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**Testimony of Kristina Cook, CAE
House Financial Services Subcommittee on Insurance, Housing and Community
Opportunity
“The Section 8 Savings Act of 2011: Proposals to Promote Economic Independence for
Assisted Families”
October 13, 2011**

Thank you, Chairwoman Biggert and Ranking Member Gutierrez for permitting me to submit this statement 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.

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.

NAHMA supports a number of the elements in the Section Eight Savings Act (SESA) which will make the voucher and project-based Section 8 programs more user-friendly for rental housing providers, current residents and applicants for assistance. Nevertheless, we have concerns about unintended consequences which are likely to result from new language in this discussion draft. NAHMA believes these concerns can be resolved, and we stand ready to work with the Subcommittee to address these issues.

My testimony will focus on the sections of the SESA draft which are most important to NAHMA’s property managers and owners.

Inspections

The streamlined inspection process proposed in SESA 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.

SESA proposes common-sense reforms to the inspection requirements that will help expedite the lease-up process for voucher holders. NAHMA strongly supports provisions in SESA which would:

- 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.

Unfortunately, the new Section 102 limits the availability of these important inspection reforms only to PHAs which are “participating in and carrying out” a self sufficiency and rental assistance counseling support program. While NAHMA strongly supports the inspection reforms on their own merits, we oppose making them conditional on a PHA’s decision to participate in a self sufficiency and rental assistance counseling support program. As written, if a PHA cannot or will not participate, the bill inadvertently penalizes owners and voucher holders in the PHA’s jurisdiction by denying them the benefits of streamlined inspections even though they had no control over the PHA’s decision. The effect of this conditional applicability will allow the same delays in lease-ups which discourage owners’ participation in the voucher program to continue in markets covered by a non-participating PHA. Similarly, as a result of delayed unit inspections, voucher holders may continue to experience difficulty renting an apartment in low vacancy markets through no fault of their own.

These inspection reforms have enjoyed strong bipartisan support without such conditional applicability in several previous Section 8 reform bills. They are much needed in order to create greater efficiency in the

housing choice voucher program for PHAs, owners and voucher holders. NAHMA respectfully requests that the conditional applicability of the inspection reforms be removed from SESA.

Rent Reform and Income Reviews

Section 103 of the bill simplifies the requirements used to calculate rents and to determine income eligibility for rental assistance for PHAs who participate in a self sufficiency and rental assistance counseling support program. Previous versions of Section 8 reform bills extended the rent and income simplification broadly, and included the project-based Section 8 program.

NAHMA has been especially supportive of provisions which would replace the annual income certification requirement for families on fixed incomes with a requirement to review their incomes at least once every three years. NAHMA believes this change will greatly assist elderly and disabled households whose income and sources of income do not vary much from year- to- year.

For these reasons, NAHMA respectfully requests that the conditional applicability of the rent reform and income reviews, which limits the benefit only to PHAs who carry out family self sufficiency programs, be removed from SESA. The language from the June SESA discussion draft is preferable because it ensures fixed-income households in privately-owned project-based Section 8 properties will also benefit from the common-sense policy simplifications in this bill.

Targeting Assistance to Low Income Families

NAHMA supports the changes in Section 202 of SESA which will allow owners and PHAs to expand their income targeting for public housing, vouchers and project-based Section 8 assistance to families whose incomes do not exceed the higher of the poverty line or 30 percent of area median income.

Study Regarding Occupancy of Assisted Housing by Both Elderly Persons and Persons with Disabilities

Section 209 requires HUD to study the impact of providing public and assisted housing projects designated for occupancy both by elderly persons and persons with disabilities (including disabled persons recovering from substance abuse) “on the effectiveness of providing an appropriate living environment for such elderly persons.”

NAHMA strongly supports funding for both senior housing and disabled housing programs. However, we would caution the Subcommittee that the needs of frail elderly residents who are “aging in place” vary greatly from those of non-elderly disabled residents.

