

**HUD'S ROLE IN RENTAL ASSISTANCE:
AN OVERSIGHT AND REVIEW OF LEGISLATIVE
PROPOSALS ON RENT REFORM**

HEARING
BEFORE THE
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HOUSING AND INSURANCE
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**HUD'S ROLE IN RENTAL ASSISTANCE:
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LEGISLATIVE PROPOSALS
ON RENT REFORM**

Wednesday, April 25, 2018

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING
AND INSURANCE,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:12 p.m., in room 2128, Rayburn House Office Building, Hon. Sean Duffy [chairman of the subcommittee] presiding.

Present: Representatives Duffy, Ross, Posey, Luetkemeyer, Stivers, Hultgren, Rothfus, Zeldin, Trott, Cleaver, Beatty, and Kihuen.
Also present: Representative Perlmutter.

Chairman DUFFY. The Subcommittee on Housing and Insurance will come to order. Today's hearing is entitled, "HUD's Role in Rental Assistance: An Overview and Review of Legislative Proposals."

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time. Without objection, the members will have 5 legislative days within which to submit extraneous materials to the Chair for inclusion in the record. Without objection, members of the full committee who are not members of this subcommittee may participate in today's hearing for the purpose of making an opening statement and questioning witnesses.

The Chair now recognizes himself for 3 minutes for an opening statement.

I first want to thank our witnesses for their participation in this hearing today as we continue to look at how we can reform various programs at HUD that are intended to provide low-income families with taxpayer-assisted housing while incentivizing self-sufficiency and increasing the opportunities for employment.

I will just note that we are starting a bit late because we did have votes on the floor and it has taken a while for everyone to get to the committee room, so I apologize for that.

Now, if you watched last week's hearing, you will know that we are participating in Speaker Ryan's A Better Way agenda with the goal of fighting poverty. We received a number of good suggestions that we hope to address in the discussion drafts presented last week and I am looking forward to suggestions and takeaways from this hearing today as well.

While last week, we highlighted how we can reform HUD's Housing Choice Voucher Program to further the goal of self-sufficiency, it also became clear that there are other issues in HUD's housing assistance programs that require our attention.

One consistent theme from last week's hearing was how to incentivize public housing authorities to focus on the person they are helping through policies on setting appropriate rents. We should from time to time review our laws to see where improvements can be made.

Today, it is incumbent upon us to make sure the system is helping those in need while ensuring taxpayers' funds are effectively and efficiently used. We must also remember why these programs are here and do what we can to reduce the limitations holding back our PHAs' (public housing agencies) ability to tailor solutions to families and individuals who come with different circumstances.

I want to reiterate that I truly believe we don't evaluate and measure the success of these programs by how much money we spend. Instead, we should measure success by how many people we move out of poverty and into self-sustainability.

Today, we will be looking at a proposal from our Vice Chairman Mr. Ross, to help families and individuals that are negatively impacted by the current income-based rent setting formulas. The reforms in Mr. Ross' proposal will provide options for PHAs through rent-setting policies to incentivize housing assistance recipients to earn higher wages.

Allowing rent to be tailored to a family or individual's own situation will help assist them to become self-sufficient with the ultimate goal of those families at some point not needing taxpayer assistance. Whether it is through the Family Self-Sufficiency Act, voucher mobility, or ensuring a path toward independence for our foster kids, I want to make sure that we are breaking down the walls that are keeping our families in a cycle of poverty from one generation to the next.

I believe Mr. Ross' legislation will help in that effort and I look forward to hearing from our panel, getting their feedback and insight on Mr. Ross' bill and what we might do to improve it and make it better.

With that, I now recognize the gentleman from Missouri, the Ranking Member, Mr. Cleaver, for 5 minutes.

Mr. CLEAVER. Thank you, Mr. Chairman. I am not sure I will need the entire 5 minutes, but let me also welcome those of you who are here in the role of providing us with testimony and information. We appreciate your presence.

This hearing centers on housing rent reform legislative proposals offered by Congressman Ross titled, "Promoting Resident Opportunity Through Rent Reform." And as always, I appreciate a conversation on suggestions to improve Federal housing programs.

Having a stable home is a crucial component for children to succeed, for the elderly to thrive, and for our veterans and the disabled to have a place, a safe place to stay. And we have had study after study after study cite the importance of affordable housing for our communities and I have firsthand experience of the impact.

The proposal we are considering today would allow public housing authorities to adopt new rent models for public housing and

housing choice voucher programs. Specifically, the legislation would allow for tiered rent systems, stepped rent systems, rent based on gross income, shallow subsidy vouchers, or any other rent setting policy that is approved by HUD.

I have a number of concerns that these models could lead to large rent increases for families as well as the elderly and disabled. I also believe that a program this varied would be very hard for HUD to oversee administratively.

Additionally, just last week, we discussed the importance of enhancing voucher mobility to allow families to move from one area to another. This discussion draft would greatly increase, from my perspective, barriers for mobility as each PHA may be overseeing drastically different rent models. In my hometown, for example, there were and are three distinct public housing developments.

Last, Congress then-Housing and Insurance Subcommittee Chairman Luetkemeyer and I co-sponsored the Housing Opportunity Through Modernization Act, HOTMA. This legislation made huge strides in improving and streamlining our public housing services. The bill passed unanimously in the House and was later signed into law.

Currently, HUD is working on finalizing a number of HOTMA's provisions and I look forward to seeing this process completed. But I have to tell you and I don't think this has anything to do with partisan politics, maybe I am wrong, but there is some frustration on my part that HUD seems to be slow-walking the implementation of this program. It is like they are saying so much to do and so little desire to do it.

And unless we as a committee, an oversight committee, demand that HUD carry through with legislation that we approved, I don't think we are going to get any results from this or any other piece of legislation. So, it seems to me that we shouldn't put any other legislative business before the full Congress until we have the implementation of what we have already approved. Or HUD needs to come in and explain something to us.

So, Mr. Chairman, with that, I yield back the balance of my time and look forward to a discussion.

Chairman DUFFY. The gentleman yields back.

The Chair now recognizes the Vice Chair of this subcommittee, the gentleman from Florida, Mr. Ross for 2 minutes.

Mr. ROSS. Thank you, Chairman, and thank you for holding today's hearing. Our proposal is to reform HUD's method of calculating rent for beneficiaries of our rental assistance programs.

And thank you to our outstanding panel for joining us to share your expertise and your thoughts related to my legislation, the Promoting Resident through Rent Reform Act or the PRO Rent Reform Act of 2018.

As most of you know, under the current rent regime, once a family is selected to receive HUD assistance, the rent they pay is generally based on 30 percent of their adjusted income. This is the essence of our income-based rental assistance model. There are an estimated 4 million families served by HUD's 5 main rental assistance programs and some 3,300 housing authorities embedded in communities across the Nation charged with administering these programs.

For years, we have forced our PHAs to administer a one-size-fits-all policy that zeros out what should be a strength of our system, the proximity and sensitivity PHAs have to meet the needs of their local community. In addition to one-size-fits-all policy we force PHAs to use itself, is deeply flawed.

It is well-documented that income-based rents create an effective tax on success. Each time a tenant earns a raise or gets a new job, the cost of their housing chases after them. For most of us, a pay raise means more disposable income to save for the future or spend on household needs, but for the rent-assisted families, it just means higher rent for the same living space.

Not only does this paradigm discourage work, it also limits a resident's opportunity to practice managing their own budgets, makes rent calculations complex and burdensome, and punishes dual earning two-parent households. The discussion draft of the PRO Rent Reform Act that we will examine today aims to address many of these shortcomings.

It does so by empowering PHAs in the local communities through the very public annual plan certification process to select from a menu of alternative rent options, one which is better suited to serve the needs of their residents. To be very clear, the draft also ensure that if a PHA and its community likes the current system, they can continue to use it.

There are few additional important reforms in this bill including a shallow subsidy for families on a waiting list and a move to a bi-annual income recertification which I look forward to discussing with the panel.

In closing, I want to emphasize that this is a discussion draft. It is not a final product. I am hopeful that today's hearing will produce insights on how we may improve upon this legislation, and I am eager to work with my colleagues on this subcommittee to develop a bill that we can win bipartisan support.

I thank you and I yield back.

Chairman DUFFY. The gentleman yields back.

I do want to welcome our panel. Thank you, for being here today and for offering your insights and intelligence on Mr. Ross' bill. With that, I am going to re-recognize Mr. Ross for the introduction of our first witness.

Mr. ROSS. Thank you, again, Chairman.

It is my pleasure to introduce Mr. William Russell, President and CEO of the Sarasota Housing Authority in my home State of Florida. Mr. Russell joins us today representing the Florida Association of Housing and Redevelopment Officials, FAHRO, where he serves as a member of the board of directors and as chair of FAHRO's advocacy committee.

Mr. Russell began his tenure at Sarasota in 2005 following 3 years working for the U.S. Department of Housing and Urban Development as a Deputy Assistant Secretary for Public Housing and Voucher Programs. When he first came to Sarasota, William Russell took over a HUD-designated troubled agency at the beginning of a rare Federal receivership.

In just a few short years, he was able to transform the agency into a consistent high-performer in all areas and he continues to push the envelope seeking innovative ways to serve his community.

We are fortunate to have Mr. Russell joining us today to share insights from his many years working alongside low-income families to help provide them with a place to live and an opportunity to thrive.

I would like to thank him and all of the FAHRO members for partnering with me in an effort to fix our misguided rental assistance policies, the negative effects which they may experience firsthand almost every day.

Mr. Russell, we are very much looking forward to hearing your testimony and thank you again for taking off from your important schedule to join us in this panel today.

I yield back.

Chairman DUFFY. Mr. Russell, welcome. And I would just note that when you get introduced by a member from your home State, you get a very lengthy introduction. It's probably not offered to everybody else, but it is nice to have you here.

We next welcome our second witness, Mr. Fischer, the Senior Policy Analyst at the Center on Budget and Policy Priorities. Welcome.

Ms. Todman is our third witness, the CEO of the National Association of Housing and Redevelopment Officials. Welcome, Ms. Todman.

And finally but not least, Mr. Gentry is the President and CEO of the California Housing Commission.

To all of you, welcome. In a moment you will all be recognized individually for 5 minutes to give an oral presentation of your written testimony.

Without objection, the witnesses' written statement will be made part of the record following their oral remarks. Once the witnesses have finished presenting their testimony, each member of this subcommittee will have 5 minutes within which to ask the panel questions.

I would just note that on your table, there are three lights. It is pretty simple. The green light means go. The yellow light means that you have 1 minute left. And the red light means that your time is up, pretty straightforward.

Your microphones are sensitive so if you don't hear yourself speaking, the microphone is probably not on, so just make sure when you are speaking you do have the microphone activated. They are sensitive, so speak directly into them.

With that, Mr. Russell, you are now recognized for 5 minutes.

STATEMENT OF WILLIAM RUSSELL

Mr. RUSSELL. Good afternoon, Chairman Duffy, Vice Chair Ross and Ranking Member Cleaver and members of the subcommittee.

My name is William Russell, and I appreciate the opportunity to testify today on behalf of the Florida Association of Housing and Redevelopment Officials, which represents 84 housing authorities. I am a FAHRO board member and chair its advocacy committee.

Last summer, FAHRO developed a rent reform proposal which we shared with Congressional and HUD staff. We are very pleased that Vice Chair Ross has embraced our proposal and incorporated it into the discussion draft before you today.

Housing assistance should serve as a springboard of opportunity for the families we serve. However, current policy says to HUD-assisted families, the more you earn, the more you will pay in rent. There is little incentive to do better, only a promise of higher rent.

Our families are not well-served by current policy. We must ask ourselves these questions. Why would we keep a rent policy that discourages our residents from increasing their earned income, that is so complicated to calculate income and exclusions and deductions that it causes hundreds of millions of dollars in errors.

That says if you quit your job voluntarily, we will immediately drop your rent to the absolute minimum under the law, that taxes two-parent households by charging more rent for two incomes rather than encouraging it by allowing two working adults to share the rent.

Current rent policy has the same economic cliff effect that plagues many Federal anti-poverty programs. When families are on the verge of earning more and doing better, they peer over the edge of an economic cliff and see the benefits they stand to lose, such as food stamps, child support, and housing assistance. It is not surprising that some hesitate to lose that assistance and take a precautionary step back. We must correct this if we want families to reach their full potential.

My written testimony provides several real examples of families making decisions to avoid rent increases and perceived economic instability. But let me discuss one recent example of that.

A resident of ours found a job earning \$35,000 a year working for an insurance company. Once her case manager notified her of her new rent portion which is around \$800, she decided to quit her job shortly thereafter. Her rent was then dropped to the statutory minimum rent of \$50 and when the \$75 utility allowance was applied for her unit, the housing authority paid her \$25.

Promoting resident opportunity through rent reform will improve things in three important categories. This reform will reduce barriers to economic advancement, provide reasonable options for local housing agencies to optimize economic opportunities in their community, and offer real simplification in how income and rents are calculated and the frequency of having to recertify income, thereby reducing subsidy errors and administrative burden on local agencies.

The bill offers multiple rent options for housing providers and also allows them to develop other rent policies that HUD can approve. Several of these options offer a real improvement over current policy and will help families make economic gains without being penalized.

I provide more comments on each option in my written testimony and believe there is something here for every agency to work with to meet the needs of their community and their families.

The shallow subsidy voucher is an optional policy tool to address the need for housing assistance that far exceeds available vouchers and causes agencies to close their waitlists for years on end. The shallow subsidy option offers families the rent assistance they need, that is the difference between covering their rent and being severely rent-burned or even homeless.

In closing, I am grateful and honored to have the opportunity to appear before you today and provide testimony on the current HUD rent policy as well as the PRO Rent Reform discussion draft. As more families do better and graduate from assisted housing, more units become available to assist other families, and we will be able to serve more families over time.

I ask that you give serious consideration to changing the current rent policy to encourage, not penalize, economic advancement and wellbeing.

[The prepared statement of Mr. Russell can be found on page 81 of the Appendix.]

Chairman DUFFY. Thank you, Mr. Russell.

The Chair now recognizes Mr. Fischer for 5 minutes.

STATEMENT OF WILL FISCHER

Mr. FISCHER. Thank you, Chairman Duffy, Ranking Member Cleaver, members of the subcommittee for the privilege to testify before you today.

I want to start by emphasizing how much difference rental assistance programs make in the lives of low-income Americans today. They help more than 5 million low-income households keep a roof over their heads. A great majority of those are elderly, people with disabilities, and working families.

Research shows that they are the most efficient and effective tool we have for reducing homelessness and housing instability. So, these are effective and important evidence-based programs under the current rules.

That said, it is still important for policymakers to look for ways to strengthen them even further and the HOTMA legislation that this committee developed is a great example of that. That included a whole set of careful policy changes including substantial rent reforms that, once HUD implements them, will streamline administration, encourage work, and trim costs, while at the same time keeping in place the key program standards that have made rental assistance effective.

Going forward, I think any changes beyond those in HOTMA should be done in an evidence-based manner. The Congress has directed HUD to conduct two major rent reform evaluations, which once they are completed will provide findings on a whole range of alternative rent policies including many of those in the bill that we are discussing today. I think it would be hard to justify enacting those proposals on a large-scale basis until those evaluations have been completed and you can assess what the impact of those policies is.

I want to turn now in a little more detail to the bill. I think it would be a step in the wrong direction for a few reasons. It would radically alter the public housing and voucher programs in ways that would make them less effective.

The first reason is that it would result in large rent increases for low-income people that would increase hardship, evictions, and homelessness. It would allow HUD to increase rents on elderly people and people with disabilities by an unlimited amount. It would also allow very large rent increases for non-elderly, not-disabled people, for example the tiered rent option in the bill would raise

the minimum rent that housing agencies can charge to the lowest income families by more than \$500 on average per month.

The second big concern is that the bill is not well-designed to support work, I think increasing earnings and employment among rental assistance recipients is a really important goal, but there's no evidence that these proposals would do that and a lot of them seem more likely to have the opposite effect.

So, just for example, the bill would allow very large rent increases on working poor families who can't afford rent, who can't afford market rents on their own. That would place them at greater risk of eviction, which would just make it harder for them to keep a job and raise their earnings.

I think if policymakers want to support work that it will be better to focus on initiatives like Jobs Plus or Family Self-sufficiency, which provide financial incentives and service coordination but don't put families at risk of displacement and hardship. And the Family Self-Sufficiency Act, which the ranking member and the Chair sponsored and which the House passed overwhelmingly late last year would be a big step in that direction that would strengthen the Family Self-Sufficiency program.

The third big concern is that this would make rental assistance much more complicated because this would allow the 3,800 State and local housing agencies that administer public housing and vouchers to each pick their own rent rules. Already having that many agencies is a complicated system that makes it much more difficult for voucher holders to move from one community to another including to higher opportunity neighborhoods with good schools that will have important benefits for kids.

I know there has been bipartisan concern about this including the hearing that was held last week on legislation to promote regional cooperation to support voucher mobility. This bill would go in the opposite direction by creating much more fragmentation and complexity. A family that wanted to move would have to navigate a complex patchwork of local rent rules, frequently 10 or more in a single metropolitan area just to figure out where they could use their subsidy and have a reasonable rent burden.

In addition, the complexity would make it much harder for HUD to provide oversight over how taxpayer funds are used, and that is important because HUD oversight has played a central role in reducing payment errors by local housing agencies in the past.

In summary, I would urge the committee to set aside this bill. I think the most important concrete steps that can be taken in the near term to improve rent rules and support work are, first, for HUD to issue the regulations to implement HOTMA so that those reforms can begin to take effect and, second, for Congress to finish the job and enact the Family Self-Sufficiency Act so that program can help more families to earn and save and build a better future for themselves.

So thank you again for the invitation to testify today and I will be happy to take any questions you have.

[The prepared statement of Mr. Fischer can be found on page 43 of the Appendix.]

Chairman DUFFY. Thank you, Mr. Fischer.

Ms. Todman, you are now recognized for 5 minutes.

STATEMENT OF ADRIANNE TODMAN

Ms. TODMAN. Good afternoon, Chairman Duffy, Ranking Member Cleaver, and members of the subcommittee. I am Adrienne Todman and I am the CEO of NAHRO and thank you for inviting me to testify today.

This year, NAHRO celebrates its 85th anniversary as a membership organization for the affordable housing and community development industry. Our 20,000 members provide homes for more than 7.6 million people across the country in urban, rural, and suburban America.

Rent reform is a concept that has been discussed and debated for decades. The current approach to rent was established in the 1960's when Congress capped public housing rent at 25 percent of residents' income and then in 1981 raised the rental cap to 30 percent.

While income-based rents are a well-intentioned measure, the unintended side effect is that this rent structure deprives housing authorities of the financial support needed to operate and maintain public housing. This is why the operating subsidy is such an important tool for housing agencies and more importantly the residents that they serve.

While various important rent initiatives were authorized in HOTMA, they were not necessarily all-encompassing nor did they provide any alternative rent determination structures for housing agencies.

We deeply appreciate Congress' efforts in streamlining the current rent recertification process through HOTMA, but most PHAs are still extremely limited in how they are allowed to charge their tenants rent.

Just this week, we had our Washington Conference and we walked around and talked to some of our members about their thoughts about rent reform. A director out of Michigan said all agencies, but particularly small ones, need flexibility and local control to meet the needs of their low-income families.

Another senior housing official out of Texas focused on consistency and complexity. Real rent reform needs to address the two biggest issues with the current system, lack of transparency and consistency, and errors caused by this complexity. A sensible approach would simplify the calculation while ensuring that the subsidy is adequate for the local market.

Currently, the only agencies allowed to shape and implement rent reform are Moving to Work agencies. And these agencies, it is important to note, have said they have done so gradually and cautiously. This includes many years of policy development, consensus building, and resident buy-in. As these rent reform proposals must be included within their Moving to Work plan, they must undergo a rigorous public comment before moving forward.

This subcommittee has posed several questions to this panel. One question was around the error safeguards. Moving to Work agencies have provided many examples of how hardship exemptions can be created so that there is rent reform but also protecting the interest of the residents.

In order to help residents achieve self-sufficiency and give them greater access to employment or career opportunities, many Mov-

ing to Work agencies have provided case management services, in fact, many of them rely on those case management services in order to have their rent reform initiatives be successful.

Another question the committee has posed is whether or not rental assistance programs contribute to an overreliance on Government assistance. According to HUD's Picture of Subsidized Housing database, the vast majority of public housing program participants and voucher recipients are either already working or are households headed by disabled or elderly individuals. But many critics of income-based rent believe it acts as a disincentive to work and adding family members to the list.

Another question was whether or not there needs to be—policy-makers should ease regulatory burdens on housing providers and I think that that is a resounding yes. I think that many housing authorities would say to you that given the amount of regulatory burdens that they have, they spend so much time on compliance and not enough time and energy in helping families in their homes.

Although regulatory streamlining will help, no amount of regulatory streamlining will make up for the extremely deep cuts to programs that help support our Nation's most vulnerable people and help to develop and revitalize communities. While NAHRO is deeply committed to regulatory reform, NAHRO notes that this reform does not replace the need for adequate funding for these essential programs.

The final question was around flexibility to structure rent. Sadly, HUD has not yet implemented the components of HOTMA that speak to this, so I agree with our previous two panelists that we do look forward to HUD putting those regulations in place and we should really look at what has happened inside the Moving to Work agencies on how these different rent structures have been in place.

Many of the proposed rent determination methods included here are already in effect across the country. But Moving to Work agencies have had the advantage of resources to really do the kind of case management and other initiatives that really help residents move out of or to live well inside their units.

Thank you, Chairman Duffy, for inviting me to testify today and I am happy to answer any questions that you may have.

[The prepared statement of Ms. Todman can be found on page 57 of the Appendix.]

Chairman DUFFY. Thank you, Ms. Todman.

Mr. Gentry, you are now recognized for 5 minutes.

STATEMENT OF RICHARD GENTRY

Mr. GENTRY. Thank you, Chair Duffy, Ranking Member Cleaver, and the other members of the subcommittee. Thank you for having me here today.

I will point out in starting my career in the affordable housing industry spans almost 46 years and I have had the privilege of working in a number of cities across the country during that time period.

The agency that I have led for the last 10 years, the San Diego Housing Commission, provides Federal rental assistance to more

than 15,000 low-income San Diego households on the voucher program and also operates 189 Federal public housing units.

In addition, we operate a number of city and State finance programs as well in addition to the Federal. We also are one of the 39 public housing agencies nationwide to have received a Moving to Work designation from the Department of Housing and Urban Development. The Moving to Work status, as Ms. Todman just indicated, gives those of us who are fortunate enough to have that designation, the flexibility that created innovative cost-effective approaches to provide housing assistance to the low-income families and customers whom we serve.

Based on the breadth of my experience, and I will point out that I was a CEO both in Austin, Texas and in Richmond, Virginia in the past, as well as also spending some considerable time in the private sector, I would submit that there are two guiding principles that should guide our housing programs nationwide, one is achieving the greatest benefit for the low-income families, the customers whom we serve, and the second is maximizing efficiencies in the expenditure of taxpayer funds. If there is a third item, it is far down the list from those two.

With these principles in mind, the right time to rent reforms, I believe, can enhance the effectiveness of both the Section 8 Voucher Program and also the Public Housing Program. I think there are two extremes, one currently in effect and one that has been proposed in the past that misses the mark. The current practice of utilizing income-based rents I think misses the mark by creating marked disincentives for productive behavior. In fact, in many cases, as Mr. Russell pointed out, they can be confiscatory and it can hinder, if not prohibit, gainful activities on the part of our customers.

I think the other extreme is that of term limits, which I think can serve the purpose of penalizing families frequently for being poor and not giving those families the help that they need to hopefully move up and out of their current situation.

In San Diego, I will point out that there are two efforts that we kicked off as part of our Moving to Work experience that made our rent reform work I think exceptionally well. The first is that in October 2010, we opened our Achievement Academy. The Achievement Academy is a learning and resource center, a computer lab with programs that emphasize career planning, job skills, and personal financial education.

Achievement Academy staff known as Work Readiness Specialists are assigned to work with families on a customized plan for educational and employment objectives. Since 2011, more than 4,000 individuals have received one-on-one assistance from the Achievement Academy. And we have helped some 1,053 participants to date get placed in jobs and some 590 to get better jobs in their future.

We set the Achievement Academy up on purpose before we started altering rents in order to give the residents a leg up. About 8 months after the Achievement Academy opened, HUD approved our Path to Success rent reform initiative on June 21, 2011. This Path to Success program was created to encourage Housing Choice Voucher families to become more financially self-reliant with help

again from the Achievement Academy. This initiative was first started in 2011 with a 2-year initial process. The first rents were implemented on July 1, 2013.

Under our Path to Success program, we identified families as work-able or elderly/disabled. A household that is work-able with at least one adult under 55 years old, not disabled and not a full-time student between the ages of 18 and 23. I will point out that the average annual income of our approximately 6,200 work-able families in this time period has increased 25 percent from 2011 to 2017, a 6-year time period.

All other households who are considered elderly/disabled, they do not participate in this program and they are held harmless. I would also point out that in addition to a minimum rent, which is based on the minimum wages for California families, we also instituted tiered rents for families that do have earned incomes who are in that policy set and we have seen great success in this program.

And that concludes my testimony, Mr. Chairman.

[The prepared statement of Mr. Gentry can be found on page 28 of the Appendix.]

Chairman DUFFY. Thank you, Mr. Gentry.

The Chair now recognizes himself for 5 minutes for questions. Maybe just first off, the panel agreed that outside of those who are elderly or disabled that it should be a goal that we should move folks through the assistance to self-sufficiency? Does anybody object to that concept? Do you all agree with that? OK. Good.

Ms. TODMAN. Well, let me just—I don't suggest that it is not something that I would disagree with, I just think that we need to be cautious on the practical application of that.

Chairman DUFFY. Right. But as a goal, how we get there we could discuss and debate, but that would be a noble goal of those who can get out, we should try to encourage that. And is it fair to say that if we have someone in one of our programs that, again, is potentially going to get a raise, someone who might have the opportunity to work more hours or overtime or get a new job that pays them a little more might be a little tougher job but to get more money from it, if that benefit is taken from them because they pay higher rents, is it a fair human assessment that that is a disincentive? Does anybody disagree with that concept?

Mr. Fischer?

Mr. FISCHER. So I think an important clarification is that for the great majority of folks on rental assistance, the great majority of families on rental assistance because of the incentives that are provided by other programs like the earned income tax credit and the child tax credit, they are going to be better off working in a low wage job than they are not working. So I think it is important to recognize that those families are better off working than they are not working.

