making public housing work in your community

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TESTIMONY OF

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ON BEHALF OF THE

COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON INSURANCE, HOUSING AND COMMUNITY OPPORTUNITY

COMMITTEE ON FINANCIAL SERVICES

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Testimony of
Tory Gunsolley, President/CEO
Housing Authority of the City of Houston, Texas
on behalf of the
Council of Large Public Housing Authorities
before the
U.S. House of Representatives
Subcommittee on Insurance, Housing and Community Opportunity
Committee on Financial Services

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Madam Chair, Ranking Member and Members of the Subcommittee, my name is Tory Gunsolley and I am the President and CEO of the Housing Authority of the City of Houston, Texas (HHA). HHA serves over 55,000 residents of Houston through 16,000 vouchers and 5,300 apartments that we own.

I am appearing today on behalf of the Council of Large Public Housing Authorities (CLPHA). CLPHA is a national, non-profit membership organization 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 members comprise nearly 70 of the largest Public Housing Authorities (PHAs), located in most major metropolitan areas 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 over one-quarter of the Section 8 Housing Choice Voucher program.

We thank the Subcommittee for holding this hearing on "Legislative Proposals to Reform the Housing Choice Voucher Program" and appreciate the opportunity to comment on the legislative discussion draft, the "Section 8 Savings Act of 2011" (SESA). The SESA draft can rightfully be considered the culmination of recent efforts to reform and improve the Section 8 and housing choice voucher programs which began in the 109th Congress and continued through the 110th and 111th Congresses with the "Section Eight Voucher Reform Act" (SEVRA). As CLPHA previously testified on SEVRA, we believe that simplification of the administration and funding of the Housing Choice Voucher (HCV) program is a key component to a broader rethinking of the landscape of public and assisted housing in this country. PHAs are swimming in paperwork. The Houston Housing Authority has over 5,600 linear feet of HCV program files. If we stacked them up, it would be over nineteen U.S. Capitol Buildings tall. We must continue to work together to ensure that families who rely on public housing and Section 8 (Housing Choice) vouchers are able to fully access and utilize these programs.

Before turning to the specifics of the SESA discussion draft and questions posed by the Subcommittee, I want to state that CLPHA is pleased that SESA retains much of what was good about SEVRA, eliminated some of what was problematic about SEVRA, and is a foundation for improving or shoring up what was needed in SEVRA.

Voucher Renewal Funding (Stability, Adequacy, and Predictability)

We were surprised the SESA draft did not retain many of the provisions from SEVRA which would provide predictability and stability to the voucher renewal funding formula. As you are 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 undermines 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. With a renewal formula reflecting actual PHA needs placed in permanent statute, rather than in annual appropriations acts as is currently the case, PHAs will have renewed confidence in the predictability of their funding. A stable and reliable funding formula will provide predictability for housing authorities and landlords alike. They will be able to plan for the future, taking steps to increase utilization, reduce costs, eliminate inefficiencies, and improve service delivery.

CLPHA strongly recommends that the voucher renewal funding language previously found in SEVRA be included in SESA.

Reserves and Use of Funds

We were pleased to note that SESA retained protection of reserve HAP funds. 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 landlords, the cost of rent, and other market factors beyond their control. While we would prefer that agencies always be able to retain their full accumulated reserves in order to support leasing in their communities, we appreciate the protection of a minimum of six percent of the current year's allocation, prior to proration. In addition to this protection, we recommend that the bill allow additional protections of reserves of PHAs that have defined plans, which require higher reserve levels, to increase leasing. Given their level of unspent funds, some PHAs have taken steps to increase their voucher utilization levels. They have made commitments in their communities to increase leasing by a certain percentage or house a certain number of additional families. Large offsets could derail such plans, even if the PHA is making progress towards their goals.

