

**THE FUTURE OF HOUSING IN AMERICA:
A BETTER WAY TO INCREASE EFFICIENCIES
FOR HOUSING VOUCHERS AND CREATE
UPWARD ECONOMIC MOBILITY**

HEARING
BEFORE THE
SUBCOMMITTEE ON
HOUSING AND INSURANCE
OF THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTEENTH CONGRESS
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**THE FUTURE OF HOUSING IN AMERICA:
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Wednesday, September 21, 2016

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

The subcommittee met, pursuant to notice, at 10:01 a.m., in room 2128, Rayburn House Office Building, Hon. Blaine Luetkemeyer [chairman of the subcommittee] presiding.

Members present: Representatives Luetkemeyer, Royce, Garrett, Pearce, Posey, Ross, Barr, Rothfus, Williams; Cleaver, Velazquez, Capuano, Clay, Ellison, Beatty, and Kildee.

Ex officio present: Representatives Hensarling and Waters.

Also present: Representative Palazzo.

Chairman LUETKEMEYER. The Subcommittee on Housing and Insurance will come to order. Without objection, the Chair can call a recess of the subcommittee at any time.

Today's hearing is entitled, "The Future of Housing in America: A Better Way to Increase Efficiencies for Housing Vouchers and Create Upward Economic Mobility."

Before we begin, I would like to thank the witnesses for appearing before the subcommittee today. I look forward to your testimony.

I now recognize myself for 3 minutes to give an opening statement.

Today's hearing serves as another opportunity for this subcommittee to look at the state of housing in our Nation and to examine potential changes to Federal housing programs that would maximize the investment of taxpayer funds and serve more families in a smarter way.

Too often, the regulatory regime surrounding public housing authorities (PHAs) has the ultimate effect of stifling opportunities for tenants. Rules preventing flexibility and modernization for PHAs mean more work and fewer served. Archaic rules surrounding housing vouchers limit the ability of residents to pursue financial independence.

All of this, combined with a budget situation that is not improving, means that we need to think differently about the way we administer housing programs.

With H.R. 3700, the Housing Opportunity Through Modernization Act, this subcommittee worked together because we shared a similar vision. We looked at the programs and processes of HUD and the Rural Housing Service to see where we could enact commonsense reforms and make both Departments work better for the American people. Together, and with incredible support from housing industry leaders, residents, and advocates, we made meaningful strides to raise up those in need and give more Americans the opportunity, as I always say, to have not just a place to live but a place to have a life.

That is also the objective of the Speaker's Task Force on Poverty. Speaker Ryan has charged each of us with developing policy solutions that foster independence and freedom and allow for a better way.

Today, we will hear from a panel of witnesses who will offer ideas for reform of rules impacting public housing authorities and the Housing Choice Voucher Program, among others. We will also discuss the Administration's housing choice voucher mobility demonstration program.

It is my hope that the spirit that fostered H.R. 3700 continues to lead us to more collaborative reforms. We can and should continue to push for meaningful change that creates upward economic mobility and better stewardship of taxpayer dollars.

We have a distinguished panel with us today, including Cheryl Lovell, executive director of the St. Louis Housing Authority. This committee is always glad to see and hear from fellow Missourians.

My colleagues and I look forward to each of your testimonies.

The Chair now recognizes the ranking member of the subcommittee, the gentleman from Missouri, Mr. Cleaver, for 5 minutes for an opening statement.

Mr. CLEAVER. Thank you, Mr. Chairman, and members of the subcommittee.

I would also like to take this opportunity to welcome those of you who are here to provide us with information. We have an opportunity today to take a very close look at the Section 8 Housing Choice Voucher Program as well as discuss and perhaps receive some suggestions from you on the best ways to increase and enhance the portability process for residents who rely on these vouchers.

Everyone here knows the importance of housing choice vouchers in our overall public housing strategy. Administered by the public housing authorities, these vouchers enable low-income individuals to live in private-market rental units by providing funding that makes up the difference of the amount the individual can afford and the rental payment itself. Currently, about 2.2 million Americans rely on this program.

These vouchers go to some of our most vulnerable populations: extremely low-income families; seniors; and the disabled. All parents want the best outcome for their children, whether they are poor or rich, and providing a child with a safe, reliable home is vital to their growth, just as helping children access educational opportunity is vital to their overall success and well-being.

