



Written Statement

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Before the Sub-Committee on Housing & Insurance

United State House of Representatives

June 26, 2013

Hearing: “Evaluating How HUD’s Moving-to-Work Program Benefits Public & Assisted Housing Residents”

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Chairman Neugebauer, members of the Sub-Committee on Housing & Insurance, I thank you for the opportunity to testify; my name is Gene Reed and I am the Executive Director of the Abilene Housing Authority in Abilene, TX. I have 19 years of combined leadership experience between the Affordable Housing industry (approximately nine years) and the Gas & Electric Utility industry (approximately 10 years). In each industry I have had the opportunity to analyze business needs, rebuild an organization, restructure organizations/departments, develop new programs and build teams in an effort to meet the goals of each organization.

The Abilene Housing Authority (AHA) is at the lower end of what is considered to be a large Public Housing Authority (PHA). AHA manages 1536 Housing Choice Vouchers (HCV) consisting of 145 HUD-VASH (Veteran's Affairs Supportive Housing) vouchers, throughout 20 counties in West Central Texas, as well as 213 Low Rent Public Housing (LRPH) units and 170 affordable and market-rate units in the City of Abilene.

During my career in the affordable housing industry I have had the fortunate opportunity to have worked for the Cincinnati Metropolitan Housing Authority (the 17th largest PHA in the country), as the HCV Manager from 2004 to 2008, in a very politically charged environment. Since October 2008, I have been employed as the Executive Director of AHA. During this time AHA has been able to successfully separate from the City of Abilene, acquire the HCV programs of three small PHAs, acquire a Project-Based Section 8 "Opt-Out" complex, developed a Project-Based Voucher program, successfully apply for and receive the Ike/Gustav Hurricane Disaster Housing Assistance Program (DHAP) and HUD-VASH vouchers and, receive Family Self-Sufficiency (FSS) Coordinator Grant. AHA also increased participation in the FSS program from five participants in 2008 to 50 participants in 2012. AHA's HCV Program has been recognized as a "High Performer" program for the past five years and the LRPH program has been recognized as a "High Performer" program for the past two years. The AHA itself has been recognized as a "High Performer" agency for the past two years. AHA is currently in the process of preparing to apply for a Tax Credit development in 2014.

Over the past three years Public Housing Authorities have experienced unprecedented funding cuts in our programs. Unfortunately, the cuts have come at a time when unemployment rates are still extremely high (over 7 percent). Families have lost their homes and jobs have continued to be sent overseas. Hard working, American, middle-income families that never thought about utilizing affordable housing programs now qualify. For years their tax payer dollars have paid for programs like ours and now when they need affordable housing programs, due to continued deep budget cuts, PHAs across the country are serving fewer families and unable to assist these families as needed. It is my hope that funding for our programs be stabilized in order for PHAs to adequately assist elderly and disabled families (approximately 46 percent of the families AHA

assists), struggling, hard-working and well-educated Americans that need assistance due to situations beyond their control. Let's help American families recover. Our affordable housing programs only represent 2 to 3 percent of the overall federal budget.

In addition to the challenges that hard-working Americans are facing in the current economy, PHAs are also faced with the challenge to meet regulatory requirements that we were required to meet when we were receiving higher funding amounts. Higher funding amounts provided adequate staffing levels to administer the programs in a way that allowed PHAs to meet HUD's regulatory requirements and to meet the special needs of the communities that we serve. For the past two years I have personally been asking Congress & HUD to provide regulatory relief to PHAs that will enable the AHA and other housing authorities nationwide to still meet their mission of providing decent, safe and sanitary housing to low-income families in this budget-cutting environment.

As I mentioned before, I truly appreciate the opportunity to address the Sub-Committee on the potential benefits of expanding the Moving-To-Work (MTW) program. MTW presents PHAs with what I would consider a "fighting chance" during these budget-cutting times. The merits of the MTW Program, for AHA are:

Meeting the Community Needs:

MTW allows PHAs to analyze the local communities that it services and allow the PHA to tailor programs and services to specifically address the housing needs of their communities. For example, in Abilene, TX we have a large population of homeless veterans, due to the fact that Dyess Air Force Base is our largest employer. Through MTW my PHA would be able to develop programs in collaboration with numerous other social service agencies and the local Military Partnership of West Central Texas that service the various needs of veterans. We could use public-private dollars to develop a more robust program.

