify the fee structure by regulation. PHADA supports the continuing use of the formula in Section 8(q) of QHWRA. If fees are updated, they must take benefit as well as wage inflation information into account as the inflation of benefit costs has been higher than wage inflation.

Section 10. Performance Assessment

The new bill authorizes an apparently additional performance system, a provision that surprises PHADA. If the proposal is a simpler replacement for SEMAP, the proposal appears to be an improvement. However, we urge that HUD be required to consult with stakeholders in changing the existing assessment system.

Section 12. Rent Burdens

PHADA believes that HUD possesses the information required from the department in this provision. The requirement for a review of payment standards if a certain proportion of voucher

users pay more than 40 percent of their income seems unnecessarily burdensome to program sponsors. Voucher holders choose to occupy housing with rents above 30 percent of their incomes, and reviews of payment standards should be based on market conditions rather than on the behavior of existing voucher holders.

Section 13. Fair Market Rents

PHADA supports the provision that would set FMRs for smaller geographic areas than is currently the practice. Such rent standards will likely respect finer market differences and can open additional housing opportunities for voucher holders than is currently the case.

Section 17. Access to HUD Programs for Persons with Limited English Proficiency

PHADA supports provisions of the bill that require HUD 1) to convene stakeholders to identify vital documents, and 2) to translate those documents and provide central translation services. The department's proposed implementation of Limited English Proficiency (LEP) requirements unduly burdened HAs, placed housing program sponsors at unnecessary risk, and imposed potential unanticipated financial burdens on HAs.

Section 18. Authorization of Appropriations

The authorization of 150,000 vouchers annually for 5 years is welcome. Although budget realities in the coming years may preclude such an ambitious expansion of the program, PHADA appreciates the change that this section represents.

Section 19. Agency Authority for Utility Payments in Certain Circumstances

PHADA appreciates the motives behind this permissive provision. A landlord's failure to pay utility bills should not adversely affect a voucher holder's ability to continue to live in safe, decent and sanitary housing. However, as with some provisions in Section 2, PHADA is concerned that the HA's role approaches that of the property owner's and that the program includes no support for HAs carrying out these kinds of initiatives other than the existing standard administrative fee.

Conclusion

SEVRA is a complex statute that may have some unpredictable outcomes. PHADA has supported many provisions in the bill but has opposed some other provisions. On the whole, the bill represents positive steps for the Section 8 program and for public housing, but PHADA remains particularly concerned that the draft bill lacks authorization and modest expansion for the MTW demonstration or HIP. PHADA believes that the HIP provision of the bill approved last year meets the thresholds described above and by Secretary Donovan. MTW or HIP authorization should be included in a SEVRA bill reported to the full House of Representatives.

Testimony of Ted Houghton
Executive Director
Supportive Housing Network of New York

United States House of Representatives
Financial Services Committee
Subcommittee on Housing and Community Opportunity
June 4th, 2009

Chairwoman Waters and Ranking Member Capito, thank you for the opportunity to testify on this year's draft legislation of the Section 8 Voucher Reform Act (SEVRA).

I am Ted Houghton, Executive Director of the Supportive Housing Network of New York, a statewide member association representing over 180 nonprofit providers and developers of supportive housing. Supportive housing is permanent, affordable housing for formerly homeless and housing-needy individuals and families who can live independently with the assistance of flexible, on-site supportive services.

First developed in New York City almost 30 years ago, supportive housing was initially offered to homeless individuals with mental illness; supportive housing now houses and serves tenants with an array of barriers to independent living, including HIV/AIDS, substance abuse and physical disabilities. It has also had proven success housing seniors, people with developmental disabilities, youth aging out of, and families reuniting from, foster care, individuals returning to the community from incarceration, victims of domestic violence and homeless, disabled veterans.

Supportive housing can now be found in most parts of the country. It has grown thanks to widespread support from the public and the leadership of many members of Congress, including members of this subcommittee, notably Chairwoman Waters, Congresswoman Judy Biggert, my hometown Congresswoman Nydia Velasquez, and the Network's friend Jim Himes, both in his current capacity, and in his previous position with Enterprise Community Partners.

This bipartisan support has been forthcoming because supportive housing has proven itself to be an effective and cost-efficient way to house and serve people who typically use a disproportionate amount of expensive emergency services. Over the past decade, more than 40 independent studies have demonstrated that placement into supportive housing reduces formerly homeless individuals' use of shelters, hospitals, psychiatric centers, jails and detox facilities by so much that, on average, the reductions pay for almost the entire annual cost of building, operating and providing services in the housing.

Supportive housing encourages and facilitates its tenants' independence and their desire and capacity to work and engage in other useful and rewarding activities. At the same time, it seamlessly integrates them into the neighborhood, strengthening the community. A recent study by NYU found that neighboring property values actually rose faster and higher the *closer* they were located to newly-constructed supportive housing.

I take the time to describe and recount these facts about supportive housing because Section 8 has played an essential role in this success. With the passage of the Section 8 Voucher Reform Act, this program could do even more to house homeless and disabled Americans.

The Network Supports General Provisions of SEVRA
The Supportive Housing Network agrees with and supports the points made today by our national advocacy partners, The National Low Income Housing Coalition and the National Alliance to End Homelessness. We are grateful for the enormous amount of work they have done to help you shape this bill into the effective piece of legislation it is today. Rather than second their testimony, I would like to try to add to it by providing a local perspective, focused on what SEVRA would do to help us meet the needs of our most vulnerable citizens.

The Need for Additional Section 8 Vouchers
Just under 35,000 individuals will sleep in homeless shelters tonight in New York City, including more than 14,000 children. For the vast majority of them, little separates them from the approximately 1.5 million other, housed, New Yorkers living in poverty. Indeed, according to a number of studies, about 5% of all poor families are homeless at some time during the course of a year, including approximately 15% of poor African-American children under 5 years-old.

The social and economic costs of allowing so many children to experience homelessness on a regular basis are immense. Histories of homelessness correlate to lifelong negative impacts on future family and residential stability, health, educational attainment and earnings from employment. Even if one could somehow manage to ignore the tragic consequences for the children and families who experience homelessness, it's stunning that this is allowed to happen, if only because it costs so much in economic losses.

This is especially true when one considers that a straightforward, cost-effective solution is readily available. Studies have repeatedly demonstrated that 80-90% of homeless

families given Section 8 rent subsidies remained housed twelve months, eighteen months, or two years later, or for however long a particular study measured. It didn't matter whether the families received specialized support services or not – Section 8 was enough to keep them housed.[1]

Nevertheless, there is not nearly enough Section 8 vouchers available, even for populations prioritized for Section 8. For instance, when victims of domestic violence and their families leave New York City's shelter system for DV survivors, only 14% move into permanent, affordable housing. Families in the City's homeless shelter system now wait an average of over 300 days before they move into permanent housing.

It's easy to see why: New York City has just 124,659 vouchers available for almost 700,000 extremely low income households (below 30% AMI). Approximately 30,000 of these vouchers go to families with incomes between 30% and 60% AMI. No wonder the City has approximately 125,000 people on its Section 8 waiting list this year.

In upstate cities like Syracuse and Buffalo, these numbers can be even worse. We desperately need more vouchers to give families the housing stability they require not only to reduce homeless episodes, but to establish stable lives that allow for improved educational attainment and opportunities to work their way out of poverty.

SEVRA's most important provision – to fund 150,000 new vouchers each year for five years – will begin to address this enormous need.

SEVRA Will Spur Economic Development
But expanding access to Section 8 will do much more than stabilize families. It will stabilize neighborhoods. It will improve and preserve housing stock, as the higher rental rates paid by Section 8 allow landlords to do more to maintain their properties – while at the same time the funding creates maintenance and construction jobs for less-skilled workers.

SEVRA and Supportive Housing
SEVRA will make an equally lasting difference in the lives of the people housed by members of the Supportive Housing Network: homeless and housing-needy individuals and families with disabilities who require housing linked to supportive services to live independently.

To finance housing construction, a developer must prove that a proposed residence will collect enough rental income to repay any financing and remain in good repair. Even when using any number of federal, state and local sources of financing for affordable housing, the Network's nonprofit developers of supportive housing must secure some type of ongoing rent subsidy to make up for the extremely low-incomes of their tenants.

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[1] Shinn, Rog & Culhane, "Family Homelessness: Background Research Findings and Policy Options," University of Pennsylvania, 2005.

This subsidy can be provided through Shelter Plus Care, State and some local resources, or through either project-based or tenant-based Section 8.

Shelter Plus Care is Not Enough
In New York City, there are only enough Shelter Plus Care vouchers to fund approximately 2,500 affordable units (with many going to affordable housing units without on-site supports). Statewide, $44 million in Shelter Plus Care funds the ongoing costs of operating about 5,500 units of supportive housing. With more than 20,000 units of supportive housing in the city alone, and almost 40,000 in the entire state, the City and State government both contribute resources to pay not only for services, but for rental subsidies as well. While mental health funding pays for a significant portion of leasing costs for people with mental illness, the City and the State would never be able to fund the remainder of their supportive housing without Section 8.

Section 8 Leverages State, Local and Private Capital Funds
In this way, the promise of income from Section 8 vouchers leverages local, State and private capital investment in supportive housing. All told, City and State agencies have invested approximately $6 billion in capital dollars building almost 40,000 units of supportive housing in New York State. Approximately one-third of this investment would not have occurred without the provision of both tenant- and project-based Section 8.

SEVRA Provides Necessary Administrative Reforms
As essential as Section 8 has been to the expansion of supportive housing in New York, it is often an undependable funding source for our providers. While some supportive housing residences receive Shelter Plus Care or project-based vouchers, many must secure tenant-based Section 8 vouchers from the City's Department of Housing Preservation and Development (HPD) to maintain adequate rental income. However, under current formulas and procedures, HPD has difficulty estimating how many tenant-based vouchers it can issue each year. As a result, providers must wait months, often until the end of the year, before receiving activated Section 8 vouchers for tenants who may have moved into the housing in January. The provider receives very little, if any, retroactive payment to make up for this loss.

In addition, the logistics of annual apartment inspections and income recertifications are particularly challenging when serving tenants with mental illness, who may be paranoid or distrustful. If a tenant does not allow access for an apartment inspection, or refuses to sign an income recertification, the provider is faced with two bad choices: losing substantial amounts of reimbursement essential to the smooth operation of the building, or pursuing the eviction of a disabled person who may still be paying their small portion of the rent, but does not understand the consequences of his or her resistance.

Because of these challenges, nonprofit providers lose millions of dollars to late Section 8 registrations. Even with recent improvements to the local process, one large building lost $250,000 in one year solely because of late Section 8 registration. Already operating on a

shoestring in a turbulent economy, losses of this magnitude are devastating to a nonprofit supportive housing organization.

The proposed SEVRA legislation will mitigate all of these problems. Clearer, simpler procedures based on the previous year's usage will provide more certainty to HPD when issuing vouchers, allowing a higher utilization rate. More reasonable admininstrative fees will help HPD manage more efficiently as well. Fewer inspections and recertifications per year, as well as more simple formulas, will make it easier for local government to manage the program, and for providers to manage their residences without jeopardizing quality housing standards. These and other adjustments to the regulations will make both HPD and providers more efficient and the buildings more fiscally sound.

Tenant Exemptions and Exclusions
Other aspects of the bill governing tenant income measurements make it easier for tenants with disabilities to remain stably housed and to save, including:

- Exemptions for seniors and people with disabilities from certain asset limits;
- Exclusion of lump sum VA disability entitlements;
- Increased payment standards for people with disabilities, which will help them get access to better quality, more integrated housing;
- Portability provisions will allow able and disabled tenants more choice in where they live, and facilitate shorter lengths of stay in supportive housing.

Family Self-Sufficiency
SEVRA also contains measures that would fund Family Self-Sufficiency (FSS) program service coordinators as part of the voucher funding formula, rather than as a competitive grant. This change paves the way for an expansion of a promising program. Research has shown that providing some basic service coordination improves housing stability, rent payment and other positive outcomes. By requiring a long-overdue evaluation of the FSS program, we can ensure that its services are as evidenced-based and effective as those found in supportive housing.

Expanded Use of Project-Based Section 8
With the changes outlined in SEVRA, many more supportive housing residences could use project-based Section 8. This will provide additional security and income stability to providers. And combined with capital funding from the new National Housing Trust Fund, SEVRA would allow PHAs to increase the number of households placed into permanent housing by lowering rent requirements when possible and agreeable to all concerned.

Reallocation of Unused Vouchers
Equally promising, SEVRA legislation would allow unused vouchers to be reallocated to high-performing PHAs, while rewarding the success of PHAs that improve their management of Section 8.

Suggestions for Further Improvements to the SEVRA Draft
The draft under consideration is strong and thoughtful and reflects the consensus of many stakeholders. But it could be further improved with the following changes and additions:

1. **Increase Reserves and Flexibility in Annual Funding** – The current draft protects "no less than 5%" of a PHA's reserve levels, allowing the PHA to retain these funds for future use. This would have been enormously beneficial to New York City a few years ago, before HUD recaptured significant reserves from NYCHA and HPD. Congress should commit additional funds to this year's Section 8 allocation to allow PHAs to build up reserves, allowing them additional flexibility as they allocate through the year.

2. **Provide Tenant-based Vouchers As-of-Right to Tenants Leaving Project-Based Residences** – Tenants living in Project-based Section 8 housing who decide to move out are automatically allocated a tenant-based voucher to facilitate the move. However, they are entitled to the next available voucher, making it difficult to plan how many tenant-based vouchers the City will be able to distribute each year. A separate, national pool of as-of-right vouchers to be distributed as people leave project-based Section 8, could help take some of the guesswork out of the PHA's distribution.

3. **Explore a Homelessness Prevention Priority** – Section 8 waiting lists are usually closed and often out of date. They do not reflect localities' priorities for housing people with the highest needs. Yet, some PHA administrators believe that providing Section 8 priority for homeless families in shelter may attract them to shelter settings. Perhaps guidelines for a *homelessness prevention* priority could be crafted in order to allow localities to direct vouchers to those most in need without providing incentives for shelter applications. These could be coordinated with the new ESG guidelines under the Homelessness Prevention and Rapid Rehousing program.

