

Written Testimony
Tino Hernandez, Chairman of the New York City Housing Authority
for a hearing regarding
H.R. 1841 – Housing Assistance for Needy Families Act (HANF)
before the
Housing and Community Opportunity Subcommittee
House Financial Services Committee

June 10, 2003

Chairman Ney, Ranking Member Waters, and Members of the Committee, thank you for this opportunity to testify before the Subcommittee on Housing and Community Opportunity and discuss H.R. 1841, which would eliminate the Section 8 Housing Choice Voucher program and replace it with the Housing Assistance for Needy Families (HANF) block grant program to the states.

The New York City Housing Authority (NYCHA) operates the largest public housing program in the United States and administers the nation's most extensive Section 8 program. As of May 31, 2003, there were approximately 105,000 locally administered Section 8 apartments in New York City. NYCHA currently has under contract 85,928 vouchers with an estimated 214,000 residents and a total of 27,694 private owners participating in the program. Our sister agency, the Department of Housing, Preservation and Development (HPD) oversees another 19,000 vouchers. Only the entire states of California and Texas encompass larger Section 8 programs than New York City. We therefore have much at stake in the deliberations of this Subcommittee and the ultimate disposition of the pending legislation. The outcome of this process will have a significant impact on the well being of our resident families and the overall condition of housing in the City of New York.

New York City's Section 8 program is among the most successful in the nation. NYCHA's voucher utilization rate is approaching 98% and growing, while HPD's is now over 100%. Despite the magnitude of our program, the diversity of our population, and the

inordinately tight housing market found in New York City, we have much in common with housing authorities across the country and share the same challenges in managing our diminishing resources.

We have given serious consideration to the Administration's proposal to block grant Section 8 funding to the states. We have come to the conclusion that the HANF proposal would not improve the delivery of tenant-based assistance but rather would have a negative impact on the Section 8 program in New York City.

We appreciate that an underlying impetus for the HANF proposal was, in part, the significant under-utilization of Section 8 throughout the country. However, we understand that utilization is up nationwide, the trend has been reversed, and it would therefore be prudent and practical to allow the corrections in last February's Appropriations Act to take effect. Thus, we feel another dramatic restructuring is premature, but beyond that, the HANF proposal itself has serious intrinsic flaws.

First, the fact that HANF would add an unnecessary and costly third administrative layer is disturbing, resulting in superfluous red tape and waste. We know this will be true for NYCHA, where a critical change in the delivery system has the potential for disrupting the success of the current program. We do not believe that redirecting local funds to the states would simplify the distribution of Section 8 vouchers; rather this would complicate the process and make it less direct.

The HANF proposal also threatens to change a critical element of the Section 8 program that has been instrumental in getting owners to participate. In New York City, HPD and NYCHA have tailored elements of their program to unique local market conditions to make the program more attractive to landlords. Under HANF, the state will set income eligibility standards and determine who would continue to receive subsidies. Thus, they could institute a rule whereby all households would be terminated after a certain period, or whereby tenants living

in certain sized apartments or in certain areas would be dropped from the program. Even the potential for this to happen will have a dramatic “chilling” impact on owners deciding whether to rent to voucher holders or other tenants. In fact, the prospect of having to evict an extremely low-income tenant who had never missed a rent payment, but is now unable to make up the loss of their voucher subsidy would be daunting for many owners. Leaving aside for a moment the very real torment that the loss of subsidy could bring to the family, the owner in places like New York City must undergo lengthy and costly court proceedings before being able to once again realize market income from the apartment.

By establishing the states as intermediaries, additional administrative costs will be incurred, which may not be fully funded. With the budget challenges faced on the city and state levels, it is doubtful that they will be able to contribute additional resources necessary to administer effectively. Any shortfall could be passed along to the local housing authority or to the resident family, thereby further limiting available assistance and the number of households that will be served. In New York City and New York State, as in cities and states nationwide, we presently face stark fiscal challenges. HANF would result in additional administrative costs with no additional federal appropriation. And this, in New York City’s view, would only be the beginning of an added financial burden.

