

STATEMENT OF SECRETARY SHAUN DONOVAN
LEGISLATIVE OPTIONS FOR PRESERVING FEDERALLY- AND STATE-ASSISTED AFFORDABLE
HOUSING AND PREVENTING DISPLACEMENT OF
LOW-INCOME, ELDERLY AND DISABLED TENANTS
2129 RAYBURN HOUSE OFFICE BUILDING
THURSDAY, JUNE 25, 2009

Thank you, Chairman Frank and Ranking Member Bachus, for your attention to these issues. Chairman Frank I want to acknowledge that you have been the champion and advocate of preservation of the HUD-assisted housing stock for a very long time. Without your efforts, many more families would be without affordable shelter. I am looking forward to working with you and the Committee to further the preservation agenda.

This is an important hearing. Today, HUD provides rental assistance for over 1.4 million assisted units across the country. This stock is a critical resource for countless families, serving the low- and very-low-income families who otherwise would not have access to safe, decent, affordable housing.

We know from experience that preserving affordable housing is essential. If the current economic crisis has taught us anything, it's that it is long past time that we had a balanced, comprehensive national housing policy – one that supports homeownership, but also provides affordable rental opportunities, and ensures nobody falls through the cracks.

Today, there are less than 3 units available for every 4 very low-income households – and only half the number of units needed for families in extreme poverty. As we watch the number of homeless families with children begin to rise, we remember that a significant factor contributing to the resurgence of homelessness in the early 1980s was the failure to preserve hundreds of thousands of units from an earlier generation of affordable housing. And so, we can't afford not to take this challenge on.

And Congress and HUD together are already doing just that. This Administration, thanks to Congressional support, is committed to fully funding project-based Section 8 contracts for 12 months, through the Recovery Act, as well as full funding in HUD's 2010 budget.

Our budget also requests a higher level of federal funding for housing vouchers – the most direct means to meeting the affordability challenge facing very low income renters and the most efficient means of addressing the increase in homelessness I just referred to.

While we have made progress, more action is needed, which is why I am pleased to inform the Committee that HUD supports the fundamental principles of the draft bill. The bill tackles a detailed list of actions that could be taken. This legislation provides us with the foundation to move forward in a comprehensive and strategic manner. We must still evaluate it of its costs and implications but allow me to highlight three important themes embraced in this bill that will be critical in guiding us forward:

First, HUD needs to be a leader and a partner in preserving critical housing resources. Too often it seems that HUD policies and practices get in the way of preservation efforts instead of supporting them.

That is going to change.

Going forward, we are adopting a problem-solving ethos and collaborative working relationship with our partners (that is owners, residents and local government). I recognize that historically this may not always have been the case. The draft bill highlights the kind of practices that we can consider changing that will demonstrate this new partnership attitude. For example, when a property is undertaking substantial capital improvements, we can agree to establish the After-Rehab Section 8 rent upfront before the rehabilitation begins. That means that owners, lenders and their financial partners would have the certainty and confidence they need to undertake this new investment.

Likewise, we can look at agreeing to enter into longer term Section 8 contracts, subject of course to annual appropriations and structured to provide HUD with flexibility to cancel contracts with owners of non-performing properties. This would boost tax credit investor confidence by demonstrating our intent to be a long term partner in the project. This type of action is particularly important at this time when investors are in short supply.

These two examples, among many, from the legislation, can be done administratively. We will continue to identify all of the elements in the bill which we might be able to tackle

administratively and quickly. Again, we want to be a leader and a partner in this crucial preservation effort.

Second, information is critical. We applaud the concept of a national database that will give us access to the information that we need regarding America's affordable housing stock, including – how much is HUD-assisted, what developments have multiple financing sources, and when mortgages are maturing in order for us to better predict our voucher commitments.

Mr. Chairman, I am a numbers guy – I am serious about evidence-based decision-making. A comprehensive database would help us do a far better job of preserving as many units as possible for the least amount of money.

This leads me to the final point – one-size does not fit all in approaching the challenge of preserving affordable housing.

The data and analysis we do on the portfolio of properties will lead us to tailor our efforts to specific problems. For instance, what is needed for a deeply troubled property in a challenged neighborhood may be very different from what is needed for a well-maintained property in a good housing market at the end of its mortgage term. A flexible menu of solutions will be required and it must be based on solid data and analysis. We want to work with you to ensure that we have the needed flexibility in this legislation. One concept that we are very interested in pursuing is linking the preservation of the existing affordable housing developments with broader initiatives that benefit communities. We want to look at prioritizing the preservation of developments that are integral to sustainability- such as those adjacent to transit or with great access to job opportunities.

My staff, led by my new Deputy Assistant Secretary, Carol Galante, has been working diligently over the past several weeks gathering together owners, tenants, and non-profit leaders to listen to their thoughts, ideas and suggestions regarding preservation.

Congressional staff has been attending these sessions and together we have been working to better understand the challenges we face and how to craft more workable solutions. As these conversations progress, there may be further ideas, like the link to sustainability I cited

earlier, that we may wish to have considered. These conversations are an important part of our efforts to work with you as you further refine this bill.

We know how important affordable housing preservation is to the long-term success of our communities. And we recognize that hard choices will need to be made to get the most out of our resources and make a difference for millions of families. We will need to look at the costs and work with you to prioritize what is essential and what is most cost effective.

But with a new set of priorities, a new commitment to collaboration and accountability, and a new way of doing business here at HUD, I am convinced we can and will. Thank you.