Thank you for the opportunity to testify, and for your thoughtful work in crafting this bill thus far.

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TESTIMONY OF
RUDOLF C. MONTIEL P.E.
PRESIDENT AND CEO
HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY
OF THE COMMITTEE ON FINANCIAL SERVICES

June 4, 2009

Written Testimony of Rudolf C. Montiel, PE, President and Chief Executive Officer of the Housing Authority of the City of Los Angeles, before the U.S. House of Representative Subcommittee on Housing and Community Opportunity

June 4 , 2009

Madam Chair and members of the Committee, thank you for the opportunity to speak at today's hearing. I am Rudolf Montiel, President and CEO of the Housing Authority of the City of Los Angeles (HACLA). My remarks today will focus specifically on two crucial parts of the Section 8 Voucher Reform Act (SEVRA): Section 8 renewal funding formula and the Housing Innovation Program (HIP) / Moving to Work (MTW) program.

But first let me begin with a few general comments on HACLA's role in providing affordable housing for the city of Los Angeles. We currently supply slightly more than 75,000 or 73% of the 103,000 affordable housing units in our city, (excluding rent controlled units.) Our Section 8 program is the second largest in the nation and the biggest west of the Mississippi. In 2004, the agency was on the brink of HUD receivership. In 2009, it is now a HUD certified "High Performer". It is also fully leased. This is a success story we're all quite proud of. But it's even more remarkable given the significant challenges posed by unpredictable voucher funding allocations. I think it's fair to say these yearly changes made it much harder to administer Section 8 with any degree of certainty.

This brings us to the Section 8 renewal funding formula provisions of SEVRA. We are very much in favor of these provisions for two general reasons. First, and most important, SEVRA offers us predictability in the awarding of Section 8 funds. This is a great advantage for Housing Authorities. It moves us from an unsatisfactory system, where funding awards don't reflect current program needs, to a system based on actual costs in the preceding year. Simply knowing last year's leased vouchers will be renewed next year is an enormous help. It allows us to plan the best and most efficient use of our resources and serve the largest number of families.

Second, SEVRA gives us much needed flexibility and tools in crucial areas. I refer particularly to the SEVRA provisions allowing Housing Authorities to borrow up to 2% against next year's funding, use reserves to lease-up at 103% and employ project-based vouchers in PHA-owned units without following the normal competitive process. We also strongly support allowing for the redistribution of unused funds to Housing Authorities able to use them. Taken together these moves toward flexible funding will contribute greatly to the continued proper and fiscally sound management of our Section 8 program. We also believe a move toward granting us the ability to keep a higher percentage of HAP funds as

reserves, up to 8 or 9%, would aid our efficiency. Such a provision is absent from the current version of SEVRA. We think there are good reasons to add it to the legislation. Perhaps the most significant is the safety net it gives us to help ride out difficult economic times. This cushion of reserves not only helps us plan more rationally but provides a fall back option for coping with unforeseen contingencies. Without it we remain vulnerable.

There are also beneficial administrative flexibilities under SEVRA. The first is in the provision changing the requirement for income re-certifications from one to three years for those on fixed-incomes. The second is in the provision allowing us to use inspections performed to a standard equivalent to those required by the Housing Choice voucher program. In Los Angeles, for example, the Housing Department's Systematic Code Enforcement Program (SCEP) requires all multi-family rental properties with two or more occupied units to be inspected for safety and habitability. We would have the option to use inspections performed under this program thereby avoiding duplication and improving efficiency. Both changes should result in major cost savings as well as freeing staff to work on more critical issues.

Also noticeably missing from the latest version of SEVRA is the HIP provision. The HACLA is a strong supporter of the budget flexibility available under MTW and the HIP-lite provision in the previous iteration of SEVRA. We are acutely interested in obtaining MTW/HIP designation. We do not see it as an opportunity to impose severe, unreasonable and counter productive measures that would disenfranchise public housing and Section 8 participants, however. HACLA's desire to take advantage of the funding flexibility offered by HIP/MTW will not trump our tenants' rights. And I can assure you we would not, among other things, implement time limits or create barriers to re-entry after redevelopment.

Regulatory relief of this type would give us the ability to modify our programs based on local housing needs. Let me cite a couple of examples. We have a significant homeless problem in our city. Our most recent Homeless Count estimates there are around 40,000 homeless individuals in the city of Los Angeles. We are working closely with the City family to address this issue through our Permanent Supportive Housing Program (PSHP) and Homeless Voucher set asides that supplement the city's McKinney Vento funds. We currently have 9,000 housing choice vouchers set aside for homeless programs, up from 4,442 in 2004. But we need to do more and HIP/MTW will help accomplish that goal by giving us the flexibility to use vouchers to do what's best for Los Angeles.

We are also in the process of redeveloping Jordan Downs Public Housing Development in Watts to expand and improve the supply of affordable housing in the city. Our purpose is to create a vibrant urban village for residents and offer a model for public housing developments throughout the country. It will be a 2100 unit mixed use, mixed income redevelopment with market rate housing alongside

affordable workforce units with a one for one replacement of existing public housing units. HIP/MTW would significantly aid our progress in this redevelopment effort, not only through financial flexibility, but also by allowing us to further stabilize the community by providing an unprecedented array of programs and services. Moreover, MTW/HIP would assist in the ability to give incentives to families with children where the head of household is working, seeking work or making efforts to obtain work through training. These incentives are a critical part of helping guide families toward employment and economic self-sufficiency.

I understand there are those who are not as enamored with the prospect of expanding HIP/MTW agencies. I want to assure you that HACLA has no interest whatsoever in using the HIP/MTW program to disenfranchise public housing residents or housing choice voucher recipients.

The Los Angeles housing market remains one of the most expensive by national standards. Families pay a disproportionate share of their income for housing in Los Angeles as compared to other MTW sites. Moreover, the national recession worsens the ability of our residents to improve their economic standing. Jobs are scarce even for the highly educated and skilled and while the Economic Stimulus package is a hopeful sign, most economists believe that it will take time to reach economic stability. Inflexible time limits during a protracted recession set people up for failure and would not be responsible public policy.

In closing, we believe that SEVRA along with the HIP/MTW program provides the additional tools necessary for Housing Authorities such as HACLA to reach a higher level of performance. This will in turn help us provide an even better standard of quality to residents. With your support and leadership we can make it happen.

Thank you for your time.

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Testimony of Karen Newsome, SHCM, NAHP-E
House Financial Services Subcommittee on Housing and Community Opportunity
June 4, 2009
Section Eight Voucher Reform Act (SEVRA)

Thank you, Chairwoman Waters, for inviting me to testify before this Subcommittee. Good morning, Ranking Member Capito and members of this distinguished Subcommittee. My name is Karen Newsome, and I am here on behalf of the National Affordable Housing Management Association (NAHMA). NAHMA is a trade association which represents multifamily property managers and owners whose mission is to provide quality affordable rental housing. NAHMA is also the voice in Washington for 20 regional affordable housing management associations nationwide. I am also Vice President of Administration for WinnResidential, a property management company headquartered in Boston, Massachusetts.

NAHMA strongly supports the Section 8 Housing Choice Voucher Program. This versatile program is helping to stabilize the lives of millions of families by providing them access to affordable housing of their choice. Overall, it has been a highly successful public-private partnership. NAHMA looks forward to working with this Subcommittee to make further improvements to the Section 8 Housing Choice Voucher program, as well as the project-based Section 8 programs administered by the Department of Housing and Urban Development's Office of Housing.

My testimony will focus on the positive results that can be achieved by creating greater efficiencies in the voucher inspection process, authorizing a limited English proficiency technical assistance program at the Department of Housing and Urban Development (HUD), and expanding the project-based and enhanced voucher programs. I would also like to voice NAHMA's strong support for authorizing a stable voucher renewal funding formula and 150,000 new incremental vouchers for each of fiscal years 2010 through 2014 proposed in SEVRA. Finally, as an important aside, I would like to thank Chairwoman Waters and this Subcommittee, for the strong leadership you provided in stabilizing the project-based Section 8 funding.

Inspections

The streamlined inspection process proposed in SEVRA would remove a major obstacle for voucher holders in tight rental markets. Before a Section 8 voucher holder can rent a specific apartment, the administering agency must first inspect the unit to confirm that it complies with HUD-prescribed Housing Quality Standards (HQS). The resulting delays in lease-ups cause apartments to remain vacant. The financial implications of such delays are enough to deter many owners from participating in the program, especially in low-vacancy markets.

SEVRA proposes common-sense reforms to the inspection requirements that will help expedite the lease-up process for voucher holders. NAHMA strongly supports provisions in SEVRA which will:

- Permit housing agencies to approve lease-ups in properties which passed inspections under a program with standards as least as stringent as the HQS, such as the HOME or the Low Income Housing Tax Credit (LIHTC) program;
  - Streamlining this process will provide the residents with much needed housing sooner, and the owners are not losing income due to delayed move-ins;
  - Moreover, this reform will help the voucher program work better with other federal rental assistance programs;
- Allow minor repairs to be made after the tenant moves into the apartment; and
- Give public housing agencies (PHAs) the discretion to inspect units occupied by voucher holders every other year, rather than annually, for the term of the HAP contract.
  - We support biannual inspections for professional landlords, but recommend continued annual inspections for small apartment properties (less than 20 units) that are generally not professionally managed.

Limited English Proficiency

NAHMA strongly supports Section 17 of the SEVRA draft, which allows HUD to better serve persons with limited English proficiency by providing technical assistance to recipients of Federal funds. In the 110th Congress, this language was included in both the House and Senate versions of SEVRA.

HUD's limited English proficiency guidance became effective on March 7, 2007. The guidance states that recipients of HUD funding, including affordable rental housing providers, have an obligation to provide translated documents and oral interpretation services to persons who have difficulty communicating and reading in the English language. Originally, HUD provided no additional funding for affordable housing

providers to offset the costs of providing language services. Another major concern with the guidance was HUD's failure to identify a specific list of documents housing providers would be expected to translate.

In the summer of 2007, a coalition of multifamily housing representatives and civil rights advocates proposed the LEP language which is included in SEVRA. Our compromise addresses the cost and vagueness concerns raised by housing providers, and it will provide greater assistance to our residents and applicants with limited English proficiency. NAHMA is especially interested in the provisions which:

- Create a task force of industry and civil rights stakeholders to identify vital documents (to include both official HUD forms and unofficial property documents);
- Require HUD to translate the vital documents within six months;
- Create a HUD-administered 1-800 hotline to assist with oral interpretation needs; and
- Authorize appropriations.

Since the LEP authorization language was first proposed, Congress appropriated $380,000 in FY 08 and another $500,000 in FY 09 for HUD to provide LEP technical assistance and document translations. So far, HUD has used this funding to translate the 4 multifamily model leases and other important documents into 12 languages.

We appreciate HUD's progress in making translated documents available, but we strongly believe the authorization language is still necessary. First, it reaffirms Congress' commitment to provide consistency in the level of service for individuals with LEP. NAHMA is very troubled that HUD's FY 2010 budget proposes to eliminate the limited-English proficiency (LEP) program as a line-item account. NAHMA is concerned that HUD's plans to consolidate this account will make it increasingly difficult to secure funding for future translations, or to update the current translations when the documents change. The result of eliminating funding for LEP would be to leave properties to their own resources in providing language assistance, which would lead to an inconsistent level of service and inconsistent quality of translations for individuals with LEP. Secondly, the six month deadline for providing translated documents is essential. It took more than two years after the guidance became effective for HUD to issue the translated multifamily model leases.

Project-based Vouchers

Project-based vouchers are an important tool in expanding the supply of affordable housing, particularly when used with the tax credit program. These vouchers allow owners to build affordability into their properties. SEVRA will allow more families to access this important resource by allowing PHAs:

- To use an additional 5 percent of their budgets (above the 25 percent limitation) to project-base vouchers for special-needs populations, such as homeless or disabled families, for areas where vouchers are difficult to use or other categories HUD may establish;
- To increase the income-mixing limitation for the percentage of units in a property which may be project-based under certain circumstances;
  - For properties which provide comprehensive supportive services to families; or
  - When the property is located in a tight rental market or is located in a low-poverty area; and
- At the request of a property owner, to provide existing residents with project-based preservation vouchers (which are not subject to the PHA budget limitation or the limit on income mixing);
  - This option will protect the residents while ensuring that the actual units are preserved as affordable.

Enhanced Vouchers

In July 2004, the Government Accountability Office (GAO) released its report, "Multifamily Housing: More Accessible HUD Data Could Help Efforts to Preserve Housing for Low-Income Tenants." The report noted that mortgages on more than 2300 subsided properties will reach maturity through the year 2013. In many instances, rents in these developments were kept low by subsidizing the mortgage and limiting the rents that could be charged. GAO explained that tenants who receive rental assistance in these properties would become eligible for enhanced vouchers when the mortgages mature;[1] however, the report states,

> "No statutory requirement exists to protect tenants from increases in rent when HUD mortgages mature, absent the existence of rental assistance contracts or other subsidies. Without tenant protection requirements, tenants in over 101,000 units under the Section 202, Section 221(d)(3) BMIR, and Section 236 programs that do not receive rental assistance may have to pay higher rents or move to other housing when the HUD mortgages on these properties mature and rent restrictions are lifted." [2]

On several occasions, NAHMA has called on Congress to provide enhanced vouchers to tenants whose rents would be unaffordable after the HUD mortgage matures, and the affordability requirements expire. We are pleased that the SEVRA draft authorizes enhanced vouchers for tenants who live in properties with mortgages due to expire under the Section 221(d)(3) Below Market Interest Rate and Section 236 Interest Reduction Payment programs. The draft bill provides eligibility for enhanced vouchers when the mortgages mature to low-income residents (and moderate-income tenants who are elderly, disabled or living in a low-vacancy area). NAHMA supports this proposal, but we recommend a slight tweak in the language to clarify that

[1] U.S. General Accounting Office, Multifamily Housing: More Accessible HUD Data Could Help Efforts to Preserve Housing for Low-Income Tenants GAO-04-20 (Washington D.C.; January 23, 2004). page 16. At the time the report was issued, GAO was known as the General Accounting Office.
[2] U.S. General Accounting Office, Multifamily Housing: More Accessible HUD Data Could Help Efforts to Preserve Housing for Low-Income Tenants GAO-04-20 (Washington D.C.; January 23, 2004). page 4.

unassisted tenants living in those projects when the mortgages mature are also eligible for enhanced vouchers if they meet the income-qualifications described in SEVRA.