In fact, Congress recognized the unique challenges in serving both populations when it created the Supportive Housing for Persons with Disabilities program as Section 811 of the Cranston-Gonzalez National Affordable Housing Act of 1990. The Act specifically states,

The purpose of this section is to enable persons with disabilities to live with dignity and independence within their communities by expanding the supply of supportive housing that—

- (1) is designed to accommodate the special needs of such persons; and
- (2) provides supportive services that address the individual health, mental health, and other needs of such persons.

The 1990 legislation carved-out the Section 811 program from the Supportive Housing for the Elderly program (Section 202 of the Housing Act of 1959), which had previously served both elderly and non-elderly disabled residents.

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.

NAHMA supports changes in Section 204 which extend the maximum allowable housing assistance payment (HAP) contract term between the Public Housing Agency and owner from 15 to 20 years. In our members’ experience, lenders prefer 20-year rental assistance contracts to short-term contracts. The long-term HAP contracts help developers to secure more favorable underwriting terms.

Fair Market Rent

HUD’s FY 2012 budget sought to eliminate the statutory requirement for the Department to publish Fair Market Rents (FMRs) on October 1. NAHMA is pleased that Section 205 of SESA preserves this mandate and ensures that interested stakeholders and members of the public will continue to have a meaningful opportunity to comment on FMRs.

Timely, predictable publication of the FMRs is essential because FMRs are necessary to calculate the income limits used to determine rents in Low Income Housing Tax Credit properties. Furthermore, HUD has proposed a number of substantial regulatory changes to the methodology for calculating FMRs. These changes will affect the Section 8 voucher program and other rental assistance programs. In this context, NAHMA believes it is inappropriate to implement major statutory FMR changes that have unknown ramifications across housing programs until HUD stabilizes the regulatory changes it is implementing to this important indicator.

Limited English Proficiency

NAHMA supports Section 301 of the SESA draft, which authorizes a process allowing HUD to better serve persons with limited English proficiency by providing technical assistance to recipients of Federal funds.

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.

Section 301 of SESA is LEP authorization language which is similar to a proposal crafted by representatives of affordable housing providers, civil rights advocates and HUD staff. In the summer of 2007, a coalition of multifamily housing representatives and civil rights advocates proposed LEP authorization language. The original proposal sought to address the cost and vagueness concerns raised by housing providers, and provide greater assistance to residents and applicants with limited English proficiency to ensure they would have meaningful access to HUD programs. In late 2010, HUD staff requested a number of changes to the proposal. Discussions followed, and HUD multifamily representatives and civil rights advocates came to a consensus. Section 301 preserved most of the essential components of the 2010 agreement. 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; and
- Create a HUD-administered 1-800 hotline to assist with oral interpretation needs.

Since the LEP authorization language was first proposed, HUD has received modest appropriations to provide LEP technical assistance to recipients of federal funds. The Department has used this funding to create a considerable number of translated forms, notices and fact sheets used to support its programs. The translations are available on the Fair Housing and Equal Opportunity website, http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/promotingfh/lep.

We commend 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. The result of eliminating funding for LEP services would be to leave properties to their own limited resources in providing language assistance, which would lead to an inconsistent level of service and inconsistent quality of translations for individuals with LEP. Secondly, through the Task Force created in the bill, the language establishes an ongoing, collaborative process for stakeholders and civil rights advocates work with HUD to identify documents to be translated. These documents would include official HUD forms, unofficial property-level documents or other vital documents. Ongoing review of documents by the Task Force will be essential to ensuring that previous translations are updated as necessary (especially when there are changes to the English-language versions), and new documents are translated as needed. Once documents are identified by the Task Force, HUD would have a six-month deadline for providing translated documents. We believe this deadline is important to ensure that property owners and other recipients of HUD funds have timely access to the translations necessary to serve individuals with limited English proficiency. Finally, SESA provides an essential safe-harbor for oral interpretation services. Although HUD's LEP guidance provided a safe-harbor to help determine when written translations were necessary, no such guidance was provided for oral interpretation. This bill authorizes a HUD-administered interpretation service hotline to supplement resources available in the community.