Fostering Self-Sufficiency:

Assisting families to become self-sufficient is a part of the AHA mission statement. Throughout my career in affordable housing I have always said that, a "self-sufficiency" program should be a "flag ship program for Housing Authorities." Not only is it a life-changing program for participants, it is also a program that shows the community that their tax payer dollars are being spent for a "hand-up and not a hand-out." Many participants on our programs began from a disadvantaged starting point. Many others have fallen upon "hard times" in their lives and need assistance and guidance to get back to self-sufficiency.

One married young lady on our program found out that her husband was molesting one of her children. The divorce left her with a single income and two kids. The Housing Choice Voucher Program was a saving grace for this family, which was devastated and in need of assistance to recover from this traumatizing experience. She was approved to participate in the HCV program, saved money while living in a government subsidized home, decided to pursue her degree, graduated Summa Cum Laude and, got a good-paying job. On her own, she decided to graduate two years early from the HCV FSS Program to provide another family the opportunity to benefit from the Program, received her FSS Escrow check and purchased her own home. This is why I decided to stay in the affordable housing industry, because these programs are positively

changing the lives of American families. What better investment can government make than to assist families to become self-sufficient?

These stories, in our programs, are endless. The design of MTW allows agencies to build and grow self-sufficiency programs by having the capacity to move funds into developing larger more robust programs. MTW will allow agencies to add more staff into the self-sufficiency programs and to use the FSS Coordinator to supplement the workload of other departments as needed. Currently, a FSS Coordinator obtained under the FSS Grant can only work on FSS work.

Regulatory Relief:

As funding continues to decrease, the ability of a PHA to adequately meet the regulatory requirements set forth by Congress/HUD greatly decreases. Given the regulatory requirements PHAs have to meet and the fact that our industry may continue to see more budget cuts, the funding formula simply does not work.

MTW allows PHAs the ability to change or remove certain regulatory requirements. The program is designed to allow innovation and also to allow PHAs to manage their program in a way that meets the needs of their communities and not from a one-size fits all regulatory model.

For example, many PHAs have removed the requirement to conduct recertifications on an annual basis. Many have moved to conducting them every two years or even every three years for elderly and disabled families on fixed incomes. This can dramatically reduce the operating expense of administering PHA programs during these budget-cutting times.

Development Activity:

AHA is currently looking for ways to generate revenue outside of the traditional government provided funding streams. Development activities such as Low-Income Housing Tax Credit (LIHTC) programs, and affordable housing programs, will allow PHAs the opportunity to move away from dependence on traditional government funding. This in turn will assist the government in reducing the federal budget. Through MTW PHAs are allowed to use current government funding to leverage non-federal development activity. Over a period of time this will allow PHAs to migrate away from full dependence on government funding to minimal dependence on government funding while still meeting their mission, which is to serve the housing needs of low-income families across America.

Full Management of Funds Provided to PHA's:

Presently, PHAs receive four pots of money (HCV is provided Admin Fees and HAP Fees, and LRPB are provided Operating Subsidy & Capital Funds). These four pots of money have very specific and designated uses. Currently, PHAs at times can move money from pot to pot, although, the approval process is arduous and time consuming. If you have ever experienced working in private sector business, which I have, you know that making things happen quickly and having the flexibility to make key decisions is critical to the success of a business.

Under MTW, PHAs have the ability, to make key business decisions, whether through process and regulatory requirement changes or through having the ability to move funds in a way the PHA sees fit, in order to expeditiously and efficiently run its business.

Recommendation:

Overall, MTW can provide PHAs with the ability to remove policies and practices that are mundane, outdated, and in need of reform given our current funding situation. MTW provides PHAs with a more business-like model that enables PHAs to address the current local needs.

My recommendation to Congress is to expand the MTW program and allow more PHA access to the program in order to better manage their limited resources.