NAHMA's Requested Additions to SEVRA

Reduce Tenants' Rent Contribution for Zero-Bedroom Units
In February 2008, HUD released a policy memorandum permitting owners to convert efficiency units to one bedrooms (and waive one-for-one replacement requirements) when "it can be demonstrated that the conversion is warranted by local demands for affordable housing and results in the long-term financial and physical repositioning of the project." News of this policy revision was welcomed, but we believe additional measures are necessary when conversion is not practical because of structural and / or financial restrictions.

NAHMA believes a win-win solution can be achieved in situations where converting efficiencies to one-bedroom units is not feasible. We respectfully request language in SERVA which provides an incentive for tenants to accept efficiency units. Under current law, a tenant pays 30 percent of their income regardless of the unit size. We believe reducing the tenant's rent contribution for efficiency units from 30 percent to 20 percent of their income would make these units more marketable, reduce transfers to one-bedroom units, save the property money that would otherwise be spent turning-over and remarketing the efficiency, and allow the tenant to pay less money for living in a smaller unit.

Negative Rent
NAHMA understands that one of the goals of the draft bill is to simplify the rent determination procedures in public housing, voucher, and assisted multifamily housing programs. With that goal in mind, NAHMA would like to bring an issue to the Subcommittee's attention related to "negative rent" in assisted housing.

Negative rent results when a tenant's utility allowance exceeds their rent contribution. For example, if 30 percent of the tenant's income is $25 and the utility allowance is $40, the tenant has a "negative rent" of $15. The owner/agent bills HUD for that $15, and pays the tenant upon receipt. The process for reimbursing the tenant is administratively burdensome. We ask the Subcommittee to consider including language in SEVRA which might include allowing owners in assisted multifamily housing to establish a reasonable minimum rent policy. Congress established minimum rents for public housing in the Quality Housing and Work Responsibility Act of 1998.

Relationship to HUD's Regulation, "Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs (Docket No. FR-4998-N-03)."
Section 3 Rent Reform and Income Reviews requires the use of the resident's prior year income to determine his or her rent contribution, except for the initial or interim certification. This provision offers far greater certainty than the apparent "choice" of historical or projected income offered in the final HUD regulation, *"Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs."* Using historical data will also simplify the income matching to the information in HUD's Enterprise Income Verification (EIV) system. However, we would note for the record that the LIHTC program requires owners/agents to determine whether a tenant is income-eligible by projecting the current income forward for 12 months. These differences may cause some initial confusion on mixed-financed properties, but they should not affect the Section 8 tenant's rent contribution in LIHTC developments.

On September 30, 2009, HUD's income and rent determination regulation takes effect. NAHMA has advocated for multifamily owners' and management agents' access to income matching tools, such as the EIV system, to ensure the proper level of assistance is received by eligible families. NAHMA continues to support--and even encourage—multifamily owners and management agents to use EIV. Nevertheless, we are gravely concerned about HUD's requirement for owners and managers to use EIV for third party verification in assisted multifamily properties as of September 30.

We ask the Subcommittee to prohibit the mandatory use of EIV by multifamily owners and management agents from taking effect on September 30. *NAHMA requests that the Subcommittee require that the deadline for mandatory EIV use in assisted properties be indefinitely postponed until such time as the well-documented administrative problems with this system are resolved and until the system may be used for income verification in the other major federal multifamily housing programs commonly used with HUD programs--the Low Income Housing Tax Credit and Rural Housing Service multifamily housing programs.* These problems include:

- Major problems getting the necessary authorization and information access to EIV--especially passwords and activation key codes;
- The administrative burden associated with setting up and certifying EIV users;
  - Further complicated by high staff turnover at the site level In order to maintain access to EIV; and
- The administrative burdens on property management staff in mixed-financed properties;
  - Different procedures for income verification must be followed, tenant files with EIV information must be kept separately, and compliance auditors may not have access to the EIV information used to verify income for HUD-assisted residents.

In short, NAHMA members are concerned that they will face unfair sanctions for noncompliance due to staff turnover and delays which are beyond their control in HUD's procedures for accessing EIV.

Concerns with the Draft Bill

Eligibility for Assistance Based on Assets and Income

NAHMA interprets section 4 as one which seeks to tighten the income-eligibility restrictions in public and assisted housing. However, our members are concerned that the asset limitations may have unintended consequences in the form of administrative burdens for PHAs, owners, management agents, as well as the tenants and applicants. It is unclear that the self-certification of the family's net assets would be acceptable to the Low Income Housing Tax Credit regulators in mixed-finance properties. Also, with respect to the income-restrictions on initial and continuing eligibility, HUD's policy for assisted housing has been that over-income families may not receive subsidies, but they may remain in their unit if they pay market rent. NAHMA supports mixed-income communities, and many of our members would be reluctant to evict residents who are not receiving subsidies, are paying the market rents and abiding by the terms of their leases. Eviction is a serious, costly legal proceeding with an uncertain outcome. We agree that there is a need for more affordable housing, but we believe a better alternative is to build more units. We respectfully request that the Subcommittee ask the GAO to study the impact of these changes—especially for elderly residents—prior to writing them into law.

Fair Market Rent

Section 13 of the draft proposes substantial changes for establishing Fair Market Rents (FMRs). While the intention of this section appears to be achieving more precise data upon which to base the FMRs, we are concerned that the proposal will be administratively burdensome for HUD. Likewise, we are unsure how the proposed changes would affect rents. For these reasons, NAHMA respectfully requests that the Subcommittee request a study by the Congressional Budget Office, the GAO or HUD on the potential effect of these changes prior to writing them into statutory law.

Conclusion

Thank you again for allowing NAHMA to comment on the draft SEVRA bill. We look forward to working with you to improve what works about the Section 8 program and to reform the areas that need attention.

TESTIMONY OF GLORIA J. ROBINSON

ONE DC TENANT ORGANIZER

&

HOUSING CHOICE VOUCHER HOLDER

Thank you, Chairwoman Waters, Ranking member Capito and Members of the committee for inviting me to testify on a draft of the Section Eight Voucher Reform Act (SEVRA).

My name is Gloria Robinson and I work for Organizing Neighborhood Equity DC or ONE DC, which is a member of the National People's Action Network. I'm also a Housing Choice Voucher holder.

In the past year there has been a great deal of dialogue about the ailing economy, the housing and mortgage crisis and its devastating affects on Middle America.
I am pleased to be a part of a dialogue that addresses another population; a population that often seems to exist beneath the radar screens of lawmakers and politicians.

This is a population for which little has changed as a result of the economic downturn and the mortgage and foreclosure crisis. They've been dirt poor and living in substandard housing or homeless way before this conversation began to take place!

For a very long time I was part of this population. In 1994 I left an abusive marriage and entered a transitional housing program. I was unemployed at the time and my name was placed on the "waiting list" for public and/or subsidized housing.

Fifteen years later, I have still yet to receive the letter informing me that my name had reached the top of that list! It is my understanding that the DC Housing Authority has over 26,000 households "waiting". That number is growing steadily with no significant decrease expected in the foreseeable future. Without the 750,000 vouchers proposed by SEVRA over the next five years, they will continue to wait. They will wait in sub-standard housing and they will wait on the streets. Some of them will continue to bear the enormous burden paying more than 30% if their incomes for rent. I can only imagine what the numbers are like nationally. It is essential that SEVRA gets introduced and passed through the House with this provision in place.

I became a Housing Choice Voucher holder in June of 2008, not because of any movement on the waiting list but because there was an Opt-out at the project-based subsidized property where I was renting.

I've been employed at ONE DC for over 14 years, primarily as a tenant organizer working with poor, working poor and homeless families and individuals and many of them have not been so fortunate in their search for affordable housing. Over 2000 affordable housing units have been lost since 2000 in DC alone and the rent burden carried by thousands of low-income tenants continues to grow. For this reason, I applaud the

proposal to increase the number of vouchers made available and the continued funding for the current Housing Choice Vouchers.

Of major concern to me and other low-income tenants is the sometimes prohibitive background checks required of voucher applicants. For example, outstanding or delinquent student loans will negatively affect an applicant's credit score. Often these debts are decades old but their negative impact is current. Generally, low-income people are going to have weaker credit histories because the reality is it's more expensive to be poor in this country. For that reason an applicant's credit history shouldn't be taken into consideration when they apply for a voucher unless there is overwhelming evidence that they will not be able to pay rent.

DC's Housing Authority requires criminal background checks for all household members over the age of 18. This could prevent some applicants from being deemed eligible for subsidized housing and it could also hamper the reunification of families after a member has successfully completed his or her sentence. Any policy that prevents families from living together under the same roof is in direct conflict with traditional American Family Values. I would like to see SEVRA include language that limits criminal background checks to certain felonies that have occurred within the past two years. Certain drug felonies and violent crimes like rape, child molestation and murder should be the extent of what housing authorities screen for.

One of the things I personally experienced while searching for a place to use the Housing Choice Voucher was being told out outright by landlords and property owners that they do not accept Housing Choice Vouchers. Although there are laws that are supposed to protect tenants from being discriminated against based on the source of income, this is a widespread practice in DC even though the District passed a law prohibiting it. There needs to be a provision added to SEVRA that expressly prohibits discrimination based on source of income at the national level. There also needs to be mechanisms put in place to enforce this provision. I believe that discrimination based on income is no different that any other Fair Housing violation.

I am happy that SEVRA addresses the issue of inspections, especially failed inspections that result in delayed lease-ups when there are no life-threatening reasons for the failure. I understand the importance of the inspections. They are supposed to make sure that only safe, decent housing is subsidized.

When I finally located an apartment community that I wanted to call home and that would accept the Voucher, I was approved immediately (August 2nd) I submitted the 30 day notice at my previous apartment the following week. The management there began accepting applications for the apartment almost right away. Meanwhile, I began the waiting again, this time for the Housing Authority to inspect my unit.

About 7 weeks later, the inspection was done and the unit failed (the first time) for one bedroom window that had been painted shut then (the second time) for a shower pole missing in the master bathroom. Not life threatening! Each time the unit failed it went to the end of the inspection list! My apartment complex was about 2 years old and excellently maintained and managed,

I called repeatedly (with no answers or return calls) and I visited the Housing Authority every Tuesday, which is the only walk-in day for clients. Sometimes I was told that my unit was the next on the list, to later find out that it wasn't true. Once I was told by a very rude employee that they were backlogged and I needed to wait; she had no idea how long!

While housing authorities should withhold rents from landlords that don't make necessary repairs within 30 days, non life threatening issues should not delay the occupancy of an otherwise habitable unit!

I was finally able to lease up and move in on November 3, 2008, after sitting in overflowing waiting rooms every week, sometimes from 7:30 until 3:00 pm before ever speaking with a client placement representative. Every employed housing authority client doesn't have the luxury or flexibility to spend 6-8 hours away from their jobs every week without seriously jeopardizing their employment status.

Finally, I agree with Secretary Donovan's opinion on the Moving-to-Work program. Because Housing Authorities were not required to collect any data, there is no empirical evidence to show the program has been effective. Extensive data needs to be collected, and that data thoroughly analyzed before the program is expanded.

If Moving-to-Work is expanded, then there MUST be restrictions placed on the Housing Authorities that protect tenants. Housing Authorities MUST NOT be allowed to place time-limits on vouchers. I also do not believe that Housing Authorities should be allowed to place work requirements on voucher holders. Also under Moving-to-Work, Housing Authorities are not required to spend all of their money allocated for vouchers. Essentially Housing Authorities are allowed to stockpile money. The only thing I can say is "That Ain't Right!" Every dollar that Housing Authorities are allowed to stockpile is a dollar that can be used to help low-income families find a decent home. And finally, Housing Authorities should NOT be allowed to recalculate rent payments under Moving-to-Work. Voucher holders should not have to pay more than 33% of their income towards rent. The whole idea behind affordable housing is that people would pay no more than a third of their monthly net income on housing.

It is my hope that SEVRA will effectively streamline the administration of the Housing Choice Voucher Program, while protecting the rights of low-income tenants and increasing the availability of safe, decent affordable housing for those most in need of it.

Thank you for the opportunity to submit this testimony on behalf of the Section Eight Voucher Reform Act.

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Testimony of
Nan Roman
President
National Alliance to End Homelessness
before the
Subcommittee on Housing and Community Opportunity
Committee on Financial Services
U.S. House of Representatives

Hearing on *The Section 8 Voucher Reform Act*
June 4, 2009

Chairwoman Waters, Ranking Member Capito, and members of the Subcommittee, I am honored that you have invited the National Alliance to End Homelessness (the Alliance) to testify before you today on The Section 8 Voucher Reform Act. Section 8 is probably the most important government resource to prevent and end homelessness. As you will see from my testimony, Section 8 vouchers, by virtue of making housing affordable, end homelessness for nearly every household that receives one. If we had an adequate supply of Section 8 vouchers, there would be very little homelessness in our nation. The Alliance commends the work that the Committee has done to solidify and improve the program and supports The Section 8 Voucher Reform Act.

The National Alliance to End Homelessness is a nonpartisan, nonprofit organization that was founded in 1983 by a group of leaders deeply disturbed by the appearance of thousands of Americans living on the streets of our nation. In its early years, it focused on meeting the emergency needs of this emerging population. Soon, however, as it became apparent that emergency measures would not solve the problem, we turned our attention to more permanent solutions. Today, the bipartisan Alliance Board of Directors and our over 9,000 nonprofit, faith-based, private, and public sector partners across the country devote ourselves to the affordable housing, access to services, and livable incomes that will end homelessness.