Chairman DUFFY. But I am talking about this program, where you have a disincentive, some of that extra earned income is going to be taken away from you. At first blush, it will tell you it makes sense. If you make more money, you should pay more for your rent. At first blush, that makes a lot of sense until we look at human behavior and then we might say, well, oh, my gosh, if I work harder and earn more and I just have to give that away in increased

rents, I am not going to work harder. It seems like that is common human nature.

Mr. Russell, do you agree with that concept?

Mr. RUSSELL. I do agree with that. And one of the examples that I talk about in my rent testimony is the dual income couple and they had a goal of becoming homeowners. So they decided they would actually both be willing to work a second job to get ahead and help save up to buy a home. And I would think that would be something we would want our housing policy to support.

And as soon as they started working that second job and increasing their income, as you said, the rent jumped up, and was chasing after that increased income and they finally just said what is the point of working a second job if we can't even get ahead? So they pulled back and they didn't—they kept their current jobs, but that incentive to work harder and do better and save up and buy a home of their own, they felt like that whole effort was being defeated by the rent policy.

Chairman DUFFY. And this may be shocking. Mr. Ross is a Republican who introduced this bill and Republicans are allegedly always trying to take money away from people and say—I think that—but a common sense policy this is, I think people are better off if we care about people's lives and what gives them worth to make sure we give them a roadway to self-sufficiency and to let them keep a little more of their hard-earned money to get to that bridge point where they can make it on their own. In the end, aren't we better off as a society, letting them keep a little more at the frontend, in the long run they are the ones that get to step out and get out of the programs and thrive and not just survive.

Mr. Gentry, do you agree with that?

Mr. GENTRY. Yes, sir, I do. I point out that if you are a behavioralist which I am and you believe that people respond to sanctions as well as to incentives, that we want folks to engage in the American Dream of being able to be productive—

Chairman DUFFY. Right.

Mr. GENTRY. —and to be self-sufficient insofar as possible. Now, there may be some folks who are elderly/disabled or have other issues and need to be taken care of.

Chairman DUFFY. That is right.

Mr. GENTRY. And I think that to understand some of the objections to this, we need to make sure that if folks have a hardship situation or if they need some time to work their way into understanding how to work in a productive setting, that those kinds of opportunities can be made available to them. I think that is where the San Diego's Achievement Academy has been greatly successful. And, again, I will point out that in the 4 years, 2013–2017, we showed an average income increase among our work-able families of 25 percent.

Chairman DUFFY. Yes. My time is up, but I want to ask a quick question because this is meaningful the way I view the world and I think what evidence would show us is that it is not always possible. But if we can raise our kids in a two-family home, it is probably better for the kids. And the odds of poverty are diminished with a two-family home. Does this program, the way it is structured today, disincentivize marriage in a two-family home?

Mr. Russell?

Mr. RUSSELL. We believe it does. When we look at the demographics of our families and we compare it to the surrounding community, it doesn't match up in terms of the disproportionate number of single female head of households that occupy our units. I was raised by a single mom so it is—

Chairman DUFFY. Kudos to single moms.

Mr. RUSSELL. Yes. But certainly, I think it would be positive for our community and our kids to have more two-parent households in our communities. And quite frankly, the policy just discourages that.

Chairman DUFFY. And if it is a benefit, we should try to structure our policy to incentivize it instead of having a policy that may be a disincentive to marriage or a husband and wife. My time is way over. Thank you for answering my questions.

The Chair now recognizes the Ranking Member, the gentleman from Missouri, Mr. Cleaver for 5 minutes.

Mr. CLEAVER. Thank you, Mr. Chairman.

Let me first of all say to the gentleman from Florida. Well, even before I say that, when you started out you said FAHRO instead of FAHRO and in my district, FAHRO doesn't poll well. So I was obviously a little nervous. But thank you.

It is important I think for me to say, I agree 100 percent with the concept of your outline of legislation. And as you are thinking about it, I think it might be important for some of the things that I have said to at least be considered or maybe even more appropriately from what our distinguished panel says.

And I am interested, Mr. Fischer, HUD right now is going through this rent reform demonstration to test the impact of higher rents and calculating rent based on gross income.

And so, I think that the report is due out—2020, 2020 something like that. And so, what I was trying to say perhaps and articulate was that I am concerned about implementing proposals without the results of the programs we just put in place. Is that a legitimate concern? Just based on your information presented to us.

Mr. FISCHER. Yes, I think that is absolutely a legitimate concern. These evaluations, the Rent Reform Demonstration they are doing now and some that they plan as part of Moving to Work expansion are going to test tiered rents, stepped rents, the whole range or a whole range of alternative policies. And we will know much more about what they do after those evaluations are completed.

Mr. CLEAVER. Thank you. Ms. Todman, last week, weeks start running together if you are in this place, but we considered a proposal either last week or the week before about increased mobility, which I support completely.

But will that proposal be a barrier to this—be a barrier to tenant mobility, given that neighboring PHAs could possibly have different rent models?

Ms. TODMAN. So, I had the great honor of running a housing authority in my previous life. And one of the things that we do is when a resident is ready to, in this case port out into another agency, as the welcoming agency, we sit down with residents and guide them in terms of what the rules and regulations are inside of that housing authority.

So, I do think that—I don't see that the bill—the bill does need some perfecting, but I don't see in and of itself that it would be a disincentive for families to move from one place to another. In its current state, I think that families will move based upon the current state of their household and their housing needs.

Mr. CLEAVER. Thank you.

Now, my final question. Mr. Gentry, as I stated earlier, I think this is a very good concept and hopefully it will develop into a very good piece of legislation. But I don't know how HUD can possibly administer this program, adding some additional program management, when we have actually been cutting HUD's budget year after year.

So, I am wondering about the administrative burden that will fall on HUD and the additional dollars went to communities under grants, to my knowledge we are not expanding anything administratively. So, is that a legitimate concern, Mr. Gentry?

Mr. GENTRY. Yes, sir. I think it is. However, I don't think we should limit the application of a good idea based on the lack of ability of a group of folks to implement it. I think that the good idea should be implemented and then the administration should be required to keep up quite frankly to make sure it does work.

I will point out, too that the way I look at it and I do believe in mobility, allowing people to make a choice in where they live, what they do, where they want to work, how much of that money they can keep for themselves as much as they can.

But I think mobility should be economically up, should be a primary factor rather than looking for another place to move to. And already, if you move from one community to another, you are going to work—encounter differences and a lot of different factors where you move to.

So the way I look at it is not using our organizations or our programs as the way to protect our people who are work-able from the larger economy. But to help those people fully engage it.

Mr. CLEAVER. Yes. I agree with you. All the studies show that if you move from a lower income area to a higher income area, that mobility does create a whole new world for the PHA resident. I yield back. I am sorry, Mr. Chairman.

Chairman DUFFY. The gentleman yields back.

The Chair now recognizes the author of the underlying bill, the Vice Chairman of this subcommittee, the gentleman from Florida, Mr. Ross, for 5 minutes.

Mr. ROSS. Thank you, Mr. Chairman.

I will remind the members that this is a working draft. And my good friend from Missouri raises some good points and I apologize on my initial pronunciation of the acronym. I think I was hooked on phonics at the time, so.

But my concern and the reason I think this hearing is important is because I don't believe nor do I ever think that the intended goal of public housing with very few exceptions was to create permanent housing.

In fact, I think just the opposite. I think it is, has been in its initial conception as a starting point for those to do what many Americans have done throughout the history of this country and that is

to be able to gain economic growth and go up in a mobile fashion throughout their community into a successful livelihood.

In fact, work is actually synonymous with dignity. Dignity is a byproduct of work. And so, what we have here is not that one size is going to fit all. And I think we would all have to agree that whatever housing policies are in New York City aren't going to work in Laramie in Wyoming or in Lakeland, Florida or in New Orleans, Louisiana.

We have to have some sense of flexibility and those flexibilities, I think, are dependent upon the communities with which those public housing residents live. And so, what we have seen here and what we have today that I am very grateful for is some testimony from witnesses who have experienced the innovative programs, the Moving to Work program, Mr. Gentry has.

Mr. Russell's program in Sarasota, Florida. Ms. Todman's efforts in Washington, D.C. All of these are based upon incentives to allow people to improve their social and economic situation. I think that is what the intended purpose of our public housing programs are.

And so, what I would like to do, Mr. Russell, some stakeholders have expressed concerns that the PRO Rent Reform Act is too complicated for PHAs to implement and that it is unlikely that communities will ever take advantage of the flexibility to choose a new rent calculation method. Do you agree with that?

Mr. RUSSELL. I don't at all. I think, I know your bill includes an option to basically have a housing authority to say—

Mr. ROSS. An option, correct.

Mr. RUSSELL. An option to stay with the status quo. And I think that is a fine option to have in the bill, but I can't imagine a housing authority deciding to stay with the status quo. Just, again, given the complexity, the errors, we get audited for compliance with these complex rules every year.

Our auditors come in and audit our book, but they also audit our compliance. And it is really hard to have no findings on compliance because this rent policy is so complicated.

Mr. ROSS. And why do you think it is important for alternative rent options to be included in the statute as opposed to having HUD promulgate a rule to bring about that reform?

Mr. RUSSELL. Well, I think the options that are laid out in the bill are I think reasonable options. They are options that have been demonstrated in the Moving to Work program. Obviously, you included a provision where someone could be creative and propose a new option to HUD for their consideration. But I think giving HUD the full discretion to put out options.

Mr. ROSS. That would adversely impact your current program today, wouldn't it?

Mr. RUSSELL. Yes.

Mr. ROSS. Yes, it would. And you have been pretty successful. It is impressive to see what you have done from a borderline agency.

Mr. Gentry, the Moving to Work program, that is something that we are delighted that we have been able to see activated here even though it is on a pilot project. How long did it take you to put together your Path to Success program and how resource intensive was the project?

Mr. GENTRY. I moved to San Diego in late 2008 and the Moving to Work program had been suspended, believe it or not, prior to my arrival. We reactivated it in January 2009. And Moving to Work, oh, I am sorry, the Path to Success program we kicked off 2 years later.

We wanted to institute the Achievement Academy first because we saw that before we started talking about improving, helping a resident improve their economic livelihood, we needed to have a mechanism to help them do that.

So, it took us about 2 years to grow into that and then another 2 years to get the program fully functioning and implemented, so that when we hit the ground running on the new rents, both the new minimum rents and the new rent tiers in July 2013, we needed to have a good program developed, which we did.

We also needed to publicize and communicate it among our residents which we did—we spent 2 full years doing that. So it took about 4 years, sir, to make it ready in the way we wanted it to. But when we kicked it off, it started hitting on all cylinders all at once in 2013.

Mr. ROSS. The tiered rent scheme has not been a problem at all, has it?

Mr. GENTRY. No, Sir.

Mr. ROSS. Thank you. My time—

Mr. GENTRY. And the tiered rent is not unlike—this is April, income taxes. It is not unlike tiered taxes, so that you get the benefit of the income within those tiers before your income picks up. We also re-examine our families every other year.

So you get a full year's benefit before an increase in price kicks in. And then what we have also done with the residents is make sure that—and again, we are heavily a Section 8 agency mainly because we transferred most of our public housing to vouchers also early during my tenure in San Diego.

So, we have almost 16,000 vouchers, 189 public housing units. So in the voucher program, as people's income rises, eventually they don't need the program anymore. We are easy to transition. I will point out, however, and this is true nationally as well as in San Diego, well over half of our participating families or individuals are elderly or disabled and those are off the table and for those the old rents apply.

Mr. ROSS. Absolutely. Thank you. I yield back.

Chairman DUFFY. The gentleman yields back.

The Chair now recognizes the gentleman from Nevada, Mr. Kihuen for 5 minutes.

Mr. KIHUEN. Thank you, Mr. Chairman, and thank you, Mr. Ranking Member.

I thank you all for being here this afternoon. I just have a couple of quick questions. The first one to Mr. Fischer. During the recession as you well know, Nevada was ground zero for the housing crisis. Thousands of Nevadans lost their homes and many were pushed into the rental market. Nevada is now facing an affordability crisis, with a shortage of more than 81,000 affordable and available rental homes for extremely low-income renters despite many of them working full time.

In Nevada, to afford a two-bedroom rental home at HUD's fair market rent, a person would need an annual income of \$37,462. However, there is no State in the U.S. where a person working full time at the Federal minimum wage can afford a two-bedroom apartment at fair market rent.

Wage inequality in this country continues to grow. The average minimum-wage worker in my State earns less than \$18,000 a year. So my question is, what will be the impact of the Ross bill on individuals who are already working full time, but still cannot afford the cost of rent in the private market?

Mr. FISCHER. Well, it would allow very large rent increases for those families. In some cases hundreds of dollars a month. Those would be increased, like you said the families are doing their best to make ends meet and make a living. They don't have the ability to cover those costs. They would have to divert money away from other basic needs, things like clothing or school supplies. And ultimately, they face a much higher risk of eviction and being left without a home.

And the impact of that is going to fall most heavily on the kids in those families who could lose their homes and have those other harmful effects.

Mr. KIHUEN. Thank you.

And a quick follow up, there are many who argue that the families who will receive this Federal rental assistance who are able to work are not working. What does the data tell us about this assumption?

Mr. FISCHER. The overwhelming majority of people on rental assistance are elderly, have disabilities, or they are workers. So there are 85 percent that either are elderly, have a disability, work, or recently were among the people who are left.

A lot of them are—have other health limitations that don't qualify as a disability, but make it very difficult for them to work. There are others who are responsible for—who care for young children or for disabled adults and don't have access to affordable care for those people. And so, the share of people who are readily able to work and don't is very small.

Mr. KIHUEN. Thank you. And just one more question, while there is virtually no evidence that the punitive rent increases actually encourage work-able individuals to work, there is substantial evidence supporting the effectiveness of the family self-sufficient program.

Can you talk a little bit about why this is a better approach to encouraging self-sufficiency?

Mr. FISCHER. Sure. The family self-sufficiency and the related thing is the Jobs Plus demonstration, and both of these are programs that provide financial carrots. They provide financial incentives for people to raise their earnings, but they don't pull the rug out from under working families or other people and risk causing hardship in the way that the rent increases in this bill would.

And so for both of those programs there have been encouraging research findings that show very large earnings increases and I think that they are both promising ways to go forward and help. I think we all agree the goal is which to help these families raise their earnings and succeed.

Mr. KIHUEN. Correct. Thank you, Mr. Fischer. And then my last question to Ms. Todman. Thank you again for being here. The Ross discussion draft does not provide any additional resources for case management, job training, or other services that would help residents take steps to increase their earned wages.

In your experience, how important are these kinds of supportive services in achieving success for families?

Ms. TODMAN. They are certainly very, very important. And there is a distinction between what Moving to Work and non-Moving to Work has been able to do from my testimony. But I will say this much. Non-Moving to Work agencies are actually very, very well-equipped to partner and to create collaboration at the local level even without the additional resources.

I think what allows the Moving to Work agencies to do is to create their own program in a way and be more intentional. But there are thousands of examples across the country where housing authorities have partnered with their local department of employment services or non-profits to be able to afford those kinds of case management for their residents.

Mr. KIHUEN. All right. Thank you, Ms. Todman. And I yield the balance of my time, Mr. Chairman.

Chairman DUFFY. The gentleman yields.

The Chair now recognizes the gentleman from Illinois, Mr. Hultgren for 5 minutes.

Mr. HULTGREN. Thank you, Mr. Chairman.

Thank you, all. I appreciate your work and your testimony here today.

Mr. Gentry, if I can address my first question to you, and listening to your testimony, it seems to me that you have some understanding of the affordable housing needs in Chicago and the rest of Illinois from your time with the National Equity Fund in Chicago.

Despite inflation, the current minimum rent for non-Moving to Work agencies of \$50 has not been increased since 1998. On page eight of your testimony you state that as of July 1, 2015, households with one work-able person, work-able person pays a minimum rent of \$300.

I have several questions if I could. I will give them to you all and then if you can touch on the ones that you feel able to discuss, that would be great. One, do you believe that a minimum rent standard is good public policy and if so why?

How do we address the concerns that some residents have absolutely no income and how do they even survive? What would be the effect of a minimum rent increase across the board for all agencies?

And then what types of hardship exemptions and processes should be in place to make sure the minimum rent policy doesn't have unintended adverse consequences to those who truly are unable to afford at least \$50 a month?

Mr. GENTRY. Well, the short answer is it depends.

Mr. HULTGREN. Next.

Mr. GENTRY. The longer answer is that if you notice in my paper, San Diego has no minimum rent if you are not work-able. If you are elderly, disabled, hardship situations for a relatively short period of time, there is no minimum rent.

Our assumption in those cases is that we work with the family through our Achievement Academy and hook them up with non-earned income that would be appropriate to them—Social Security, SSI, welfare, food stamps, whatever will be appropriate to help that family, which we should be doing anyway.

So, for a work-able family, if you remember the definition of that, there is at least one individual in that family who is under 55, who is not a full-time student under 23, and is not disabled.

So that particular family, we will work with them and help them find a job, but rather than trying to make it more complicated perhaps than it should be, we figure that if we are offering help and they are work-able, they should be paying a minimum rent based on minimum wages.

And it has been remarkable to me how few complications or problems we have had with this since we implemented it in 2013. I will point out with respect to the FSS (Family Self-Sufficiency) program, it is a wonderful program, but I think it only goes half-way. It basically says, we are still going to charge you an exorbitant, confiscatory rent based on your income, but we are going to give some of it back to you.

So the family can look at it that way, then it makes sense, it is better than not having FSS. And I do support it. But it is only half way there. Better I think that we assume that a resident who, in my 46 years in this business, some of the low-income people I have worked with are some of the best financial managers I have ever met.

Mr. HULTGREN. That is right.

Mr. GENTRY. Who can get a lot—a long way on a minimum amount of money, we need to treat them with dignity and respect and basically say we will help you. We expect you to do it and we think you can carry it off. And so far at least in San Diego, it is working very well.

Mr. HULTGREN. It is great. We go on with my last minute and a half here to, Mr. Russell, if I could. On page two of your testimony you referenced that the current rent policy and I quote, “taxes two-parent households by charging more rent for two incomes rather than encouraging a cohesive family unit it by allowing two working adults to share the rent burden,” end quote.

Wonder if you could provide some more context based on your experience of the connection between the current rent policies and quasi-punishment of the maintenance of two-parent households.

Mr. RUSSELL. Well, in the non-HUD-assisted world, there is an economic benefit to having a two-parent household, with dual income or with a second parent, assisting with things that would otherwise cost money to do.

So, and sharing the rent, splitting the rent, for example. Under our policy, they can’t share the rent. They can’t split the rent. There is no economic benefit to having a two-parent household.

There is actually a penalty to do that because if the second parent or second adult has income, we have to charge them more rent accordingly. And it is so—it is kind of insidious because we have single female heads of households who have significant others that they want to have residing with them and, but because of the rent policy, and the discouragement of that, they literally have someone

kind of sneaking in and out at night and hoping to not going to be discovered by the housing authority, and then if we find out it becomes like a fraud issue.

And that is just—that is terrible climate that our policy is creating for people who just want to have a two-parent household. We should be encouraging that, not discouraging that.

Mr. HULTGREN. Well, my time has expired. Thank you. I yield back, Chairman.

Chairman DUFFY. The gentleman yields back. The Chair now recognizes the gentleman from Florida, Mr. Posey for 5 minutes.

Mr. POSEY. Thank you, Mr. Chairman, for holding this hearing, and thank the witnesses for appearing and for your testimony here today. I don't think there is a single Member of Congress that likes the word homeless. And I—and I like to think that every Member of Congress would like to do whatever they could to effectively make sure we didn't have anybody that was homeless.

I am especially chagrined today to hear that we actually penalize married people or couples. I think the family model is probably the best thing we can do to help people advance forward and I always thought the goal of the public housing was to help people along until they can get into private housing, not to entrap them in public housing for their entire lives.

Mr. Russell, and then I will ask the other panelists. What percentage of public housing residents annually, let us say, graduate to private housing? You can swag it, I am not going to hold any of you to this number, I am just really curious.

Mr. RUSSELL. Yes, I would say, sir, in my agency, I would say maybe about 5 percent.

Mr. POSEY. OK. Mr. Fisher?

Mr. FISCHER. Well, I just want to say, I—so I don't have that figure off the top of my head, and it varies a lot from one agency to another. So, for example in high-rent neighborhoods, markets like New York City, it is a lower number, because it is really hard for a working family to afford housing on their own.

But the number that I do have is that the average length of stay is about 3 years both in public housing and vouchers, that is what is typical.

Mr. POSEY. OK. Ms. Todman?

Ms. TODMAN. Yes, my—that was going to be the nature of my response too, which is the average tenure, and I don't think that there is any data on how many individuals leave public housing or the voucher program and are going to the—into the commercial market.

I will say my own experience, how that has happened is by having families graduate into homeownership programs that have been created by the housing authority, and also helping them going into tax credit units. But that is not a hard number that I can—

Mr. POSEY. Thanks, Mr. Gentry?

Mr. GENTRY. I can give you a specific number on a smaller cohort of the broader program based in San Diego.

Mr. POSEY. OK.

Mr. GENTRY. The San Diego Housing Commission owns and operates about 3,700 units of hard housing units. Only 189 of those are public housing, the others are all affordable, mainly based on our

local models, some tax credits, some based on Section 8 rents that are purely locally developed.

Five years ago, our turnover rate was 35 percent a year, that means in a 3-year time period it would all turn over, because as we came out of the great recession, because of the overbuilding that occurred that you heard about a while ago, whether in Las Vegas, or San Diego, or Florida, or where, there was a place to move up and out to.

The turnover rate now has gone from 35 percent to 14 percent.

Mr. POSEY. OK.

Mr. GENTRY. Meaning it takes a 7-year time period. That has less to do with our programs though than it has to with the broader economic circumstances within San Diego. We have seen—and this is going on in every high-cost area in the country, and that probably—will be the subject of another hearing.

Mr. POSEY. Right.

Mr. GENTRY. But it—but the next tier to move up into has gotten much more difficult. And I think, the way that would translate to what we are talking about here is it makes it even more difficult when we are punishing families from increasing their own economic base for them to then access an ever-increasingly expensive market.

Mr. POSEY. OK. Thank you. Do you—do any of you know where there are requirements for able-bodied people to seek education, job training, or such requirements, or is that a requirement anywhere?

Ms. TODMAN. So, again, the—there are a number of Moving to Work agencies that have put into place some measure of time limits, and also some work requirements, and there is still lots of work being done in terms of the impact that that has had at the local level.

We have been speaking to those agencies over the past several weeks about what has the impact on the ground really been, and their response to us is they take great lengths to not harm the family with the term limits and work requirements. What they do, is wrap case management around the household to ensure that they can be successful, but they are really heavy on the hardship exemptions.

Mr. POSEY. Thank you. Mr. Russell, on page two of your testimony, you reference that the current rent policy taxes two-parent households by charging them more rent for two incomes rather than encouraging a cohesive family unit by allowing two working adults to share the rent burden. Could you provide more context based on your experience of the connection between the current policies and the quasi-punishment of the maintenance of the two-parent households?

Mr. RUSSELL. Yes. Well, as I mentioned that under the current rent policy, I have no flexibility in how I treat the second adult income in the—in the household. So, if a family—if a single head of household wants to have their partner or spouse move in and share in the economic burden of raising the family and supporting their rent, I have to increase their rent based on that income, I have no discretion to give them a break, where they would be able to share rent in unsubsidized housing.

Mr. POSEY. And you think that this legislation will give you the latitude you need to make a two-parent household more practically applicable?

Mr. RUSSELL. I do, and I think I may have noted in some of my written testimony that under a couple of the options, there probably could be a couple of tweaks to allow us to offer a steep discount on that second wage earner's income and not charge the full rent on that second income. But, yes, I believe it does give us that option.

Mr. POSEY. Thank you very much, thank you, Mr. Chairman.

Chairman DUFFY. Gentleman's time has expired, the Chair now recognizes the gentleman from Pennsylvania, Mr. Rothfus, for 5 minutes.

Mr. ROTHFUS. Thank you, Mr. Chairman. I would like to keep going with Mr. Russell here. Talking about flexibility that you may or may not have, do you have any flexibility that is available in a non-Moving to Work situation?

Mr. RUSSELL. Not much to speak of.

Mr. ROTHFUS. How does that lack of flexibility affect your ability to help assist in a beneficiary's transition out of public assistance?

Mr. RUSSELL. Well, to be honest with you, it is discouraging, because we are doing a lot in my agency to help families provide services, complete their GED, get job training, we are very focused on early childhood literacy, to give our kids a bright opportunity.

And, again, whether it is two-parent households or families who are trying to do better, and work harder, it is very discouraging to see some of the decisions that they are making, because of how our current rent policy penalizes them doing better. And we—

Mr. ROTHFUS. But let me ask you a follow up to what Mr. Posey was talking about, because we talked—touched on the two-parent, two-income families, have you seen one or both parents quit their jobs or scale down their hours?

Mr. RUSSELL. Yes.

Mr. ROTHFUS. Wow. That is telling.

Ms. Todman, in your testimony, you discussed how Moving to Work housing agencies are using their rent policy flexibilities, can you describe how these agencies have used these flexibilities?

Ms. TODMAN. Certainly, they have instituted—some of them have instituted flat rents within income bands, similar to what Mr. Gentry referred to where you are—as you are—you earned income, it is not an automatic hit on the earned income, it doesn't increase—it doesn't increase in the rent until you get to the next income band, so a number of them have done that.

Others have actually eliminated deductions in their calculation of rent, which is an adjusted rent, eliminated deductions, and gone to just a simple 28 percent or a 27 percent of gross income across the board. So, there have been a number of different models, but those two have been the most prevalent.

Mr. ROTHFUS. Many of us see facilitating portability and decreased dependency among the able-bodied as important goals that should be part of our public assistance programs. Do you view rent policy flexibility as an important component of the toolkit that should be provided?

Ms. TODMAN. I think that rent reform is important for two reasons, one is just the simplification of the process as—you have heard Mr. Russell say, it is very, very complicated for housing agencies to do this often and sometimes do it very well.

But the other is tied to some of the disincentives that are tied to adding a family member to the household, and also getting a job or a better job. And so I think for two those two reasons rent reform is something that we should pursue.

Mr. ROTHFUS. Thank you. Mr. Gentry, I think we—we talked a little bit today about metrics of success, and some viewing full occupancy is one measure, it is a measure because there are people in need who we want to make sure are going to have a place to live. But beyond that, there needs to be stage two and in moving people up. What do you think a measure or a metric of success can or should be?

