CLPHA
making public housing work in your community

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Testimony of
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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.