Homelessness and Housing

Notwithstanding the fact that people who become homeless tend to have extensive and complicated needs, their lack of housing is what defines them as homeless. Housing affordability is the driver in homelessness. However, the need for housing plays out in different ways. A smaller percentage of homeless people need affordable housing that is linked with intensive services. The majority of homeless people, while they have services needs, can remain stably housed if the housing is affordable to them. All in all, approximately 670,000 people are homeless each night. Of these, around 125,000 are chronically homeless, and 250,000 live in families (in 85,000 households). Almost 300,000 are unsheltered. Because most leave homelessness but are replaced by others who lose their housing, over the course of a year, several million experience homelessness. I would like to discuss some of the different ways that homelessness affects Americans, and the role of Section 8 in solving the problem.

The majority of homeless people, about 80% of individuals and well over 90% of homeless families with children, are homeless largely for economic reasons. Their incomes are not sufficient to pay for housing. If they had housing that was affordable to them, while they might still be poor and have other problems, they

would not be homeless. Research has consistently shown that, especially for homeless families with children, a Section 8 voucher allows the substantial majority to leave homelessness, become housed, and never become homeless again.

A relatively small percentage of homeless people (about 20% and mostly single adults) is disabled and needs permanent supportive housing – housing with a services component. The percentage is even higher among homeless veterans, 50,000 of whom are also disabled and in need of permanent supportive housing. In total, the nation requires approximately 90,000 units of permanent supportive housing to end long term chronic homelessness for people with disabilities. While mental health and addiction treatment and other supportive services are certainly needed, the services are not effective in the absence of affordable housing. Section 8 has proven to be an effective mechanism for providing that affordable housing, either in project-based settings or using tenant-based vouchers in scattered-site supportive housing.

Homelessness among elderly people is also growing problem. While historically elderly people have been under-represented in the homeless population, today that is changing. We are seeing disturbing increases in the elderly homeless population, both because of the aging of people who are currently homeless, and because of the increasing age of the general population. Homelessness among elderly people is alarming, and the solution is affordable housing with necessary services.

In addition to people who are literally homeless, there is a much larger pool of extremely poor and challenged families and individuals from which the homeless population emerges. Some 16 million people live at half of the poverty level for example (deep poverty), and as many as 10 million people live below the poverty level and are doubled up. These are people who are at risk of homelessness, and many of them do become homeless. However, historical data and information from other nations indicate that only a handful would become homeless if they had affordable housing.

In summary, housing is the key intervention in ending homelessness. And Section 8 is the lynchpin. People who are chronically homeless and disabled, including many veterans and the elderly, need affordable housing plus services; even with capital financing for development, Section 8 is the key to providing the needed operating subsidies. People who are homeless for economic reasons need affordable housing; Section 8 is the key. People who are at risk of homelessness need their housing to be affordable; again, Section 8 is the key.

It is for this reason that we are so grateful to the Committee for its work to stabilize the Section 8 Housing Choice Voucher program.

Benefits of SEVRA

The SEVRA bill improves the Section 8 program in several ways that will make a difference to our goal of ending homelessness.

Reliability. It is essential that landlords, developers and tenants have confidence in the Section 8 program – in how it operates and in what resources it can deliver. By settling basic questions of funding distribution in ways that incentivize full utilization of authorized vouchers, SEVRA accomplishes this goal. This is important for several reasons.

- Landlords are incentivized to house people who they believe to be risky tenants when they have a clear and reliable understanding of what is expected of them, and what they can expect to receive.
- Developers are encouraged to develop housing for low-income people if they are confident in the rental stream they can expect.

- Housing First is an emerging best practice that involves placing homeless people, including those with the most severe disabilities, in housing as the platform for subsequent provision of stabilizing treatment services. The existence of a reliable source of rental subsidy is key to landlords accepting this population as tenants.
- Nonprofit and public organizations that house homeless people must conduct extensive outreach to potential landlords. Reliable Section 8 brings many more landlords to the table.

Project-based Section 8. Project-basing Section 8 is an important tool for ending homelessness. Project-based Section 8 is essential for the creation of permanent supportive housing for disabled and elderly homeless people. It is also used in some communities as a vehicle for "transitioning in place." SEVRA takes a much improved approach to project-basing, and indeed incentivizes the use of project-based assistance for homeless people where there is a lack of supply. This will have a positive impact on communities' efforts to end chronic homelessness and homelessness overall. 90,000 additional units of permanent supportive housing are needed to end chronic homelessness.

Simplification. SEVRA's simplification of rent calculations and inspections makes an important contribution. This simplification will encourage more landlords to participate and make the program easier for tenants to understand.

Further Considerations

To maximize the impact of the Section 8 Voucher program, we offer the following thoughts.

Targeting. One of the lessons in communities that have reduced homelessness is that targeting is a critical element. Distributing scarce resources across a wide variety of eligible populations has little impact, while tightly targeting distribution has a significant impact. Section 8 is a rich resource, and should be targeted to those who most need it in order to maximize its impact. In particular, targeting to people with mental illness, veterans, and families with children in foster care should be retained. Further, given the extensive unmet need for affordable housing among households with incomes below 30% of Area Median Income, we can see no situation in which it would be reasonable to waive or raise income eligibility for the Section 8 program; income targeting should be retained.

HPRP. Congress recently passed the Homelessness Prevention and Rapid Re-Housing Program (HPRP) as part of the American Recovery and Reinvestment Act. This program provides short- to moderate-term rent assistance (among other things) to people who are threatened with homelessness or who are homeless. The goal is to ameliorate a recession-related increase in homelessness. HPRP should work well for most households. However, households for whom short-term assistance will not be adequate, including households with a disabled member, will need to link to Section 8. Coordination between HPRP and Section 8 is needed.

Trust Fund. The Housing Trust Fund is a key piece of legislation that will stimulate desperately needed development of affordable housing. It is important to recognize, however, that even when there is NO debt service in a development, and using federal standards of affordability, people under 30% of Area Median Income cannot typically afford to pay enough rent to cover the ongoing operating costs of a unit. Therefore, to reach the target population of the program, operating subsidies will be required, and at present that largely means Section 8. When the Trust Fund is resourced, it will be important to consider how Section 8 can best be allocated to Trust Fund projects.

Ending homelessness. While universally available Section 8 clearly has the capacity to end homelessness, there are some features of the current program that impede its ability to address homelessness.

- Waiting lists. Homeless people have, by definition, the most acute housing need: they have no housing. However, Section 8 is not allocated according to need, but rather on a first-come, first-served basis (taking into account local priorities). People who are homeless not only have to wait on the list (and many people become homeless while waiting on the list), but it is often difficult to reach them when their names come up for assistance because they have no regular address.
- Flexibility. Many people are at risk of homelessness, but relatively few actually become homeless. With flexible housing resources, much homelessness could be prevented. Between waiting list and other program rules, the Section 8 program does not offer Public Housing Authorities (PHAs) much flexibility to address the housing needs of people having a housing crisis.

Creating homelessness. A small percentage of people become homeless while receiving Section 8. The reasons for this rarely have to do with failure to pay rent. Rather, they center on poor quality of housing (there is evidence that people sometimes leave because the housing they can access is in such poor condition); noncompliance with administrative requirements (families may fail to understand or heed recertification requirements, for example); or other fairly minor problems. While PHAs certainly must have and enforce rules, they should be given the resources to take more responsibility to solve problems before eviction, especially because evictions may result in homelessness. In particular, we recommend that PHAs report their termination rates on a regular basis, and that they coordinate with local Homelessness Management Information Systems to examine whether or not people terminated by the program end up homeless. Section 8 should be the vehicle for exiting homelessness – not entering it.

Summary

The Alliance and Enterprise Community Partners will shortly release a report examining the relationship between housing subsidies and homelessness among families. Based upon the literature on this issue, the report, by Dr. Marybeth Shinn at Vanderbilt University, says,

> *The continuing crisis in affordable housing has led to a situation in which all too many poor families have become homeless. Many of these parents came of age when housing costs were high, and they were never able to break into the housing market. Others have lost housing and cannot find a new home that they can afford.* ***For the vast majority of families, affordable housing, typically secured with a voucher or other subsidy, is sufficient to assure housing stability.***

In other words, housing ends homelessness and a housing subsidy, alone, is largely sufficient to provide that housing. If people could afford their housing, notwithstanding all the other problems and needs they might have, they would not be homeless. The Section 8 Housing Choice Voucher program is the primary source of housing subsidy for people, and we need it to function cleanly and well, to be reliable and transparent, and to grow.

On behalf of the Board of Directors of the National Alliance to End Homelessness, I thank you for your efforts to improve the Section 8 program. They are critically important and we support them. We hope that these improvements will eventually lead to an adequate supply of Section 8 vouchers to meet the needs of those who have no housing – homeless people.

Testimony of

Ms. Renée Rooker, President

National Association of Housing and Redevelopment Officials

before the

Subcommittee on Housing and Community Opportunity

House Financial Services Committee

June 4, 2009

Introduction

Chairwoman Waters, Ranking Member Capito and members of the Subcommittee on Housing and Community Opportunity, my name is Renée Rooker. I am the Executive Director of the Walla Walla, Washington Housing Authority. I am pleased to be here today in my capacity as President of the National Association of Housing and Redevelopment Officials (NAHRO), representing the Association's 23,000 agency and individual members. Formed in 1933, NAHRO is the nation's oldest and largest non-profit organization representing public housing authorities and redevelopment agencies engaged in affordable housing and community development. NAHRO's 3,162 agency members include public housing authorities, community development departments and redevelopment agencies. Seventy-eight percent of NAHRO agency members administer vouchers under the Section 8 Housing Choice Voucher program.

First and foremost, on behalf of the members of NAHRO, I want to thank the Subcommittee for your work on SEVRA, and your longstanding commitment to improve the workability of the Housing Choice Voucher (HCV) program. NAHRO has worked consistently and productively for several years on a bi-partisan basis to encourage responsible reform of this vital program. We have been pleased to have had an opportunity to lend our voice to help shape a responsible SEVRA bill. Prior to today's hearing, many insightful ideas have been put forth in testimony before this Subcommittee on this topic. There have been a number of NAHRO members from stakeholder agencies who have testified on both Section 8 and public housing reform in the recent past, including HUD Secretary Shaun Donovan in his former capacity as New York City Housing Commissioner; Mr. Rudy Monteil, Executive Director, City of Los Angeles Housing Authority; Ms. Jody Geese, Executive Director, Belmont Metropolitan Housing Authority; Betsey Martens, Co-Executive Director, Boulder Housing Partners; Mr. Jon Gutzman, Executive Director, Saint Paul Public Housing Agency; Ms. Renée Glover, Chief Executive Officer, Atlanta Housing Authority; and Mr. Daniel Nackerman, Executive Director, Housing Authority of the County of San Bernardino. I am here today to build on their insightful testimony from prior hearings, and I commend their recommendations to you as you move the latest version of this legislation forward.

As you proceed through regular order to introduce, mark-up and ultimately approve this vital legislation in this Congress, please know that our association and its members stand ready to continue to inform your work based on our years of on-the-ground, hands-on experience in the day-to-day administration of both the voucher and public housing programs. From my vantage point as a housing practitioner, the need to advance a good piece of legislation in this Congress is unquestionable. The breadth of the effort you have undertaken over the years and the enormous progress that you have made to shape a pragmatic and responsible bill, argue for your continued best efforts in this Congress to finish the job. NAHRO supports the central thrust of the Section 8 Voucher Reform Act and our members desire a variety of reforms that are contemplated in this bill. We are

eager to work with you to make sure those reforms are undertaken in a considered manner, and we applaud you for holding this hearing today to move this process forward.

The Many Positive Aspects of SEVRA Legislation to Date

No piece of draft legislation can ever be considered perfect—at least not in the eyes of all beholders—and SEVRA is no exception. My testimony today offers a number of suggestions for your consideration to improve the current SEVRA discussion draft. However, I wish to underscore at the outset that there is much about SEVRA (as it has matured over the past several years) that is extremely positive. Allow me to mention just a few examples:

A Sound Distributional Funding Formula

NAHRO has long advocated for the enactment of a sound voucher renewal funding policy in authorizing legislation. We applaud your colleagues on the Appropriations Committees of both Houses of Congress for taking steps over the past several years to reverse the previous "snapshot" budget-based voucher distribution methodology that over-funded many public housing agencies (PHAs) and under-funded others. This approach had disastrous consequences and led to the loss of voucher assistance for approximately 150,000 low-income families. As important as the reform of the voucher renewal formula has been in recent appropriations bills, however, establishing a funding policy in appropriations legislation also creates a large measure of uncertainty given the annual nature of the appropriations process itself. Far better, we believe, to have this matter settled once and for all in SEVRA to ameliorate this uncertainty and to confirm a rational and accurate funding policy through five-year authorization legislation.

In short, NAHRO strongly supports the language contained in the current discussion draft that would enact a distributional funding formula that reflects the most recent calendar year's voucher leasing and cost data by agencies. We believe this approach is a far more accurate and reliable way to proceed.

Incremental Vouchers

NAHRO supports the annual authorization of 150,000 incremental vouchers for the term of this legislation for both tenant-based and project-based vouchers. We believe these vouchers should be distributed to the entities presently administering the voucher program on the basis of need and in accordance with current law.

Historically, incremental vouchers have been awarded to agencies based on a combination of their voucher lease-up performance as well as their community's relative "worst-case" housing needs. Given the overwhelming unmet worst-case housing needs that exist today and the limited federal resources to address those needs, we believe it is important to restore the historic treatment of voucher leasing and relative worst-case housing needs within each state as the primary factors in increasing agencies' base renewal funding and authorized vouchers in SEVRA.