Mr. GENTRY. I think certainly for the work-able, helping families to achieve economic independence, or at least greater degrees of it is an absolute essential. And I think also for the broader community, there is one group of people who are—do not have a natural group of advocates here. And those are the folks on our waiting list. In San Diego, we consistently have over 60,000 families on the waiting list for 15,000-plus vouchers with a turnover rate of 50 to 75 per month. You can do the math.

There is a—there is a growing need without a growing—

Mr. ROTHFUS. They are—and there have been people on waiting lists for years?

Mr. GENTRY. The typical wait is anywhere from 7 to 10 years, sir. And San Diego also has a huge homeless issue, which is there for a variety of reasons. So, I think that measures of success are not always clear, but I think they certainly should reflect values, and those values should be helping families insofar as possible to become economically self-sufficient, while providing a safety net for those like the elderly or disabled who are not in that category, and providing options too for our limited—from our limited resources, for those families who need the help but are currently not getting it.

Mr. ROTHFUS. Thank you, and I yield back.

Chairman DUFFY. The gentleman yields back. The Chair now recognizes the Ranking Member, Mr. Cleaver for some purpose.

Mr. CLEAVER. Thank you, Mr. Chairman, I ask unanimous consent to enter a letter from the G7U housing organization led by the National Low Income Housing Coalition into the record for today's hearing.

Chairman DUFFY. Without objection. And if I could ask the Ranking Member just to ask the panel one last question before we adjourn. And if I could just have everyone answer this, and I want some clarity from the panel. In regard to elderly and disabled, how will they be impacted by giving PHAs flexibility, if at all? If you could just go in a line, Mr. Russell?

Mr. RUSSELL. Well, we—FAHRO's goal is to hold them harmless. And I think the bill discusses giving HUD some discretion about setting a rent policy, that with the goal being we are not charging any additional rent for the elderly or disabled. And, hopefully, we can create a process that is a little more dignified, and simplified

for them. Right now we have elderly people literally bringing in shoeboxes of medical receipts, and that is not dignified. And so, the goal would be to simplify it, but not at all increase their rent burden going forward.

Chairman DUFFY. OK. Mr. Fischer?

Mr. FISCHER. Well, that is not what this bill does, it allows HUD to impose unlimited rent increases on the elderly and people with disability, disabilities—that is what the language allows. They can set a percent of gross rent with no cap, this is a HUD that has repeatedly proposed to raise rents on the elderly and people with disabilities. They did it in last year's budget. Just today, they released legislation that would do that, would propose to do that again. So, I think they would be harmed by the bill.

Chairman DUFFY. But in—it is not mandatory, it is—

Mr. FISCHER. It is not mandatory for HUD, but they said they want to do it.

Chairman DUFFY. And for the—for the PHAs it is not mandatory either.

Mr. FISCHER. No, it is mandatory for the PHAs, in this bill it is mandatory for the PHAs.

Chairman DUFFY. Ms. Todman?

Ms. TODMAN. As evidenced by those housing authorities that have access to this level of flexibility, they have tended to use rent reform to help to relieve administrative burdens from our seniors and our disabled population.

On the flipside, where they have actually instituted work requirements or time limits, they have exempted the elderly and disabled from that through hardship exemptions.

Chairman DUFFY. OK. Mr. Gentry?

Mr. GENTRY. I would agree with Mr. Russell's comments entirely, and that does reflect San Diego's practice and policy.

Chairman DUFFY. Very well. Listen, I want to thank our witnesses for their testimony today. I appreciate your insight to this committee as we look forward with this discussion draft, to take your points of view and those of others and try to get a proposal of this bipartisan, but also works.

Without objection, all members will have five legislative days within which to submit additional written questions to the Chair which will be forwarded into our witnesses, I ask the witnesses—if we get some of those, respond in a timely manner. Without objection, this hearing is now adjourned.

[Whereupon, at 3:30 p.m., the subcommittee was adjourned.]

A P P E N D I X

April 25, 2018



**PRESENTATION BY
RICHARD C. GENTRY
PRESIDENT & CEO OF THE SAN DIEGO HOUSING COMMISSION**

**U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND INSURANCE**

**HEARING ON HUD'S ROLE IN RENTAL ASSISTANCE:
AN OVERSIGHT AND REVIEW OF LEGISLATIVE PROPOSALS
ON RENT REFORM**

APRIL 25, 2018

INTRODUCTION

Good morning, Chairman Duffy, Ranking Member Cleaver, and members of the subcommittee. I am Richard C. Gentry, the President and Chief Executive Officer of the San Diego Housing Commission, which serves low-income residents in the City of San Diego—the eighth largest city in the nation and second largest city in California. I am honored to be here today to testify about rent reform for the Section 8 Housing Choice Voucher program and the San Diego Housing Commission's (SDHC) rent-reform initiative known as Path to Success.

I began working in San Diego in 2008; however, my experience in affordable housing spans 46 years—beginning with the U.S. Department of Housing and Urban Development (HUD) in 1972. I have served as the CEO of the public housing authorities in Austin, Texas, and Richmond, Virginia, as well as working in the private sector as the Senior Vice President of Asset Management for the National Equity Fund in Chicago, Illinois, the nation's largest nonprofit Low-Income Housing Tax Credit syndicator, and as the Vice President for Public Housing Initiatives at the Local Initiatives Support Corporation (LISC) in Washington, D.C. My opinions today reflect the diversity of my background and the breadth of my experience.

Federal housing programs should be guided by two principles:

- 1) Achieving the greatest benefit of the program for the low-income families that are served;
and
- 2) Maximizing efficiencies in the expenditure of taxpayer funds.

SDHC operates a large Section 8 Housing Choice Voucher program with more than 15,000 households receiving rental assistance, and a small public housing program of 189 rental units. This disparity primarily is the result of a landmark conversion of public housing units into rental housing vouchers, which will be discussed in greater detail later in this presentation. This public housing conversion was beneficial for low-income San Diegans.

Our rent-reform initiative, Path to Success, applies to both the rental assistance and public housing programs. The right types of reforms enhance the effectiveness of these programs.

However, advocacy of two extremes has occurred in the past, both of which would be detrimental to the families we serve through these programs.

One is the traditional practice of only utilizing the percentage of a household's income to determine the amount they pay toward their rent. This hinders rental assistance customers who are able to work (Work-Able) from increasing their income and adds to the inherent challenges these households encounter in their efforts to emerge out of poverty.

The second detrimental extreme is term limits, or restrictions on the length of time that families can receive rental assistance. The arbitrary and capricious nature of such limits penalizes rental assistance families for their circumstances and fails to acknowledge the inability of some households to become financially self-reliant, such as seniors with fixed income, individuals with disabilities, and families experiencing hardships. Moreover, rental assistance term limits without self-sufficiency programs and support do not provide families with opportunities to move up and out of poverty.

San Diego's experience has shown that rent reform—including setting minimum rents and utilizing calculations based on income ranges—effectively encourages rental assistance participants to become more financially self-reliant and provides the support they need to do so.

The San Diego model in our Path to Success initiative exemplifies the type of reasonable, measured rent-reform approach that would benefit the Section 8 Housing Choice Voucher rental assistance program and its participants moving forward.

SECTION 8 HOUSING CHOICE VOUCHERS AND PUBLIC HOUSING: HISTORY

Limiting a household's rent payment amount to a percentage of their income has been part of the rental assistance system since 1969.

The Housing and Community Development Act of 1974 and subsequent revisions to it, along with program rules from HUD, created the Section 8 Housing Choice Voucher rental assistance program.

The Housing and Community Development Amendments to the Omnibus Budget Reconciliation Act of 1981 raised the rent payments in public housing and the Section 8 Housing Choice Voucher program from 25 percent of the household's adjusted income to 30 percent of the household's adjusted income.

Approximately 1.1 million American households live in public housing; however, approximately 3.4 million households receive Federal Section 8 Housing Choice Voucher rental assistance or Project-Based rental assistance, according to HUD.

SDHC – PROVIDING FEDERAL RENTAL ASSISTANCE

Section 8 Housing Choice Voucher rental assistance is SDHC's largest program.

More than 15,000 low-income households in the city of San Diego—including veterans, formerly homeless San Diegans, seniors, individuals with disabilities, and single-parent households—receive Federal rental assistance from SDHC. These households include approximately 36,000 men, women and children. More than half of these households qualify as seniors or individuals with disabilities.

In addition to assisting low-income households to obtain rental housing, SDHC's Housing Choice Voucher program invests millions of dollars in the local economy each year.

In Fiscal Year 2017 (July 1, 2016 – June 30, 2017), SDHC paid \$143.2 million to approximately 5,700 participating landlords in the City of San Diego, who are essential to providing affordable housing to low-income San Diegans.

SDHC engages with private sector landlords to establish more affordable housing opportunities by providing Federal rental assistance.

SDHC partners with HUD to provide the most vulnerable San Diegans with rental assistance to help them locate housing in the competitive, high-cost San Diego rental housing market.

- **Federal Public Housing**

SDHC, including its nonprofit affiliate, currently owns and/or manages more than 3,700 affordable rental housing units in the City of San Diego, which include 189 Federal public housing units.

Among the SDHC-owned units are 1,366 former public housing units for which HUD transferred full ownership and operating authority to SDHC through a landmark agreement on September 10, 2007. This was the largest public housing conversion at the time.

When the former public housing units converted to SDHC ownership, residents were provided with Federal Section 8 Housing Choice Vouchers. They could then use the vouchers at their existing units or take them with them as rental assistance to another rental home of their choice.

This expanded the opportunities for affordable housing to hundreds of additional San Diego families.

Approximately 50 percent of the residents chose to stay at their existing units, and approximately 50 percent moved to other properties, typically to be closer to family or work.

Those residents who used their new Section 8 Housing Choice Voucher rental assistance to move to another property created vacancies in the former public housing units. Fulfilling its commitment to HUD, SDHC rented these vacant units as affordable rental housing to families with income of 80 percent of the San Diego Area Median Income or less. No residents were displaced, and SDHC did not dispose of any of the units.

In addition, SDHC leveraged the equity from this new real estate portfolio to create or preserve 810 additional affordable housing in the City of San Diego through direct acquisitions and public-private partnerships. All of these units will remain affordable for at least 55 years.

MOVING TO WORK

The U.S. government's creation of the "Moving to Work" (MTW) program in 1996 established a significant tool to provide affordable housing opportunities, combining the flexibility to foster innovation with continuing government oversight from HUD. Public housing authorities must submit their proposed new MTW programs to HUD for approval.

MTW provides flexibility and allows public housing agencies to determine localized programs that are the most effective for their communities.

SDHC is one of only 39 public housing agencies, out of 3,400 nationwide, to receive the MTW designation from HUD, which allows flexibility to create innovative, cost-effective approaches to provide housing assistance to low-income families.

The extension of the contracts of MTW agencies, such as SDHC, for 10 more years, through 2028, was approved in the Consolidated Appropriations Act of Fiscal Year 2016 on December 18, 2015.

This Congressional action also will expand the MTW program to an additional 100 public housing agencies across the country. I believe that the MTW program should eventually apply to all public housing agencies other than those identified by HUD as “troubled” to provide them with the structure and flexibility to design programs in their communities.

MTW has been especially significant in the expensive housing markets of California, including San Diego. The MTW program has allowed SDHC to encourage families and reward them for productive activities.

SDHC’s MTW initiatives provide opportunities for Section 8 Housing Choice Voucher rental assistance participants and public housing residents to become more financially self-reliant and improve their housing choices as SDHC achieves efficiencies in the administration of federal funding.

SDHC ACHIEVEMENT ACADEMY

A significant focus of SDHC’s MTW initiatives is that we want to reward Work-Able households for taking steps to move to work. The SDHC Achievement Academy is a critical MTW component to help low-income residents break the cycle of poverty and become more financially self-reliant.

On October 4, 2010, SDHC opened the SDHC Achievement Academy, a learning and resource center and computer lab at SDHC’s headquarters in downtown San Diego. The SDHC Achievement Academy provides programs that emphasize career planning, job skills and personal financial education—at no cost to Section 8 Housing Choice Voucher rental assistance participants and public housing residents. In addition, SDHC Achievement Academy staff known as Work Readiness Specialists are assigned to work with families on a customized plan for educational and/or employment objectives.

In Fiscal Year 2017 (July 1, 2016 – June 30, 2017), 1,346 individuals participated in SDHC Achievement Academy programs.

One of the SDHC Achievement Academy's main programs is Family Self-Sufficiency (FSS). SDHC utilized MTW flexibility to redesign the SDHC Achievement Academy's FSS program to provide enhanced opportunities for families to become more financially self-reliant.

A voluntary, two-year program, FSS provides a variety of courses, including: job training, career planning, and financial literacy education, such as budgeting, saving, establishing good credit, and income tax preparation.

Participants are required to follow a career plan and obtain a job working at least 32 hours per week. FSS is available at no charge to the head of household receiving SDHC Housing Choice Voucher rental assistance and public housing residents.

SDHC Achievement Academy FSS participants are able to earn up to \$10,000 in an interest-bearing escrow account based upon their educational and employment-related accomplishments. Funding for these financial incentives is provided by HUD. FSS program participants may use these funds as they wish when they complete the program.

The average annual income for FSS participants at the start of the program is approximately \$12,000. By the end of the program, the average annual income is \$34,000.

In Fiscal Year 2017 (July 1, 2016 – June 30, 2017), 315 individuals participated in the SDHC Achievement Academy's FSS program, including a single mother with two teenage sons, Griselda, who has received Federal rental assistance from SDHC since 2008..

Overcoming a three-year struggle to find work—with help from the SDHC Achievement Academy—provided Griselda with renewed confidence and hope for the future.

"I'm excited to go to work and do the job that I do," said Griselda, who was hired in October 2016 as a part-time office clerk for a local nonprofit organization. "I want to do accounting, so I'm looking forward to getting into an accounting department within the company."

She earned an associate's degree in accounting, but could not find work until she started attending SDHC Achievement Academy workshops in April 2016. She received help with her resumé, job interview skills, and customer service training.

She continues to work toward financial self-reliance, participating in FSS and Power of One, an SDHC Achievement Academy program for single parents that includes a match savings program. Griselda was one of the first graduates of Power of One.

Griselda continues to attend training sessions at the SDHC Achievement Academy to help her with her next steps. She wants to work full time in accounting, hopefully with her current employer — or get a second part-time job in accounting — and go back to school to earn a bachelor's degree.

“I can’t thank the Achievement Academy enough. I didn’t get this kind of help anywhere else,” Griselda said.

PATH TO SUCCESS RENT-REFORM INITIATIVE

Approximately eight months after the SDHC Achievement Academy opened, HUD approved SDHC’s rent-reform initiative, known as Path to Success, on June 21, 2011, in our Fiscal Year 2012 MTW Annual Plan.

Under Path to Success, SDHC identifies Housing Choice Voucher rental assistance participants as Work-Able or Elderly/Disabled.

A household is Work-Able if at least one adult is under 55, not disabled, and not a full-time student between the ages of 18-23. Elderly/Disabled households are those in which all adults are 55 or older, disabled, or a full-time student ages 18 to 23.

With the flexibility provided by MTW, SDHC created the Path to Success initiative to encourage Housing Choice Voucher families to become more financially self-reliant. Path to Success included streamlining the calculations of the portion of the rent that each household pays.

Path to Success modified the method used to determine the monthly rent payment amounts for families that receive rental assistance from SDHC and our public housing residents.

For Elderly/Disabled households with income, the rent payment amount is calculated as 28.5 percent of their adjusted income. There is no minimum monthly rent payment amount for Elderly/Disabled households.

In addition, Path to Success set minimum monthly rent payment amounts for Work-Able participants.

SDHC guides Work-Able families to become more financially self-reliant through enrollment at the SDHC Achievement Academy.

Providing rental assistance to families who are not working requires more federal funds than assisting working families who contribute toward their rent. Under Path to Success, SDHC has seen an 8 percent reduction in our average Housing Assistance Payment: from \$837 to \$773.

The average annual income of all of SDHC’s approximately 6,200 Work-Able rental assistance families in Fiscal Year 2017 was \$23,079. This represented a 25 percent increase in average annual income for Work-Able families since the approval of Path to Success in 2011.

SDHC sees Housing Choice Voucher participants as partners in utilizing limited federal funds to help as many families in need as possible.

- **Outreach Before Implementation**

To prepare our rental assistance families before the implementation of Path to Success, SDHC engaged in extensive outreach.

Targeted letters were sent between June 2011 and October 2012 to more than 5,000 households with different annual income levels, ranging from zero up to \$25,000. In addition, letters were sent to more than 1,000 prospective minimum rent households in March 2013.

SDHC also made targeted phone calls to more than 300 families from June to September 2011, and created a telephone hotline for information about Path to Success. Information also was added to SDHC's website, including a new Path to Success fact sheet.

SDHC's Participant Advisory Committee received presentations about Path to Success in March, June, September and December 2012.

- **Minimum Rents**

Before Path to Success, families were required to pay a minimum of \$50 of their rent.

When the Path to Success initiative was implemented on July 1, 2013, the initial minimum monthly rent payment amounts were based on California's minimum wage of \$8 per hour at the time.

SDHC determined what a Work-Able household could earn working 20 hours a week at minimum wage, and then calculated minimum rent payment amounts that would be approximately 30 percent of that monthly figure.

Two years later, new minimum monthly rent payment amounts were implemented for Work-Able families, effective July 1, 2015:

- Households with one Work-Able person pay a minimum rent of \$300 (up from \$200, set on July 1, 2013); and
- Households with two or more Work-Able individuals pay a minimum rent of \$500 (up from \$350, set on July 1, 2013).

In SDHC's Fiscal Year 2019 MTW Annual Plan, which has been submitted to HUD and is pending approval, we propose further adjustments to the minimum rents based on increases in California's minimum wage.

On January 1, 2020, California's minimum wage for employers with 26 or more employees increases to \$13 per hour. The mandatory minimum wage for the State will increase to \$15 an hour by 2022.

SDHC proposes raising the minimum rents to \$400 for a household with one Work-Able adult and \$650 for a household with two or more Work-Able adults, effective January 1, 2020.

If a household includes two Work-Able adults, and each of them works part-time for 20 hours a week, their combined total monthly income at the current minimum wage in the City of San Diego of \$11.50 per hour is approximately \$1,993.

The current minimum rent for a household with two Work-Able adults is \$500, which represents about 25 percent of their monthly income.

When the minimum wage increases to \$13 dollars per hour, the combined income for these two adults—each working part-time—would rise to about \$2,253. The proposed minimum rent of \$650 dollars is 28.8 percent of their income.

– Elderly/Disabled Families:

The Path to Success minimum rent payment amounts do not apply to Elderly/Disabled households. The minimum monthly rent payment amount for an Elderly/Disabled family is \$0. For Elderly/Disabled households with income, the rent payment amount is calculated as 28.5 percent of their adjusted income.

• **Income Ranges**

To allow Work-Able families to increase their income without being penalized, adjusted annual income is separated into income ranges. The lower edge of the range is used to calculate the family's rent payment at 30 percent of the adjusted monthly income. For example, the monthly rent payment amount for any family with adjusted annual income between \$20,000 and \$24,999 will be calculated using \$20,000 as their income.

Work-Able families pay either the minimum monthly rent payment amount, as described in the previous section, or the rent payment amount based on the family's annual income, whichever is greater.

Below is an illustrative table of the current income ranges and rent portions for a Work-Able household under Path to Success. This table does not apply to families that are Elderly/Disabled or are on an approved hardship exemption.

Path to Success	
Tiered Rent Table: Current Design	
Annual Income Bands	Rent Portion
\$0 - \$999	Minimum Rents Apply*
\$1,000 - \$1,999	Minimum Rents Apply*
\$2,000 - \$2,999	Minimum Rents Apply*
\$3,000 - \$3,999	Minimum Rents Apply*
\$4,000 - \$4,999	Minimum Rents Apply*
\$5,000 - \$5,999	Minimum Rents Apply*
\$6,000 - \$6,999	Minimum Rents Apply*
\$7,000 - \$7,999	Minimum Rents Apply*
\$8,000 - \$8,999	Minimum Rents Apply*
\$9,000 - \$9,999	Minimum Rents Apply*
\$10,000 - \$12,499	Minimum Rents Apply*
\$12,500 - \$14,999	Minimum Rents Apply*
\$15,000 - \$17,499	Minimum Rents Apply*
\$17,500 - \$19,999	Minimum Rents Apply*
\$20,000 - \$24,999	Minimum Rents Apply*
\$25,000 - \$29,999	\$625
\$30,000 - \$34,999	\$750
\$35,000 - \$39,999	\$875
\$40,000 - \$44,999	\$1,000
\$45,000 - \$49,999	\$1,125
\$50,000 - \$54,999	\$1,250

**Minimum rents are \$300 for a household with one Work-Able adult and \$500 for a household with two or more Work-Able adults. Work-Able families pay either the minimum monthly rent payment amount or the rent payment amount based on the family's annual income, whichever is greater.*

Currently, the income ranges are in increments of \$1,000; \$2,500; or \$5,000 depending on the level of income. In our Fiscal Year 2019 MTW Annual Plan, SDHC proposes making all of the income ranges \$5,000. Below is an illustrative table effective January 1, 2020. This table does not apply to families that are Elderly/Disabled or are on an approved hardship exemption.

Path to Success	
Tiered Rent Table: Future Design	
Annual Income Bands	Rent Portion
\$0 - \$4,999	Minimum Rents Apply*
\$5,000 - \$9,999	Minimum Rents Apply*
\$10,000 - \$14,999	Minimum Rents Apply*
\$15,000 - \$19,999	Minimum Rents Apply*
\$20,000 - \$24,999	Minimum Rents Apply*
\$25,000 - \$29,999	Minimum Rents Apply*
\$30,000 - \$34,999	\$750
\$35,000 - \$39,999	\$875
\$40,000 - \$44,999	\$1,000
\$45,000 - \$49,999	\$1,125
\$50,000 - \$54,999	\$1,250

**Minimum rents will be \$400 for a household with one Work-Able adult and \$650 for a household with two or more Work-Able adults. Work-Able families pay either the minimum monthly rent payment amount or the rent payment amount based on the family's annual income, whichever is greater.*

Additional elements of Path to Success, such as utility allowances, also may impact the portion of the rent that each individual household may pay. These factors are not reflected on the tables above.

Families with income that is sufficient to pay their entire rent portion without any rental assistance from SDHC are transitioned from the Housing Choice Voucher program according to Federal regulations.

- **Biennial Recertification**

As a complement to the Path to Success initiative, SDHC also changed the schedule for recertification of rental assistance families' income and household composition. They now occur every two years (biennial) for most SDHC rental assistance programs.

Households benefit from this reform because any increase in income is not captured until the second year. This provides families with additional time to build savings accounts, increase skill levels to become more marketable, complete secondary education or job training programs, or obtain employment.

The biennial recertification also produces additional administrative efficiencies and generates cost savings for SDHC.

Generally, Federal regulations (24 CFR 882.515) require public housing authorities to re-examine the income and composition of Work-Able rental assistance households at least once a year. An "interim re-examination" occurs in less than a year if a change in income or the makeup of the family occurs before the scheduled annual re-examination.

These regulations discourage rental assistance households from working toward financial self-reliance because increases in their income require immediate re-examination, which may increase the portion of the total contract rent that they are required to pay.

- **Hardship Exemptions**

SDHC's Path to Success initiative also includes temporary hardship exemptions, with provisions that help families work toward financial self-reliance.

If a family's income is reduced to zero through no fault of their own, their portion of the rent will be zero for up to six months.

An internal agency Hardship Review Committee reviews all hardship requests. To be considered for a hardship exemption from the minimum rents under Path to Success:

- The family's shelter burden must be greater than the acceptable level as calculated by SDHC.
- The family must either be Elderly/Disabled or consist of a single Work-Able adult with one or more dependents.
- The family is required to sign a document consenting to participate in SDHC Achievement Academy work-readiness services.

Gross income before exclusions is considered.

A Hardship Rent Table is used to determine the family's portion of the rent during the exemption period:

Hardship Rent Table	
Annual Income	Hardship Rent
\$0 - \$2,499	\$0
\$2,500 - \$4,999	\$55
\$5,000 - \$7,499	\$150
\$7,500 - \$9,999	\$245

If a hardship exemption is approved, Work-Able households are required to participate in SDHC Achievement Academy "work readiness" programs for the duration of the hardship period.

Work-Able families may only move to another jurisdiction with their rental assistance if they request and receive an exception. Exceptions include: employment opportunities, education, safety reasons, a medical/disability need, or other exceptions determined on a case-by-case basis. This policy does not affect Elderly/Disabled families.

SDHC approved 538 Path to Success hardship requests between the start of the initiative on July 1, 2013, and the end of Fiscal Year 2017 on June 30, 2017:

Path to Success Hardships	
Type	Approved
Comprehensive Hardship	85
Zero Income Hardship	80
Portability Hardship	373
Total	538

On August 15, 2013, Leslie attended her first orientation at the SDHC Achievement Academy after she received a hardship exemption from the minimum rents under SDHC's Path to Success program.

Often bringing her breakfast, lunch or dinner with her, Leslie attended job fairs and workshops at the SDHC Achievement Academy for financial education, resume writing, interview skills and computer training.

Within 30 days, she had landed a job with a parking company.

She also completed her General Education Development through the High School Diploma Program at Educational Cultural Complex, which operates off-campus programs through San Diego City College.

On July 31, 2015, she received her certificate from the Culinary Arts and Bakeshop Program from San Diego Continuing Education. She began studying general education and culinary arts at Grossmont College in August 2015.

She graduated from the Family Self-Sufficiency program in November 2016 and is grateful to SDHC.

"From the CEO to the security guard, it helped me to better myself—self-esteem most of all," she said.

SAVINGS SUPPORT PROGRAMS

The savings achieved through Path to Success, the biennial recertification process, and other MTW initiatives are needed to fund the creation of workforce programs at the SDHC Achievement Academy to help rental assistance families on their path toward financial self-reliance. These funds also support increases to the payment standards for SDHC's rental assistance households.

In addition, SDHC has re-invested savings toward the creation of permanent supportive housing to address the homelessness crisis in the City of San Diego.

In December 2017, SDHC directed \$10 million to the purchase of a San Diego hotel, Quality Inn, which will create 91 permanent supportive housing units for San Diegans experiencing homelessness.