By improving upon the portability process, we will help families move to areas with lower rates of poverty. A number of our wit-

nesses have cited a 2015 study by Harvard Professor Raj Chetty which finds that moving to a lower-poverty neighborhood significantly improves college attendance rates and earnings for children who were young when their families moved.

Though we have some conflict on some parts of this program, I think that you, as witnesses, can provide us with valuable information about HUD's more recent actions on this issue, including the President's Fiscal Year 2017 funding request for a mobility demonstration program, which I hope we can get through. I think it is critically important for us to demonstrate this program so that when we come back next year we will be able to put programs like this into play.

Last year, this committee was able to push past the paralyzing partisan divide, due to the leadership of our chairman, and we passed a long-needed overhaul of many of our public housing policies. And without the support of many in this room today, H.R. 3700 would not have been possible.

So I want to thank all of you who helped make it possible, and we need your help now.

I yield back, Mr. Chairman.

Chairman LUETKEMEYER. I thank the gentleman.

Today, we welcome the testimony of Ms. Dominique Blom, Deputy Assistant Secretary of the Office of Public Housing Investments, U.S. Department of Housing and Urban Development; Ms. Barbara Sard, vice president of housing policy at the Center on Budget Policies and Priorities; Ms. Deborah Thrope, staff attorney at the National Housing Law Project; Mr. Ailrick Young, executive director of the Laurel Housing Authority in Laurel, Mississippi; and Ms. Cheryl Lovell, the executive director of the St. Louis Housing Authority in St. Louis, Missouri.

Each of you will be recognized for 5 minutes to give an oral presentation of your testimony, and without objection, your written statements will be made a part of the record.

Before we turn to questioning, I would like to extend a special welcome to my fellow Missourian on today's panel, and yield to the gentleman from St. Louis, Mr. Clay, for an introduction.

Without objection, the gentleman from Missouri is recognized.

Mr. CLAY. I thank you, Mr. Chairman. And just very briefly, I want to introduce my constituent, who has advanced the cause of quality, affordable housing for thousands of low- and moderate-income residents in St. Louis.

Ms. Cheryl Lovell, the executive director of the St. Louis Housing Authority, became the executive director just about the same time that I was first elected to Congress. Some of the members of the subcommittee may recall that for many years prior to that, the St. Louis Housing Authority was considered a symbol of dysfunction, despair, and decline.

Today, that is no longer the case, and much of that improvement is because of Cheryl's tenacity and commitment to doing things right. During her tenure, the HUD rating score for the St. Louis Housing Authority has risen from a dismal 14 to an admirable 92.

During the last 16 years, the St. Louis Housing Authority has developed over 2,200 new rental units, of which over 1,000 units are public housing; and they have used public and private partner-

ships, leveraging \$200 million in public money with \$325 million of private funds, for a total development portfolio of \$525 million in completed projects.

Cheryl has also worked closely with my staff and I to make Section 8 work better for more low-income citizens and to also leverage other HUD support, such as HOPE VI grants, which has helped to transform shameful public housing failures into attractive and welcoming housing where citizens can live in dignity.

I am pleased to welcome her here, Mr. Chairman, and I thank you for the opportunity to introduce her. I yield back.

Chairman LUETKEMEYER. I thank the gentleman.

Ms. Lovell, as you can see, you have a very passionate advocate in Mr. Clay for housing issues, and we certainly are excited to have him on the committee, and he has done a fantastic job for you.

With that, Ms. Blom, you are recognized for 5 minutes.

STATEMENT OF DOMINIQUE BLOM, DEPUTY ASSISTANT SECRETARY, OFFICE OF PUBLIC HOUSING INVESTMENTS, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. BLOM. Thank you. Good morning.

Chairman Luetkemeyer, Ranking Member Cleaver, and members of the subcommittee, thank you for allowing me this opportunity to discuss how HUD is working to make its housing programs more efficient while expanding economic mobility for Americans who count on us. I am Dominique Blom, the Deputy Assistant Secretary for the Office of Public Housing Investments at HUD.

The Housing Choice Voucher Program, which the committee has asked specifically about, is one of HUD's most important initiatives in this ongoing effort. HUD provides direct housing assistance to 2.3 million households living in public housing and the project-based rental housing program, and supports another 2.2 million Americans who are elderly, disabled, and families with children through housing choice vouchers. This support is vital to helping these citizens keep a roof over their head.

