

**Testimony of Conrad Egan
President and CEO of the National Housing Conference
Before the Subcommittee on Housing and Community Opportunity**

June 17, 2003

Thank you, Mr. Chairman, for the opportunity to appear before this Subcommittee today, principally as the former Executive Director of the Millennial Housing Commission.

In December of 2000, the Congress of the United States, pursuant to legislation introduced by Representative James Walsh, established the bipartisan Millennial Housing Commission (MHC). Commission members were appointed by the chairs and ranking minority members of the House and Senate Appropriations Committees and Subcommittees for VA, HUD and Independent Agencies; the Senate Banking, Housing and Urban Affairs Committee and its Housing and Transportation Subcommittee; and the House Financial Services Committee and its Housing and Community Opportunity Subcommittee. The Commission was charged with examining, analyzing, and exploring:

“(1) the importance of housing, particularly affordable housing which includes housing for the elderly, to the infrastructure of the United States;

“(2) the various possible methods for increasing the role of the private sector in providing affordable housing in the United States, including the effectiveness and efficiency of such methods; and

“(3) whether the existing programs of the Department of Housing and Urban Development work in conjunction with one another to provide better housing opportunities for families, neighborhoods, and communities, and how such programs can be improved with respect to such purpose.”

The Twenty-two bi-partisan Commissioners presented the Commission’s report to Congress on May 30, 2002. The first paragraph of the report’s executive summary states,

Housing is most Americans’ largest expense. Decent and affordable housing has a demonstrable impact on family stability and the life outcomes of children. Decent housing is an indispensable building block of healthy neighborhoods, and thus shapes the quality of community life. In addition, the housing sector provides a major stimulus to the nation’s economy, consistently generating more than one-fifth of gross domestic product. Better housing can lead to better outcomes for individuals, communities, and American society as a whole. In short, housing matters.

Pursuant to the third objective stated above, The Commission examined many of HUD’s programs, including the Section 8 Housing Assistance program. Presented below are excerpts from the section of the Commission’s report that deals with that program.

Expand and strengthen the housing choice voucher program to improve the access of extremely low-income households to the private housing stock.

Since the 1970s, the housing voucher program has effectively assisted millions of low-income renters—particularly extremely low-income households who are most likely to have severe affordability problems and/or live in inadequate housing. The voucher program now serves 1.6 million households, including several special-needs populations such as persons with physical or mental illness and families making the transition from welfare to work. In certain circumstances, vouchers can also be used to help families become homeowners.

Because the program is flexible, cost-effective, and successful in its mission, the MHC believes housing vouchers should continue to be the linchpin of a national policy providing very low-income renters access to the privately owned housing stock.

The MHC recommends appropriation of additional funds for substantial annual increments of vouchers to address the housing problems of extremely low- and very low-income families who lack access to other housing assistance. The MHC also supports expanded use of vouchers for homeownership to help low-income families build assets. Finally, the MHC recommends specific refinements that would increase the program's efficiency and effectiveness.

1. Improve utilization and success rates.

HUD needs to diagnose the reasons for the limited success of the voucher program at some PHAs and offer targeted technical assistance. Voucher units should be reallocated from low-utilization PHAs to entities serving the same geographic area and households. HUD could also make two simple administrative changes that would improve the voucher system in tight rental markets: (1) expand the resources devoted to rent surveys so that published Fair Market Rents do not lag actual rents, and (2) quickly approve exception payment standards when census data demonstrate that average area rents are at the level of the exception sought (with some appropriate upper limit).

2. Increase landlord participation.

HUD and PHAs should develop consensus standards for shortening the inspection and lease approval process and for providing better service to landlords. These standards should be based on a review of PHA performance, feedback from both landlords and voucher holders, and review of all standards that affect landlord participation, such as lease approvals, inspections, and voucher transfer payments. The MHC also recommends that HUD provide technical assistance to PHAs for improving landlord participation, disseminate best practices information to program administrators, experiment with giving PHAs greater flexibility in applying the Housing Quality Standards (HQS) to attract owners to the program, and change the cap on the family rent contribution for newly rented voucher units to 40 percent of gross (rather than adjusted) income.

3. Link vouchers to housing production programs.

The MHC recommends that HUD strengthen and enforce the requirement that owners of housing produced under federally funded programs accept households with vouchers. In the interests of promoting mixed-income housing, however, the MHC also recommends that owners of developments of 50 or more units be able to limit the share of voucher households to 20 percent or 30 percent, subject to local market conditions. Extremely low-income households would receive special vouchers for units produced under capital subsidy programs such as the LIHTC, HOME, CDBG, and the new mixed-income, multifamily rental production program proposed elsewhere in this report. Payment standards for units served by these “thrifty production vouchers” would equal the operating cost, rather than being based on the Fair Market Rent.

4. Link vouchers to work opportunity and self-sufficiency initiatives.

While the current voucher program provides incentives for tenants to move to neighborhoods with better opportunities and good schools, it does not make mobility a primary goal. But housing vouchers can play a larger role in helping welfare-dependent families and marginally employed workers improve their job stability and earnings potential. Indeed, vouchers are more effective than any other kind of housing assistance in improving recipients' opportunities for employment, savings, and long-term self-sufficiency.

5. Link vouchers to non-housing programs.

HUD should allow other agencies to compete for special allocations of vouchers for certain populations, but require that PHAs (or regional consortia of PHAs) perform key operations such as housing inspections, rent-setting, and payments to landlords. HUD should monitor performance of these functions as part of the PHA's overall voucher program. Housing vouchers can also work effectively with other types of assistance programs for special-needs populations. In particular, as states expand community-based housing options, they are likely to look increasingly to vouchers to provide permanent housing supports for persons with disabilities. This will require establishing stronger partnerships between PHAs and other providers of supportive services, and permitting state agencies and nonprofits to administer special-purpose vouchers.

6. Allow for the flexible use of Section 8 project-based units.

In addition to expanding tenant-based housing choice vouchers, the Commission proposes certain improvements to the project-based Section 8 program. More than 800,000 units of project-based Section 8 units are still in the federally assisted stock. While most are in good condition, some are obsolete, deteriorating, and located in areas where assisted housing is highly concentrated. Others are at risk of opt out from their Section 8 contracts. Current HUD policy does not appear to allow the transfer of subsidies from deteriorated properties to other locations to create replacement housing. It would be a better use of federal funds if, with local government support, some or all of the project-based Section 8 and other subsidies could be transferred to other locations as part of mixed-income housing developments. This flexibility would also provide new preservation options for property owners who are considering opting out of their contracts. The Commission therefore recommends that the administrators of these project-based contracts be permitted and encouraged to allow transfer of assisted units to aid in the preservation of affordable units in high-quality properties and to improve income diversity. It also recommends that Congress remove any statutory obstacles to using transferred project-based Section 8 subsidies for replacement housing.

In conclusion, let me summarize the Commission's position on the Section 8 Housing Assistance Program thusly. First, the Program works well in its current form. Second, it could be improved by implementing the above recommendations. Third, substantial annual increments of additional funds should be appropriated to better address the housing problems of extremely and very low income families and to increase opportunities for homeownership.