This acquisition occurred approximately 16 months after SDHC completed its award-winning rehabilitation of the historic Hotel Churchill in downtown San Diego to create 72 permanent supportive housing units—56 units for homeless Veterans, eight units for transitional age youth ages 18-25, and eight units for adults exiting the corrections system who also need supportive

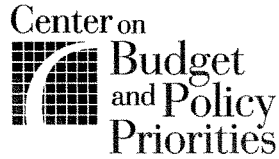
services. SDHC invested \$9.2 million in MTW funds toward the \$20.6 million rehabilitation of Hotel Churchill.

Approximately 15 months before the completion of Hotel Churchill, SDHC also invested \$15 million to purchase a 120-unit apartment complex for seniors in the Clairemont community of the City of San Diego on May 1, 2015. With SDHC's acquisition, all of the units became affordable rental housing for low-income seniors, of which 44 units were set aside for homeless seniors, with rental assistance provided by vouchers that SDHC provided.

CONCLUSION

To help low-income families move out of poverty, it is essential for local agencies to be provided with the flexibility to choose the options that show the greatest success in their communities. As local agencies make these decisions, they are held accountable by HUD and local governing bodies, such as the SDHC Board of Commissioners and the Housing Authority of the City of San Diego.

The positive results achieved with the Path to Success initiative in San Diego demonstrate the potential impact of rent reform initiatives, which enhance the effectiveness the Section 8 Housing Choice Voucher program. Empowering and equipping rental assistance customers to increase their income without the negative repercussion of immediate increases in their rent payment amount fosters financial self-reliance. This, in turn, creates opportunities to assist additional low-income families.



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HUD's Role in Rental Assistance: An Oversight and Review of Legislative Proposals on Rent Reform

Testimony of Will Fischer, Senior Policy Analyst, Before the House Financial Services Subcommittee on Housing and Insurance

Thank you for the opportunity to testify. I am Will Fischer, Senior Policy Analyst at the Center on Budget and Policy Priorities. The Center is an independent, nonprofit policy institute that conducts research and analysis on a range of federal and state policy issues affecting low- and moderate-income families. The Center's housing work focuses on improving the effectiveness of federal low-income housing programs.

The nation's rental assistance programs help more than 5 million low-income households — the great majority of them seniors, people with disabilities, and working families — afford decent, stable housing. Research shows that rental assistance is highly effective at reducing homelessness and housing instability, benefits that are linked to long-term improvements in outcomes for children. Policymakers should seek opportunities to strengthen rental assistance programs further, as Congress did in 2016 when it unanimously enacted the well-designed reforms in the Housing Opportunities Through Modernization Act (HOTMA), which this subcommittee developed. But it is also important to recognize that these are successful, evidence-based programs that help millions of Americans keep a roof over their heads, and to avoid changes that risk undermining that success.

The draft legislation the subcommittee is examining today, the Promoting Resident Opportunity through Rent Reform Act (PROTRRA), would be a step in the wrong direction that would fundamentally alter the Public Housing and Housing Choice Voucher programs in ways that are likely to make them far less effective.

- The bill would allow or require rent increases that would result in serious hardship for low-income people. For example, housing agencies today are permitted to charge the poorest families “minimum rents” of \$50 a month even if this is more than the 30 percent of income families normally pay, but PROTRRA's tiered rent option would raise this amount to over \$500 on average — an enormous increase that would likely cause evictions and homelessness and force low-income people, including many working-poor families, to divert resources away from other basic needs.
- The bill is not well designed to advance the important goal of helping rental assistance recipients find and keep jobs and raise their earnings, and may do more to discourage work

than promote it since many of its provisions — such as options for housing agencies to eliminate the child care deduction and public housing flat rents — would weaken supports and incentives for employment.

- PROTRRA would eviscerate many of the carefully crafted rent reforms in HOTMA. For example, to avoid causing hardship, HOTMA took care to allow the elderly and people with disabilities to deduct very high unreimbursed medical expenses from their incomes for purposes of rent determinations, even as it scaled back deduction of smaller expenses to streamline administration and trim costs. PROTRRA, by contrast, would authorize the Department of Housing and Urban Development (HUD) to eliminate the deduction entirely — a step HUD has made clear it wishes to take — and consequently raise rents substantially on some of the nation’s most vulnerable people.
- The bill would make it very difficult and expensive for HUD to provide the monitoring and oversight needed to ensure that taxpayer funds are properly spent, since it would allow nearly 3,800 state and local housing agencies to each choose their own rent systems (and even establish different rules for different programs and housing projects).
- The bill would create a major new barrier to voucher holders seeking to move from one community to another, since the complex patchwork of rent policies it would create would make it harder for families to understand what their rent obligations would be in different jurisdictions. Some families would find themselves unable to afford to move to areas that provide greater opportunities but use different rent policies. As a result, PROTRRA would move in the opposite direction from the draft Voucher Mobility Demonstration Act that the committee considered last week, which would promote regional cooperation to support voucher mobility.
- PROTRRA could lay the groundwork for sharp cuts to rental assistance funding, since — as has been the case with earlier rent increase proposals — proponents of cuts would likely point to the billions of dollars in rent increases the bill would allow as evidence that program funding can be cut without reducing the number of families assisted.
- The bill would make sweeping changes to rent rules affecting millions of low-income families and large amounts of federal expenditures before the policies it proposes have been adequately evaluated. At the direction of Congress, HUD has initiated rent reform evaluations that in the coming years will rigorously test most of the alternative rent policies PROTRRA proposes, but the results from those evaluations are not yet available.

Rather than enacting the sweeping changes in PROTRRA, policymakers should focus on ensuring that HOTMA is fully implemented as soon as possible and enacting the Family Self Sufficiency Act to support work among rental assistance recipients, and should defer consideration of further major changes until the results from HUD’s rent reform evaluations can be used to assess their likely impact.

Rental Assistance Today Is Highly Effective at Reducing Homelessness and Helping Working Families Make Ends Meet

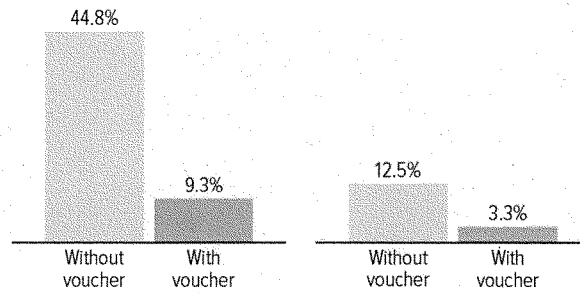
Federal rental assistance helps close to 5 million low-income households afford decent, stable housing. Families with rental assistance generally pay rent equal to 30 percent of their income after

deductions for items such as certain unreimbursed child care and medical expenses. This system is designed to enable families to afford decent stable homes and have enough money left over to cover other essential needs, while also limiting program costs.

FIGURE 1

Housing Choice Vouchers Sharply Reduced Homelessness and Housing Instability Among Families With Children

Vouchers reduced homelessness and housing instability by four-fifths...
 ...and reduced homelessness by three-quarters



Note: Chart compares housing status of low-income families in six U.S. cities who were randomly selected to receive a voucher and used it for at least part of the previous year to families in a control group who did not use vouchers. Families experiencing "housing instability" were living doubled-up with friends or relatives at some point during the prior year.
 Source: Michelle Wood, Jennifer Turnham, and Gregory Mills, "Housing Affordability and Family Well-Being: Results from the Housing Voucher Evaluation," *Housing Policy Debate*, 2008.

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A strong body of research shows that rental assistance under the current rules sharply reduces homelessness, housing instability, overcrowding, and other hardship.¹ In addition, by limiting families' rent burdens, rental assistance frees up resources for other basic needs. Families with affordable rents on average spend more on food, clothing, and health care than those that pay very high shares of their income for housing. Overall, rental assistance lifted 4.1 million people above the poverty line in 2014, including 1.4 million children (using the federal government's Supplemental Poverty Measure, corrected for underreporting of benefits).² In addition, stable, affordable housing

¹ Will Fischer, "Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children," Center on Budget and Policy Priorities, updated October 7, 2015, <http://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term?fa=view&id=4098>.

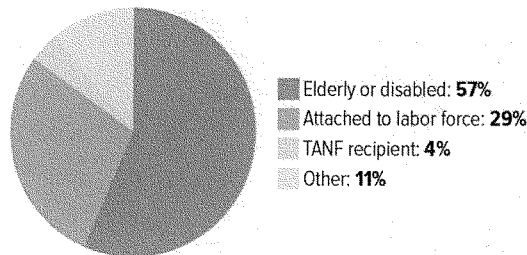
² CBPP analysis of 2014 Census Bureau data from the March Current Population Survey, SPM public use file, with corrections for underreported benefits from HHS/Urban Institute TRIM model.

can enable vulnerable groups such as frail seniors and people with disabilities to live in the community rather than being placed in institutions, often lowering costs in other public programs as a result.

About two-thirds of non-elderly, non-disabled rental assistance recipients work or worked recently, and rental assistance plays a crucial role in enabling working families to avoid eviction and make ends meet. The median working household with a voucher or Project-Based Rental Assistance would have to spend 60 percent of its \$1,500 monthly income on housing if it did not have assistance. Research suggests that HUD’s Family Self-Sufficiency (FSS) program, which provides employment counseling, service referrals, and financial incentives to encourage work and support savings, can further increase employment and earnings among rental assistance recipients. FSS only reaches a small share of rental assistance recipients today, but the Family Self-Sufficiency Act (H.R. 4258), which the House passed in January with overwhelming bipartisan support, would expand and strengthen the program.

FIGURE 2

9 in 10 Households Receiving HUD Rental Assistance Are Elderly, Disabled, Working, or Receiving TANF



Note: "Elderly" = head of household or spouse is 62 or older. "Disabled" = head or spouse meets Department of Housing and Urban Development (HUD) disability criteria. "Attached to labor force" = at least one household member worked in 2015 or 2016, or received unemployment insurance in 2016. "Other" = many non-working households were searching for work, in school or training, had a health or other condition (such as domestic violence) that limited work, or were full-time caretakers. Most recipients of Temporary Assistance for Needy Families (TANF) are subject to work requirements. Numbers may not add to 100 percent due to rounding.

Source: CBPP analysis of 2015 and 2016 HUD administrative data

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Rental assistance plays a particularly significant role in improving the well-being of children, since by providing stable housing rental assistance can profoundly affect other dimensions of children’s lives for the better. For example, one rigorous study in which homeless families received rental assistance found that the assistance lowered the chances that a child would be removed from his or her family and placed in foster care and reduced the frequency with which children had to switch schools. In addition, children in these families experienced fewer sleep disruptions and behavioral

problems and were likelier to exhibit positive social behaviors (such as offering to help others or treating younger children kindly). The assistance also resulted in lower rates of alcohol abuse, domestic violence, and psychological distress among the adults with whom children lived.

In short, rental assistance under the current rent rules is an evidence-based intervention that provides crucial assistance to millions of low-income people. Policymakers should seek to further improve rental assistance rent rules where possible, and this subcommittee has played a central role in developing careful, bipartisan policy changes to do that. Policymakers should, however, also take care to ensure that any changes do not jeopardize the vital benefits that rental assistance provide today.

HUD Should Implement HOTMA and Complete Rent Evaluations Before Policymakers Consider Major Additional Changes

Congress unanimously enacted substantial reforms to rent rules — as well as other aspects of the rental assistance programs — as part of HOTMA in July 2016. HOTMA includes a series of well-designed changes that will reduce program costs, ease administrative burdens, and strengthen work incentives, while also ensuring that rental assistance continues to make housing affordable for the neediest families.

The HOTMA reforms reflected years of policy development and were supported by an unusually broad range of housing stakeholders. HUD has not yet issued implementing regulations for HOTMA's rent provisions, so those provisions have not yet gone into effect. It would be difficult to justify making major additional changes to rent rules — and particularly changes like those in PROTRRA that would sweep aside many of HOTMA's provisions — until the HOTMA changes have been fully implemented and their impact can be assessed.

Additional rent policy changes beyond those in HOTMA may ultimately be warranted. But any changes should seek to retain the core characteristics that have made rental assistance effective, including providing adequate assistance to enable the lowest-income families to avoid eviction and homelessness and providing families access to a broad range of neighborhoods. Moreover, any proposed changes that pose significant risks to low-income families should be rigorously evaluated on a pilot basis. HUD is already evaluating some alternative rent policies and plans to begin an evaluation of others soon.

- HUD's Rent Reform Demonstration is testing a package of policies that includes higher minimum rents, reducing the frequency of income reviews to every three years, calculating rent based on a percentage of gross income, and simplifying utility calculations. Final results from the evaluation are expected in 2020.
- HUD plans this year to begin implementing a 100-agency expansion of the Moving to Work (MTW) demonstration that Congress approved in 2015. HUD has indicated that it will include a rent reform component in the expansion that will rigorously evaluate tiered rents (in which all families in an income tier pay the same rent) and stepped rents (in which rents rise the longer a family receives rental assistance).

Taken together, these evaluations — both of which are being conducted at the direction of Congress and using federal funds for research — will test most of the alternative rent policies

included in PROTRRA. Congress should allow the evaluations to be completed before it even considers extending these policies more broadly.

Draft Rent Bill Would Reduce Effectiveness of Rental Assistance

The discussion draft of PROTRRA would radically alter federal rental assistance in ways that would reduce its effectiveness, by allowing or requiring major changes to rent rules covering the Housing Choice Voucher and Public Housing programs as well as projects receiving Project-Based Rental Assistance (PBRA) under the Rental Assistance Demonstration (RAD).

Rent Increases Would Create Serious Hardship

PROTRRA would raise rents for low-income people with rental assistance in three ways:

- It would give housing agencies the option to replace current rent rules for non-elderly, non-disabled recipients with a series of new options (most of which would allow or require substantial overall rent increases), or to design their own rent systems.
- It would give HUD authority to raise rents on the elderly and people with disabilities, which HUD would almost certainly do since it has specifically requested such authority in the past.
- It would allow housing agencies to use 40 percent of their voucher funds for shallow subsidies that would require low-income people to pay far more in rent than they do under current rules and make it difficult for them to rent outside of high-poverty neighborhoods.

Alternative Rent Systems for Non-Elderly, Non-Disabled Households Would Raise Rents

Housing agencies would be permitted to choose among six options — the current rent rules³ and five alternatives.

- **Tiered rents.** Agencies could adopt a rent system in which families are placed into three tiers, for those with extremely low incomes (with incomes at or below the higher of the poverty line or 30 percent of the local median income); very low incomes (below 50 percent of the local median); and low incomes (below 80 percent of the local median). Rents for the bottom two tiers could be set above what almost any family in those tiers would pay today, and overall 94 percent of families could pay higher rents.

Tiered rents would have their harshest impact on the lowest-income families. All three-person households in the lowest tier could be required to pay at least \$520 per month, and much more than that in some parts of the country. Overall, households in the lowest tier could be charged up to \$560 on average. Currently housing agencies are permitted to charge the poorest families a “minimum rent” of up to \$50 a month, even if that is more than 30 percent of the families’ income. For the average household, tiered rents would effectively raise this minimum rent to more than 11 times the current level. Even if housing agencies

³ Agencies that retain the current rent policy would be permitted to review income every two years, rather than annually as current law requires for all families except those on fixed incomes.

opted to set tiered rents substantially below the maximum amounts permitted, this would still result in large rent increases for families near the bottom of tiers.

Families with very little or no income — such as those where a parent has lost a job and (like many low-wage workers) is not eligible for unemployment insurance — would rarely be able to afford a rent of hundreds of dollars a month and would face eviction and sometimes homelessness. But tiered rents could also impose hardship on a wide range of working-poor families. For example, a mother of two with a voucher who works 30 hours a week at the minimum wage could see her rent more than double to 60 percent of her income, leaving her with only \$350 a month for necessities like clothing, diapers, school supplies, and personal care items for herself and her two children (as well as food or medical needs that aren't met by other assistance her family may receive).⁴

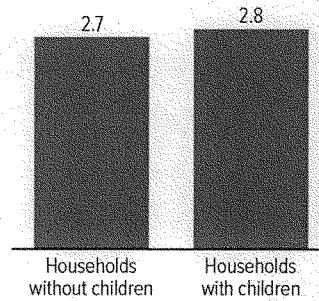
- **Stepped rents.** Agencies would also be permitted to establish a system of stepped rents that would rise every two years a family receives assistance, regardless of the family's income. The stepped rents would be set at levels that would raise rents for most rental assistance recipients. As with tiered rents, this option would sharply raise the minimum rent, to more than \$200 on average for households in their first two years of receiving assistance and much higher amounts for families that receive assistance for longer periods.

Stepped rents would act as a de facto time limit on assistance for many families, since after eight years (and sometimes six or fewer) the amount of rent that families are required to pay would often exceed the market rent for their unit, reducing their subsidy to zero. Even before that, many families would likely be displaced from their homes because they would not be able to afford the required rents. Families affected by stepped rents would be eligible for a hardship exemption if needed, but HUD data show that an existing exemption for families affected by minimum rents protects few families — in part because it requires households to

FIGURE 3

Typical Working-Age, Non-Disabled Household Stays on HUD Rental Assistance Less Than 3 Years

Median years of assistance, households leaving programs in 2015



Source: Kirk McClure, "Length of Stay in Assisted Housing," Department Housing and Urban Development (HUD), October 2017

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⁴ This assumes that she works four full weeks each month and receives the dependent deduction for her children but not a deduction for unreimbursed child care expenses.

apply for an exemption, but eligible households may not know that exemptions are available or how to apply if the housing agency doesn't adequately publicize the policy.⁵

The majority of non-elderly, non-disabled families receive rental assistance for less than three years. Some need assistance for longer periods, however, in part because rents in much of the country exceed the amount that a low-wage worker can afford. Adults who receive assistance for more than three years are substantially more likely to be working, compared to those who receive assistance for shorter periods.⁶

- **Rents at 30 percent of gross income with higher minimum rent.** A third option would allow housing agencies to eliminate all income deductions, disregard most income from the household member with the second highest income (a small amount for most households), and increase minimum rents from \$50 to \$75. The rent increases under this proposal would be smaller than the massive increases that would occur under tiered and stepped rents, but they would still be difficult for many low-income families to afford.

The minimum rent increase would affect only the lowest-income families, those with adjusted incomes below \$3,000. This group of extremely poor families, largely families with children, would have difficulty coming up with an added \$25 a month, and would often be at risk of displacement from their homes.

The elimination of deductions would also fall mainly on families with children (along with those caring for disabled adults), who are now permitted to deduct \$480 from their income per dependent per year. And the largest increases would be paid by working parents who currently deduct unreimbursed child care expenses. The elimination of the child care deduction would sweep aside one of the key compromises made during consideration of HOTMA. The initial draft of that bill would have scaled back the deduction, but the leadership of the Financial Services Committee decided to retain the full deduction after some members expressed concern that eliminating it would cause hardship and reduce support for work.

- **Elimination of public housing flat rents.** The bill would also allow housing agencies to maintain rents at 30 percent of adjusted income, but eliminate a policy that allows families in public housing to choose to pay a flat rent based on the market rent for comparable units. This would result in rent increases for public housing residents that pay flat rents today. Policymakers instituted flat rents to encourage families with a range of incomes to live in public housing, out of concern that concentrating very poor families in public housing resulted in higher crime and other adverse effects. Without flat rents, many working families would likely move out of public housing if their income rises to the point where they would be required to pay an income-based rent significantly above the market rent.

⁵ Moreover, PROTRRA would allow even weaker hardship exemption policies than those now required for minimum rents, since it would permit agencies to adopt any hardship policy previously used by an agency participating in the MTW demonstration, which are exempt from the standards for hardship policies that apply to other agencies. A recent Government Accountability Office (GAO) report found that while MTW agencies are required to have hardship policies, HUD had not established any standards for those policies and five MTW agencies reported that they had never received a request for a hardship exemption.

⁶ Kirk McClure, "Length of Stay in Assisted Housing," Department of Housing and Urban Development, October 2017, <https://www.huduser.gov/portal/publications/length-of-stay.html>.

- **Agency-designed rents.** The bill would also allow agencies to design their own rent rules, which could raise rents to any level. Agencies would have to submit their policies to HUD for approval, but they would automatically be considered approved if HUD did not reject them within 90 days. It is unlikely that HUD — whose capacity would already be strained by the task of overseeing the complex system PROTRRA would create — would be able to carry out a meaningful review process in this time frame if large numbers of agencies propose alternative rules.

Rent Would Likely Rise for Seniors and People with Disabilities

PROTRRA would permit HUD to require that all housing agencies charge elderly and disabled residents a percentage of their gross income, without any deductions. HUD would determine the percentage, subject to a requirement that it must increase or hold constant overall rent payments received by housing agencies. Thus, HUD could require that elderly and disabled households pay *more* than 30 percent of gross income.

HUD would almost certainly use this authority to increase rents on elderly and disabled households, since it has already proposed charging rental assistance recipients — including seniors and people with disabilities — rents set at a percentage of their gross income. HUD's fiscal year 2018 budget requested authority to set rents at 35 percent of gross income — including for the Section 202 and Section 811 programs, which exclusively target the elderly and people with disabilities. Draft HUD legislation that leaked in February 2018 would set rents for the elderly and people with disabilities at 30 percent of gross income. (HUD indicated later that it would propose exempting current recipients from this increase, but not equally needy people who come off waiting lists in the future.)

If HUD used the PROTRRA authority to set rents at 30 or 35 percent of gross income, this would raise rents for virtually every elderly or disabled household. The policy would eliminate the existing elderly/disabled standard deduction and the deduction for excess medical and disability expenses. Seniors and people with disabilities with high unreimbursed medical expenses would face the largest increases. This is particularly striking because HOTMA took care to retain a deduction for very high unreimbursed medical expenses for purposes of rent determinations, even as it scaled back deduction of smaller expenses to streamline administration and modestly trim costs.

Shallow Subsidy "Option" Would Risk Weakening Rental Assistance for Seniors, People With Disabilities and Others Who Need It Most

PROTRRA would also allow housing agencies to divert up to 40 percent of their voucher funds to shallow subsidies with a payment standard (a cap that determines the maximum rent a voucher can cover) between 20 and 40 percent of their regular voucher payment standard. For many families, the subsidy available under this policy would leave them unable to afford decent stable housing. This policy would thus replace vouchers — an evidence-based policy proven by rigorous research to be the single most effective policy for reducing homelessness — with an untested shallow subsidy that seems likely to be far less effective at addressing problems like homelessness and housing instability. Shallow subsidies would also make it more likely that families would feel compelled to live in the lowest-rent neighborhoods, which often also have high-crime rates and poor-performing schools.

Housing agencies would offer the shallow subsidy to households on the waiting list for assistance, and those that accept would be able to jump ahead of other families and be assisted immediately — but would then no longer be in line for a voucher under the regular rules. PROTRRA presents the shallow subsidy as an option for families, but many poor people would feel pressure to accept shallow subsidies even though they may fall far short of what the recipient would need to afford decent, stable housing.

Take, for example, an elderly woman receiving the maximum federal Supplemental Security Income (SSI) benefit of \$750 a month and waiting for a voucher at an agency with a payment standard of \$800 and a shallow subsidy set at 40 percent of the payment standard. Under the regular rules, when she reaches the top of the waiting list she could rent a unit with a rent at the payment standard and receive a subsidy of about \$585, allowing her to pay \$215 in rent and leaving most of her very modest income for other necessities. Under the shallow subsidy, if she rented a unit for \$800 she would receive a subsidy of just \$105 and would have to spend \$695 — the bulk of her income — on rent, leaving her with very little for other basic needs and placing her at risk of eviction as those needs pile up.⁷ She could refuse the shallow subsidy and hold out for a regular voucher — but that would mean that every family and individual on the waiting list that opts to accept the shallow subsidy would skip past her, leaving her without *any* rental assistance for as long as several additional years.

Bill's Provisions Are Not Well Designed to Increase Earnings or Employment

Proponents of the approach taken by PROTRRA have suggested that it would increase earnings and employment by strengthening earnings incentives. Helping rental assistance recipients find and keep jobs and raise their earnings is an important goal, but the bill's proposals could do as much to discourage work as support it.

Critics of the current rent rules at times argue that they discourage work because they raise a family's rent by 30 cents for each added dollar in earnings, creating in effect a marginal tax on their earnings. But it's important not to overstate this effect. There is no consistent evidence that rental assistance reduces employment in the long term, and the policy of setting rents based on 30 percent of adjusted income has the important benefit of providing the poorest families sufficient assistance to afford decent, stable housing while it avoids providing better-off families larger subsidies than they need.⁸ In addition, the current rent rules avoid “cliffs” where subsidies are cut sharply when a family's rent exceeds a specified level — a feature that is likely to increase work disincentives — because subsidies phase down gradually to zero. And once implemented, HOTMA will delay rent changes so that they do not occur until a year after earnings rise.

⁷ This assumes that she receives the \$400 standard deduction for elderly and disabled households but not the deductions for high unreimbursed medical expenses.

⁸ Will Fischer, “Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children,” Center on Budget and Policy Priorities, October 7, 2015, <https://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term>.

Moreover, research suggests that marginal tax rates in benefit programs do relatively little to influence wages and hours, in part because very low-wage workers generally have little control over their hours or ability to find higher-paying jobs and also have limited understanding of how benefits adjust as earnings change.⁹ In addition, many factors other than the marginal tax rate influence employment and earnings among low-income individuals, including those receiving rental assistance. For example, rental assistance can support work by enabling families to afford housing that is accessible to jobs and avoid evictions that disrupt employment.

In any case, most of the rent options in PROTTTRA do little or nothing to provide financial incentives for work, and most include provisions that would, if anything, discourage work:

- Tiered rents would hold rents constant when a family's earnings vary within a tier, but would also establish cliffs at tier boundaries that would typically raise rents by more than \$200 if the family earns one more dollar. It is difficult to predict the overall effects of tiered rents on earnings, which is one reason HUD's planned evaluation of MTW tiered rents will be important to assessing the policy. But because of the large earnings penalties created by the cliffs, it is quite possible that if the policy had any effect on work it would be to discourage families from increasing their earnings.
- The gross rent option maintains a 30 percent marginal tax rate on most earnings and eliminates the child care deduction, taking away a significant work support from many rental assistance recipients, while establishing a new disregard for earnings of the second earner in a household that would affect only a small share of rental assistance recipients' earnings.
- The elimination of public housing flat rents would mean that public housing residents with relatively high incomes would see their rents rise when their earnings increase, even if this requires them to pay above-market rents.
- Shallow subsidies would retain a 30 percent marginal tax rate, but would result in families losing assistance entirely at much lower income levels than is the case under regular voucher rules.