Additionally, CLPHA had worked diligently to include clarifying language in the SEVRA bill that would ensure any agencies participating in the Moving To Work (MTW) program would be funded according to their agreement, subject to any pro rata adjustment. MTWs rely on their reserve balances as set out in their plans and agreements to leverage funds for redevelopment and revitalization projects. Allowing their funding to be offset by their reserves would severely undermine the goals of the MTW program. HUD has recognized this fact by exempting MTW voucher funding from offset provisions to meet Congressionally-mandated rescissions (see PIH 2009-13, PIH 2008-15). We suggest restoring the SEVRA language that clarifies that MTW agencies shall spend their reserves in accordance with their program agreements.

Finally, CLPHA has long advocated eliminating the authorized-voucher cap on leasing. We are pleased that SESA allows leasing in excess of authorized levels, with renewal funding if the additional vouchers are funded through the current-year allocation of funds.

Project-Based Assistance

The SESA draft eliminated most of the provisions from SEVRA concerning PHA project-based assistance except for a small section on contract terms.

We urge the inclusion of the provisions from SEVRA that allows PHAs to project-base vouchers in their own buildings, as part of a public housing redevelopment, without going through a competitive process. Including this provision would eliminate 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 redevelopment deals, and having this provision would facilitate and expedite project-basing of vouchers. Thus, this provision would not only help increase the affordable housing supply using tenant-based resources, but also add to the supply of deeply subsidized hard units for communities that need them.

We also urge the restoration of permission for site-based waiting lists. PHAs have been using project-based assistance to serve the needs of special-needs populations in their communities, but as they try to target those local needs, many are having to revisit the process of revising their global waiting list preferences repeatedly. Due to the current regulations they have to notify each person on the global waiting list about the new preference for the project-based preference. This involves thousands of letters and hundreds of hours of staff time that is not needed, as often the supportive services provider or non-profit partner already have clients in need. Further, in order to fill project-based units, in which many families may not have an interest, the PHAs have to contact all those who are eligible from the larger waiting list. Managing the waiting list thus becomes an increasingly complex process with a great deal of unnecessary administrative burden.

Finally, we strongly urge the Subcommittee to expand the flexibility of PHAs to use project-based vouchers to leverage private investment for the preservation of affordable housing. Specifically, we support significant increases in the percentage of its Section 8 vouchers that a PHA may use for project-basing and in the number of vouchers that may be project-based in individual buildings. Again, project-based vouchers have become an essential tool for PHAs' efforts to meet their local community needs, particularly with populations that require the availability of ongoing supportive services. Increasing the resources that can be used for this purpose can play an important role in preserving affordable housing and efforts to end homelessness and serve other vulnerable populations. In addition, we support including language in the bill that would permit owners of project-based voucher projects to use site-based waiting lists, as is already permitted for public housing mixed-finance projects. This authorization will facilitate the ability of PHAs to work with private owners and investors on project-based voucher developments. In addition, we support the language in the bill that would extend the maximum term of the Section 8 contract from 15 years to 20 years, which will also encourage private investment.

HCV Program Administrative Fees

HCV Administrative Fees are funds provided by the U.S. Department of Housing and Urban Development (HUD) to PHAs for the costs of administering the HCV Program. While the name "Administrative Fees" may be somewhat pedestrian and unimaginative, it belies the absolutely critical aspect of a most important part of the voucher program. Without Administrative Fees, the housing voucher program cannot work.

Administrative Fees pay for the statutorily mandated functions of the voucher program which include: determining and certifying voucher-holders' income eligibility; inspection and reinspection of units; ensuring that housing units meet Housing Quality Standards; initial and on-going assessment of rent reasonableness in comparison to local area markets; providing for voucher portability outside a PHA; and the on-going, daily, basic functions of running a tenant-based housing assistance program. These activities include: establishing procedures and protocols in accepting applications for assistance; establishing, maintaining and selecting applicants from a waiting list; briefing participants on voucher program rules and procedures; issuing vouchers; assisting with housing searches; leasing units that have passed inspection and rent reasonableness tests; paying landlords; processing moves (including issuance of new voucher, new inspection, new rent reasonableness test, etc.); enforcing rules; providing tenants with due process of informal hearings; reporting to HUD; producing and updating plans required by HUD; landlord outreach; and general customer service and quality control.