Response to Sub-Committee Questions:

1. HUD should continue to base MTW eligibility on a PHA having an overall “High Performer” rating. These agencies have shown that they have the ability to manage their agencies in a way that meets or exceeds the current assessment requirements. There are many “Standard Performer” agencies that have the ability to be successful under MTW as well. For “Standard Performers,” HUD should review progress made in assessment areas over the past few years then get a recommendation from the PHAs HUD Field Office. The make-up and qualifications of staff may also be taken into account in determining whether to give the PHA access to the MTW program.
2. The future of public and assisted housing is “bleak” if MTW or some other progressive program is not instituted. Currently, funding is being reduced at an alarming rate while regulatory requirements are not being removed in any substantial or meaningful way. Reductions in funding are contributing to a higher national unemployment rate, due to PHAs having to lay-off and/or not replace staff after natural attrition. This reduces PHAs ability to meet the regulatory requirements, which can and will cause sub-par performance ratings under the current assessments. These sub-par ratings will later manifest in lower funding for PHAs (budget cuts plus non-performance funding cuts will equal catastrophic damage to PHAs). I always say, “You can’t squeeze orange juice from an apple.”
3. MTW allows PHAs to effectively meet the needs of their local communities by redirecting funds to the PHAs’ mission. One of the big problems many of our participants have is reliable transportation. AHA had one lady that had a decent job in which she had held for a substantial amount of time that was ready to quit because she didn’t have reliable transportation. My FSS Coordinator addressed this issue with his Public Coordinating Committee (PCC) and they came up with a plan to address this issue. Fortunately, in this situation the community was able to pull it off for us. But the massive budget cuts we are experiencing at every level of government are affecting the ability of communities to support or assist other agencies. If AHA were a MTW agency, we would be allowed to redirect funds to address this issue of reliable transportation so families do not have to quit their jobs, but have a reliable program to get them to work even when their transportation options were lacking. Under MTW we would have more

ability to collaborate with other community programs and to develop programs that could better assist our participants to be self-sufficient.

4. It is my understanding that, HUD has provided Congress with one report on the status of MTW and the Congressional Research Service provided a second study. The first one was released in August 2010: "Interim Policy Applications & the Future of the Demonstration." The second was released in June 2012: "Housing Assistance Demonstration Program." Presently, assisted housing industry groups, the National Association for Housing & Redevelopment Officials (NAHRO), Public Housing Authorities Directors Association (PHADA), Council of Large Public Housing Authorities (CLPHA) and the Housing Authority Insurance Group (HAI Group) are conducting a comprehensive study of the MTW demonstration.

HUD's 2010 Report stated that, "MTW was designed as a temporary response to the ongoing need for a sustainable public housing platform. While the nation's public housing system faced a number of challenges, more information was needed before making sweeping changes. MTW was predicated on the belief that giving public housing authorities more flexibility would allow them to make more efficient use of federal funds, better incentivize self-sufficiency in residents, and provide more housing choices for low-income families. The experiences of MTW agencies have supported this theory. At the same time, the need for comprehensive reform has only grown. While MTW can continue to inform the housing industry about the outcomes of various approaches, a more extensive overhaul of the public housing laws would allow all public housing authorities to experience the benefits available to MTW agencies."

The Congressional Research Service wrote, "While the data available are insufficient to know if the discretion afforded to MTW agencies allows for a more cost-effective administration of assisted housing programs, the belief that the program has been a success on this front is generally held by supporters of the program, including PHA industry groups, some assisted housing practitioners, and some Members of Congress. The fact that most participating PHAs have chosen to renew their participation and more PHAs wish to participate than there are advertised slots is evidence of the popularity of the program among assisted housing practitioners. Congress has exhibited some support for the program by taking action to expand the number of agencies participating. Further, HUD officials have suggested that they believe MTW agencies are more cost-effective in their administration of assisted housing."

5. To my understanding, there are presently three individuals on HUD's staff who oversee the MTW program. If the program is to expand, obviously, there would need to be more staff. Currently there are consultants and CPA firms that monitor/audit PHA firms who may be able to assist with oversight of an expanding MTW program, in the event Congress does not want to add additional government employees. Currently, the concept has already been established in the way that HUD administers REAC inspections across the country (they hire contractors to do the audits and report the results back to HUD staff).
6. As long as adequate funding is provided to administer the MTW Program, and MTW is not being instituted as a means to continue to cut funding for Affordable Housing, MTW

would assist residents in developing life-skills, provide participants with more quality affordable housing options, services and employment opportunities. Although, I will caution that this statement is only a microcosm view of possible improvement opportunities from a low-income housing prospective. Until the U.S. economy rebounds in a way that not only benefit major investors, these items will not be fully executable by low-income families under any program.