The stepped rent option would set rents that are entirely disconnected from a family's earnings, so it would eliminate the current marginal tax on earning. But this policy would also risk disrupting many families who are already working and count on rental assistance to help them make ends meet. This is the case because families who have received rental assistance for an extended period — who would pay the highest rents under stepped rents — are disproportionately likely to work. Of the working families potentially subject to stepped rents, the majority have received assistance for more than four years, according to HUD data. More than 90 percent of those families would face rent increases and many would lose assistance entirely because their required payment would equal or exceed the market rent for their property.

⁹ Laura Tach and Sarah Halpern-Meekin, "Tax Code Knowledge and Behavioral Responses among EITC Recipients: Policy Insights from Qualitative Data," *Journal of Policy Analysis and Management*, Vol. 33, No. 2 (Spring 2014), pp. 417 and 434; Jennifer L. Romich, "Difficult Calculations: Low-Income Workers and Marginal Tax Rates," *Social Service Review*, Vol. 80, No. 1 (March 2006), p. 57.

Policymakers who want to help rental assistance recipients succeed should focus on strengthening Family Self-Sufficiency and HUD's Jobs Plus initiatives, both of which use service coordination and incentives to support work and have shown promising results. The Family Self-Sufficiency Act would be an important step in this direction. In addition, HUD should improve implementation of "Section 3," an existing requirement that a portion of jobs and small business opportunities created through federal housing and community development investments go to public housing residents and other low-income people.

Local Rent Rules Would Make It Difficult for HUD to Prevent Misuse of Funds and Errors in Rent Determinations

PRROTRA would make determination of rents and subsidy levels vastly more complicated than it is today. The approximately 3,800 agencies that administer public housing, vouchers, or RAD Project-Based Rental Assistance would each choose among six options for determining basic rent rules, several of which are fundamentally different from each other and one of which would allow agencies to design and implement their own rules — potentially adding hundreds of additional sets of alternative rules. Moreover, agencies would be permitted to set different rules for the voucher, public housing, and PBRA programs, and even for individual housing projects, in addition to establishing a separate shallow subsidy subprogram within the voucher program.¹⁰

This would create a complex, fragmented system that would make it extremely difficult for HUD to ensure that taxpayer funds are spent properly, in a program that is entirely funded with federal dollars. HUD oversight plays a crucial role in ensuring proper implementation of rental assistance rules today. For example, after a 2000 report identified relatively widespread errors in determining tenant rents and subsidy levels, HUD took steps to strengthen monitoring and provide technical assistance, which has reduced errors by 67 percent.¹¹ Such quality control efforts would be far more difficult and expensive if rules varied from agency to agency, and virtually impossible if large numbers of agencies designed their own rent rules. A recent Government Accountability Office report found HUD already struggles to oversee local rent rules allowed under the Moving to Work demonstration, which currently includes just 39 agencies.¹²

Patchwork of Local Rules Would Block Voucher Mobility

Allowing widespread variation in rent rules would also make it much more difficult for low-income families with vouchers to use the voucher program's portability option, which allows them to move from the jurisdiction of one agency to the jurisdiction of another — including to high-opportunity neighborhoods with low poverty and strong schools. Research shows that when voucher holders with young children move to low-poverty neighborhoods, children in those families

¹⁰ The separate rent rules could have disparate effects on different racial and ethnic groups, since at some agencies certain projects or programs have substantially different racial and ethnic composition than others.

¹¹ ICF International, "FY 2015 Final Report: Improper Payment for Quality Control for Rental Subsidy Determination Study," prepared for Department of Housing and Urban Development, August 31, 2016, <https://www.huduser.gov/portal/publications/qualitycontrol-fy15.html>.

¹² Government Accountability Office, "Improvements Needed to Better Monitor the Moving to Work Demonstration, Including Effects on Tenants," January 2018, <https://www.gao.gov/products/GAO-18-150>.

earn substantially more as adults and are more likely to attend college and less likely to become single parents.¹³

There has been strong bipartisan interest in strengthening portability and taking other measures to support moves by voucher holders to high-opportunity neighborhoods. The 2016 “A Better Way” anti-poverty plan called for reform of the “fragmented national system” used to administer rental assistance, noting that it makes it more difficult for voucher holders to move and consequently “constrains individual choice and economic mobility.” This subcommittee held a hearing just last week at which members express bipartisan support for the Voucher Mobility Demonstration Act that would support regional coordination to promote voucher mobility.

PROTRRA would move in precisely the opposite direction by making the rental assistance system even more fragmented. The large variation and complexity of the rent policies allowed by the bill would create a major new barrier to voucher holders seeking to move from one community to another. Families may have difficulty understanding what their rent obligations would be under policies that different jurisdictions would adopt, and may not be able to afford to move to areas that provide greater opportunities but use different rent policies. Indeed, local agencies that wish to prevent portability — such as suburban agencies seeking to exclude voucher holders attempting to move from a nearby central city — could deliberately set tenant rents high enough to discourage voucher holders from moving in.

Bill Could Lay Groundwork for Funding Cuts

The rent increases permitted under PROTRRA would on paper be optional for agencies, but there would be a significant risk that enactment of PROTRRA would lead to funding cuts that would in turn place pressure on agencies to adopt rent increases. Each year, Congressional appropriators generally seek to provide adequate funding to cover all vouchers in use. If PROTRRA were enacted, housing agencies would have authority to raise rents to a level that would harm low-income families but would also reduce program costs by billions of dollars per year. It would then be highly likely that the Administration and some members of Congress would argue that federal funding should be cut, since agencies would have broad flexibility to increase rents to avoid or reduce subsidy terminations and help meet the cost of maintaining public housing.

This risk is illustrated by the Trump Administration’s first two budgets, both of which proposed sharp increases in tenant rents and argued that those rent increases would allow program funding to be cut by billions of dollars without reducing the number of families assisted. Similarly, the George W. Bush Administration proposed in its 2004 to 2006 budgets both to cut voucher funding sharply and to convert the voucher program to a block grant that would have given state and local agencies sweeping flexibility to reduce subsidies for families — and at times specifically argued that the new flexibility justified the funding cuts.

If PROTRRA enactment were accompanied or followed by funding cuts, local housing agencies would have to either adopt rent increases or reduce the number of families they assist. As a result, even agencies that do not wish to raise rents on low-income families could feel considerable pressure to do so.

¹³ Raj Chetty, Nathaniel Hendren, and Lawrence Katz, “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment,” *American Economic Review* 106, no. 4 (2016): 855–902.

Conclusion

Thank you again for inviting me to testify today. The nation's rental assistance programs provide highly effective, evidence-based assistance that plays a crucial role in helping millions of low-income people keep a roof over their heads. This subcommittee and committee have been leaders in developing carefully designed legislation — like HOTMA and the Family Self-Sufficiency Act — to strengthen those programs while retaining the core characteristics that have underpinned their success. PRROTRA would move in a very different direction, by instituting radical, untested policies that are likely to harm low-income families and make federal rental assistance more complex and less effective. I look forward to answering your questions and stand ready to support your work to further improve federal rental assistance.



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**Testimony by
 Adrienne Todman
 Chief Executive Officer of the National Association of Housing and Redevelopment
 Officials**

**U.S. House of Representatives
 Committee on Financial Services
 Subcommittee on Housing and Insurance**

**Hearing on HUD's Role in Rental Assistance: An Oversight and Review of Legislative
 Proposals on Rent Reform**

April 25, 2018

Good afternoon, Chairman Duffy, Ranking Member Cleaver and Members of the U.S. House Committee on Financial Services: Housing and Insurance Subcommittee. My name is Adrienne Todman, and I am the CEO of the National Association of Housing and Redevelopment Officials (NAHRO). Thank you for inviting me to testify today on the important topic of rent reform.

This year, NAHRO celebrates its 85th anniversary as a membership organization for the affordable housing and community development industry. In 1933, the founders of NAHRO created the association to address their common concern for the nation's housing needs and were determined to develop programs to address those needs; and that remains our charge today. Our 20,000 members provide homes for more than 7.6 million people across the country in urban, rural, and suburban America.

Rent reform is a concept that has been discussed and debated for decades. The current approach to rent was established in the 1960s. As a response to rent increases in public housing, Senator Edward Brooke passed an amendment which capped public housing rent at 25 percent of a resident's income. In the early 1980s, Congress raised the rental cap to 30 percent. Additionally, Congress provided the option for PHAs to provide their public housing residents with the choice of paying an income-based rent or a flat rent. While income-based rents are a well-intentioned measure, an unintended side effect - especially in times of uncertain and limited federal funding - is that this rent structure deprives housing authorities of the financial support needed to operate and maintain their buildings. This is why operating subsidy is so important to housing agencies.

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While various important rent initiatives were authorized in the Housing Opportunity Through Modernization Act of 2016 (HOTMA), these were not all encompassing, nor did they provide any alternative rent determination structures for PHAs. Rent provisions addressed within HOTMA include:

- The requirement that HUD continue to provide hardship exemptions for housing program participants impacted by minimum rents;
- The elimination of the Earned Income Disregard, which prevented rent increases for tenants who had gained additional income through work;
- The ability to allow agencies to rely on determinations of income conducted for other federal means-tested public-assistance programs; and
- Increases in the standard deduction for households with persons with disabilities or households with the elderly.

While PHAs appreciate Congress's efforts in streamlining the current rent recertification process through HOTMA, most PHAs are still extremely limited in how they are allowed to charge their tenants rent. This significantly limits PHAs' ability to determine rent structures that work best for their communities and the residents they serve.

This week, at our Washington Conference, we asked our members about their thoughts on rent reform.

The Director of the Belding (Mich.) Housing Commission said that “[a]ll agencies, but especially small agencies, need the flexibility and local control to meet the needs of their low-income families and the unique needs of their local community.”

A senior housing official of a Texas housing authority focused on consistency and complexity. He said, “Real rent reform needs to address the two biggest issues with the current system - lack of transparency and consistency, and errors caused by regulatory complexity. A sensible proposal would simplify the calculation while ensuring that the subsidy is adequate for the local market.”

Currently, the only agencies allowed to shape and implement rent reform initiatives are Moving to Work agencies.

The Moving to Work demonstration gives PHAs the flexibility to serve their varied communities by implementing locally designed solutions in an environment free from the red tape and bureaucratic barriers that face most agencies within HUD's regulatory framework. By allowing housers to focus on housing, the program has created several innovative models that HUD has attempted to replicate nationally. Since its implementation in 1996, additional agencies have been added, bringing the current total of Moving to Work agencies to 39. In 2016, Congress authorized an expansion of Moving to Work by an additional 100 agencies.

While some Moving to Work Demonstration PHAs have implemented rent reform, it is important to note that they have done so “gradually and cautiously.”¹ This includes many years of policy development, consensus building, and community and resident buy-in. As these rent reform proposals must be included within the Moving to Work Plan, they must undergo a public comment process allowing community and resident involvement. This acts as a safeguard in ensuring the rent reform policy is appropriate for the community.

It is also critical to note that any rent reform policy be voluntary, so that PHAs and their communities can decide what best works for their residents.

The subcommittee has charged the panel today with answering four questions regarding rent reform.

What safeguards should the Subcommittee consider to ensure that families affected by the legislative proposal will be protected from discrimination or unintentional adverse impacts with the goal of achieving self-sufficiency or greater access to employment or career opportunities?

Moving to Work agencies provide examples for how hardship exemptions can be incorporated into rent reforms and other eligibility requirements. They acknowledge these hardship provisions are critical in ensuring the protection and success of their residents, especially when circumstances arise that are beyond the resident’s control.

According to the *Innovations in the Moving to Work Demonstration* report, one Moving to Work agency, which has a seven-year time limit for all participants, allows for an extension of assistance beyond those seven years due to extenuating circumstances (e.g., medical issues, job availability, under-employment, or histories of participation in other programs). Another Moving to Work agency that has implemented six-year time limits among non-elderly, non-disabled residents has a provision allowing for continued assistance if the residents in question are able to show continued progress toward their goals.

In order to help residents achieve self-sufficiency and give them greater access to employment or career opportunities, many Moving to Work agencies to provide case management services to their residents to ensure their success. Some Moving to Work agencies require program participants to meet with life coaches at least annually to connect residents to resources and track progress on their plan. One Moving to Work agency set up an Achievement Academy, which allows them to refer their clients to case workers who make referrals to group and one-on-one employment training and coaching, financial counseling, benefits screening, and tax preparation. Another Moving to Work agency has a voluntary program where case managers and residents can meet one-on-one and residents can be referred to community services provided by partners. The common theme between all of these Moving to Work agencies is case management.

¹ *Innovations in the Moving to Work Demonstration*, Khadduri et. al., Abt Associates, 2014, p. 45.

Does HUD's current rental housing construct for its main rental assistance programs contribute to an over-reliance on government assistance, making it difficult for low-income families to change their economic circumstances for the better?

According to HUD's Picture of Subsidized Housing dataset, the vast majority of Public Housing Program participants and Housing Choice Voucher recipients are either already working or are households headed by disabled or elderly individuals. Thirty percent of public housing households, 31 percent of Housing Choice Voucher recipients, and 19 percent of Project-Based Voucher recipients had wages as a major source of income. Sixty-three percent of public housing households, 61 percent of Housing Choice Voucher households, and 81 percent of Project-Based Voucher households were headed by an individual with a disability age 61 or younger, or were headed by an individual age 62 or older. Just four percent of Public Housing Program participants and four percent of Housing Choice Voucher recipients include some form of welfare assistance as a major source of income, while only three percent of Project Based Voucher recipients do.

What steps can policymakers take to ease regulatory burdens on housing providers, residents, and property owners when implementing rental housing assistance?

As in many policy areas, increased regulatory burdens have had an adverse impact on the ability of affordable housing providers to maximize their dollars spent to provide safe and decent affordable housing to households. In these times of maximizing limited resources, a streamlined regulatory environment is necessary to ensure as much money as possible is being spent toward housing families, as opposed to complying with regulations with dubious benefits.

Although regulatory streamlining will help, no amount of regulatory streamlining will make up for the extremely deep cuts to programs that help support our nation's most vulnerable people and help to develop and revitalize communities. While NAHRO is committed to regulatory reform, NAHRO notes that this reform does not replace the need for adequate funding for these essential programs.

Some key regulatory reforms include:

Reduced Reliance on Guidance - NAHRO laments HUD's excessive reliance on guidance documents. Many of these documents have the same effect as regulation and are given deference by local courts, but have not gone through the informal rulemaking process. The informal rulemaking process guarantees that all HUD stakeholders have the opportunity to comment on the rules that affect them and the families they serve.

Annual and Interim Income Recertifications - Annual and Interim Income recertifications, while necessary under the current rent structure, are time consuming. *The Housing Choice Voucher Administrative Fee Study* found that ongoing occupancy activities are a category of activities that take the greatest amount of time. According to the study, on average, housing agency staff spend half their time performing this task. While the study only looked at the Housing Choice Voucher Program, NAHRO and its

membership believe that these interim income recertifications are similarly time consuming for the Public Housing Program.

Income Targeting - Although the intention of income targeting is admirable, many housing agencies find it to be a burdensome process that results in wasted time for both housing agency administration and the applicants themselves. Often applicants do not list all sources of income and assets accurately on their applications. As such, when a housing authority pulls an applicant from the waiting list, PHA staff spend upwards of two hours per applicant for intake and eligibility, ensuring all necessary income and assets are correctly listed. PHAs routinely have to place applicants back on the waiting list if those applicants ultimately do not meet the income targeting requirement, which is often determined during the intake process. This requires PHA staff to spend time explaining the purpose of income targeting to the applicant, and can even result in an applicant quitting their place of employment in order to become eligible. Ultimately, this defeats the purpose of income targeting. According to our members, applicants have complained of expending valuable time and resources obtaining copies of requested documentation needed for the eligibility process. Housing agencies should be able to pull applicants from their waiting list in a way that best addresses local housing concerns.

Please find a longer list of our recommendations attached to my testimony. (See attached NAHRO Regulatory Reform Letter, June 14, 2017.)

Do housing providers have the flexibility and choice to structure rent calculations and programs that work best with their local priorities and families they serve?

Although most housing agencies are limited in their ability to structure rent calculations, one existing 22-year old demonstration program has provided a handful of housing agencies with the ability to create policies and programs that work best with the communities and families they serve. As noted earlier in this testimony, Moving to Work agencies are allowed to obtain exemptions from many regulatory and statutory provisions that apply to the Public Housing and Housing Choice Voucher Programs with HUD approval. This allows these agencies to craft and structure policies with input from their local communities to best address local priorities and the families they serve.

A report by the Public and Affordable Housing Research Corporation (PAHRC) and Abt Associates found that Moving to Work agencies “tend to outperform their peers on outcomes related to the goals of the Moving to Work program such as self-sufficiency and housing choice.”²

NAHRO was extremely pleased that the 2016 Consolidated Appropriations Act authorized HUD to expand the Moving to Work demonstration program by an additional 100 high-performing housing agencies over a period of seven years. This is a step in the right direction. NAHRO has

² Testing Performance Measures for the Moving to Work Program, Buron et. al., PAHRC, Abt Associates, 2017, pgs. 6 - 7.

long called for meaningful expansion of the Moving to Work demonstration and is deeply supportive of Congress's efforts to move the expansion forward.

Many of the proposed rent determination methods included within this legislation were tested and proved effective at Moving to Work agencies across the country. Although rent reform would provide housing agencies with additional flexibility and choice to structure rent determinations that work best with their local priorities and the families they serve, allowing all housing agencies interested in joining the Moving to Work Demonstration would be even more impactful, given their ability to use resources to help families become successful.

Thank you, Chairman Duffy for inviting me to testify today. I am happy to answer any questions you may have.



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June 14, 2017

Regulations Division
 Office of General Counsel
 Department of Housing and Urban Development
 451 7th Street, SW, Room 10276
 Washington, DC 20410-0500

Re: [Docket No. FR-6030-N-01] Reducing Regulatory Burden; Enforcing the Regulatory Reform Agenda Under Executive Order 13777¹

To Whom It May Concern:

On behalf of the National Association of Housing and Redevelopment Officials (NAHRO), we would like to offer the following comments to the United States Department of Housing and Urban Development (HUD or the Department) in response to the notice of information collection (FR-6030-N-01) titled "Reducing Regulatory Burden; Enforcing the Regulatory Reform Agenda Under Executive Order 13777" published in the *Federal Register* on May 15, 2017.

Formed in 1933, NAHRO represents over 23,000 housing and community development individuals and agencies. Collectively, our members manage over 970,000 public housing units, 1.7 million Housing Choice Vouchers, and receive over \$1.5 billion in Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) Program funding to use in their communities. NAHRO is unique in our ability to represent Public Housing Agencies, Local Redevelopment Agencies, and other HUD grantees of all sizes and geography.

NAHRO would like to begin by noting that we are disappointed in the Administration's fiscal year (FY) 2018 HUD budget proposal. No amount of regulatory streamlining will make up for the extremely deep cuts to programs that help support our nation's most vulnerable people and help to develop and revitalize communities. While NAHRO is committed to working with the Department on regulatory reform, NAHRO notes that this reform does not replace the need for adequate funding for these essential programs.

Like in many policy areas, increased regulatory burdens have had an adverse impact on the ability of affordable housing providers to maximize their dollars spent to provide safe and decent affordable housing to households. Previous research "investigating the relationship between federal regulation and macroeconomic performance" has found that regulations cause reductions in the growth rate of output and total factor productivity.² In these times of maximizing limited resources, a streamlined regulatory environment is necessary to ensure as much money as possible is spent toward housing families, as opposed to complying with regulations with dubious benefits.

¹ All citations are informal.

² Dawson, J. and Seater, J. (2013, January), Federal Regulation and Aggregate Economic Growth. (<http://www4.ncsu.edu/~jjseater/regulationandgrowth.pdf>)

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NAHRO has identified many regulations that would make good candidates for streamlining. Potential reasons to streamline these regulations include the following:

- (a) The regulation results “in the elimination of jobs, or inhibits job creation”;
- (b) The regulation is “outdated, unnecessary, or ineffective”;
- (c) The regulation imposes “costs that exceed benefits”; or
- (d) The regulation creates a “serious inconsistency or otherwise interferes with regulatory reform initiatives and policies.”³

We have done our best to be thoughtful in our commentary so that HUD can be certain that our regulations have been picked with one of the rationales listed above. Additionally, to the extent that there are any recommended changes that will require statutory changes, NAHRO recommends including them as policy provisions in future HUD budgets or working with Congress to streamline HUD programs legislatively.

We would also like to emphasize that this list is non-exhaustive. We view this as the start of a conversation between the Department and NAHRO. Given the limited time to compile this list, NAHRO expects to identify additional avenues for further regulatory streamlining, which we will share with the Department.

This comment letter is organized into three sections: Public Housing and Section 8 recommendations; Community Planning and Development; and recommendations on cross-cutting programs and initiatives. Within each major section are topic headers with NAHRO’s recommendation on each topic.

NAHRO thanks the Department for its willingness to work on this critical issue. We look forward to working together to make sure that every dollar allocated by the federal government is used efficiently towards housing and not towards compliance with certain unwarranted regulations.

³ 82 Fed. Reg. 22,346.

Public Housing Program and Housing Choice Voucher Program Recommendations

Capital Fund, Section 30

Reason(s) for regulatory streamlining: (a), (b) and (d).

The Quality Housing and Work Responsibility Act of 1998 (QHWRA) added Section 30 to the U.S. Housing Act of 1937, authorizing PHAs “to mortgage or otherwise grant a security interest in any public housing project or other property of the public housing agency.” More than ten years later, in 2011, HUD published a notice governing the Public Housing Mortgage Program (PHMP) through Section 30.⁴ At the time, NAHRO urged HUD to make major changes within the proposed notice which would significantly increase the accessibility and utility of the program. The difficulty in utilizing the PHMP and the unpredictable nature of public housing capital and operating funds have effectively limited the ability of PHAs to utilize the PHMP. A significant percentage of the nation’s public housing stock is currently in a precarious financial and physical situation. The ability to leverage the asset value under Section 30 to address these concerns is important and would create an additional and badly needed mechanism to address the current backlog of capital needs, helping preserve public housing for future generations.

Currently, HUD prohibits the subordination of the so-called “federal interest” in public housing dwelling units. Placing the declaration of trust in first lien position however destroys the value of the public housing real estate as collateral and severely reduces the potential utility of the PHMP. We believe that in any transaction in which public housing is a substantial portion of the collateral, lender interest in participating in this program will be very limited. HUD should unlock the value of public housing properties by subordinating the declaration of trust for PHAs that opt to use the PHMP thus allowing them to raise the capital necessary for renovations.

Demolition and Disposition, Section 18

Reason(s) for regulatory streamlining: (a), (b) and (c).

Current “guidance” issued by the Department in the form of Notice PIH 2012-7 severely limits, and in some situations, effectively prohibits PHAs from demolishing or disposing of public housing as otherwise authorized by Section 18 of the U.S. Housing Act of 1937. We believe the Notice itself is invalid under federal rulemaking requirements since HUD is using it to establish substantive rules, which may only be made through actual regulations. Further, the Notice is clearly inconsistent not only with HUD’s existing regulations but with the statute itself.⁵ In 2014, HUD issued a proposed rule which would codify the provisions of the Notice in an effort to conform HUD’s demolition/disposition regulations to the Notice. However, HUD has not followed up on the proposed rule and, more importantly, the proposed rule was also inconsistent with the law.

Fundamentally, the problem with HUD’s Notice, proposed rule, and general policy on demolition/disposition is that they ignore clear congressional intent to leave demolition/disposition decisions to the discretion of PHAs and the local planning process in determining when demolition/disposition is in the best interests of the residents and the community instead of having HUD second-guess those decisions by inappropriately applying an “obsolescence” standard and other federal requirements. In addition, there are other policy decisions embedded in HUD’s demolition/disposition oversight that are not even included in the Notice, much less the regulations or statute. The most egregious is that HUD will only approve some applications if the PHA agrees to build back the same number of public housing units on a one-for-one basis even though that requirement was repealed by Congress in 1998.

We feel very strongly that the Notice, proposed regulations, and other HUD policies depart significantly from the governing statute and Congressional intent for demolition/disposition. Moreover, a Federal District Court has agreed with this general assessment.⁶ Should HUD not revise its policies, then similar cases will be the only remedy left to PHAs. Finally, not only are HUD’s policies inconsistent with law and Congressional intent, they actually interfere

⁴ See Notice PIH 2011-30.

⁵ See 24 CFR Part 970.

⁶ *Housing Authority of Snohomish v. U.S. Department of Housing and Urban Development*, No. C13-1791RAJ, 2014 WL 4352192 (W.D. Wash. Sept. 2, 2014).

with the mutual goal that PHAs and HUD have of improving affordable housing opportunities for low-income families.

Interim Income Recertifications

Reason(s) for regulatory streamlining: (c).

Income recertifications, while necessary, are time consuming. *The Housing Choice Voucher Administrative Fee Study* found that ongoing occupancy activities are a category of activities that take the greatest amount of time.⁷ According to the study, on average, PHA staff spent half their time on this category of activity.⁸ Within this category, annual and interim recertifications took up three quarters of the time used for ongoing occupancy activities. Of the 409 minutes of time per voucher per year that were spent on ongoing occupancy activities, interim recertifications took 87 minutes.⁹ While the study only looked at the Housing Choice Voucher Program, after consulting with our membership, NAHRO believes that these interim income recertifications are similarly time consuming for the Public Housing program as well.

NAHRO believes that HUD should investigate avenues to reduce the time taken to complete interim recertifications in both the Housing Choice Voucher and Public Housing Programs. NAHRO supports having exemptions for hardships that are through no fault of the families (e.g., death of an income earner, disability of an income worker, layoff from work at no fault to the family, etc.).

Annual Income Recertifications

Reason(s) for regulatory streamlining: (c).

Income recertifications, while necessary, are done in an inefficient way. *The Housing Choice Voucher Administrative Fee Study* found that ongoing occupancy activities are the category of activities that take the greatest amount of time.¹⁰ According to the study, on average, PHAs staff spent half their time on this category of activity.¹¹ Within this category, annual and interim recertifications took up three quarters of the time used for ongoing occupancy activities. Of the 409 minutes of time per voucher per year that were spent on ongoing occupancy activities, annual recertifications took 225 minutes.¹² While the study only looked at the Housing Choice Voucher Program, after consulting with our membership, NAHRO believes that these annual income recertifications are similarly time consuming for the Public Housing program as well.

NAHRO believes that one way to effectively reduce this regulatory burden in half is to make income recertifications, which are currently done annually, to be performed biennially. This will spread the work over a time horizon of two years instead of one year, and will allow a significant reduction in the administrative burden on PHAs.