Although NAHMA prefers the LEP authorization found in the previous discussion draft of SESA, which was released in June, we appreciate that the vast majority of the LEP language was retained in Section 301. NAHMA applauds the Subcommittee's willingness to move forward with consideration of this important initiative.

Mark-to-Market Reauthorization

NAHMA is pleased that Section 302 of SESA extends HUD's authority to restructure mortgages under the Mark-to-Market program. The Multifamily Assisted Housing Reform and Affordability Act (MAHRA) of 1997 requires HUD to hold project-based Section 8 rents to market levels. This part of the statute is permanent. However, MAHRA also gave HUD authority to restructure the debt on FHA-insured properties with expiring Section 8 contracts in order to recapitalize the property and allow it to operate successfully with lower rents.

PROTECTING THE INTERESTS OF AFFORDABLE HOUSING PROPERTY MANAGERS AND OWNERS

SESA extends HUD's authority to restructure the mortgages to October 1, 2015. This extension preserves an incentive for properties to continue participating in the project-based Section 8 program under market-based rents.

Conclusion

Much of the SESA discussion draft focuses on incentivizing PHAs' participation in family self sufficiency programs. NAHMA commends PHAs who are offering programs to help their residents move toward this worthy goal. However, it is important to recognize many Section 8 residents in Housing Choice Voucher and Project-Based Section 8 programs simply do not earn enough income to pay market rent, even though they are working. In fact, statistics released from HUD's Office of Policy Development and Research indicate that only 4 percent of residents in the Project Based Section 8 program, and only 11 percent of voucher renters claim welfare as their primary source of income. Likewise, more than half of Project-Based Section 8 residents are elderly households. We ask the Subcommittee to be mindful of such demographics as it considers ways to improve and promote self sufficiency programs for residents assisted through HUD's affordable housing programs.

Please see Appendix A for more demographic information about families receiving assistance through the Housing Choice Voucher and Project Based Section 8 programs.

Thank you again for providing NAHMA the opportunity to comment on the draft SESA legislation.

Appendix A

Data from HUD's Office of Policy Development and Research

A Picture of Subsidized Households - 2008

Program	People Per Unit	House Hold Income	% Wage Majority Income	% Welfare Majority Income	% Other Majority Income	% Below 50 AMI	% Below 30 AMI	% Disabled Age Below 62	% Disabled Age 62+	% Disabled All	% Below Age 24 HoH	% Age 25-50 HoH	% Age 51-61 HoH	% Age 62+ HoH	% Age 85+ HoH
Vouchers	2.5	13.1	32	11	53	96	75	32	59	18	8	56	17	18	2
Project Based Sec. 8 New Construction/ Substantial Rehab	1.6	11.4	15	4	78	96	75	38	14	17	9	25	13	53	9

Key:

Number of people per unit: Average size of household

Household income: Average total household income per year, shown in thousands

% Wage Majority Income: % of households where the majority of household income is derived from wages and/or business

% Welfare Majority Income: % of households where the majority of household income is derived from welfare (TANF, General Assistance, or Public Assistance)

% Other Majority Income: % of households where the majority of household income is derived from some other source (other than wage and welfare)

% Below 50 AMI: % of very low income households (with income below 50% of local area median family income)

% Below 30 AMI: % of extremely low income households (with income below 30% of local area median family income)

% Disabled Age Below 62: % of households below age 62 where either household head or spouse (or cohead) has a disability

% Disabled Age 62+: % of households age 62 or older where either household head or spouse (or cohead) has a disability

% Disabled All: % of all persons in household with a disability

% Below Age 24 HoH: % households where head or spouse (whoever is older). Is less than 24 years old

% Age 25-50 HoH: % households where head or spouse (whoever is older) is 25 to 50 years old

% Age 51-61 HoH: % households where head or spouse (whoever is older) is 51 to 61 years old

% Age 62+ HoH: % households where head or spouse (whoever is older) is 62+ years old

% Age 85+ HoH: % households where head or spouse (whoever is older) is 85+ years old

For more information, please see [Picture of Subsidized Households Home Page](http://www.huduser.org/portal/picture2008/index.html) at www.huduser.org/portal/picture2008/index.html.