



TESTIMONY OF LAURA BURNS

THE EAGLE POINT COMPANIES

ON BEHALF OF THE

NATIONAL LEASED HOUSING ASSOCIATION

BEFORE THE

HOUSE COMMITTEE ON FINANCIAL SERVICES

SUBCOMMITTEE ON INSURANCE, HOUSING AND COMMUNITY OPPORTUNITY

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Chairman Leutkemeyer, Ranking Member Cleaver and distinguished members of the Subcommittee, my name is Laura Burns. I am President of the Eagle Point Companies. I am here today on behalf of the National Leased Housing Association (NLHA) as a long term member of its board of directors.

The National Leased Housing Association has represented the interests of housing agencies, developers, owners, lenders, housing managers and others involved in providing federally assisted rental housing for 40 years. NLHA's nearly 450 member organizations are primarily involved in the Section 8 housing programs—both project-based and tenant-based— along with the housing tax credit program and provide or administer housing for over three million households.

We commend you, Chairman Leutkemeyer and Ranking Member Cleaver, for your leadership, and we thank the Members of the Subcommittee for your valuable work addressing the nation's need for affordable rental housing. We appreciate the dedication of the Subcommittee on this issue and the opportunity to present our views on the H.R. 3700, the Housing Opportunity Through Modernization Act of 2015.

Our testimony today will focus on reforms proposed for the voucher and other rental housing programs. We believe the rental housing programs have been highly successful in achieving the goal of assuring decent, safe and affordable housing for low-income families and the elderly. However, as with most government programs, the longer they are in existence, the more rules and regulations are imposed that are often illogical and result in added costs to operate. Duplicative and unnecessary administrative burdens are particularly problematic for housing agencies that have recently been faced with dramatic cuts in their fees for operating the program.

### **Rent and Income Provisions**

We are very encouraged by bill's provisions that would streamline the process for calculating income and rent. Such provisions will reduce the administrative burdens on PHAs and participating property owners while not increasing the rent burden of residents. We are particularly pleased that H.R. 3700 proposes a three-year (versus an annual) re-certification of income for residents with fixed incomes (e.g. elderly and disabled). While it does not seem like much, the time it takes to recertify tenants every year cannot be overstated. We appreciate that the subcommittee recognizes that a seemingly small change can make a big difference.

We also appreciate the flexibility regarding the calculation of income. This process of determining income with the myriad of exclusions and deductions is quite burdensome. The bill attempts to provide some relief in this regard by clarifying what income is excluded; providing an inflation factor, reducing the amount of interim re-certifications, the amount of assets that are permitted to be owned by applicants and residents and the imputed income calculation, etc.

NLHA is particularly pleased that the PHAs will be able to apply a payment standard of 120 percent of FMR without HUD approval in order to provide a reasonable accommodation for persons with disabilities. This fix has been long requested.

### **Inspection Standards**

NLHA has long advocated the increased participation of professionally managed rental housing in the Housing Choice Voucher program. Over the years, changes to the program have helped advance that goal but one of the remaining obstacles is addressed in the bill. Currently, it costs an apartment owner more to rent to a voucher holder than it does to rent to an unsubsidized resident. One of the reasons for this cost discrepancy is the program's burdensome and often duplicative inspection standards.

Before a Section 8 voucher holder can rent an apartment, the administering public housing agency (PHA) must first inspect the unit to confirm that it complies with HUD-prescribed Housing Quality Standards (HQS). Unfortunately, these unit-by-unit inspections cause significant leasing delays and do not necessarily satisfy HUD's objective of protecting residents since many of these properties are already inspected under other federal programs.

Even if the PHA conducts its inspection within the required time frame, many apartment owners still report that it can take 30 days or more to be approved due to the extensive workload of most housing agencies. While this approval is pending, the apartment unit remains empty, when the owner could otherwise be collecting rent on it. The financial implications of such delays are enough to deter many owners from participating in the voucher program.

NLHA strongly supports provisions that make important reforms to the property inspection process, including addressing a redundancy that exists in federal inspection requirements. Currently, units that receive Low-Income Housing Tax Credits or are FHA-insured are already inspected as a condition of participation in those programs. We are encouraged that the bill permits voucher holders to move in to units that have already passed inspections for other federal programs. Under H.R. 3700, the PHA could perform the inspection after move-in where there was a previous inspection conducted/passed under an alternate program. We understand that HUD is working to align the PHA HQS inspections with the current methodology employed by multifamily (FHA and project-based rental assistance) inspections. Such alignment could also provide relief from duplicative inspections.

In an effort to streamline the inspection process, the bill provides PHAs the discretion to lease a unit that has minor defects (i.e., non-life threatening problems like a small slit in a window screen, a chipped switch plate, etc) instead of forcing the apartment owner to make the repairs before the lease can be signed. Under the bills the repairs would be required to be completed within 30 days.

### **Project-based Vouchers**

NLHA is pleased that the bill includes a change to the Section 8 project-based voucher program to increase flexibility and maximize consistency by permitting HAP contracts to be up to 20 years subject to annual appropriations. This change will ensure conformity of the project-based voucher HAP to other programs and facilitate financing of such properties. The bill also allows the Secretary to modify unit inspection rules to permit a sampling of units where the assistance is project-based. We also support the following additional changes included in the bill:

- Increasing the percent of voucher funds that PHAs can use for project-based properties from 20 percent of voucher funding to 20 percent of its authorized units
- Allowing PHAs to project-base up to an additional 10 percent to address homeless populations, provide housing for persons with disabilities or otherwise use this tool in difficult to develop areas;
- Amend the current provision that limits project-based vouchers in family properties to 25 percent of the units to 40 percent in difficult development areas or where the poverty rate is at or below 20 percent; also provides that 100 percent of the dwelling units can be project-based when the project has 25 units or less;
- Facilitate PHAs ability to use PBVs (subject to the PHA Plan) in units that they own;
- Permit site-based waiting lists (subject to PHA oversight).
- Clarify that special voucher purposes can be project-based (e.g. VASH and Family Unification vouchers);

- Permits owners and PHAs to agree to adjust rents using an operating cost adjustment factor (OCAF) while retaining the current rent adjustment rules that continue to be subject to the rent reasonableness test.

### **Other Provisions**

We strongly support Section 502 which provides changes to the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) that were included in H.R. 2482 which passed the House earlier this summer. These technical changes provide much needed program flexibility which we believe will result in increased recapitalization of LIHPRHA properties at no cost to the Federal Government.

We also support Section 503 which provides for an energy demonstration program known as “Pay for Success” that was also passed the House in July.

We appreciate the subcommittee providing that HUD should collect and publish data on utility consumption and costs in local areas to help establish utility allowances in the voucher program. This provision is important because the current methods for establishing utility allowances is often quite inconsistent, requires owners and PHAs to access information that is not readily available and often results in higher costs than is necessary.

### **Conclusion**

The Section 8 program has long served as America’s primary rental subsidy program. We support the goals of The Housing Opportunity Through Modernization Act of 2015 and are pleased to provide the benefit of our members experience to encourage changes to the rental assistance programs to better meet the needs of America’s hard working families who cannot find decent, affordable housing. The subcommittee’s acknowledgement that regulatory burdens can be eased without compromising the integrity of the rental housing programs is much appreciated. HUD has taken some steps to streamline processing, but we believe more can be done and we will work with the subcommittee in this regard. We appreciate the opportunity to express our views, and we stand ready to work with the Subcommittee on the Section 8 program and other critical housing issues.