Moving to Work Demonstration (MTW)

Reason(s) for regulatory streamlining: (a), (c) and (d).

NAHRO was extremely pleased that the 2016 Consolidated Appropriations Act (the 2016 Act) authorized HUD to expand the MTW Demonstration program by an additional 100 high performing PHAs over a period of seven years. NAHRO has long called for meaningful expansion of the MTW Demonstration and is deeply supportive of Congress's efforts to move the MTW Demonstration expansion (the MTW expansion or the expansion) forward. PHAs that participate in the MTW Demonstration enjoy broad funding flexibility and may experiment with alternative program structures to better serve their communities.

⁷ Abt Associates (2015, August), *Housing Choice Voucher Administrative Fee Study*, p. 67. (https://www.huduser.gov/portal/publications/pdf/AdminFeeStudy_2015.pdf.)

⁸ *Housing Choice Voucher Administrative Fee Study*, p. 66.

⁹ *Housing Choice Voucher Administrative Fee Study*, p. 72.

¹⁰ *Housing Choice Voucher Administrative Fee Study*, p. 67.

¹¹ *Housing Choice Voucher Administrative Fee Study*, p. 66.

¹² *Housing Choice Voucher Administrative Fee Study*, p. 72.

The Operations Notice for the Expansion of the Moving to Work (MTW) Demonstration Program Solicitation of Comment (Operations Notice or MTW Expansion Operations Notice) establishes the requirements for the implementation and continued operations of the MTW Demonstration program pursuant to the MTW expansion statute. Although NAHRO acknowledges HUD's requirement to evaluate specific policy interventions, this Operations Notice is entirely too restrictive for PHAs to reap the benefits of the flexibilities inherent in the current MTW Demonstration. The draft Operations Notice contains far too many conditional waivers without providing any transparency in the approval process. Furthermore, there are significantly fewer waivers available in the Operations Notice than waivers available for current MTW agencies. As the background section in the Operations Notice states, "MTW agencies use the opportunities presented by MTW to better address local housing needs." HUD's top-down approach alongside the restrictions, limitations, and conditions contained in this draft Operations Notice will make it extremely difficult for PHAs to make decisions at the local level to address local housing needs and meet the statutory objectives of the MTW Demonstration.¹³

Furthermore, many of the regulatory program waivers provided to existing MTW agencies have shown the benefits and successes of regulatory streamlining. These proven regulatory waivers should be applied by HUD to all PHAs in order to maximize efficiency and local control of the programs. HUD should further request that Congress provide statutory changes based on proven MTW successes that would allow flexibility of funding and program operation.

Voluntary Small Area Fair Market Rents (FMRs)
Reason(s) for regulatory streamlining: (b) and (c).

The Department should make the use of Small Area FMRs voluntary in all areas throughout the country.

NAHRO strongly believes that the mandatory imposition of Small Area FMRs has the potential to financially burden many future program participants as certain zip codes will see their FMRs decline. While NAHRO appreciates HUD's commitment to "monitoring the progress of use of Small Area FMRs in addressing high levels of voucher concentration" to test "the core hypothesis . . . that this will significantly expand the ability of [Housing Choice Voucher] holders to access housing in neighborhoods with high-quality schools, low crime rates, and other indicators of opportunity," NAHRO does not believe that a policy that has the potential to have such a large deleterious effect on the lives of hundreds of thousands of people should be implemented as an experiment.¹⁴ Given the large number of people that the imposition of Small Area FMRs would effect, it is too early to implement this policy without further empirical evidence of its effects.

Furthermore, NAHRO does not believe that the Small Area FMRs represent accurate on-the-ground rental market prices. The accuracy of Small Area FMRs is a function of the underlying data set and the methodology used to convert the data set to the FMRs. The source of the data remains outdated. Despite improvements to the methodology, including adopting a "forward trending" methodology, this change was not drastic enough to create fully accurate FMRs, and therefore Small Area FMRs still lag behind rental markets.

Additionally, NAHRO has concerns about how the mandatory imposition of Small Area FMRs on certain metropolitan areas will increase the administrative burden of PHAs in those regions. Increased administrative burden is functionally similar to a decrease in funding, meaning that PHAs will be less able to efficiently serve program participants and will have a smaller positive impact on their communities.

¹³ See NAHRO's previous letters on the MTW Expansion Operations Notice. (http://www.nahro.org/sites/default/files/searchable/NAHRO_MTW%20Expansion%20Operations%20Notice%20Solicitation%20of%20Comments.pdf) (http://www.nahro.org/sites/default/files/searchable/NAHRO_Comments_MTW%20Expansion%20Operations%20Notice_June%202017_2.pdf)

¹⁴ 81 Fed. Reg. 39,226.

To avoid these adverse consequences, and to facilitate making the rule voluntary as quickly as possible, NAHRO recommends a two-step process. First, HUD should publish a notice in the *Federal Register* that makes a determination to suspend mandatory implementation of Small Area FMRs in currently mandatory areas.¹⁵ Second, HUD should re-open rulemaking for the Small Area FMR rule so that its text can be amended to make it voluntary.¹⁶

Income Targeting

Reason(s) for regulatory streamlining: (b) and (c).

Although the intention of income targeting is admirable, many PHAs find it to be a burdensome process that results in wasted time for both PHA administration and the applicants themselves.¹⁷ Often applicants do not list all sources of income and assets accurately on their applications. As such, when a housing authority pulls an applicant from the waiting list, PHA staff spend upwards of two hours per applicant for intake and eligibility, ensuring all necessary income and assets are correctly listed. PHAs routinely have to place applicants back on the waiting list if those applicants ultimately do not meet the income targeting requirement, which is often determined during the intake process. This requires PHA staff to spend time explaining the purpose of income targeting to the applicant, and can even result in an applicant quitting their place of employment in order to become eligible, ultimately defeating the purpose of income targeting to being with. According to our members, applicants have complained of wasting their time and resources obtaining copies of requested documentation needed for the eligibility process. PHAs should be able to pull applicants from their waiting list in a way that makes sense at the local level to best address local housing concerns.

Uniform Physical Condition Standards - Voucher (UPCS-V)

Reason(s) for regulatory streamlining: (c) and (d).

The Department is currently in the early stages of a Demonstration program for testing the Uniform Physical Condition Standards - Voucher (UPCS-V), the unit inspection protocol that the Department hopes will supersede the current Housing Quality Standards (HQS) for the Housing Choice Voucher Program. As mentioned in a joint letter signed on by industry groups, implementation of a new physical inspection standard in the HCV program is imprudent and could have serious and far-reaching consequences to the voucher program as a whole. Potential consequences could include, but are not limited to the following: decreased housing choice for residents, loss of landlords to the HCV program and increased costs to both PHAs and residents. For example, significantly expanded inspectable items under UPCS-V will increase the likelihood that a large number of available, affordable rental units in the current market will become unavailable to voucher participants, either as a result of a higher percentage of failed units, or a lack of desire for landlords to continue to participate in the program as a result of the increased inspection requirements.

If HUD insists on completing the new protocol, then NAHRO suggests that HUD keep track of the average time of inspections using the new protocol and make sure that the new protocol's average time is less than the average time of inspections under the current HQS protocol. Making sure that inspections are easily and quickly completed should be one of the primary goals of the UPCS-V Demonstration. HUD should reject any protocol that results in a more burdensome inspections process or a process that takes longer to complete than the current HQS process.

¹⁵ See 24 C.F.R. § 888.113(c)(4)(iii).

¹⁶ See NAHRO's previous letter on making Small Area FMRs voluntary.

(<http://www.nahro.org/sites/default/files/searchable/NAHRO-Letter-SAFMR-Voluntary-Final.pdf>)

¹⁷ See 24 CFR §§ 982.201 and 24 CFR 960.202.

Public Housing Assessment System (PHAS)

Reason(s) for regulatory streamlining: (b) and (d).

The Public Housing Assessment System (PHAS) is one of the primary means by which HUD measures the performance of PHAs.¹⁸ Although NAHRO believes in adequate oversight of the Public Housing program, PHA scores have suffered as a result of the dramatic funding cuts to both the Public Housing Operating Fund and Capital Fund. These cuts have made it increasingly impossible for PHAs to receive high performer status through no fault of their own. As such, NAHRO recommends suspending non-statutory PHAS compliance until funding meets actual need and makes scores advisory only.

Beyond funding concerns faced by PHAs, NAHRO has also expressed a broad range of concerns about the Interim PHAS rule, especially in regard to the structure of the Capital Fund indicator.¹⁹ A total of 10 points are available for this indicator, which is scored at the PHA portfolio level. Five points are allocated to timely obligation of funds, with PHAs that obligate at least 90 percent of their funds within 24 months receiving full points. Agencies failing to reach this threshold receive no points. The remaining five points are assigned to a sub-indicator that measures the overall occupancy rate. Agencies with occupancy at or above 96 percent receive the full five points, those with occupancy between 93 and 96 percent receive two points, and those below 93 percent receive no points.

NAHRO remains troubled by the threshold structure of the Capital Fund indicator, which creates an artificial tie between the timely obligation and occupancy sub-indicators. To bar a PHA from receiving points for one sub-indicator based on a failure to perform adequately on the other is inherently illogical and unfair. PHAs should not be able to lose more points than they can gain under any sub-indicator. Such a structure creates a double jeopardy situation and muddles the picture of performance which the assessment is intended to create.

Furthermore, NAHRO continues to be concerned about the flawed construction of the Capital Fund occupancy indicator. By penalizing PHAs for vacancies considered “allowable” under the Operating Fund regulations, the PHAS rule creates an inherent policy contradiction which PHAs must navigate. Furthermore, by using a point-in-time snapshot approach to data gathering rather than truly measuring what happened during the course of the year, HUD is relying on an imprecise measurement. HUD has reinstated points allocated to the occupancy sub-indicator of the Capital Fund for all PHAs that received points for the timeliness of obligation sub-indicator in past years. Instead of continuing to retroactively reinstate Capital Fund Indicator points for the occupancy sub-indicator, we urge HUD to remove the sub-indicator entirely.

Additionally, in any reform of PHAS, HUD should make sure that the basis for all requirements is based on data that HUD already collects. It should not add any new collection requirements or surveys for PHAs.

Central Office Cost Center (COCC)

Reason(s) for regulatory streamlining: (a), (b) and (c).

Asset Management Fees: HUD limits the fees PHAs are permitted to charge to each asset management property. These limitations were set by HUD, contrary to the outcome of the negotiated rulemaking process, as one-size-fits-all dollar amounts, rather than locally determined “reasonable” levels.²⁰ HUD should remove these fixed dollar caps and allow PHAs to set their fees based on reasonable factors related to their individual operating environments.

Re-federalizing COCC dollars: A 2014 report from HUD’s Office of Inspector General (OIG) recommended that HUD “re-federalize” fee revenues that PHAs’ COCCs have earned since they began implementing asset management. HUD and industry groups responded by noting the government-wide effort, under the direction of the Office of Management and Budget (OMB), to use fee-for-service models whenever appropriate to incentivize efficient program management and operations. The program office noted that no federal restrictions are placed on how recipients may use management fees earned as a result of participation in HUD’s multifamily programs or on

¹⁸ See Notice PIH 2011-13.

¹⁹ See 24 CFR Parts 901, 902, and 907.

²⁰ See 71 Fed. Reg. 52,710.

development fees earned from tax credit properties.

Regardless, on April 1, 2016, HUD issued a letter informing PHAs that they had come to an agreement with the OIG, and that HUD will begin a rulemaking process to re-federalize fees paid into the COCC. Re-federalizing fees earned by PHAs through asset management may penalize PHAs that have spent significant resources switching to asset management and have managed their finances appropriately and in line with the law and HUD guidance. PHAs would be treated differently than other contractors of the federal government, reflecting a fundamental misunderstanding of the relationship between HUD and PHAs. Re-federalizing fees will significantly impact PHAs' ability to use fee--based revenues to pursue affordable housing developments outside of public housing and Section 8 programs, greatly decreasing their ability to meet the needs of their communities, especially in this time of limited funding. This could increase the possibility of the recapture of these funds, resulting in negative repercussions for long--term PHA financial planning.

Small Public Housing Agency Opportunity Act of 2016 Provisions

Reason(s) for regulatory streamlining: (b), (c) and (d).

NAHRO encourages HUD to examine the Small Public Housing Agency Opportunity Act of 2016 (known as "SPHAOA" or "SHARP" from a previous iteration of the bill) which was introduced in the 114th Congress.²¹ SPHAOA would significantly ease administrative burdens and increase program flexibility available to smaller PHAs operating the Public Housing program, the Housing Choice Voucher program, or both. NAHRO also recommends examining the legislative language to see which provisions can be implemented via regulation, and incorporating those provisions that require statutory changes as policy provisions in future proposed budgets.

Provisions from the proposed legislation would benefit residents; local housing authorities; HUD (by having to provide less time-consuming extraneous regulatory oversight); and the federal government generally.

Instituting Smoke-Free Public Housing

Reason(s) for regulatory streamlining: (c).

NAHRO and its members understand the benefits of smoke-free public housing. Although NAHRO encourages its members to consider implementing smoke-free policies for federally assisted housing units, the decision to do so is best left to the discretion of individual PHAs. For this reason, NAHRO recommends suspending the "Instituting Smoke-Free Public Housing" Final Rule.²² Local flexibility in drafting smoke-free policies is critical for successful implementation. Many of our members have already implemented smoke-free policies of their own volition through mechanisms that make sense for the communities they serve. NAHRO is concerned that a one-size-fits-all approach would encroach upon these established policies that have proven effective, and would remove the flexibility inherent in the crafting of these policies that made them effective in the first place. The final rule would also remove local flexibility for PHAs drafting new smoke-free policies, making them less effective and more difficult to enforce. PHAs are best equipped to institute practical policies to protect resident health based on previous guidance from HUD and local knowledge. NAHRO is concerned that the final rule does not provide PHAs enough flexibility to effectively accomplish this, creating significant enforcement and logistical concerns for PHAs. NAHRO is also concerned that this unfunded rule will increase administrative burdens for PHAs during a period of historically low funding for the public housing program. This creates significant impediments to implementing and enforcing new, unfunded regulations.²³

²¹ The bill, introduced in the 114th Congress, is H.R. 4816. (<https://www.congress.gov/bills/114th-congress/house-bill/4816/text?q=%7B%22search%22%3A%5B%22H.R.+4816%22%5D%7D&r=1>.)

²² See 24 CFR Parts 965 and 966.

²³ See NAHRO's previous letter on the "Instituting Smoke-Free Public Housing" Final Rule. (http://www.nahro.org/sites/default/files/searchable/NAHRO%20Comments_Instituting%20Smoke-Free%20Public%20Housing%20Proposed%20Rule_FINAL.pdf).

Inventory Management System / PIH Information Center (IMS/PIC)

Reason(s) for regulatory streamlining: (c).

Due to the extreme burden caused by technical issues and “fatal errors” that occur in PIC, NAHRO requests that HUD finalize and release PIH Information Center – Next Generation (PIC-NG) as quickly as possible.

Environmental Reviews

Reason(s) for regulatory streamlining: (a) and (c).

On December 5, 2016, HUD released Notice PIH 2016-22 (HA) titled “Environmental Review Requirements for Public Housing Agencies.” The requirement to secure environmental clearance prior to initiating activities for federally-assisted housing directly supports HUD’s goal to provide decent, safe, and sanitary affordable housing. However, Moving to Work (MTW) agencies do not have the flexibility to environmental review requirements and must receive environmental clearance prior to any acquisition or physical activities including locally funded activities if the site will receive HUD funding at any point in the future and prior to obligating MTW Block Grant funding. NAHRO believes the MTW agencies should have the flexibility to the review requirements.

Also, within the Notice the term “maintenance” is defined differently for environmental clearance than for PIH’s Capital Fund and Operating Fund programs. For environmental review purposes, maintenance activities slow or halt deterioration of a building and do not materially add to its value or adapt it to new uses. Minor repairs and replacements are considered operating expenses in accordance with section 9(g) of the United States Housing Act of 1937. NAHRO strongly encourages HUD to quickly promulgate the flexibility of capital funds and operating funds to expedite the necessary maintenance.

Furthermore, in order to streamline the reporting process, PHAs should be exempt from environmental reviews for minor repairs and replacements, if the total development cost is under \$150,000. This number should be indexed to the small purchase threshold value located at 2 CFR Part 200. This small purchase threshold value is indexed to inflation.

Community Service and Self-Sufficiency Requirement

Reason(s) for regulatory streamlining: (b) and (c).

Although a statutory requirement, NAHRO suggests that HUD examine the community service and self-sufficiency requirements to find ways that it can be made less onerous for PHAs to implement.²⁴ The community service and economic self-sufficiency requirements state that adult program participants that do not have an exemption are required to complete eight hours of community service or participate in eight hours of a self-sufficiency program. Certain individuals, including those who are employed or persons with disabilities, are exempt from these requirements.

There are two things that HUD can do to ease the regulatory burden for this provision. First, HUD can suggest statutory changes in its next proposed budget to make compliance with these requirements optional for PHAs. Second, as the regulations are currently written, residents may not work at their PHAs doing work that is ordinarily performed by a PHA employee. PHAs should have the option to allow residents to volunteer in any capacity in the PHA to fulfill their community service and self-sufficiency requirements.²⁵ This would allow for easier compliance with the requirements and would provide additional opportunities for tenants.

²⁴ See 42 U.S.C. § 1437j(c).

²⁵ See 24 C.F.R. § 960.609.

Earned Income Disregard

Reason(s) for regulatory streamlining: (c).

The Earned Income Disregard (EID) allows a program participant who receives an increase to his or her income to keep all of that increase, instead of providing additional rent for 24 straight months.²⁶ While NAHRO supports the idea of incentivizing work and finds that it is beneficial to families, the EID is cumbersome to administer, even after the changes made in HUD's streamlining rule, requiring significant resources disproportionate to the benefit that it provides.

For these reasons, NAHRO recommends that the EID be made optional, so that it is implemented only by those program administrators that wish to. Additionally, if a program administrator chooses not to implement the EID and HUD moves toward biennial income recertifications and adopts a method to streamline interim recertifications, then there will naturally be a period when a program participant can keep additional earned income. Thus, the incentive to work remains strong, while the administrative burden has been eliminated.

Section 8 Management Assessment Program - SEMAP

Reason(s) for regulatory streamlining: (b) and (c).

Given the potential future fiscal constraints on the Housing Choice Voucher Program, NAHRO recommends that the Department suspend SEMAP ratings for the purpose of sanctions until such time as administrative fees are restored to fully-funded or near fully-funded levels.²⁷ Until that time, HUD should provide PHAs with SEMAP scores that are purely advisory. Any PHA with a "troubled" SEMAP rating should remain subject to its Corrective Action Plan, but special consideration should be given to those PHAs regarding their ability to meet deadlines established under such plans.

NAHRO also recommends that the Department temporarily modify or suspend the following SEMAP requirements to reflect the capacity of agencies under reduced funding levels:

- Lengthen deadlines for property owners' correction and PHAs' verification, of "minor" housing quality deficiencies other than exigent health and safety violations;
- Suspend sanctions for failure to use at least 90 percent of vouchers or funding;
- Suspend requirements to expand housing choice outside concentrated areas of poverty; and
- Suspend requirements to enroll families in the family self-sufficiency (FSS) program and to help FSS families achieve increase in employment income.

Additionally, in any reform of SEMAP, HUD should make sure that the basis for all requirements is based on data that HUD already collects. It should not add any new collection requirements or surveys for PHAs.

Rent Reasonableness

Reason(s) for regulatory streamlining: (b) and (c).

HUD should investigate scenarios where rent reasonableness analysis is not necessary and make exceptions for those areas. For example, currently, the Small Area FMR final rule requires rent reasonableness reviews when Small Area FMRs decrease by ten percent.²⁸ NAHRO suggests that rent reasonableness not be required when PHAs are using Small Area FMRs. NAHRO also suggests that rent reasonableness not be required when the PHA is operating in a tight rental market (e.g., an area with a less than 5 percent vacancy rate). In these conditions, just finding a unit within the payment standard is difficult. There is no need to require the additional work of a rent reasonableness analysis. NAHRO invites HUD to investigate other scenarios where rent reasonableness analysis is superfluous.

²⁶ See 24 C.F.R. §§ 5.617, 960.255.

²⁷ See 24 C.F.R. Part 985.

²⁸ 81 Fed. Reg. 80,575.

Utility Allowances

Reason(s) for regulatory streamlining: (c).

As has been NAHRO's long held position, HUD should publish the utility data it has when it calculates FMRs.²⁹ PHAs should be able to have the option of either looking to this data when calculating their utility allowances or making a utility determination themselves. HUD should complete a holistic review of utility allowances to see how else the process can be streamlined.

Executive Compensation Reporting

Reason(s) for regulatory streamlining: (c).

NAHRO understands HUD's statutory requirement to collect information on salary and bonuses from the top management and financial official as well as the highest paid employee outside of those roles at all PHAs. However, NAHRO remains concerned about the usefulness and relevance of this data collection and its implications regarding the value and merit of operating a PHA, an increasingly difficult and understaffed job.

NAHRO remains concerned that HUD does not understand the unique differences that exist between PHAs nationally that impact their overall operation. Although using a standardized drop-down menu of titles streamlines the form and allows the Department and others to more easily analyze executive compensation data, it erases meaningful differences among executive roles at varying PHAs. HUD Form 52725 places top management and financial officials into specific categories that often minimize additional roles they may be required to fill at their PHA. For example, this categorization obfuscates the difference between Executive Directors who have only a single set of responsibilities and those who have multiple titles. It also muddles distinctions between management officials whose sole responsibility lies with a PHA and city or county executives who have little to do with a PHA that is a component of a unit of the local government. The tasks and duties of each top management and financial official are not the same at every PHA across the country. PHA salaries should be allowed to reflect additional roles and tasks required of management and financial officials that may not be necessary at every PHA. An arbitrary cap on salaries and bonuses detracts from a PHA's ability to do this.

NAHRO would also like to take this opportunity to remind HUD that given the organizational and governance structures of PHAs, a database of salary and benefit information removed from the context of PHA size and location creates a false impression of comparability between PHAs. Without providing information regarding the job markets in which PHAs are located, the responsibilities included in each position, the seniority and experience level of the employee, the total budgets each PHA manages (including Public Housing, Voucher programs, Project-Based Section 8 Multi-family Housing Assistance, Low-Income Housing Tax Credits, Section 202, Shelter-Plus Care, state and locally-funded housing and homeless programs, other unrestricted general funds, etc.), such a database is ripe for exploitation and misinterpretation, thus running entirely counter to HUD's justification of transparency and accountability.

²⁹ See NAHRO's previous comment letter on FMRs. (http://www.nahro.org/sites/default/files/searchable/Comment-Proposed_FY_2016_FMRs_Final.pdf.)

Community Planning and Development Recommendations

Consolidated Plan Process

Reason(s) for regulatory streamlining: (b) and (c).

On December 16, 2016, HUD's Office of Community Planning and Development (CPD) published a final rule that adds the concepts of broadband access and vulnerability to natural hazard risks to the Consolidated Plan's existing housing market analysis requirements, as well as the consultation and citizen participation requirements. According to HUD, this rule seeks to "promote a balanced planning process that more fully considers the housing, environment, and economic needs of communities." NAHRO recommends³⁰ the removal of natural hazard risks analysis from the consolidated planning process at 24 C.F.R. Part 91 for states³¹ and local governments³², since this type of analysis is outside the scope of the CPD formula grant programs' activities, and agencies that are responsible for submitting the Consolidated Plan do not have the administrative authority to assess and mitigate risks from natural disasters.

HOME Investment Partnerships Program (HOME)

Reason(s) for regulatory streamlining: (a), (b) and (c).

CHDO Definition: HUD's 2013 HOME Final Rule³³ changed the Community Housing Development Organization (CHDO) definition³⁴ and implemented new qualification and capacity requirements that are stricter than statute. Now non-profit 501(c)(3) organizations cannot operate as they were allowed under federal law, which includes allowing them to contract out for consulting services, share staff, and work with volunteers and donated services. While NAHRO understands HUD's interest in ensuring that grantees have demonstrated capacity, we believe that the overly restrictive CHDO definition will take away options to develop affordable housing by eliminating many, if not most, of the smaller and rural CHDOs which were operating under these allowances until the final rule was established. CHDOs are now being forced to hire employees to carry out what CHDOs had previously been accomplishing through other legitimate means, at a time when HOME funding levels are at an all-time low and appear to be further decreasing, leaving a very limited administrative budget.

Prohibition of PHAs Acting as CHDOs: NAHRO disagrees with HUD's prohibition of PHAs acting as CHDOs due to HUD defining them as governmental entities. PHA non-profit subsidiaries have a proven track record nationally, especially in successfully accessing Low-Income Housing Tax Credits, HOME, and other state funding sources to develop affordable housing. HUD should reconsider this position and instead adopt the definition of "non-profit participation" used under the Internal Revenue Code, which is both flexible and practical and generally requires an experienced partner organization.

Furthermore, NAHRO has posed certain questions to HUD regarding the ability of Section 8 only PHAs that are 501(c)(3) private nonprofit organizations to qualify as and/or staff CHDOs. HOME regulations define "Public Housing Agency" as "any State, county, municipality, or other governmental entity or public body, or agency or instrumentality of these entities that is authorized to engage or assist in the development or operation of low-income housing under the 1937 Act." However, the Quality Housing and Work Responsibility Act (QHWRA) of 1998 amended the U.S. Housing Act of 1937 to provide a more thorough definition of a "Public Housing Agency" that accounts for nonprofit entities that administer Section 8 tenant-based rental assistance. These nonprofits are party to an Annual Contributions Contract with HUD and are statutorily considered "public housing agency." Consequently, many nonprofits (including experienced organizations) are now unjustly barred from acting as a CHDO. A 2014

³⁰ See NAHRO comment letter (<http://www.nahro.org/sites/default/files/searchable/NAHROComment-ModernizingConPlanFinal-signed.pdf>).

³¹ See 24 C.F.R. §§ 91.110(a), 91.115(a)(2)(ii), 91.300(v), and 91.310(a)(3).

³² See 24 C.F.R. §§ 91.100(a)(1), 91.105(a)(2)(ii), 91.200(b)(d)(v), and 91.210(a)(v).

³³ 78 Fed. Reg. 44,627.

³⁴ See 24 C.F.R §§ 92.2, 92.208, and 92.300.

internal audit of NAHRO members found at least sixty 501(c)(3) private nonprofit organizations that are classified as a PHA due to their administration of Section 8 assistance.