Currently, there are legislative proposals circulating that would encourage defunding Pell Grants and other financial resources that assist middle and low-income families obtain higher education. Higher education typically equates to higher incomes that allow families to move off of government assisted programs. I ask that we all take responsibility, at all levels, to further self-sufficiency of American families. PHAs cannot work miracles to assist in increasing self-sufficiency among its participants, if anti self-sufficiency legislation is allowed to pass. This works in direct opposition to what self-sufficiency programs are set-up to accomplish. In addition, United States falls further and further behind many other countries in education, how can defunding educational opportunities be a tool for promoting self-sufficiency?

7. MTW has currently provided current MTW PHAs with the ability to leverage new housing developments, rehab existing developments, merge supportive services with housing and to create more self-sufficiency programs. If MTW is expanded, I would expect to see more of the items mentioned above.
8. To my knowledge, affordable housing programs were designed to house low-income families. As a part of the running the business of affordable housing, it is in the best interest of the PHA to help our residents stay for the full amount of time that they need to transition off the program and/or to gain and maintain employment. This way, PHAs can assist more families while controlling the cost of the program for our tax payers.

In summary, I would like to once again thank Chairman Neugebauer and the members of the Housing and Insurance Sub-Committee for allowing me to share my views on how MTW can better assist PHAs during these budget cut times. It is my hope that funding for affordable housing programs will be revived so that we can assist the growing need of American families that need assistance in these trying economic times. Our programs have taken significant funding cuts over the past three years and can-not afford to continue to endure additional cuts. In a program that only represents 2 to 3 percent of the overall federal budget I think we have done our share to assist in reducing the federal deficit.

As Members of Congress leave this meeting and journey back to their home districts I encourage you to challenge your political base on the benefits of assisted housing and the importance of adequately funding programs like these for American families. One specific preconceived notion that many Americans have about assisted housing programs is that low-income families are getting rich off of their tax payer dollars. ***This could not be further from the truth.*** If you follow the money in our programs you will see that these federal funds benefit the local economy much more than they benefit participants on the program. Funding received by PHAs is truly a reinvestment into the local communities that we serve. The reinvestment happens in the following ways:

1. Banking accounts are set-up with local banking institutions that then reinvest the billions of dollars that Housing Authorities receive back in the local communities;
2. Housing Assistance Payments (HAP) are made to landlords (in AHA's program we typically pay landlords approximately \$6.5 million annually), who then reinvest these funds into the up-keep of units and thus contribute to maintaining or increasing community property values. Landlords also pay property tax on HCV program units with the profits received from the HCV program;
3. Area contractors secure contracts with PHAs to maintain, rehab and develop quality low-income housing units in our communities (AHA's program pays in the range of \$300K to \$1 million annually);
4. Local vendors also secure contracts to maintain housing authority IT systems, vehicle fleets, provide legal services, accounting services, etc.;
5. PHAs are able to create jobs in the community;
6. Employees earn a living and patronize local business establishments that assist the local economy. Many of these employees own homes and also use these federal funds to pay property tax.

Approximately 99 percent of the tax payer dollars used to fund assisted housing programs, **do not** go directly into the pockets of low-income participants on the AHA program. The 1 percent that does is paid to graduates of the FSS program as a down payment on their move to self-sufficiency. The remaining 99 percent go toward community investment activities that assist the local economy. The only benefits that participants receive from the assisted housing programs are non-monetary in nature. The participants benefit by having a decent, safe and sanitary housing in which to raise their families at an affordable price; they have the opportunity to move their families to areas of town that they may not have been able to afford without a government subsidy; they have more access to better school districts through the "portability" component that the HCV program provides; and they have an opportunity to save money.

As things progress from this meeting, if I or my agency can assist in advancing the position on expanding the MTW program, please let me know. Thank you.