Retention and Use of Unobligated Balances

NAHRO generally supports the provisions contained in SEVRA that relate to the recapture and reallocation of unused funds. However, SEVRA also contains provisions that create a mechanism to allow PHAs—subject to certain limits—to retain and use their unobligated fund balances. We strongly support the inclusion of provisions within SEVRA that accomplish this goal. With this in mind, we would also recommend the addition of language that would enable the HUD Secretary to make exceptions regarding the recapture of an agency's funds where there are extenuating circumstances beyond an agency's control.

Reallocation Voucher HAP Funds

In an environment of limited federal resources where numerous housing and community development programs have been under-funded in recent years, NAHRO has consistently advocated for reform of the voucher renewal funding formula. However, the nation has recently endured several undulations in housing markets, from increasing rental housing costs in some markets to softening markets in others. In some communities, tenant household incomes have declined, leading to increases in per-voucher Housing Assistance Payment (HAP) costs. The rapid decline in voucher-assisted household incomes has also recently led to a widening gap between PHAs' budget utilization rates and their voucher lease-up rates. As a result, many PHAs are serving fewer families than their authorized number of vouchers.

We believe that the reallocation provision currently contained in SEVRA is well suited to address this issue. Specifically, the reallocation provision would among other things, provide funding to PHAs for increased voucher leasing, and would give priority to PHAs with high budget utilization rates and agencies who need additional voucher assistance to increase voucher leasing rates. We strongly support the inclusion of this provision.

Maximizing Leasing with Funds Available

NAHRO has long supported the inclusion of language in SEVRA that will reinstate a version of the "maximized leasing" policy that was standard practice in the voucher program in 2003 and prior years. Simply stated, the provision will enable PHAs to serve the greatest number of families possible if they have the funds to do so, including serving additional families above their authorized levels.

With this in mind, we also believe that it is important to keep the historic tie between funding the authorized and actual number of families served, so that Congress knows who is being served and whether the voucher program is achieving its stated goals.

The current discussion draft specifically limits over-leasing with undesignated HAP fund balances to 103 percent of a PHA's authorized baseline number of vouchers. However, there is no limitation on over-leasing (i.e., 104 percent or higher) using same-year

appropriated funds. As noted above, we support the concept of increasing the total number of families served; however, we also believe that due consideration is needed so that this particular provision of SEVRA does not contribute inadvertently to downward HAP pro-rations below 100 percent of eligible funding needs, as has occurred in the recent past. In instances where the pro-ration is below 100 percent, the number of families that PHAs can serve in their communities is significantly compromised.

Downward pro-rations in HAP funding did indeed create a problem that plagued the voucher program from FY 2004 – FY 2006 under the budget-based funding formula. Having helped put the voucher program's funding back on solid footing through the inclusion of a responsible renewal formula, we cannot now afford to re-introduce another measure of instability and unpredictability to program funding.

The combination of enabling all agencies to lease as many households as possible with available funding, a reallocation provision to help PHAs with significant differences between their high budget utilization rates and lower voucher lease-up rates, and the addition of 150,000 incremental vouchers each year should enable PHAs to increase the number of their authorized (and additional) vouchers leased.

Income Targeting

NAHRO supports the income targeting threshold for all extremely low-income applicant households in the Section 8 HCV program, public housing program, and project-based Section 8 multi-family housing assistance program.

Portability

The per-voucher subsidy differences for low-income households of identical family composition and income differs greatly around the country, ranging from a ratio of 2:1 to 3:1 in many instances. Finite HAP funding each year, coupled with the existing portability funding and reimbursement system, in some instances creates financial barriers with regard to the administration of portability generally.

With this in mind, NAHRO supports language in SEVRA that mandates improvements to the regulations governing portability in a manner that preserves the robust use of this essential feature of the Section 8 voucher program, preserves the ability of agencies to serve their waiting lists, and reduces the financial barriers to portability.

Housing Quality Inspections

NAHRO supports language contained in SEVRA that would allow PHAs to complete 100 percent of inspections for assisted units every two years. Among other things, this provision will permit PHAs to perform inspections on a geographic basis rather than by tying inspections to each household's anniversary date.

NAHRO also supports language in SEVRA that will permit PHAs—at their discretion—to approve a dwelling unit under the program if it passes Housing Quality Standards (HQS) or state/local code inspections with requirements meeting or exceeding HQS as determined by other governmental entities.

Finally, we support the provision in SEVRA that will permit a PHA, at its discretion, to allow a voucher-assisted household to move into a dwelling unit after signing a lease with a property owner for a unit that has a reasonable rent and no health or safety violations, such that an agency may execute a lease, execute a HAP contract and make retroactive payment upon verification within 30 days that the unit passes Housing Quality Standards. We believe that adequate safeguards are present in the draft bill to ensure that payments are withheld and assistance abated 30 days from the date of the initial inspection if the deficiencies are not corrected. This provision should help low-income voucher holders access a greater number and range of rental housing units that in the past have been rented to unassisted households where no inspections, let alone passed inspections, under Housing Quality Standards are required.

Administrative Simplicity for Income and Rent Reviews

NAHRO supports the administrative simplification provisions found in the bill. In particular we welcome language in the bill that would relieve PHAs of the responsibility to maintain records of miscellaneous HUD-required income exclusions, allow PHAs to use applicable inflation adjustments for fixed-income families, permit PHA safe harbor reliance on other governmental income determinations (e.g., Medicaid, TANF), and also permit PHAs to make other appropriate adjustments when using prior year's calculations of other types of income.

In many instances, voucher-assisted low-income households do not have significant changes in their annual incomes year to year, but experience frequent changes in their sources of income and hours worked throughout the year. With this in mind, NAHRO, supports adding to the prior-year earned income provision.

Rent Alternatives at 30 Percent of Household Income

NAHRO supports language in the bill that would enable PHAs to implement alternative tenant rent structures under the public housing program, including flat rents based upon the rental value of the unit; income-tiered rents; rents based on a percentage of the household's income; and finally use of the existing rent structure prior to enactment of SEVRA. NAHRO believe these alternative rent structures should be permitted so long as a household does not pay more than 30 percent of their income towards rent/mortgage plus utilities.

Family Self-Sufficiency Program

NAHRO supports language in SEVRA that would convert the Family Self-Sufficiency (FSS) program from an annual competitive grant to an administrative fee to pay for the cost of an FSS coordinator. This fee would be included as part of the standard administrative fee provided to PHAs. Additionally, language now in SEVRA would establish standards for the number of FSS coordinators that an agency may fund and would restore coordinator funding for agencies with effective FSS programs that lost funding in prior years for reasons unrelated to performance.

PHA Project-Based Assistance

NAHRO supports a number of Section 8 Project-Based Voucher (PBV) program provisions that are included in the bill, including, but not limited to, establishing the percentage of units that can have project-based assistance in an agency's voucher portfolio; language that would provide protections against displacement for families who reside in a dwelling unit proposed to be assisted under the PBV program; and language that would permit the use of site-based waiting lists.

Fair Market Rents & Annual Adjustment Factors

NAHRO supports provisions in SEVRA that would require HUD to create geographical areas for the purpose of establishing Fair Market Rents (FMRs) and Annual Adjustment Factors (AAFs) that are more applicable to housing markets and submarkets than are existing FMRs and AAFs.

Access to HUD Programs for Persons with Limited English Proficiency

Finally, NAHRO supports language in SEVRA that would eliminate Limited English Proficiency (LEP) guidelines, requiring owners and managers to provide written and oral translations of "vital" documents in an array of foreign languages for assisted households with Limited English Proficiency. The bill contains certain LEP requirements—including a requirement that HUD develop and make available translations of vital documents developed by a HUD-convened task force, a requirement to establish a toll-free number and document clearing house, and a requirement that HUD complete a study of best practices for improving language services for individuals with Limited English Proficiency—all of which NAHRO could support.

In short, SEVRA as currently written represents a vigorous and notable effort to bring necessary reform to both the Section 8 voucher and public housing programs. A final bill containing the reforms noted above would represent an important and long awaited step forward in the right direction.

Comments on the Current SEVRA Discussion Draft

Madame Chairwoman, we greatly appreciate the fact that you have generously sought our comments in advance of this hearing on the latest discussion draft of SEVRA legislation. It is our understanding that you will, following this hearing, be compiling and analyzing all comments received and will thereafter formally introduce this legislation in the House. My comments on the discussion draft are not intended to be all-encompassing. We intend to work closely with Subcommittee staff to ensure that the full measure of our comments are communicated for your review. In my testimony today, I would simply like to discuss a few of the more significant reactions we have to the current discussion draft.

Inspection of Dwelling Units

As noted above, there is much that we like and support regarding Title 2 of the discussion draft relating to the inspection of dwelling units. However, we do have a few continuing concerns and suggestions.

First, language should be added to require that when the Housing Assistance Payments for an assisted dwelling unit is being withheld and abated for non-compliance, the tenant's termination notice to the owner also be sent to the PHA and that the notice to the owner be given in accordance with related provisions found in the lease. It is also important to clearly state that a tenant continuing to occupy a unit after a lease is terminated does not have a federal right to occupy the premises without payment of rent following termination of the HAP contract and the lease. We suggest that language be added to clarify that a family may remain in the unit "upon terms and conditions agreed upon between the family and the owner." Lack of clarity on this point will engender litigation and cause uncertainty that will discourage landlord participation in the voucher program.

Additionally, when Housing Assistance Payments have been withheld and abated for non-compliance with Housing Quality Standards (HQS), the time period in situations where a family is unable to lease a new unit should be unlimited. The discussion draft would require the PHA to simply extend the period allowed to the family. Consistent with language also contained in the bill, NAHRO believes that the PHA should in the alternative be required to simply extend the lease for a "reasonable period determined by the public housing agency."

We understand the desire to assist low-income households that need to relocate because a property owner refuses to make necessary repairs. However, involving PHAs in repairs blurs the traditional roles and responsibilities of the owner and PHAs under the voucher program. The success of the voucher program depends upon voluntary participation by private owners. Creating a unilateral right or obligation for the PHA to repair a dwelling unit without the owner's agreement or consent is likely to discourage owner participation in the longer term. NAHRO members have suggested that, even if the authorization for these activities is discretionary, it will operate to compel PHAs to engage in repair

activities, even when it is against their best judgment. There also may be significant liability concerns for both parties as a result of such work.

With respect to the provision of reasonable assistance to the family for relocation if a unit is not repaired, we suggest that "reasonable" assistance be determined by the public housing agency. In this regard, the discussion draft does not limit the amount of the assistance to two months of HAP. We suggest that the assistance not exceed two months of the abated assistance for the family.

Finally, the language of this provision should be limited to costs "directly" associated with relocation of the family to a new residence.

Income Reviews and Rent Determinations

The complexity of the rent and income calculations presently existing under statute and regulation are daunting and no doubt underlies many of the problems experienced in the current system with particular respect to payment error. This notwithstanding, NAHRO recognizes that efforts to address rent simplicity are difficult, and we applaud the general effort in the discussion draft to simplify the rent and income calculation process. Our comments today are specifically directed to providing a financial transition for some percentage of low-income households who may experience significant increases in amount of their income they might pay in rent.

First, language in the current discussion draft allows a deduction from income of the un-reimbursed amounts a family spends for child care where that amount exceeds 10 percent of their annual income. NAHRO members have recommended to us that the threshold be reduced to 5 percent to avoid hardship to families with dependent children who are working or pursuing their education

Second, NAHRO suggests with regard to the deduction for the elderly and disabled that $725 be changed to $1,200 to match the current annual Medicare premium on a national basis.

Third, NAHRO members are concerned about the impact the aggregate changes to rent and income calculations contained in the discussion draft will have on some families. In advance of enactment of the bill, it would be helpful if a request was made to CBO to breakdown its analysis of Section 3 of the discussion draft by household type within each program. We suggest that the Secretary (or in the alternative, the GAO) be requested to study the impact of these changes on families and report to Congress.

Fourth, we suggest that the Secretary be given the discretionary authority to address two areas of potential hardship that particularly concern NAHRO members. This should include a provision that the Secretary may, by regulation and for a period not exceeding three years following the date of enactment, limit increases in rent for elderly or disabled families. It should also limit increases in rent for families with dependent children, whose

rent has increased due to changes in the allowable exclusions for medical expenses/disability or child care expenses would be a welcome addition to the draft bill.

Finally, we appreciate that provisions in the draft bill demonstrate an understanding that the rent and income provisions in SEVRA may have an unintended and negative impact on PHAs' rent revenue under the public housing program. Using the income and deductions in H.R. 1851, the New York City Housing Authority, for example, estimated in 2007 that its public housing rent revenue from residents would decrease by $11 million annually without a provision in the draft bill that would compensate them through increased operating funds that *same year*. With this in mind, in the final bill you adopt, we suggest language be included that would compensate PHAs through increased Operating Funds the *same year* that they go into effect and thereafter.

Voucher Renewal Funding

As the adverse consequences of experimentation in the voucher renewal formula in recent years have clearly demonstrated, getting the matter of renewal funding right is vital to the efficient and successful administration of this program. As noted previously, NAHRO strongly supports the general approach taken in this bill that bases renewal funding on the prior calendar year's voucher cost and utilization data. Our additional comments on renewal funding are focused on other matters contained in the discussion draft and are focused on issues in the proposed administration of the renewal formula.

For example, under current practice, HUD may make tenant protection vouchers available for all units in a development after an eligibility event. Although we would not agree with such an interpretation, the discussion draft could be read to require exclusion from assistance units that were unoccupied on the date of an eligibility event. We recommend including a provision that would explicitly authorize present practice.

Portability

We believe that the provisions of the bill directing improvements relating to the portability feature of vouchers through regulation are welcomed. The discussion draft now contemplates that the Secretary should make adjustments to funding distributions to reflect ports. Further, the discussion draft provides that excess funds to an agency shall be used for portability and Family Self-Sufficiency (FSS) costs. Additionally, the draft bill anticipates that appropriations may be made for portability and self-sufficiency.