Terminated Projects: A HOME-assisted project that is terminated before completion, either voluntarily or involuntarily, constitutes an ineligible activity, and the participating jurisdiction (PJ) must repay any HOME funds invested in the project³⁵. NAHRO believes termination and immediate repayment of such funds is an extremely punitive action, and one that fails to acknowledge other, more constructive, options. Under CDBG, for instance, HUD has allowed grantees to replace such funding for other projects funded with non-federal sources, reduced future grant amounts, or even forgiven such funding if the grantee was able to demonstrate a good-faith effort and due diligence.

Sale of Homeownership Housing: HOME regulations require for-sale homes developed with HOME funds to be sold within nine months or be converted to HOME rental housing for low-income households.³⁶ This has had a chilling effect on the ability of PJs to find nonprofits or CHDOs to carry out single-family housing programs involving the acquisition/rehabilitation/resale approach. These organizations generally do not desire to be long-term landlords of rental property. This requirement should be changed to provide at least 12 months, and it should emphasize the maintenance of that property in the interim period by the non-profit.

Elimination of the 24-month Commitment Deadline: Although a statutory requirement, HUD should support the elimination of the 24-month commitment requirement for each PJ's HOME allocation, including the CHDO set-aside. Since HUD's implementation of the 2013 HOME Final Rule now requires all HOME project financing to be secured prior to a commitment of funds, the commitment deadline is now more difficult to meet and is an unnecessary interim step towards the completion of a project by the 4-year completion deadline. In order to support accountability and the effective administration of HOME, HUD should encourage Congress to eliminate this commitment requirement.

³⁵ See 24 C.F.R. § 92.205(e).

³⁶ See 24 C.F.R. § 92.254(a)(3).

Cross-Cutting Programs

Rental Assistance Demonstration (RAD)

Reason(s) for regulatory streamlining: (a) and (c).

NAHRO strongly supports RAD as one option for PHAs to leverage additional funds to address the Public Housing capital needs backlog. Although RAD does not work for all PHAs, it is a critical tool that has allowed many PHAs to update, modernize, and improve the quality of their housing stock.

To encourage and ease the creation of mixed-income developments through RAD, NAHRO encourages the Department to allow RAD agencies to use rent averaging to determine the cost per unit after conversion as opposed to providing their flat Operating Fund. This would ensure that PHAs would be able create more diverse developments with mixed-income households, provide a stable income stream to the PHA, which in turn would allow them to more easily house very- and extremely-low income households. Furthermore, this would help deconcentrate poverty within affordable housing developments, and be cost-neutral to HUD.

Section 3 Reporting

Reason(s) for regulatory streamlining: (a), (b) and (c).

The Section 3 statute sets an expectation that the requirements will be met by recipients of certain HUD financial assistance to the “greatest extent feasible.”³⁷ Given the historically low funding for the Operating Fund, NAHRO believes that the extra administrative costs associated with fulfilling Section 3 requirements are simply not feasible in this environment. We urge HUD to take meaningful action to ease the administrative burdens associated with Section 3 compliance and reporting.

Currently, HUD fails to recognize the administrative burdens of implementation and compliance of Section 3. The Department has chosen to implement Section 3 using overly narrow and prescriptive requirements that limit the possible avenues for compliance with the spirit of the statute. By narrowing the definitions of what satisfies Section 3 requirements, the Department is actually discouraging its grantees from undertaking additional activities that meet the goals of Section 3.

NAHRO feels strongly that economic opportunities and incentives for self-sufficiency for low-income persons are extremely important for persons receiving housing assistance and, just as urgently, for those who are not. That said, we are concerned about the efforts of HUD’s 2015 proposed rule³⁸ to increase the program requirements without any additional funding to cover administration costs for PHAs.

Affirmatively Furthering Fair Housing

Reason(s) for regulatory streamlining: (a) and (c).

While NAHRO is a strong proponent of the Fair Housing Act to both fight discrimination and to affirmatively further fair housing, NAHRO has serious concerns about the implementation of the rule through HUD’s tools. As written, the Affirmatively Furthering Fair Housing (AFFH) final rule and subsequent Assessment of Fair Housing (AFH) tools are ineffective in reaching their overall goal. It is imperative that HUD program participants, and all offices of HUD, including PIH, CPD, PD&R, and FHEO, have equal footing in improving the AFFH process so that it is practical, effective, and ensures achievement of its intended goals.³⁹

³⁷ See 12 U.S.C. § 1701u.

³⁸ 80 Fed. Reg. 16,519.

³⁹ Please see NAHRO’s most recent comment letter on the Local Government tool (<http://www.nahro.org/sites/default/files/searchable/NAHROComment-AFHStateandInsularTool30Days-signed.pdf>) and NAHRO’s most recent comment letter on the PHA tool (<http://www.nahro.org/sites/default/files/searchable/NAHRO%20Assessment%20of%20Fair%20Housing%20Tool>)

To guide HUD in its efforts to streamline the process, NAHRO suggests that HUD follow these principles:

- HUD should ensure that any final tools are able to be completed by the entities for which they were drafted without any entity requiring an outside consultant. Although HUD has stated the previous tools met this standard, the industry consensus has been that most entities required a consultant to complete their AFHs. HUD should not finalize any tool unless a majority of the feedback from PHAs and industry groups state that the tool can be completed without the use of a consultant.
- The number of questions on each tool should be reduced so that only the essential information is collected. Information should not be asked more than once.
- Mandatory analysis should be limited to only those things that are absolutely required.
- The thresholds for which entity can use simplified tools should be increased:
 - PHAs with up to 5,000 units of Section 8 or Public Housing units, and
 - Local governments that receive an annual CDBG grant of \$1,000,000 or less.

Davis-Bacon Prevailing Wage Threshold

Reason(s) for regulatory streamlining: (a) and (b).

Although set statutorily, NAHRO requests that HUD encourage Congress, through budget-appropriations language or other mechanisms, to increase the contract threshold requiring the locally prevailing wage rate to be paid to various classes of laborers and mechanics working under federally-financed or federally-assisted contracts for construction, alteration, and repair of public buildings or public works (Davis-Bacon Act) and index it to inflation. Currently, Davis Bacon wage rates are set at \$2,000, an incredibly low and out-of-date number that has not been adjusted for 85 years. NAHRO recommends updating the Davis-Bacon threshold by adjusting the threshold to the current value and then applying an inflation adjustment moving forward.

Procurement

Reason(s) for regulatory streamlining: (a), (b) and (c).

Although NAHRO understands procurement is the purview of the OMB and not HUD, NAHRO recommends that HUD encourage OMB to increase the threshold for micro purchases from \$3,000 to \$10,000. This would allow PHAs to purchase their everyday operational needs which are naturally competitive in the marketplace.

Limited English Proficiency (LEP)

Reason(s) for regulatory streamlining: (c).

In 2007, HUD published guidance titled “Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons.” HUD recipients of financial assistance are required to “take reasonable steps to ensure meaningful access to their programs and activities by [LEP] persons.”⁴⁰ To determine what constitutes “reasonable steps to ensure meaningful access,” HUD’s guidance recommends a four-step individualized assessment.

The four factors of the individualized assessment that require balancing are the following:

1. The number or proportion of LEP persons eligible to be served or likely to be encountered by the program or grantee;
2. The frequency with which LEP persons come in contact with the program;

[%20for%20Public%20Housing%20Agencies%20Comments_30%20Day%20Solicitation%20of%20Information%20Collection.pdf](#) for additional insight.

⁴⁰ 72 Fed. Reg. 2,740.

3. The nature and importance of the program, activity, or service provided by the program to people's lives; and
4. The resources available to the grantee/recipient and costs.⁴¹

HUD recipients are also encouraged to develop and maintain written plans on language assistance for LEP persons or a Language Access Plan (LAP) for use by recipient employees serving the public.

While NAHRO strongly supports the intent and principles of this guidance, NAHRO has suggestions for streamlining. First, NAHRO believes that the four factor analysis to determine what should constitute reasonable steps should be condensed to the following two factor analysis:

1. The number of LEP persons served by the program or grantee; and
2. The resources available to the grantee/recipient and costs.

NAHRO believes that this will be a simpler analysis that will still effectively serve LEP persons. Additionally, the guidance should be changed to allow recipients to rely upon adult family members or friends of the LEP as interpreters. There should also be safe harbors for PHAs that can document they have complied with the two factor analysis for translation of both written materials and for oral interpretation services. This change will greatly help small PHAs and those in rural areas to follow the intent of the old guidance without the onerous administrative burden.

Violence Against Women Reauthorization Act of 2013 (VAWA 2013)

Reason(s) for regulatory streamlining: (b).

HUD's Notice of Occupancy Rights under the Violence Against Women Act (Form HUD-5380), as included in 24 C.F.R. Part 5.2005(a) et. al., is overly long and burdensome to distribute to tenants and applicants of covered housing providers. This notice, along with the Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking, and Alternate Documentation (Form HUD-5382), are 10 pages total. This creates a significant impediment to having tenants actually read the entire notice and certification form. These documents must be provided at the time an applicant is denied or provided assistance or admission, with any notice of eviction or notification of termination of assistance, and to all existing tenants within 12-months of the HUD's effective date of the "VAWA 2013: Implementation in HUD Housing Programs" Final Rule⁴². NAHRO members have noted that the notice of occupancy would be more effective if it were shorter, while still advising applicants and tenants of their VAWA rights and the tools and resources available to help victims. Current regulations only require the HUD-provided notice to include the explanation of VAWA protections (including the right to confidentiality and any limitations on those protections). Thus, HUD does not need to implement rulemaking to further reduce the length of the notice of occupancy rights.

Reduced Reliance on Guidance

Reason(s) for regulatory streamlining: (c).

NAHRO laments HUD's excessive reliance on guidance documents. In the Public and Indian Housing context, this guidance takes the form of PIH notices. In the Community Planning and Development context, this takes the form of CPD notices. Many of these documents have the same effect as regulation and are given deference by local courts, but have not gone through the informal rulemaking process. The informal rulemaking process guarantees that all HUD stakeholders have the opportunity to comment on the rules that affect them and the families they serve. By publishing guidance, HUD lowers transparency by issuing rules created by unelected officials without input from the public. While NAHRO understands that there are times that a statute gives HUD the authority to promulgate a notice instead of a regulation so that HUD can quickly implement statutory provisions, these instances should be the exception rather than the rule.

⁴¹ 72 Fed. Reg. 2,740.

⁴² 81 Fed. Reg. 80,724.

HUD should initiate a process to review all PIH and CPD notices and remove those that add additional administrative burden without a proportional benefit.

Additionally, for the notices that HUD does publish, all of them should be required to include the following:

- Expiration dates not in excess of a year after they are published;
- The statutory or regulatory basis for the guidance; and
- Accurate and up-to-date contact information for a person knowledgeable about the guidance.

Federal Housing Administration Public Mortgage Certification

Reason(s) for regulatory streamlining: (b) and (d).

NAHRO's membership includes PHAs that participate in public-private partnerships that bring alternative affordable home mortgage products to consumers seeking to transition to responsible homeownership. Government entities (such as PHAs) that participate in FHA Nonprofit Programs do not require FHA approval to do so, yet newly qualified governmental entity mortgagors must still endure a time-consuming and outdated process of waiting for the FHA to enter and manually authorize their mortgagor tax ID numbers in order for lenders to receive assigned case numbers to enable originations. To reduce administrative burdens on PHAs and their lenders, and also on HUD Homeownership Center staff, NAHRO recommends that HUD simplify its origination systems and the process for registering government housing agencies as mortgagors for the purposes of FHA insurance eligibility. The system should allow for more automated integration of qualified mortgagors and the assignment of origination case numbers. HUD should also improve its training for HUD Homeownership Center staff on entering new tax identification numbers and provide clearer instructions to lenders to increase turn times. These changes would allow PHAs and their lenders to provide their product more quickly to consumers looking for affordable housing.

Conclusion

As always, NAHRO appreciates the opportunity to comment on this important Notice. NAHRO has long called for meaningful and substantive regulatory relief for housing agencies and other HUD grantees. Like in many policy areas, increased regulatory burdens have had an adverse impact on the ability of affordable housing providers to maximize their dollars spent to provide safe and decent affordable housing to households.

NAHRO is pleased by the Department's efforts to streamline regulations, however, we reiterate that no amount of regulatory streamlining will make up for the extremely deep cuts to programs that help support our nation's most vulnerable people and help to develop and revitalize communities proposed by the Administration's budget. While NAHRO is committed to working with HUD on regulatory reform, NAHRO notes that this reform does not replace the need for adequate funding for these essential programs.

This comment letter is a non-exhaustive list of potential actions that would result in regulatory streamlining and relief and is the start of a much larger conversation between the Department and NAHRO. We look forward to continued dialog with HUD regarding regulatory streamlining and relief, and we expect to identify additional avenues for further regulatory streamlining, which we will share with the Department.

Please do not hesitate to contact us to provide additional information and clarification on any of the topics mentioned in our comment letter. NAHRO would be happy to forward or supply any previous comments or correspondence we have made in the past on the above topics, or provide additional comments clarifying our positions.

Thank you,



Georgi Banna
Director, Policy and Program Development

Testimony by William O. Russell III before the Subcommittee on Housing & Insurance
Hearing on HUD's Role in Rental Assistance: An Oversight and Review of Legislative Proposals on Rent Reform, Wednesday, April 25, 2018

Good afternoon, Chairman Duffy, Vice-Chair Ross, Ranking Member Cleaver and members of the Subcommittee. My name is William Russell, and I appreciate the opportunity to testify today on behalf of the 84 housing authorities in the great state of Florida which compose the Florida Association of Housing & Redevelopment Officials (FAHRO).

A year ago a group of Florida housing executives gathered and concluded that it was necessary to get serious about reforming HUD's rent policies and if true rent reform was going to happen, it would be helpful for FAHRO to put pen to paper and present specific suggestions for policy reform. So we commenced to do just that and immediately appointed a task force to develop such a rent reform proposal. The task force completed its' work and presented it to the FAHRO Board for approval. Current FAHRO president, Debbie Johnson, and I traveled to Washington to share the proposal with congressional and HUD staff.

We are very pleased that Chairman Ross has embraced our proposal and incorporated it into the discussion draft before you today.

FAHRO's rent reform had six principles:

Principle I: Encourage increased earned income and path out of poverty

Principle II: Hold harmless the elderly and disabled, but simplify

Principle III: Encourage intact families

Principle IV: Maintain housing affordability

Principle V: Achieve real simplification

Principle VI: House more families

We all share a desire to and the goal of providing housing assistance that will serve as a springboard of opportunity for the families we serve and that with affordable rent and supportive programs, our families will move up the economic ladder and move into unsubsidized housing that they can afford on their own. My testimony today is focused on how we can be more effective at furthering this goal for our families.

Discouragement & Frustration with Current Rent Policy

The keystone of FAHRO's desire to reform HUD's rent policy is that the current policy message says to families receiving HUD rental assistance, the more you earn the more you pay in rent. There is no incentive to do better - only a promise of higher rent. Our families are not served by current policy, only held back.

FAHRO members, as housing professionals who serve and know our families well, are dismayed by how the current rent policy discourages the economic progress of our families. Additionally, the rent policy is burdensome as it requires housing authorities to constantly monitor changes in income. When a family increases their earned income, the housing authority increases the rent accordingly. In many cases, the head of household is discouraged by the increase and will do what it takes to reduce their family's rent

burden, including turning down a raise, working fewer hours or quitting their job altogether. We witness these decisions regularly. While these decisions run counter to what we want to see from our families in order to better their economic and family situation, they are understandable given how much the rent policy taxes increased earnings, rather than encourage it. It also rewards residents who voluntarily quit their job, since the housing authority must immediately drop their rent to the bare minimum rate of which was set in 1998.

Given the impact of the current policy, we must ask ourselves these questions:

Why would we keep a rent policy that discourages our residents from increasing their earned income?

Why would we keep a rent policy that is so complicated to calculate income with exclusions and deductions that it causes hundreds of millions of dollars in errors?

Why would we keep a rent policy that says if you quit your job voluntarily, we will immediately reward you by decreasing your rent to the absolute minimum under the law?

Why would we keep a rent policy that taxes two-parent households by charging more rent for two incomes rather than encouraging a cohesive family unit by allowing two working adults to share the rent burden?

Why do we keep a one-size-fits-all rent policy that gives local housing agencies zero flexibility to address the individualized needs of their community?

Let me give you some actual, recent examples that housing professionals have shared with me about clients they serve and know:

- A couple worked and had dual incomes. Both, however, reduced their hours worked due to their rent going up to \$830 per month. Both are willing to work more and even get a second job to save for homeownership. But if the rent keeps going up they don't believe they can save any money and get ahead. Thus defeating the point of working harder.
- A client earned a better job, but when her rent increased she fell behind on her higher rent. She was able to get financial assistance through a local agency to pay the full rent, but she decided to quit the new job believing she would be better off not working.
- A voucher participant found a job earning \$35,000 a year working for an insurance company. Once she was notified of her rent portion she contacted her case manager because she believed her rent was too high and she would be unable to maintain the rent. She then quit the job six weeks later. Her rent was then dropped to the minimum rent of \$50 and when the \$75 utility allowance was applied, the housing authority owed her a check for \$25 to help her pay her utilities.
- A resident obtained a second job to maintain her bills. Once she was notified of her rent change she quit one of her jobs. She also stated that she couldn't 'come up for air.' The reason for the additional job was so that she could live somewhat comfortably, but with the rental increase it was pointless to keep the second job.
- A resident submitted paystubs that happened to have over time hours. Once the resident was notified of the rent increase, the resident stated that she would not take on anymore overtime hours moving forward.

These are the discouraging impacts of our current rent policies on families we are trying to help advance. These decisions – all because of the rent policy – clearly demonstrate that the current rent policy is holding our families back and stunting their economic progress. This is very discouraging and it does not need to be this way. Our families and our communities deserve better.

Rent Reform

I want to address how Promoting Resident Opportunity through Rental Reform will improve things in three important categories.

- A. Reduce Barriers to Economic Advancement & Wellness
- B. Provide choice in rent policy to local housing agencies that know their families and the local economic opportunities best; and
- C. Offer real simplification in how income and rents are calculated and the frequency of having to recertify income.

This PRO Rent Reform bill includes several options for housing authorities to choose from. I will offer brief comments on each potential option in the discussion draft before you.

30% of adjusted gross income – This most closely resembles the current rent policy and would continue to be overly complicated and prone to errors. It does give families two full years rather than just 12 months to enjoy the benefits to increased earnings and to begin to gain a better economic footing. I would recommend that a family not be eligible for an interim rent adjustment if the family voluntarily terminates or reduces an income source. I would also recommend that the minimum rent be updated to \$75 and indexed to inflation as this discussion draft does for the gross rent option.

Tiered rents by income bracket – This option brings public housing and Section 8 into alignment with other housing programs that set flat rents based on income categories, such as the HOME program, the Neighborhood Stabilization Program, the Low Income Housing Tax Credit Program, and even the National Housing Trust Fund program for extremely low income renters. These flat rent policies preserve affordability within income brackets while allowing upward economic movement that doesn't automatically trigger higher rents. This tiered rents by income bracket also allows the additional year of earnings before the family is recertified. This option simplifies rent calculations tremendously for housing authorities. It also ends the undignified and burdensome process of families having to bring in documentation for any number of deductions under the current policy. The discussion draft should incorporate a discount for two-income or intact families as other options do. This rent structure has been effective for Moving to Work agencies that have implemented it and is a very attractive option both in terms of encouraging earned income gains and simplifying rent calculations.

Stepped Rents – This policy offers the greatest incentive to increase earnings and ultimately move out of HUD-assisted housing. This policy offers residents true affordability in the early years of their tenure and is completely transparent. The family understands what their rent is and when it will go up. If a family increases their income, it doesn't have any impact on their rent and they can enjoy the full economic benefit of their increased earnings. This option also allows for a two-parent household to not be penalized with a higher rent. It dramatically simplifies rent and income calculations for housing professionals and would allow them to help prepare families for their next rent tier by helping them

plan for and access education and/or job training opportunities. Compared to HUD's Rapid re-housing program to get homeless into housing where the rental assistance typically phases out after two years, the stepped rent option offers a much more gradual decrease in subsidy over 8-10 years and provides time for residents to augment their educational and career training attainment.

30% of Gross Income – This option simplifies the income and rent calculation significantly, which will greatly reduce subsidy errors. It will give families a two-year time period to earn more without a rent increase and it gives a second income earner in the family a steep discount so as to encourage more two-parent households. This option should not allow for interim rent adjustments if the family voluntarily terminates or reduces an income source.

Shallow Subsidy Voucher

This is another optional policy tool to address need for housing assistance that far exceeds available vouchers. A voucher as we know it today, is truly a golden ticket. It offers very deep subsidy as well as choice, mobility and portability. It has no time limit on the rental assistance. There is so much demand for vouchers that most agencies close their lists for years on end. The shallow subsidy option offers a different approach to helping rent burdened families cope. It offers them a shot in the arm they need that can be the difference between covering their rent and being homeless.

Families contact us daily asking for some form of rental assistance so they can remain in their house. They are working and earning a living, but it isn't quite enough to cover the rent which is outpacing wages. They need help, but they can't get a golden ticket voucher because the wait list is closed.

Under the shallow subsidy voucher option a housing authority has the option to offer a shallow subsidy voucher to families in need, and the family then has the option of accepting it or not. This is not a housing solution for everyone. However, it is a solution that will work for a lot of low-income families struggling to make ends meet who are rent burdened. Advocates call for more voucher funding to augment the number of vouchers agencies can issue. While that sounds good, we know that current budget pressures make that unlikely. The shallow subsidy option allows agencies to house more people with the same amount of money. The only downside to this is that there won't be as many standard deep subsidy vouchers available, but if the tradeoff is housing more families in need, it is one that many agencies will seriously consider.

Subcommittee questions:

1. What safeguards should the Subcommittee consider to ensure that families affected by the legislative proposal will be protected from discrimination or unintentional adverse impacts with the goal of achieving self-sufficiency or greater access to employment or career opportunities?
A: The only option I would see a possible need for a safeguard would be the stepped rents option, where after seven years, the family would be required to pay the equivalent of the current flat rent amount for public housing as set by Congress. This option does include a hardship provision which would allow agencies to make necessary adjustments for circumstances that may be beyond the family's control.

2. Does HUD's current rental housing construct for its main rental assistance programs contribute to an over-reliance on government assistance, making it difficult for low-income families to change their economic circumstances for the better?

A: As I state earlier in my testimony, I believe it does contribute to an over-reliance on HUD assistance because instead of giving them an incentive to earn more, we tax their increased earned income by charging a higher rent. It is the same 'economic cliff' effect that plagues many of our federal anti-poverty programs. When families are on the verge of earning more and doing better, they peer over the edge of an economic cliff and see the benefits they stand to lose, such as food stamps, child support and housing assistance. It is not surprising that some hesitate to lose that assistance and take a precautionary step back. Many of us would make the very same decisions. We must correct this economic cliff effect if we want families to reach their full potential for economic and family well-being.

3. What steps can policymakers take to ease regulatory burdens on housing providers, residents, and property owners when implementing housing assistance?

A: The most impactful step is through rent reform like this discussion draft that offers real options at the local level and the potential for very significant simplification of and reduction in the frequency of income and rent determinations that take up the bulk of time for many section 8 case managers and property management staff. Not only does the current rent policy demand a great deal of resources (time and staff), but it also has opportunity costs. I would much rather utilize my housing professionals to help provide key resources to our families than to be doing countless interim and annual income recertifications mandated by current policy. Not only is this burden not necessary, it is having a detrimental impact on our families and our organizations.

4. Do housing providers have the flexibility and choice to structure rent calculations and programs that work best with their local priorities and families they serve?

A: Only the 39 Moving to Work agencies have true flexibility to implement innovative rent structures and programs, and many have been extremely successful. This is because they know what is needed in their communities and how best to tailor programs to meet those needs. The one-size-fits-all federal housing policy doesn't work. Real estate markets are not uniform and neither are the communities we serve. What works in New York City may not work in High Point, NC. We need flexibility, within certain frameworks, to tailor our programs and policies to meet local needs. The only real local flexibility housing providers have currently is in the area of setting waiting list preferences. However, once they are admitted into one of our housing programs, we have to follow the uniform federal rules and restrictions. Let me give you an example. My board established a preference for families who had 6 consecutive months of employment. My board learned that once these same employed families were housed, some of them quit their jobs to secure a lower rent. My board determined it did not do any good to have a working preference for admission if families were going to then stop working once they moved in.

In closing, I am grateful and honored to have the opportunity to appear before you today and provide testimony on the current HUD rent setting policy as well as the PRO Rent Reform discussion draft. As

housers, we see up close the impact that the current policy has in holding back our families from the progress we want for them and that they want for themselves. As more families do better and graduate from assisted housing, more units become available to assist other families, and as a result we will be able to serve more families over time. I ask that you give serious consideration to changing the current rent policy to encourage, not penalize, economic advancement and wellbeing.

April 25, 2018

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Paul Ryan
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Charles Schumer
Minority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

To Majority Leader McConnell, Minority Leader Schumer, Speaker Ryan, and Minority Leader Pelosi:

We, the undersigned 674 organizations, write to strongly oppose the Trump administration's harmful proposal to slash federal housing benefits by imposing work requirements and rent increases that would leave even more low income people without a stable home and make it harder for them to climb the economic ladder and live with dignity. President Trump's proposal to impose work requirements and rent increases on housing benefits is at best counterproductive and at worst dangerous to the low income families who receive these benefits—the majority of whom have a disability or are seniors.

One of the biggest barriers to economic prosperity for America's lowest income families is the lack of decent, accessible, and affordable homes. Research shows that when people have a stable home that they can afford, they are better able to find employment, achieve economic mobility, age in place, perform better in school, and maintain improved health. Federal investments in affordable homes have helped millions of families move out of poverty, but because of chronic underfunding, four out of every five families in need of housing assistance are turned away. Families without housing benefits have no choice but to cut back on investments in their future, including education, training, retirement savings, and healthcare.

Cutting housing benefits by imposing work requirements and rent increases will not create the well-paying jobs and opportunities that are needed to lift these low income families out of poverty and help them achieve financial independence. Research shows that for most families, work requirements do not lead to stable employment or a path out of poverty. Instead, it will only cut people off from the very housing benefits and services that make it possible for them to find and maintain jobs. This is particularly the case for people with disabilities. And without housing assistance, low income people face a greater risk of eviction and homelessness — circumstances that make it incredibly difficult to maintain a job.