For example, the Houston Housing Authority uses the vast majority of its administrative fees to perform more than 35,000 inspections, 20,000 reviews of family income, and 25,000 rent calculations annually. Changing the frequency and length of those three items will help us be more efficient.

The administration of voucher awards for special populations such as Veterans' Affairs Supportive Housing (VASH) vouchers, Family Unification Program (FUP) vouchers, and Non-Elderly Disabled (NED) vouchers all require additional coordination with partners and service providers, which would be paid for with Administrative Fees. PHAs that have adopted certain policy goals, such as deconcentrating poverty or addressing homelessness in their community, and/or who have established partnerships with local developers to increase the supply of quality low-income housing through the project-basing of HCVs would also use Administrative Fees to cover these additional costs.

Some of the most staff-intensive and costly activities paid for with Administrative Fees are fraud investigations and income verifications for rent calculations and recertification. Some changes that could streamline administrative processes are already included in SESA: options for triennial recertifications for fixed-income households and biennial unit inspections. This draft bill makes some good progress in reducing administrative burdens with its increase in the asset cap, and move to less frequent inspections and interim recertifications. It is worth noting that many similar innovations have already been tested for years at MTW agencies throughout the country. Many MTW agencies have adopted less-frequent recertifications for their fixed-income households and have found that it not only produces less stress for their residents, but also significantly reduces their administrative burden.

The draft discussion bill's proposal to reduce the frequency of re-certifications for families with fixed income would be less impactful than the reforms to inspections. Although housing authorities would be required to verify income less frequently for these families, revised rent calculations would often still be necessary due to the following events: family moves, changes in rent, modified payment standards, modified utility allowances, and the inflationary adjustment for fixed income families. Each time a rent calculation is performed by a housing authority, a HUD-form 50058 must be completed and transmitted to HUD, correspondence must be sent to the family and property owner, and the agency's financial payment system must be updated. As a result, the administrative burden for housing authorities and participating families would not be significantly reduced by provisions related to the frequency of re-certifications included in the discussion draft of this bill.

The Code of Federal Regulations that applies to PHAs is over 1500 pages long. Many hundreds of those pages are well known by the administrators of these programs and too much time is wasted on ensuring compliance with labyrinthine rules, rather than the delivery of high quality, affordable housing and supportive services. Even the changes proposed in this bill may be somewhat thwarted in practice because of the labyrinth of other regulations that will come into play.

Some MTW agencies have been able to streamline their inspection process, grouping inspections geographically to save travel time and costs. By allowing housing authorities to use a risk-management approach to conducting inspections, rather than tying them to arbitrary annual deadlines, the SESA draft will help relieve housing authorities of a sometimes redundant administrative burden, while still ensuring that families are housed in safe and decent housing. Also, allowing housing authorities to rely on inspections from governmental agencies further simplifies a complicated inspection process and allows localities to rely on one standard for guaranteeing the suitability and safety of area housing. CLPHA testified in support of these changes in SEVRA and we support them in SESA.

Additional ways of streamlining administrative processes and reducing administrative burden and costs include additional simplification of the rent calculation process (even beyond what is included in SESA), allowing flexibility with regard to re-inspections, and allowing the development of local wait-list policies, including the use of site-based waiting lists, as mentioned above. These are all areas in which Moving to Work agencies have been developing local policies, to meet their statutory objective of "reducing cost and achieving greater cost effectiveness in Federal expenditures." Congress would do well to look to MTW agencies for further ideas about administrative streamlining.