NAHRO has long suggested that the present administrative approach to portability, which involves inter-agency billing, is unnecessarily burdensome to agencies. We do not agree with the notion that the administrative system discourages portability on the part of assisted families. We do believe that portability—particularly from the perspective of administration and finance—can and should be administered more simply, and that current financial impediments should be properly addressed. We have, for a number of years, suggested that the Secretary administer funding for portability adjustments

primarily from a central fund that is either appropriated separately or set aside by the Secretary annually. We welcome the opportunity to discuss other viable options with you.

In sum, NAHRO believes that the objectives of the administrative system governing portability should enable: 1) portability by participating families desiring to relocate, retaining the present ability for an agency to restrict portability during the first year of assistance, 2) the phasing out and ultimate elimination of inter-agency billing, 3) the ability of agencies to serve their waiting lists, even when experiencing a large volume of in-porting families, and 4) the redistribution of funds to agencies experiencing losses through portability based on housing need.

Administrative Fees

The resources necessary to enable housing agencies to support Section 8 participants have been significantly eroded over the last several years. Just as SEVRA will establish a sound voucher HAP renewal funding formula to help stabilize the program, we urge that the funding structure to support the administrative functions necessary to help families succeed aas well as the funding structure necessary to enforce housing quality standards under the program be stabilized by the Congress. These determinations should not be left open to change by the Executive Branch. Administrative fee rates have been established in statute in the past with operational success. NAHRO continues to strongly recommend that administrative fees be established by statute and not by regulation. This is necessary for programmatic stability and will serve to insulate the administration of the program from transient political decisions.

Also, in reviewing the discussion draft with particular respect to the inflation factor for administrative fees, we believe the factor should take benefits as well as wages into consideration. Our members' experience with the public housing program indicates that omission of benefits will significantly under-state actual inflation.

NAHRO supports the provision in SEVRA that enables a PHA to serve households above its authorized number of vouchers if it has the HAP funds to do so. Language in the final bill that you adopt should authorize PHAs who exercise this option to be entitled to earn the fee for those additional families served over their authorized vouchers.

NAHRO recommends the addition of language modifying present paragraph 8(q)(1)(E) of the Housing Act to provide, affirmatively, that the same administrative fee shall be paid with respect to PHA-owned units as is paid with respect to non-owned units. This paragraph presently authorizes the Secretary to pay a reduced rate for PHA-owned units. This would apply to both Section 8 tenant-based as well as project-based voucher-assisted households. In view of the fact that PHAs must contract out both for the inspection of PHA-owned units and for the rent reasonableness determination, we believe a case can be made that the costs of administering assistance for a PHA-owned unit may actually exceed costs incurred with regard to non PHA-owned units.

Additionally, the discussion draft would authorize the Secretary to include in the administrative fee an amount for the cost of issuing a new voucher to a participant. NAHRO suggests that this fee be identified as an "add-on" incremental to the ongoing fee. In this regard, NAHRO members have indicated that that the majority of the costs associated with issuing new vouchers are incurred by the time the family is issued the voucher. These costs include those associated with all of the administrative steps relating to eligibility determinations, briefings, etc. Agencies provide equal access and assistance to all voucher holders throughout the housing search period, and the failure of some voucher holders to lease may be the result of factors beyond the control of the local agency, including but not limited to the family's prior landlord references or credit history. Since the actual lease-up by the family is the ultimate objective of the program, we believe some portion of the fee should be reserved for payment conditional upon the family's success. Such an approach would restore the preliminary fee that previously was paid under the program and will help ensure that the PHA remains incentivized to see that families receiving vouchers actually succeed with lease-up of units.

NAHRO recommends inclusion of an add-on fee to pay for the administrative expenses associated with relocation assistance provided by the PHA for households in dwelling units with extended non-compliance with Housing Quality Standards, for abated Housing Assistance Payments for unit repairs, and for the voluntary credit reporting function authorized in the current discussion draft of in the bill.

Finally, with respect to administrative fees, NAHRO recommends that the provision in the current discussion draft relating to performance bonuses not apply unless PHAs receive full funding of their ongoing administrative fees, voucher issuance fees, and special fees (i.e., audit reimbursement, etc.).

Agency Performance

NAHRO believes that any accurate performance system must, in evaluating budget utilization and lease-up rates, take into account market conditions faced by local agencies. We suggest in this regard that language currently in the discussion draft be modified to add the following: "and taking into account rental market conditions relating to residential rental housing units in the area of the agency."

Also, as written, the discussion draft would rate the performance of an agency on its effectiveness in carrying out policies that result in deconcentration of poverty. Keeping in mind that agencies may not lawfully direct voucher holders with respect to where they choose to live, the ability of agencies to ensure poverty deconcentration will vary widely depending on their circumstances. Additionally, the percentile of market rents at which FMRs are established will in many instances determine the choices available to families and the degree to which they may make choices that encourage deconcentration. This is a matter over which neither the family nor the agency has any control.

NAHRO agrees that deconcentration of poverty is a very worthwhile programmatic objective. However, we believe that applying performance standards that do not

adequately take context into account is questionable in actual practice and may be inequitable to agencies. NAHRO believes that in the end, poverty deconcentration must be accomplished by economic and administrative incentives. For example, agencies should be permitted, within sensible limitations, to limit the use of vouchers in certain low-poverty areas. NAHRO also suggests that additional funding be made available for vouchers designated and used by an agency for purposes of promoting deconcentration. These and similar measures would give agencies tools that would have a better chance at actually deconcentrating poverty.

Evaluating Rent Burdens

NAHRO has long advocated that rent burdens of participating families be monitored at the federal level, along with other operational data affecting the program and families participating in it. We support the provisions in the discussion draft that require periodic assessment of rent burdens. Rent burdens of participating families are affected by a number of factors, some of which are beyond the control of individual agencies and some of which are not. They are also influenced by federal policy objectives such as poverty deconcentration that can operate to increase rent burdens. In this regard, NAHRO recommends that, in considering rent burdens for families, account be taken of poverty deconcentration efforts such as a PHA's use of payment standards to either decrease poverty concentration or maintain deconcentration of poverty among assisted families.

Few voucher program procedures affect the operation of the program and the housing opportunities of participating families more than the manner in which Fair Market Rents are calculated. Basing FMRs on the 50th percentile of market rents allows for greater housing opportunities and lower poverty concentration, but serves fewer families with available funding then basing them on the 40th percentile of market rents (as is currently the case in most communities).

Because of the importance of this factor on program performance and its impact on families, NAHRO recommends that it be the subject of specific periodic inquiry and reporting by the Secretary. We recommend language be included in the final bill to indicate that the HUD Secretary shall examine and report periodically to Congress regarding the effect that the applicable percentile of market rents used in the calculation of FMRs has had upon poverty deconcentration and rent burdens.

Due Process

Existing regulations governing informal reviews assure low-income households the right to the elements of due process. To the extent that language in the discussion draft will add formality to the existing process however, this formality will entail costs which we believe should be taken into account in any consideration of administrative fees.

Site-Based Waiting Lists for Projects Assisted with Project-Based Vouchers

The discussion draft authorizes the use of site-based waiting lists, subject appropriately to Fair Housing and Civil Rights Act compliance. NAHRO supports this provision. We feel that the current language of the discussion draft in this regard promotes efficiency by allowing property owners to more quickly access eligible applicants.

Conversion of Section 8 Project-Based Multifamily Projects to Voucher Assistance

The discussion draft would also remove certain transactions from the PHA Plan that would limit the opportunity for resident input. NAHRO does not perceive a justification for this provision.

Finally, NAHRO questions whether the standard defined in the discussion draft relating to un-marketability while a unit is occupied is in fact workable and a practical standard. We suggest however that consideration be given to refining the language contained in the discussion draft in this regard to make it less subjective in application.

Matters that Remain Unaddressed

In closing, there are a few selected items that are not included in the latest discussion draft of the bill that we believe should be included in any final bill approved by the House.

MtW/Housing Innovation Program

We specifically note the absence of provisions previously included in H.R. 1851 relating to the Housing Innovation Program (HIP). As proposed in H.R. 1851, HIP would have enabled a larger number of public housing agencies to participate in what is now referred to as the Moving to Work demonstration, or MtW. NAHRO has long advocated for greater program flexibility and an expanded MtW program. We understand that the Subcommittee is currently addressing issues and is considering the possible inclusion of language regarding HIP. In doing so, we urge that serious consideration be given to the inclusion of provisions previously included in H.R. 1851 regarding both HIP program types. The total number of HIP-eligible PHAs should not be reduced below the number contemplated in the bill you approved in the 110th Congress. We would welcome the opportunity to discuss this with you further.

Appropriations Benchmarking

Once enacted, SEVRA will include a number of reforms to the current housing choice voucher program that will enable greater functionality and greater efficiency while at the same time maintaining important protections for low-income families. Enacting reforms of this nature, however, still leaves open the question of how best to appropriate necessary dollars for the HCV program in a manner that accurately reflects voucher leasing and costs, as well as the overall national need for voucher assistance. Simple data on the number of households served and the overall cost of the housing choice voucher program, for example, present an incomplete picture of other important program trends

that may not be as apparent, such as the depth of subsidy and rent burdens for program participants.

NAHRO believes that members of Congress responsible for the oversight and ultimate success of housing programs must have comprehensive and detailed trend data, presented annually and in a consistent format, relative to the administration of the housing choice voucher program. Such data can inform decision-makers on the effectiveness of the current program structure and could well provide a basis for determinations made about the extent to which particular funding levels meet national and local affordable housing needs.

With this in mind, NAHRO suggests the inclusion of language in SEVRA that would accomplish what we have termed "Appropriations Benchmarking." The adoption of appropriations benchmarking would enable the Secretary to report annually to the congressional authorizing and appropriations subcommittees of jurisdiction on the effectiveness of the housing choice voucher program in achieving established national goals for the program, and would help determine the adequacy of the current level of funding for such purposes. To assist Congress in evaluating the efficacy of the housing choice voucher program utilizing currently appropriated amounts, we urge that language be included in SEVRA requiring HUD to prepare periodic reports. Such reports would include uniform information relating to the housing choice voucher program's performance benchmarked against national goals as defined by Congress. The annual report requested by Congress, would enable comparisons of voucher-assisted households with comparable unassisted households. The report would also make comparisons of program success with particular regard to the needs of extremely-low-income, very-low-income and low-income groupings, within Metropolitan Statistical Areas and Non-Metropolitan Statistical Area averaged nationally.

The report we envision would also include data showing national rental market characteristics, and would specifically inform Congress regarding the supply of affordable rental units as well as long- and short-term vacancy rates. Commencing with the second report, the data would be trended.

NAHRO would welcome the opportunity to answer questions and work with the Subcommittee and the Department to define the specific content and practical uses of this report.

Utilities Allowances

At present, SEVRA does not include language to address inefficiencies caused by current program requirements related to individual utility allowance calculations. HUD's Office of Policy Development and Research currently calculates and includes utilities within the calculation and determination of annual Fair Market Rents. Noting this, we recommend that language be included in SEVRA that would authorize Congress to direct HUD to separate out utilities by bedroom size categories within each FMR area. Additionally, we

recommend that the language permit public housing authorities to use these as standard allowances.

Closing

This concludes my testimony. I would be happy to answer any questions that you or members of the Subcommittee may have. On behalf of NAHRO, I want to again thank you for the opportunity and the honor of testifying on this important piece of legislation.

CLPHA
making public housing work in your community

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Testimony of
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Council of Large Public Housing Authorities
before the
U.S. House of Representatives
Subcommittee on Housing and Community Opportunity
Committee on Financial Services

June 4, 2009

Madam Chair, Ranking Member and Members of the Subcommittee, my name is Sunia Zaterman and I am the Executive Director of the Council of Large Public Housing Authorities (CLPHA). CLPHA is a national non-profit public interest organization that is committed to the goals of preserving, improving, and expanding the availability of housing opportunities for low-income, elderly, and disabled individuals and families. CLPHA's membership is comprised of nearly 60 of the largest Public Housing Authorities (PHAs), located in virtually every major metropolitan area in the United States. These agencies act as both housing providers and community developers while effectively serving over one million households, managing almost half of the nation's multi-billion dollar public housing stock, and administering one quarter of the Section 8 Housing Choice Voucher program.

We would like to thank the Subcommittee for holding this hearing and express our commitment to working with this Congress and Administration to address the pressing issues related to decent, affordable housing and public housing authorities. We believe that through cooperation and collaboration, we can be successful in preserving, protecting and expanding affordable housing opportunities. Especially now, during this present housing crisis and recession, when the availability of decent, affordable housing is particularly critical for American families who have been gravely affected by our country's economic situation, we must work together to ensure that families who rely on public housing and the Section 8 (Housing Choice) vouchers are able to access and utilize these programs.

We would also like to thank you for this opportunity to present CLPHA's views on the Section 8 Voucher Reform Act (SEVRA). In some respects, this hearing today has a déjà vu quality to it. As you well remember, this committee worked hard on passage of the 2007 version of SEVRA, and CLPHA applauds the Subcommittee for once again, taking up the mantle, and continuing with efforts to reform and improve this much-needed program. We believe that SEVRA's simplification of the administration and funding of the Housing Choice Voucher program is a key component of a broader rethinking of the landscape of public and assisted housing in this country.

For the greater part of the past decade, PHAs have been forced to operate their housing programs while confronted with considerable uncertainty and adversity in their funding and regulatory environment. Between the previous Administration's budget cuts and elimination of programs,

PHAs have struggled to provide their tenants with decent, affordable housing in safe communities, given the inadequate resources at their disposal. Therefore, it has been quite refreshing to see this Administration and this Congress recognize the importance, the potential, and the needs of the public and assisted housing programs, both conceptually and with the devotion of resources. SEVRA will further stabilize the voucher program and offer PHAs additional flexibility to manage their vouchers in a more efficient and effective manner.