Because people receiving federal housing assistance already pay their fair share, rent increases will only force them to divert money away from basic needs like medicine or food and would put them at increased risk of eviction and homelessness. By law, families are required to pay what they can afford in rent, based on their income. Rent increases, such as higher minimum rents or cuts to utility payments, target the very poorest people, including seniors and people with disabilities, who are already at significant risk of homelessness.

Moreover, President Trump's proposals undermine public-private partnerships. By making it more expensive for the private sector to build, preserve, and maintain affordable rental homes, this proposal

would discourage the private sector from playing its critical role in addressing the severe shortage of affordable rental homes that impacts every state and congressional district. Imposing work requirements and rent increases creates new administrative costs for housing providers, without providing significant benefits to residents or the public. Housing providers will be forced to divert resources away from property maintenance and the employment-related resident services they already provide to pay for additional staff and regulatory compliance.

We strongly urge Congress to reject the Trump administration's harmful proposal or any others to slash housing benefits by imposing work requirements and rent increases. Instead, Congress should enact proven solutions to help struggling families earn more and get ahead. This starts with expanding—not slashing—investments in affordable homes, job training, education, childcare, and other policies to help families thrive.

Sincerely,

National Organizations (45)

3e Restoration, Inc.
 Center for Public Representation
 Collaborative Solutions, Inc.
 Community Solutions
 Consortium for Citizens With Disabilities Housing Task Force
 Elevate Energy
 Evangelical Lutheran Church in America
 Fahe
 Holy Spirit Missionary Sisters in the USA
 Homes for America
 IFF
 International Rescue Committee
 Legal Action Center
 Low Income Investment Fund
 Mercy Housing
 Monroe Group
 National Affordable Housing Management Association
 National Affordable Housing Trust
 National AIDS Housing Coalition
 National Alliance on Mental Illness
 National Alliance to End Homelessness
 National American Indian Housing Council
 National Coalition for Asian Pacific American Community Development (CAPACD)
 National Community Development Association
 National Employment Law Project
 National Health Care for the Homeless Council
 National Housing Law Project
 National Housing Trust
 National Low Income Housing Coalition
 National NeighborWorks Association
 National Organization of African Americans in Housing
 National Shattering Silence Coalition

Network for Developing Conscious Communities
 PathStone Corporation
 Prosperity Now
 Provincial Council Clerics of Saint Viator (Viatorians)
 Retirement Housing Foundation
 Rural Community Assistance Corporation
 Sargent Shriver National Center on Poverty Law
 Stewards of Affordable Housing for the Future
 The American Institute of Architects
 The Arc of the United States
 The Community Builders
 United Church Homes
 Volunteers of America

State Organizations (629)

Cook Inlet Housing Authority	AK
Hydaburg Cooperative Association	AK
Interior Regional Housing Authority	AK
AIDS Alabama	AL
Alabama Arise	AL
Alabama Rural Ministry	AL
Alabama State Nurses Association	AL
Low Income Housing Coalition of Alabama	AL
The Right Place	AL
YWCA Central Alabama	AL
Housing Authority of Star City	AR
Ability360	AZ
Behold Charities	AZ
Black River Area Development Corporation	AZ
Connections Southern Arizona	AZ
Family Housing Resources	AZ
Northern Arizona Council of Governments	AZ
Primavera Foundation	AZ
Southwest Fair Housing Council	AZ
A Community of Friends	CA
AFSCME Local 1684	CA
Allied Argenta, LLC	CA
Anvil Panow Creations	CA
Berkeley Gray Panthers	CA
Bixby Knolls Towers	CA
City of San José	CA
City of Vacaville	CA
Community Against Sexual Harm	CA
Community Housing Improvement Program	CA
Downtown Women's Center	CA
Esperanza Community Housing Corporation	CA

Fair Housing Council of the San Fernando Valley	CA
Family Emergency Shelter Coalition	CA
Fred Finch Youth Center	CA
Haven Neighborhood Services	CA
HOPE, Inc.	CA
Housing Authority of the City of Calexico	CA
Integrated Behavioral Health Partners	CA
Jamboree Housing	CA
Lowell Place	CA
Lutheran Social Services of Northern California	CA
MidPen Housing	CA
National Alliance of HUD Tenants, California	CA
North of Market Business Association	CA
O.R.C.H.I.D.S.	CA
Orange County United Way	CA
Our Town Saint Helena	CA
Peoples' Self-Help Housing	CA
Redding Pilgrim House	CA
Redwood Gardens Tenant Association	CA
Regional Housing Authority	CA
Resources for Community Development	CA
Sacramento Regional Coalition to End Homelessness	CA
Santa Clara Methodist Retirement Foundation	CA
Transition House	CA
U.S Vets Homeless Feeding & Housing Services	CA
United Cerebral Palsy of Los Angeles	CA
Ventura County Community Development Corporation	CA
William Pettus Architect	CA
California Housing Partnership	CA
EAH Housing	CA
Housing Authority of the City of Alameda	CA
Long Beach Residents Empowered (LiBRE)	CA
Park Pacific Tower Senior Community	CA
Park Pacific Tower Senior Community Organization	CA
Rebuilding Together San Francisco	CA
Riverside County Advisory Council on Aging	CA
Riverside Housing Authority, Riverside County for HOPWA and Shelter Plus Care Programs	CA
Rural Communities Housing Development Corporation	CA
Satellite Affordable Housing Associates	CA
Shelter Partnership, Inc.	CA
Ventura County Behavioral Health Advisory Board	CA
Boulder Housing Partners	CO
Family Promise of Denver	CO
Homes For All Veterans	CO
Homeward Pikes Peak	CO

Metro West Housing Solutions	CO
Modern Colorado Homes	CO
Neighbor to Neighbor	CO
Outreach United Resource Center	CO
Spector and Associates	CO
Connecticut Housing Coalition	CT
Connecticut Legal Services, Inc.	CT
Eastern Connecticut Housing Organization, Inc.	CT
Federation Homes	CT
Journey Home	CT
New Reach	CT
The Caleb Group	CT
Bread for the City	DC
First Trinity Lutheran Church	DC
Housing Counseling Services	DC
Housing Up	DC
Legal Aid of the District of Columbia	DC
ADAPT Delaware	DE
Better Homes of Seaford, Inc.	DE
City of Wilmington, Real Estate & Housing	DE
Housing Alliance Delaware	DE
Housing Alliance Delaware	DE
Sandhill Acres Home Owners Association	DE
Sussex Housing Group	DE
Adopt-A-Family	FL
Catholic Health Services, Saint Monica Gardens	FL
Catholic Housing Management	FL
City of Fort Myers	FL
City of Miami	FL
City of Saint Petersburg	FL
City of Tampa	FL
City of Tampa Housing Authority	FL
Cornerstone Housing, Inc.	FL
Elderly Housing Management Corporation, Inc.	FL
Episcopal Catholic Apartments	FL
Families First of Palm Beach County	FL
Florida Coalition for the Homeless	FL
HOPE Helps	FL
League Of Women Voters, Florida	FL
LSF Health Systems	FL
Metro North Community Development Corporation	FL
Peace River Center	FL
Presbyterian Homes	FL
Provident Housing Solutions	FL
Rick's Custom Painting	FL

Saint Anne's Gardens	FL
Saint Boniface Gardens	FL
Saint Johns Housing Partnership, Inc.	FL
Saint Lucie County, Community Services	FL
South Florida Community Development Coalition	FL
Tallahassee Housing Authority	FL
Tampa Housing Authority	FL
Tarpon Springs Housing Authority	FL
Veterans For Peace	FL
Volunteers of America of Florida	FL
Westminster Village	FL
Westminster Village Communities	FL
AHEPA One, Inc.	GA
Briarcliff Oaks	GA
Georgia Advancing Communities Together, Inc.	GA
Housing Justice League	GA
Saint Mark's Towers	GA
Southwest Georgia United	GA
Tenant Association at Cityview Rosa Burney	GA
Hale Kipa	HI
Clinton Housing Authority	IA
East Central Intergovernmental Association (ECIA)	IA
Eastern Iowa Regional Housing Authority	IA
Action Ridge and Park Ridge Housing Initiative	IL
All Chicago Making Homelessness History	IL
Alliance to End Homelessness in Suburban Cook County	IL
Cabrini Green Legal Aid	IL
Chicago Coalition for the Homeless	IL
Chicago Rehab Network	IL
Chicago Urban League	IL
City of Evanston	IL
Coalition for Equitable Community Development	IL
Deborah's Place	IL
DuPage Pads	IL
Embrace Living Communities	IL
Employment and Employer Services	IL
Garfield Park Community Development Corporation	IL
Good Samaritan Ministries	IL
Housing Action Illinois	IL
Housing Authority of Clark County	IL
Illinois Housing Development Authority	IL
Illinois-Iowa Center for Independent Living	IL
Light The Way, Inc.	IL
LUCHA	IL
Manufactured Home Owners Association of Illinois	IL

Metropolitan Tenants Organization	IL
Morgan County Housing Authority	IL
North/Northwest Suburban Task Force on Supportive Housing for Individuals with Mental Illness	IL
Oak Park Regional Housing Center	IL
Open Communities	IL
Plante Moran	IL
Resident Management Services, Inc.	IL
South Side Office of Concern	IL
South Suburban PADS	IL
Springfield Housing Authority	IL
Tria Adelfi	IL
Turnstone Development Corporation	IL
Unity Parenting and Counseling, Inc.	IL
Valerie S Kretchmer Associates, Inc.	IL
Worn Jerabek Wiltse Architects, P.C.	IL
Aurora, Inc.	IN
Graceworks Housing Services	IN
Independent Living Center of Eastern Indiana	IN
Marion Housing Authority	IN
Pioneer Development Services, Inc.	IN
Prosperity Indiana	IN
Volunteers of America of Indiana	IN
Central College Health Association, University of Kansas	KS
County of Cowley Housing Authority	KS
Ellsworth Housing Authority	KS
Medicine Lodge Housing Authority	KS
Audubon Area Community Services, Inc.	KY
Franklin County Women and Family Shelter	KY
Gateway Homeless Coalition, Inc.	KY
Habitat for Humanity of Henderson	KY
Homeless and Housing Coalition of Kentucky	KY
Housing Authority of Danville	KY
Housing Authority of Olive Hill	KY
Housing Opportunities of Northern Kentucky	KY
Metropolitan Housing Coalition	KY
People's Self-Help Housing, Inc.	KY
Safe Harbor	KY
Sisters of Charity of Nazareth Western Province Leadership	KY
The Marian Group	KY
Tyler Park Neighborhood Association	KY
Winterwood, Inc.	KY
Cenla Community Action Committee, Inc.	LA
GL Realty Group	LA
Open Doors Louisiana	LA
ADAPT Massachusetts	MA

Alliance of Cambridge Tenants	MA
American Consumer Credit Counseling	MA
Archdiocese of Boston, Planning Office for Urban Affairs	MA
Bethany Community Services	MA
Citizens' Housing and Planning Association	MA
Codman Square Neighborhood Development Corporation	MA
Dominican Development Center, Latina Housing Leadership Initiative	MA
FHA Preservation Group	MA
Greater Boston Legal Services	MA
Homeowners Rehab	MA
Just-A-Start	MA
Lynn Housing Authority & Neighborhood Development	MA
Massachusetts Coalition to End Homelessness	MA
Massachusetts Housing and Shelter Alliance	MA
MassADAPT	MA
National Alliance of HUD Tenants, Massachusetts	MA
New Beginnings	MA
Newton Community Development Foundation	MA
Pine Street Inn	MA
Resident Advisory Board	MA
South Middlesex Opportunity Council	MA
Southeast Center for Independent Living	MA
Town of Bedford Youth & Family Services	MA
U-CHAN	MA
Vinfen	MA
We Unite Organizations, Inc.	MA
Worcester Common Ground, Inc.	MA
Bon Secours Baltimore Health System	MD
Centennial United Methodist Church	MD
CPDC	MD
Disability Rights Maryland	MD
General Board of Church and Society	MD
Havre de Grace Housing Authority	MD
Housing Authority of the City of Frederick	MD
Housing Initiative Partnership, Inc.	MD
Howard County Housing Commission	MD
Humanim	MD
Maryland United for Peace and Justice	MD
Parents For Care	MD
Pleasant View Gardens Resident Council, Inc.	MD
Public Justice Center	MD
The Development Corporation of Northwest Baltimore	MD
Unity Properties	MD
Cotton Mill Apartments	ME
Oak Park Apartments	ME

Preservation Management, Inc.	ME
Raise-Op Housing Cooperative	ME
The Park Danforth	ME
The Pines at Ocean Park	ME
Wild River Realty, Inc.	ME
Berrien HRN	MI
Community Economic Development Association of Michigan	MI
Corpus Christi Catholic Church	MI
Detroit Block Works	MI
Disability Network Northern Michigan	MI
DPRA Group	MI
Eastside Community Network	MI
EcoWorks	MI
Families On The Move, Inc.	MI
Family Promise	MI
Family Promise of Grand Rapids	MI
GenesisHOPE	MI
Greenhouse Tenant Council	MI
Greenville Housing	MI
Habitat for Humanity of Northeast Michigan	MI
Home Repair Services	MI
Homeless Action Network of Detroit (HAND)	MI
Housing Services Mid Michigan	MI
Interfaith Hospitality Network Washtenaw County	MI
Iron County Housing Commission	MI
LetsDoSomething Detroit	MI
Mack Avenue Community Church Development Corporation	MI
Michigan Coalition Against Homelessness	MI
Walled Lake Villa	MI
Washtenaw Housing Alliance	MI
Alliance Housing, Inc.	MN
Benet Place/Benet Place South	MN
Bi-County Community Action Program	MN
Central Minnesota Re-Entry Project	MN
Churches United for the Homeless	MN
Clare Housing	MN
CommonBond Communities	MN
Dayton's Bluff Neighborhood Housing Services	MN
Hope House of Saint Croix Valley	MN
iMatter Youth Movement	MN
Minneapolis Highrise Representative Council	MN
Minnesota AIDS Project	MN
Project for Pride in Living	MN
Saint Mary of the Lake Social Justice	MN
Southeastern Minnesota Multi-County Housing and Redevelopment Authority	MN

Southwest Minnesota Housing Partnership	MN
Minnesota Coalition for the Homeless	MN
Bethel Greencastle Apartments	MO
Beyond Housing	Mo
Brookfield Housing Authority	MO
Clinton Housing Authority	MO
Columbia Housing Authority	MO
East Missouri Action Agency, Inc.	MO
Empower Missouri	MO
Gideon Housing Authority	MO
Greater Kansas City Housing Information Center	MO
H.A.S. Properties	MO
Habitat for Humanity of Springfield	MO
Habitat for Humanity Springfield	MO
Housing Authority City of Weston	MO
Housing Authority of Joplin	MO
Housing Authority of Kansas City	MO
Housing Authority of the City of Nevada	MO
Illmo Housing Authority	MO
Lawson Housing Authority	MO
Memphis Housing Authority	MO
Noel Housing Authority	MO
Saint Francois County Community Partnership	MO
Saint Patrick Center	MO
Sisters of the Most Precious Blood of O'Fallon	MO
Southwest Center for Independent Living	MO
The Salvation Army, Missouri	MO
Westward Development, Inc.	MO
Regional IV Housing Authority	MS
Habitat for Humanity of Southwest Montana	MT
Homeward	MT
Housing Authority of Billings	MT
NeighborWorks Great Falls	MT
NeighborWorks Montana	MT
Down Home North Carolina	NC
Gold Standard Living	NC
Habitat for Humanity Asheville Area	NC
Habitat for Humanity of Lincoln County	NC
InReach, Inc.	NC
Triangle Family Services	NC
WNC Connects for Cognitive Enhancement Therapy	NC
Domestic Violence and Rape Crisis Center	ND
Minot Area Homeless Coalition	ND
Fremont Housing Agency	NE
Hooper Housing Authority	NE

Immanuel	NE
Nebraska Realtors Association	NE
Affordable Housing, Education and Development (AHEAD), Inc.	NH
Southwestern Community Services	NH
Affordable Housing Alliance	NJ
Alliance for the Betterment of Citizens with Disabilities	NJ
Cape May County	NJ
Cara Squared Development	NJ
Coalition of Mental Health Consumer Organizations of New Jersey	NJ
Community Hope, Inc.	NJ
Congregation Shomrei Emunah	NJ
Eden Autism Services	NJ
Greater Newark HUD Tenants Coalition	NJ
Habitat for Humanity of Northern Ocean	NJ
HomeFront	NJ
Homeless Solutions, Inc.	NJ
Housing and Community Development Network of New Jersey	NJ
Lodi Housing Authority	NJ
Madison Housing Authority	NJ
Monarch Housing Associates	NJ
National Organization for Women of Northern New Jersey	NJ
New Jersey Tenants Organization	NJ
Supportive Housing Association of New Jersey	NJ
Union County Housing Advocacy Team	NJ
Unified Vailsburg Services Organization	NJ
El Refugio, Inc.	NM
Truth or Consequences Public Housing Authority	NM
Nevada HAND	NV
Reno Housing Authority	NV
92nd Street Y	NY
Allen Neighborhood Preservation and Development Corporation	NY
Arc of Steuben	NY
Barb Lamphere Consulting	NY
Belmont Housing Resources for Western New York	NY
Center for Independence of the Disabled	NY
Central Nassau Guidance	NY
Christ the Redeemer Social Ministry	NY
Coalition for the Homeless	NY
Columba Kavanagh House, Inc.	NY
Essex County Community Services Board	NY
Fordham Bedford Housing Corporation	NY
Friends of the North Country, Inc.	NY
Geel Community Services	NY
Hands Across Long Island	NY
Human Development Services of Westchester	NY

Independent Living Center of the Hudson Valley	NY
Leviticus Fund	NY
Local Initiatives Support Corporation, New York City	NY
Long Island Coalition for the Homeless	NY
Long Island Housing Services, Inc.	NY
Magnusson Architecture and Planning	NY
Medgar Evers Tenants Association	Ny
Mobilization for Justice	NY
Mohawk Indian Housing Corporation	NY
National Alliance HUD Tenants, New York	NY
NEHDA, Inc.	NY
New Destiny Housing Corporation	NY
New Ground Inc.	NY
New York City, Department of Housing Preservation and Development	NY
New York Housing Conference	NY
Newburgh Housing Authority	NY
North American Climate, Conservation and Environment	NY
Northern Regional Center for Independent Living	NY
PathStone Corporation	NY
PH College Prep	NY
Resource Center for Independent Living	NY
Restoration Society, Inc.	NY
Riverhead Housing Development Corporation	NY
Rome Clinic	NY
RUPCO, Inc.	NY
Russ Entertainment	NY
SAIL	NY
Saint Catherine's Center for Children	NY
Saint Clement Pope Church Food Pantry	NY
Saint Regis Mohawk Tribe	NY
Snow Belt Housing Company	NY
South Country Community Land Trust	NY
Supportive Housing Network of New York	NY
Teaching & Restoring Youth Inc	NY
Teller Avenue Resident Association	NY
Tenants & Neighbors	NY
Treatment Action Group	NY
United Church Manor	NY
Urban Architectural Initiatives, RA, PC	NY
Urban Pathways	NY
Warren Washington Association for Mental Health	NY
Westchester Independent Living Center	NY
Western New York Independent Living, Inc.	NY
Wilder Balter Partners Inc.	NY
Womankind	NY

All Saints Community	OH
Asian Services In Action Inc.	OH
Bethany House Services	OH
Calvary Reformed Church	OH
City of Newark	OH
Coalition on Homelessness and Housing in Ohio	OH
Community Development	OH
Detroit Shoreway Community Development Organization	OH
Extension	OH
Famicos Foundation	OH
Franklinton Urban Empowerment Lab	OH
Graceworks Housing Services	OH
Hamilton County Developmental Disabilities Services	OH
Harmony House Homeless Services, Inc.	OH
HIT Foundation	OH
Home Repair Resource Center	OH
Homeport	OH
Jurisdiction-Wide Resident Advisory Board	OH
Leading Families Home	OH
Maumee Valley Habitat for Humanity	OH
May Dugan Center	OH
Metro West Community Development Organization	OH
Neighborhood Alliance	OH
Ohio Community Development Corporation Association	OH
Ohio Healthy Homes Network	OH
Otterbein Senior Lifestyle Choices	OH
Safeguard Properties	OH
Volunteers of America of Greater Ohio	OH
Wallick Communities	OH
CASA of Oregon	OR
Community Housing Fund	OR
Habitat for Humanity of Willamette West	OR
Habitat for Humanity Willamette West	OR
Housing Development Center	OR
Innovative Housing	OR
Klamath Housing Authority	OR
Linn-Benton Housing Authority	OR
NeighborImpact	OR
Network for Oregon Affordable Housing	OR
Northeast Oregon Housing Authority	OR
Northwest Pilot Project	OR
Outreach for Veterans	OR
REACH Community Development	OR
ROSE Community Development Corporation	OR
Saint Vincent de Paul Society of Lane County, Inc.	OR

Umatilla County Housing Authority	OR
Women's International League for Peace & Freedom Portland	OR
Affordable Housing Centers of Pennsylvania	PA
Allegheny Valley Association of Churches	PA
Allentown Housing Authority	PA
Applied Survey Research	PA
Berkeley Point Capital	PA
Bethlehem Haven	PA
Bucks County Women's Advocacy Coalition	PA
Capital Area Head Start	PA
Chaplains Ministries	PA
Chester County, Department of Community Development	PA
City Council of Philadelphia	PA
Community Action Committee of the Lehigh Valley, Inc.	PA
Community Advocates of Montgomery County	PA
Community Basics, Inc.	PA
Erie Dawn	PA
Goodwill of SWPA	PA
HACE	PA
Harold R Berk, Esq.	PA
Housing Alliance of Pennsylvania	PA
Impact Services Corporation	PA
Just Harvest	PA
Korean Community Development Center	PA
Lawrence County Housing Authority	PA
Liberty Resources	PA
Local Initiatives Support Corporation, Philadelphia	PA
Lutheran Settlement House	PA
Maschbert Neighbors	PA
McKean County Redevelopment and Housing Authority	PA
Mercy Center for Women	PA
Mount Vernon Manor	PA
Nazareth Housing Services	PA
New Kensington Community Development Corporation	PA
One Pennsylvania	PA
Pathways to Housing	PA
Philadelphia Association of Community Development Corporations	PA
Philadelphia Resident Advisory Board	PA
Project Development and Consulting Associates	PA
Public Health Management Corporation/Help Philadelphia	PA
Real Life Community Church	PA
Seton Center	PA
Shalom House	PA
Southwest Community Development Corporation	PA
Sunrise of Philadelphia	PA

The Open Door	PA
West Powelton	PA
Women's Community Revitalization Project	PA
Corporacion Desarrollo Economico Vivienda y Salud (CODEVYS)	PR
GR Management	PR
HousingWorks Rhode Island	RI
Affordable Housing Coalition of South Carolina	SC
CommunityWorks Carolina	SC
Greater Lake City Community Development Corporation	SC
Habitat for Humanity of Anderson County	SC
Lee Haven Neighborhood	SC
Wateree Community Action	SC
Aberdeen Housing Authority	SD
Habitat for Humanity Clay and Yankton Counties	SD
Habitat for Humanity South Dakota	SD
Bolivar Housing Authority	TN
Building Memphis	TN
Creative Compassion, Inc.	TN
Habitat for Humanity of Holston	TN
Nashville Organized for Action and Hope	TN
NID-HCA Memphis Delta	TN
United Housing, Inc.	TN
Affordable Homes of South Texas	TX
Arlington Housing Authority	TX
ATLC Corporation	TX
Austin Housing Coalition	TX
Avenue	TX
Azle Independent School District	TX
Central Texas Housing Consortium	TX
City of Amarillo, Community Development	TX
City of Garland	TX
Crowell Housing Authority	TX
Dallas City Homes, Inc.	TX
Dallas County Home Loan Counseling Center	TX
Education Equals Making Community Connections	TX
Galilee Community Development Corporation	TX
Harlingen Community Development Corporation	TX
House the Homeless Inc.	TX
National Alliance HUD Tenants, Texas	TX
National Alliance on Mental Illness, Austin	TX
National Alliance on Mental Illness, Greater Houston	TX
SafeHaven of Tarrant County	TX
San Antonio Housing Authority	TX
San Antonio Independent Living Services	TX
SEARCH Homeless Services	TX

Tellurian	TX
Waco Housing Authority	TX
Crossroads Urban Center	UT
Family Promise	UT
Kier Property Management & Real Estate, LLC	UT
Utah Housing Coalition	UT
Better Housing Coalition	VA
Bristol Redevelopment & Housing Authority	VA
Campaign for Housing and Civic Engagement Virginia	VA
City of Danville	VA
Cross and Bars	VA
Fairfax/Falls Church Community Services Board	VA
Habitat for Humanity of Greater Charlottesville	VA
Habitat For Humanity Washington County	VA
HOPE Inc.	VA
Mid-Atlantic Affordable Housing Management Association	VA
NAACP, Prince William	VA
Piedmont Housing Alliance	VA
Social Action Linking Together (SALT)	VA
Virginia Housing Alliance	VA
Brattleboro Area Affordable Housing	VT
Capstone Community Action	VT
Randolph Area Community Development Corporation	VT
Vermont Affordable Housing Coalition	VT
Vermont Coalition of Runaway and Homeless Youth Programs	VT
Vermont State Housing Authority	VT
Youth Services Inc.	VT
Ad-West Realty Services	WA
Arc of King County	WA
Capitol Hill Housing	WA
Catalyst for Positive Change	WA
Catholic Community Services	WA
Community Action Center	WA
Community Frameworks	WA
Compass Housing Alliance	WA
Emergency Support Shelter	WA
Housing Authority of Asotin County	WA
Housing Authority of the City of Pasco and Franklin County	WA
Housing Development Consortium of Seattle-King County	WA
Imagine Housing	WA
Key Property Services, Inc.	WA
Plymouth Housing Group	WA
Seattle/King County Coalition on Homelessness	WA
Summit Capital Services	WA

Washington State Housing Finance Commission	WA
YouthCare	WA
Homeless Services Consortium	WI
Latino Academy of Workforce Development	WI
NeighborWorks Blackhawk Region	WI
Options for Independent Living	WI
Pathfinders Milwaukee, Inc.	WI
Porchlight, Inc.	WI
The Road Home Dane County	WI
YWCA Madison	WI
Cabell Huntington Coalition for the Homeless	WV
Covenant House	WV
Mountain Hospice, Inc.	WV
WV Community Builders	WV