Family Self-Sufficiency

The Family Self-Sufficiency (FSS) Program has been an important and effective tool for housing authorities to help their residents increase their incomes and improve their lives. CLPHA supports the reconciliation of FSS policy details across the housing programs, but has concerns that maintaining distinct funding processes undermines that effort at simplification.

Moving to Work

CLPHA has long been a strong supporter for a permanent expansion of a Moving to Work (MTW)-like program for any interested housing authority. The premise of MTW is simple, allow PHAs to develop locally-driven housing plans in concert with their residents and community stakeholders that respond to local housing needs. The current 35 MTW agencies administer over 131,000 public housing units and 307,500 Housing Choice Vouchers, or more than 12.5 percent of the current traditionally PHA-operated housing stock, in addition to operating local housing programs that fall outside the bounds of traditional models. As CLPHA previously testified, a review of the current MTW agencies 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 affordable housing in ways that is accountable to their residents and local communities without needless and time-consuming 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.

Instead of asking themselves "what do we need to do to make sure we score high on our next Section 8 Management Assessment Plan (SEMAP)?", MTW agencies ask themselves, "where are the most profound needs in our community and what are we going to do to address them?" This fundamental shift in thinking has allowed MTW agencies from Cambridge, MA to Atlanta GA to Seattle WA to solve problems in their communities more efficiently, more rapidly and with greater community participation than most non-MTW agencies could even imagine.

The strength of MTW is that it allows PHAs to customize their services to meet the unique challenges their communities face. In the northwest and northeast, MTW PHAs are engaging with homeless service providers in ways unimaginable outside of MTW. Comprehensive, long-term services are being paired with PHA redevelopment efforts to create dynamic, place-based service centers where the most vulnerable households receive not just housing, but the intensive supports they need to keep from slipping back into homelessness.

These are just a few examples of the amazing work going on at MTW agencies.

However, we are aware that the MTW program is controversial among many housing advocates and engenders strong, negative and emotional reactions due to misinformation and mischaracterization of the program's objectives, accounting and results. Whereas previous versions of SEVRA included an expansion of MTW, we are hopeful that as SESA is perfected, a path forward for an expansion of MTW will also be considered.

Public Housing Conversion

CLPHA's objective is straightforward. As MTW helps housing authorities in their public and affordable housing preservation strategies, we are seeking to preserve the existing housing stock through the funding flexibility and funding leverage that MTW offers. For this reason, we have also proposed and supported a conversion option for public housing units to project-based vouchers or project-based contracts which would enable greater funding flexibility and leveraging. While this proposal is not the subject of today's hearing, we believe this type of conversion option coupled with a loan guarantee or other federal credit enhancement—perhaps offered by the Federal Housing Administration—could be fashioned in a way to preserve this important affordable housing stock. Structuring such credit enhancement alongside the conversion option, Congress could maintain long-term use restrictions on the property, and—in the rare but, unwelcome event of a mortgage default—prevent the loss of public housing assets. Additionally, as we have previously testified, Congress should explore the possibility of coordinating various forms of housing assistance, such as linking the award of project-based vouchers for public housing preservation activities with the award of low-income housing tax credits.

Closing

In closing, even as we work to improve the housing voucher program, we must not forget the continuing challenges faced by the shortage of public and other affordable housing. There is still an urgent need to preserve and increase the supply of housing units specifically dedicated to those most in need. Once again, CLPHA urges this Committee 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.

We appreciate the Subcommittee's perseverance and willingness to continue to tackle the reforms needed in the Housing Choice Voucher Program. We look forward to working with you and HUD on making additional improvements to the program and perfecting this legislation.

Thank you again for this opportunity to testify.

United States House of Representatives
Committee on Financial Services

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Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name: Tory Gunsolley	**2. Organization or organizations you are representing:** Council of Large Public Housing Authorities
3. Business Address and telephone number: [redacted]	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? ☐ Yes ☑ No	**5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?** ☐ Yes ☑ No
6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
7. Signature: Tory Gunsolley	

Please attach a copy of this form to your written testimony.