Long-term Program Viability

Formula Stability, Adequacy, and Predictability

We are pleased this bill will stabilize the funding of voucher renewals. As you are well aware, the shift to the "snapshot" voucher funding formula in 2004 caused a serious mismatch between funding eligibility and vouchers requiring renewal funding. Further, continued uncertainty about determining eligibility each subsequent year undermine agencies' ability to manage their programs efficiently, as they are unable to predict the level of voucher utilization that they could support. We have seen, since 2007, how funding based on actual leasing and costs provides agencies the resources needed to increase leasing and help additional families. We are slowly recovering vouchers lost to the previous policies. SEVRA further improves upon the formula used in recent appropriations acts by basing calendar-year funding on the previous calendar year, avoiding the gap between rebenchmarking and funding to ensure that eligibility reflects actual current needs.

With a formula reflecting their needs placed in permanent statute, rather than in annual appropriations acts, PHAs will have renewed confidence in the predictability of their funding. They will be able to plan for the future, taking steps to increase utilization, reduce costs, eliminate inefficiencies, and improve service delivery.

Reserve Policy

An adequate and stable reserve is the bedrock of any well-run enterprise. Housing authorities serving large metropolitan areas must often deal with fluctuations in the number of participating landlords, rent costs, and other market factors beyond their control. As the basis for renewal funding has shifted, so has the policy on an agency's operating reserves, leaving PHAs unsure about the amount of resources that will be available to them right up until the date that HUD announces its appropriations allocations. We, therefore, also appreciate that SEVRA provides statutory guidance on reserve offsets. While we would prefer a higher level of reserves—for example, at least one month of funding—we appreciate that this bill states that agencies will be able to retain *not less than* five percent of their allocation, allowing the Secretary to determine when a higher amount is needed. This provision could be especially helpful when renewal funds must be prorated and agencies need more reserves available to maintain their program.

A clear reserve policy is a major improvement facilitating better program management. CLPHA believes that an even greater improvement would entail reserve amounts based on formula eligibility rather than funding allocation, so that agencies do not have to wait for HUD to determine proration (if any) before knowing the amount of their allowable reserves. It would further the goal of increasing the predictability of resources available for the program. Additionally, in years when there is a proration, this would provide agencies with more of a cushion, without the Secretary having to increase the amount of reserves protected from offset.

Affordable Housing Supply

Increasing Vouchers in Use

We commend the commitment shown in this bill to increasing the supply of tenant-based subsidies available to families in need. Most obviously, the 150,000 incremental vouchers authorized each year for the next five years would dramatically boost PHAs' ability to move families off waiting lists and into decent, affordable housing.

One of the most significant provisions of the bill allows agencies to lease more vouchers than their specific authorized level. Our members, eager to serve more families, have sought this ability for years. With the authorized cap in place, PHAs are sometimes in the difficult position of being unable to reissue all unused vouchers, for fear that their calendar year average utilization will exceed their allowable total and, therefore, they will not receive funding for all vouchers in use. SEVRA would eliminate an agency's fear of being left with unfunded vouchers, while ensuring that additional leasing will remain reasonable in relation to an agency's authorized voucher count.

Limited Exceptions to Reallocation Needed

CLPHA would prefer not to see offsets resulting in the practical reallocation of funds from one agency to another. In recent years, as funding has become more stable, most agencies have made good use of their reserves to serve their communities. Given more time, they would continue to do so, as both the renewal funding and administrative fee formula in this bill provide incentives for agencies to increase their leasing. If the Subcommittee decides that reallocation is necessary, however, CLPHA urges that a realistic and transparent standard be established for receiving reallocated funds, in order to provide fair access for all PHAs to this critical funding source.

We also propose that limited exceptions should be available for agencies that are in the midst of pursuing a defined plan to increase leasing. Some agencies have made commitments to their communities based on an expectation of a certain level of available resources. Reallocating those resources could derail those plans, even if the PHA has been making progress towards its goals. This would work counter to the bill's clear intention to increase the assisted housing resources available.

Streamlining the Project-basing Process

CLPHA is very pleased that the bill allows PHAs to project-base vouchers in their own buildings, as part of public housing redevelopment, without going through a competitive process. This provision eliminates a significant administrative burden that has, in the past, kept PHAs from being able to commit project-based vouchers in a timely fashion. Time is often of the essence in these types of deals, so this provision will facilitate and expedite project-basing. Thus, this provision in SEVRA would not only help increase the affordable housing supply using tenant-based resources, but also create additional deeply subsidized hard units for communities that need them.

Given this provision that will boost the project-based voucher supply, CLPHA is concerned that the bill also narrows the definition of supportive services in relation to the proportion of a project composed of project-based vouchers. The bill's limit of the social service exception to

"comprehensive" services does not reflect the broad range of service needs in different communities, nor the varying service agreements that agencies have with service providers.

Administrative Simplification

CLPHA's members appreciate the program simplification measures taken in SEVRA to give agencies more flexibility in the way that they administer their programs and a greater ability to focus on issues of concern specific to their local circumstances. Two such provisions of note allow biennial inspections, while allowing PHAs to retain an annual inspection if they so desire, and allow triennial income recertification for families on a fixed income. Both of these provisions will allow agencies to focus their resources where they make the most sense in service to their residents. Some of our members have already implemented triennial recertification for fixed-income residents, under their Moving to Work authority, and found not only that it relieves stress for their elderly and disabled residents, but that it significantly increases administrative efficiencies. In King County, Washington for example, the PHA has been able to reallocate employee time equivalent to 2 full-time employees. The time previously spent helping seniors to assemble required recertification documents, is now spent more directly related to effective program operations.

Rent simplification is another extremely important concern of our members. We appreciate the steps that this bill takes towards simplifying the time-consuming and complicated process of rent-calculation, such as creating a simple asset cap rather than requiring the computation of income from assets. We look forward to continuing to work with the Subcommittee and HUD to simplify the process further. In the meantime, while we recognize the importance of income deductions that better reflect household expenses, we strongly believe that an adjustment should be provided to housing authorities for losses of rental revenue resulting from SEVRA-mandated changes in rent calculations during the first year of implementation.

Currently, the bill only allows the Secretary to provide adjustments for material losses of rental income during years where income is frozen. Beginning in Fiscal Year 2010, housing authority rental income will no longer be frozen. As a result, any reduction in rental income in a given year will actually have the impact of increasing subsidy eligibility in subsequent years. However, during the first year of implementation of SEVRA's rent reforms, housing authorities may lose substantial amounts of rental income. Therefore, we recommend that the Secretary be authorized to provide adjustments to housing authorities that see a reduction in rental income resulting from the bill's rent reform provisions. Furthermore, such adjustments should be made for agencies experiencing more than "de minimus" reductions of income, as was the case in the original SEVRA bill, rather than "material" reductions.

Despite working to simplify program requirements and create greater administrative efficiencies, the bill also places new, costly administrative burdens on agencies. It authorizes agencies to take on the role of private landlords and make repairs and pay for utilities in units where the actual landlord is neglecting his or her duties. Though understandably well-intentioned, these provisions allowing PHAs to make repairs to privately owned units will open the PHA to many legal, administrative and liability issues. CLPHA recommends removing this language from the bill.

Program Participation

We know that low-income persons' ability to participate in the voucher program is a priority concern of the Subcommittee. Two provisions of the bill would make it easier for families to succeed in finding an appropriate unit and being able to use their voucher. One would allow PHAs to make payments to landlords who fail inspections based only on non-life-threatening conditions and who are making the minor repairs necessary to pass inspection. This would save the voucher holder from having to find another available unit and give them a more immediate place to stay. Another provision, the creation of smaller areas for determining Fair Market Rent (FMR)—will result in subsidy amounts that more accurately reflect the costs of housing in a PHA's jurisdiction. The adequate, stable funding and reserves provided in the bill are essential for making this change in FMR methodology work, but once implemented, the smaller FMR areas will likely make it easier for voucher holders to find units meeting the rent standard and thus increase voucher success, allowing families who might not have been able to benefit from the program to do so.

Moving to Work

Expansion of a Moving to Work (MTW)-type program is a high priority for CLPHA in the authorization and passage of SEVRA. We previously went through a painstaking, and protracted, but ultimately successful consensus-building process with tenant advocates, industry partners and congressional representatives in order to produce the MTW provisions, renamed the Housing Innovation Program (HIP), that were adopted in HR 1851. We strove to develop a proposal all could support: expansion of the program from the current 30 (now 33) PHAs to 60, with another 20 PHAs to be granted funding fungibility—in what is called HIP-Lite—combined with a rigorous program evaluation and strong tenant protection provisions. Tenants, advocates, and housing authorities all have the same ultimate goal: creating and maintaining livable communities that low-income persons can afford and enjoy. MTW provides agencies with the flexibilities that they need to take full advantage of opportunities as they arise to preserve, protect, and increase the supply of affordable housing in their local housing market. As for concerns about demonstration of results, adding new agencies would help in the evaluation process, as rigorous data collection could occur from the outset of the expansion.

While this draft bill does not yet include a MTW program, we are hopeful that upon introduction, the SEVRA bill will include the HIP provisions from HR 1851. Secretary Donovan in his testimony before the full committee two weeks ago, stated "all the other provisions of this draft, however, are testament to the need for the flexibility and innovation that MTW has thus far provided us." As I stated in my testimony two years ago, a review of the current MTW PHAs show that they have raised the standard of housing services, used program flexibility to create jobs, added affordable housing stock, served more households, and helped families build savings. They have also shown how to operate and manage in way that is accountable to their residents and local communities without needless and time-consuming HUD bureaucratic measures that add costs but no value. MTW is a laboratory for local innovation and more housing authorities should have access to these tools.

Both President Obama and Secretary Donovan have said, "A crisis is a terrible thing to waste." Because of the flexibility granted by the program, MTW agencies across the country have been able to react quickly and innovatively to the changing dynamics of the housing market in recent months. Minneapolis has partnered with foreclosure counselors to use a portion of its vouchers to keep families in their homes. They have also purchased foreclosed homes and created a rent-to-own program for families who are not yet ready to secure a private mortgage. Charlotte has developed a

proactive acquisition rehab strategy to increase the number of hard public housing units in their community and has partnered with the school system to link redeveloped public housing to new, improved schools. As communities grapple with increasing homelessness, Cambridge is working with a local non-profit to develop and design a sponsor-based housing program that will support self sufficiency and economic development for households transitioning out of the Department of Transitional Assistance homeless shelter system. These are only a few examples of innovations in the provision of housing assistance taking place across the country, none of which would have been possible without MTW authority.

We believe that adding HIP provisions from the 2007 SEVRA is a well-reasoned approach as these provisions represent policies and principles that were already vetted through a full airing of the issues, and they were achieved through the consensus-building amendment process at the subcommittee, full committee and full House-considered levels.

As I testified previously, we believe that MTW can be authorized and expanded while ensuring that there are no reductions in the number of very low income households served. We also believe that an expansion of MTW will enable more PHAs to be innovative in preserving, protecting and increasing the supply of affordable housing.

Under HIP-Lite work requirements and time limits are prohibited and rent reform initiatives are limited. What remains under HIP-Lite is the funding fungibility, flexibility, and innovation that PHAs desire to undertake redevelopment and expansion activities. As we look to the future of public housing, these are the types of activities that we should encourage in order to improve and increase our affordable housing stock. For all these reasons, we recommend that HIP-Lite be expanded.

Preservation

We also want to express CLPHA's support for a preservation proposal that would permit PHAs to modernize the public housing funding system and thereby raise additional funds for the redevelopment and replacement of public housing units. This proposal would allow the conversion of public housing subsidies to project-based voucher assistance under Section 8(o)(13) of the U.S. Housing Act of 1937. In recent years, project-based vouchers have proven to be an efficient, flexible tool for reinvesting in public housing communities, especially in creating replacement housing opportunities for low-income families and maintaining long-term housing affordability. We further propose that the Subcommittee explore the possibility of coordinating various forms of housing assistance, particularly by linking the award of project-based vouchers for such public housing preservation activities with the award of low-income housing tax credits.

Closing

In closing, SEVRA is only one step on a long road. Even as we work to improve the voucher program, we must not forget the continuing challenges faced in the realm of public housing. While the demand-side voucher program has been very successful in addressing affordability challenges for low-income households, there is still an urgent need to preserve and increase the supply of housing units specifically dedicated to those most in need. CLPHA urges this Subcommittee to work to provide additional resources and tools to enable PHAs to preserve our public housing stock and increase the supply of housing affordable to very low-income households. Some ideas may

come from agencies that have successfully used the Moving to Work and HOPE VI programs to think creatively about how to improve their assisted housing infrastructure and administration and to produce innovative means of service delivery.

We appreciate the Subcommittee's dedication to reshaping the voucher program through the initiatives included in SEVRA. We look forward to continuing to work with you and with HUD on refining these proposals for reform and developing additional improvements.

Thank you again for this opportunity to testify.

June 3, 2009

The Honorable Barney Frank, Chair
House Financial Services Committee
U.S. House of Representatives
Washington D.C.

The Honorable Maxine Waters, Chair
House Financial Services Subcommittee
on Housing and Community Opportunity
U.S. House of Representatives
Washington D.C.

Re: Fair housing, access to opportunity, and the Section 8 Voucher Reform Act

Dear Chairwoman Waters and Chairman Frank:

The undersigned civil rights and housing organizations write to commend the Committee and its leadership for your perseverance in crafting a Section 8 Voucher Reform Act that will restore housing choice to the Section 8 voucher program. The bill will give many low income families and children a real choice to either remain in high quality city neighborhoods or move to lower poverty communities with strong schools and expanded employment opportunities.