Furthermore, the HANF proposal while purporting to reduce the regulatory environment includes a grandfathering provision that achieves the opposite result by adding to the administrative complexity of the Section 8 program. For the first five years of the program (2005-2009), current Section 8 tenants will be grandfathered under existing Section 8 regulations. If a State changes the program's rules, these current participants will not be affected during this period. However, in 2010 they will be transferred to HANF and subject to the respective State's new rules. Meanwhile, new voucher holders will be subject to the new rules as developed and implemented by each State. The end result is that for five years, each State will

have to administer two separate Section 8 tenant-based programs with potentially different income guidelines, payment standards, rent calculations, etc. This will place an excessive burden on building owners and the administering entities that will have to comply with two different sets of standards.

Second, block grant funding generally fails to keep pace with inflation, let alone the true need for assistance. In contrast, Section 8 funding has been based on the *actual* costs of affordable housing. The *Center on Budget and Policies Priorities* analyzed 11 block grants that serve low-income families in the areas of housing, health and social services. Their analysis showed that when these grants were adjusted for inflation, funding fell by an average of 11% from 1982 to 2003. We note as well that during the five-year period 1998 to 2003, the Consumer Price Index rose by 12%. During the same period, Section 8 Fair Market Rents rose by 25%. We therefore fear that a block grant approach will fail to keep pace with program costs.

As the block grant erodes over time, states would be faced with the difficult choice of providing shallower subsidies, reducing the number of families served, serving higher income households, or using State revenues to fill the gap.

Moreover, the Budget Resolution approved by Congress in April 2003 provides for a \$168 billion reduction in domestic discretionary programs from 2003 to 2013. Funding for the Section 8 Housing program is drawn from this budget category. While we are concerned as to the levels of assistance that may be approved for this year, the long-term prospect for adequate funding is bleak.

Third, it is axiomatic that housing authorities are more familiar with local housing conditions than state governments are. Housing conditions vary widely from city to city and no state agency can know New York City as NYCHA knows it, any more than NYCHA would presume to evaluate housing conditions in any other city of the state. The pending legislation contemplates *regional* administration of the Section 8 program, crossing jurisdictional lines.

Mayors would lose control over their Section 8 programs because administration will shift to entities not responsible to City Hall. NYCHA works closely with the Mayor and its sister housing agencies to ensure that the City's priorities are addressed. For example, NYCHA's admission preferences reflect the City's homeless and domestic violence issues. HPD's program also targets homeless families, as well as those tenants in danger of being displaced through development activity.

Another vivid example is the scarcity of affordable housing in New York City, which is hard to imagine until it is experienced. But it is another compelling factor in favor of a strong and effective Section 8 program that both maintains current levels of funding as well as provides additional vouchers. NYCHA is working in collaboration with its sister city agencies to carry out Mayor Michael J. Bloomberg's initiative to produce 65,000 additional units of affordable housing over the next four years. The Mayor's program, which is intended to preserve the existing housing stock, produce additional housing and identify development opportunities, is supported by the Section 8 program's role in preserving existing housing stock. The imposition of any constraints on the Section 8 program could have a detrimental impact on New York City's effort to increase affordable housing and house homeless families. Suffice it to say that New York City's vacancy rate is among the lowest in the country and that the vagaries of the city's real estate market are unlike any other. But just as New York is unique, so is every city, large or small, and each best understands its housing needs.

It is also important to point out that virtually all of the new, more flexible program rules that would be directed to States to improve utilization rates could be afforded to local housing agencies without changing the existing structure of the program or adding another layer of bureaucratic administration. For instance, the proposal to allow States to conform inspection schedules to the Low Income Housing Tax Credit rules and to use State and local housing codes rather than HUD's Housing Quality Standards could be offered immediately to housing agencies

on a voluntary basis. Similarly, it would be more appropriate to allow local housing agencies, as opposed to States, the right to establish Fair Market Rents/Standards, as proposed in the HANF legislation.

NYCHA's concluding point in favor of preserving our successful Section 8 program is very much a national issue: the portability of vouchers. Section 8 is not a state housing program. It is a national housing program. The recipient of a Section 8 voucher is now free to take that voucher anywhere in the United States and use it to acquire housing. States with differing regulations could impair this portability, which is one of the highlights of the Section 8 program. It is very possible that a recipient may not be able to seek better education, new employment, health care, or neighborhoods of greater opportunity across state lines because of incompatible state regulations. HANF, and the block grant it proposes, might very well produce an effect diametrically opposed to its intention by restraining rather than encouraging self-sufficiency.

Thank you again for this opportunity to offer our views regarding H.R. 1841. I will be happy to answer any questions you have.