The recent final report of the National Commission on Fair Housing and Equal Opportunity, a bipartisan commission chaired by former HUD Secretaries Jack Kemp and Henry Cisneros, emphasized the importance of a restored Section 8 program that includes real incentives for regional housing mobility:

> The federal government's three largest federal housing programs (Section 8, public housing, and the Low Income Housing Tax Credit) serve more than 4.5 million families and yet do very little to further fair housing and, in some cases, work to create and/or maintain segregated housing patterns. These programs must be reoriented to focus, in part, on helping families move to less racially and economically segregated communities.
>
> For example, the Section 8 Housing Choice Voucher Program, which creates a portable housing benefit that can be used by an eligible family to rent private apartments in multiple locations, could be reformed to increase access of eligible families to high opportunity communities, by including higher rents where necessary, improving administrative portability of vouchers across jurisdictional lines, re-establishing housing mobility programs to assist voucher holders seeking to move to higher opportunity areas, creating strong incentives and performance goals for administering agencies, and providing incentives to recruit new landlords into the program. We should mandate that families be provided

information and counseling about their range of housing choices, including choices in more integrated areas.[1]

The Section 8 program is a crucial gateway for very low-income families to access high quality schools, healthy neighborhoods, and areas with rich employment opportunities. At the same time, the program helps to create more diverse and economically viable metropolitan areas. As your Committee is aware, in spite of demonstrable progress during the 1990s, after 2000 this kind of housing mobility was significantly restricted in the Section 8 program.[2] The draft bill currently before the Committee would restore choice and opportunity to very low income families in several important ways:

¶ The use of smaller geographic areas to determine Fair Market Rents (FMRs) will give families a wider selection of rental units in higher opportunity communities outside the central city;

¶ The provision allowing higher "payment standards" where a high rate of voucher concentration persists will give additional flexibility in highly segregated areas;

¶ The revised annual funding formula in the bill does not penalize Public Housing Agencies (PHAs) in their renewal funding for helping families to move to areas with higher rents;

¶ A stronger "deconcentration" requirement in the Section 8 Management Assessment Plan (SEMAP) will encourage PHAs to develop systems to help families move to lower poverty neighborhoods – and HUD is empowered to add additional incentives with performance-based administrative fees;

¶ The bill calls on HUD to repair the arcane "portability" system to make it much easier for families to move across jurisdictional lines in search of better housing options.

A properly administered voucher program can be a powerful tool for providing residential opportunity to low-income families and overcoming residential racial segregation. Although the crucial provisions just listed will go a long way toward

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[1] *The Future of Fair Housing: Report of the National Commission on Fair Housing and Equal Opportunity* (December 2008); available at www.civilrights.org/publications/reports/fairhousing/.

[2] The cutbacks on housing choice and mobility began in 2002, with the elimination of federal funding for regional housing mobility programs, and the consequent shutdown of dozens of such programs around the country. Then, in 2003, HUD began restricting housing choice by cutting back on the use of Section 8 "exception payment standards," which permit families to move to lower poverty areas that have higher rents. In 2004, HUD's decision to retroactively cut voucher funding in PIH Notice 2004-7 increased incentives for PHAs to adopt policies that discouraged or prohibited families from moving to higher rent areas. These policies also led to across the board reductions in payment standards that limited choice of available neighborhoods. HUD again restricted mobility in a guidance issued in July of 2004 that seemed to allow PHAs to restrict voucher holders' portability rights, where PHAs made a showing of financial hardship (HUD retracted this ambiguous and unlawful guidance in 2006, but only after much damage had been done). Since 2006, Congress has intervened to ameliorate the situation, but the program as a whole is in urgent need of reform to re-focus on fair housing and opportunity.

restoring housing choice, the Committee should go further to ensure that the voucher program can reach its full potential to help achieve integration:

¶ It is crucial that these housing choice elements of the bill are directly enforceable by participating families – because without clearly defined, personally enforceable rights, PHAs that do not support housing choice and mobility have long ignored their obligations. HUD simply does not have the resources to ensure compliance among 2400 local agencies – families and their legal representatives need to be empowered to make these rights a reality;

¶ We believe it is important for Congress to direct HUD to establish an administrative fee bonus specifically for achieving deconcentration results. The current language of the bill simply permits HUD the discretion to develop performance bonuses "consistent with" the various performance standards;

¶ PHAs should be required, rather than permitted, to institute higher payment standards when certain thresholds of voucher concentration are met;

¶ Finally, we ask that the Committee specifically recognize the role of racial segregation in the program, and include this factor in the SEMAP reporting and rating system – as the experience with the "Moving to Opportunity" program demonstrates, helping families move to slightly lower poverty neighborhoods does not necessarily lead to access to more racially integrated communities or schools.

Looking beyond the four corners of the draft bill, we would also urge the Committee to add authorization for a new nationwide housing mobility program to assist families to find housing outside of segregated, high poverty areas. We have learned from the Gautreaux and Moving to Opportunity housing mobility programs that housing mobility counseling works, that families are eager to take advantage of this opportunity when it is presented, and that families and children significantly benefit when they are able to move to higher opportunity areas with good schools. By assisting families with opportunity moves, we can also save money for HUD and PHAs in the long run, by increasing initial lease-up rates, and by reducing the frequency of second and third moves by families who are dissatisfied with their initial housing.

Thank you for the opportunity to present these comments. The Section 8 Voucher Reform Act is an important step forward for fair housing and we support the Committee's efforts to restore true choice and opportunity to the program.

Sincerely,

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June 1, 2009

The Honorable Maxine Waters
Chair, Subcommittee on Housing & Community Opportunity
Rayburn House Office Building 2344
Washington, DC 20515

Re: Support for the Section Eight Voucher Reform Act (SEVRA) of 2009

Dear Chairwoman Waters:

The undersigned organizations are all active in creating and preserving affordable homes for low income Californians. We are writing you to express our support for the re-introduction of the Section Eight Voucher Reform Act (SEVRA) and our appreciation for your leadership role in authoring and moving this important bill.

We support SEVRA because it offers:

- **A clear, permanent funding policy** to restore stability to the voucher program, which has experienced many financial shocks in recent years.
- **Simplified rent rules for all the federally assisted rental programs** that are easier to understand and implement.
- **Incentives to produce more housing** through improvements to the project-based voucher program.
- **New tools for improving housing conditions** and promoting family stability.

While we strongly support SEVRA, we also ask that you make the following change to the draft bill:

Enable public housing to be converted to project-based voucher authority to facilitate one-for-one replacement by making changes to Section 8(o)(13) in SEVRA. This is a change in voucher policy that is appropriate to include in this bill and is needed as soon as possible to prevent the loss of additional housing units in California and other areas. Californians cannot afford to wait the years it will likely take for Congress to approve comprehensive public housing reform legislation. We need this tool now to avoid the further loss of rental homes that serve California's lowest income families.

Thank you again for your extraordinary leadership in improving the Voucher program.

Sincerely,

Matt Schwartz, President, California Housing Partnership Corporation
Rudy Montiel, Executive Director, Housing Authority of the City of Los Angeles

Joined by:
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Southern California Association of Non-Profit Housing
Tenderloin Neighborhood Development Corporation
Terra Partners, LLC
The Lesley Foundation
The Saban Research Institute, Childrens Hospital Los Angeles
Ward Economic Development Corp

Testimony of the National Leased Housing Association
On the Section 8 Voucher Program

Submitted for the Record
June 4, 2009 to the
Subcommittee on Housing and Community Opportunity
House Financial Services Committee

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The National Leased Housing Association (NLHA) is submitting written testimony on the April 28, 2009 draft Section 8 Voucher Reform Act of 2009 (SEVRA) for inclusion in the hearing record. Our comments our preliminary as the draft bill has many detailed provisions which we believe warrant close attention. NLHA's members are convening on June 17 for our 38th Annual conference at which time the draft bill will be reviewed and discussed by our membership. We expect to submit additional thoughts or suggestions at a later date.

NLHA has represented the interests of owners, developers, lenders, managers, and housing agencies involved in providing federally assisted rental housing for more than 30 years. NLHA's more than 500 members organizations include over 200 voucher administrating agencies and the entire membership is primarily involved in the Section 8 housing programs –both tenant based and project-based- and provide or administer housing for over three million households.

NLHA has been a strong proponent of the voucher program since its inception and commends the subcommittee for attempting to make a very good housing delivery program work more efficiently. We believe that any Federal program can be improved, but the framework of the voucher program is a good one and a major overhaul is not required or desired. We urge the subcommittee to use restraint in legislating that which can be accomplished administratively. We understand that HUD has been working on a regulation to make administrative changes to the voucher program and urge the subcommittee to work with HUD to identify those revisions in the draft bill that would not require legislation.

We believe the draft bill proposes a number of important program revisions that are supported and were recommended by NLHA including a stable funding formula, streamlined income certifications for families/elderly with fixed incomes, flexibility with regard to HQS inspections, expansion of enhanced vouchers for mortgage maturations, ability to convert enhanced vouchers to regular project-based vouchers in certain circumstances and provisions to deal with translations of HUD documents.

Funding Formula

NLHA has long been on record that a stable funding formula is essential to the success of the voucher program. As you are well aware, because of inconsistent formulas over the years and missed deadlines for completing appropriations bills, PHAs are often the last to know what their funding amount will be from year to year, which makes maximizing their voucher allocations a difficult exercise. NLHA is pleased that the draft bill will codify the current formula that takes leasing and cost data from the previous calendar year and

adjusts by an inflation factor with further adjustments to address new vouchers, portability, natural disasters, enhanced vouchers, etc. We note however, that use of the "calendar" year is sometimes difficult because of the timing of the appropriations – perhaps the most recent 12 months or other timeframe would be a better alternative.

We believe that PHAs should not be penalized for "overleasing" because of the vagaries and uncertainty of funding, but are confused by the language of Section 6(C) of the draft. We recommend that the provision be reviewed to ensure that a PHAs's baseline would not increase to such an extent each year as to moot the purpose of the provision. We appreciate any attempt to grow the program as long as funding is available to sustain such growth. If a PHA's baseline increases without commensurate funding we have not gained any ground. Generally, PHAs should be able to house as many families as possible within their funding limits (which are based on their allocated number of vouchers under ACC), even if it exceeds their voucher cap. Too often, when housing costs go down, PHAs have funding unspent because of the voucher "cap." We applaud the Administration's proposal in the HUD FY10 budget to remove the cap.

The draft bill includes a provision to ensure that all voucher funding is spent by permitting the reallocation of funds. Our members support the utilization of all voucher funding, but recommend that Congress not impose a particular date to accomplish reallocation (the draft says April 1). In recent years, the Government is often working under a Continuing Resolution well into the fiscal year, therefore that date may be unrealistic. We recommend that the provision (page 50 line 21) be revised to say not later than "75 days after enactment of HUD appropriations for the current fiscal year."

Portability billing has long proved to be administratively burdensome for PHAs and we are grateful that the subcommittee acknowledges the problem. We are committed to working with HUD to ensure a streamlined process that is fair to all agencies.

Inspections/Landlord Participation

NLHA has long sought support for the voucher program from a wide range of constituents including groups that represent large professional landlords. It is our belief that the success of the program is dependent on the willingness of owners/landlords to accept voucher tenants. If renting to a voucher holder includes burdens that are not consistent with conventional renters, the program suffers because professional landlords with well maintained apartments will refuse to participate. The draft bill takes a step in the right direction by recognizing the impact on participation caused by delayed inspections.

Permitting families to move into units that have been previously inspected under another Federal program (Tax credits, HOME, FHA, etc) and permitting short term assistance while non life threatening deficiencies are repaired is a step in the right direction. The voucher holders are provided much needed housing sooner and the owners are not losing income to delayed move-ins.

The draft bill also permits housing agencies the discretion to inspect voucher units of existing participants every other year instead of annually. We think this is a good approach in the case of apartments managed by professional landlords who have maintenance personnel on site and a strong record. We assume that PHAs that experience lease-ups in smaller apartment buildings, older stock or single family rentals will want to continue annual inspections and appreciate that they are provided such discretion.

Rent and Income Provisions

We laud the subcommittee's attempt to tackle the complexities involved in calculating rent and income. While some of the provisions can and should be addressed administratively, NLHA is pleased that the subcommittee recognizes the burdens associated with annual recertifications for households with fixed incomes. Permitting recertifications every three years for such households (in the voucher program, project-based assistance and public housing) will free up housing agencies and owner/agents to devote their attention to other operational issues.

Enhanced and Project-based Vouchers

We are pleased the subcommittee recognized the gap in current law and chose to address the provision of enhanced vouchers for renters in projects where the mortgage matures (vs. prepaid). We note that Chairman Frank has a similar provision in a draft preservation bill that is expected to be introduced soon.

We expect that where enhanced vouchers are provided in relation to a mortgage maturation or prepayment that the provision to permit the conversion of enhanced vouchers to regular project-based vouchers will be helpful. Such conversions have already been done on a case by case basis and have resulted in preservation of units that may otherwise have been lost.

We also support increasing flexibility with regard to project-based vouchers, but note that some of the changes proposed in the draft were already enacted under HERA.

Limited English Proficiency (LEP)

NLHA and other industry groups worked together to craft the provision in Section 17 that recognizes HUD's responsibility to provide translations of essential documents in all necessary languages and to provide a toll free customer service number to provide interpretation services. We encourage the inclusion of this provision when the draft bill is introduced.

Performance Assessment

We do not disagree that agencies administering federal funds should be subject to an assessment of their performance, but question the need for two assessment standards. The current SEMAP standard is not perfect, but HUD has responded to feedback and is in the process of making improvements that are due out in the near future. We urge the subcommittee to consult with HUD on its progress with SEMAP and remove Section 10 of the draft

Other Provisions

Section 19 of the draft would amend the law to permit PHAs to use HAP payments to make utility payments when a landlord fails to pay. While we understand the intent of the provision we think it is overreaching. HAP payments should be used for subsidy and not other purposes.

We recommend that the tenant notice provisions related to foreclosures included in Section 21 of the draft will be removed as H.R 1728 (recently enacted) includes a similar tenant notice provision.

NLHA has not taken a comprehensive position on the particulars of expanding the MTW program, but believe that it is an issue that should be addressed in SEVRA and are disappointed that provisions from last year's measure were dropped. We encourage the subcommittee to work with HUD and the industry to formulate a viable proposal.

In conclusion, we appreciate the work of the subcommittee to protect and ensure the continued success of the voucher program and look forward to working with you as the draft bill is refined moves through the legislative process.

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