In fact, without housing choice vouchers, much of the progress we have made as part of President Obama's Opening Doors plan to end homelessness in our Nation, implemented in partnership with the Congress, would not have been possible. HUD is a principal partner in fulfilling the President's vision of a Nation in which everyone has a secure home. That is why we have stepped up our work through efforts like the Family Unification Program to help end youth homelessness, especially among Americans who are involved in the foster care system, many of whom are often at greatest risk of becoming homeless.

In addition to helping more Americans secure a stable home, HUD is also working to ensure that more of the families we support live in neighborhoods of opportunity, and housing choice vouchers are a central part of this effort. As our Moving to Opportunities demonstration has shown, mothers who use their vouchers to move to safer, low-poverty neighborhoods experience a host of health benefits, including a 50 percent lower rate of diabetes and a 42 percent reduction in severe obesity, and the youngest children of these mothers have higher rates of college attendance and 31 percent higher earnings as a result of their move.

We look forward to working with the members of the committee to make this program even more effective in the future.

Further, HUD continues our efforts to expand the Moving to Work (MTW) demonstration. For 20 years, the MTW initiative has given public housing authorities greater flexibility to invest in innovation and use Federal resources in a smarter way for the families that they serve. By expanding this important effort to 100 more public housing authorities, HUD will learn from new policy interventions and apply that knowledge to our entire housing authority portfolio, to include simplifying the administration of housing assistance programs.

The MTW expansion will help us build on other actions HUD has undertaken to reduce Administration requirements for PHAs across the Nation. HUD held a multiyear review of existing requirements, resulting in a streamlining rule to make administration of a number of PHA programs more efficient amid reduced funding.

And HUD believes our new rules support the progress we anticipate as a result of two important bills enacted in the past year by Congress, namely the Fixing America's Surface Transportation Act and the Housing Opportunities Through Modernization Act.

Within its existing authority, HUD is working to streamline and create more efficiencies so that we deliver for the people who count on us directly while also strengthening our Nation as a whole. We look forward to working with this committee and with your colleagues in Congress to continue the important progress we have already achieved.

Thank you, and I would be happy to answer any questions.

[The prepared statement of Ms. Blom can be found on page 38 of the appendix.]

Chairman LUETKEMEYER. Thank you, Ms. Blom.

Ms. Sard, you are recognized for 5 minutes.

STATEMENT OF BARBARA SARD, VICE PRESIDENT, HOUSING POLICY, THE CENTER ON BUDGET AND POLICY PRIORITIES (CBPP)

Ms. SARD. Thank you, Chairman Luetkemeyer, Ranking Member Cleaver, and members of the subcommittee. I am Barbara Sard, vice president for housing policy at the Center on Budget and Policy Priorities. Thank you for giving me the opportunity to testify this morning, and particular thanks to the two of you and your staff and the members of this committee for your leadership and persistence in enacting H.R. 3700, the first comprehensive reform of the low-income housing programs in nearly 2 decades.

The recent report of the Speaker's Task Force on Poverty, Opportunity, and Upward Mobility recommends in part that we should enhance the portability of housing vouchers and reform the fragmented system of thousands of public housing agencies. We agree with those recommendations and we think they form the foundation for a new stage of bipartisan work to improve the low-income housing programs.

These recommendations are based on a strong body of evidence that the chairman referred to, and Ms. Blom referred to, which shows that growing up in safe, low-poverty neighborhoods can im-

prove results for adults and children, including, most notably, an increase in earnings among young adults of, on average, \$3,500 per year—very significant impacts.

Unfortunately, only a small share of families now use vouchers in low-poverty areas—just one in eight of the families with children served by the program—though the program is effective for poor African-American and Hispanic families with vouchers, who are nearly twice as likely as other poor minority children to grow up in low-poverty neighborhoods. Yet, we have 343,000 children in families with vouchers living in extremely poor neighborhoods today, and we need to do better to help those children and others like them to have a better chance at a better life.

One of the major barriers to families making such moves to opportunity is the fragmented system of voucher administration, as the Speaker's Task Force noted. More than 1,500 housing authorities administer vouchers in metropolitan areas. In most of these areas, one agency administers the program in the central city, and one or more agencies serve the surrounding suburban communities. In many cases, a lot more agencies surround the central city.

For families, this fragmentation means that they are less likely to get useful advice about opportunities that other communities offer and more likely to have trouble using their voucher to find housing because they don't get information about landlords who will rent to them, and moving to another housing authority's jurisdiction requires them to deal with yet another bureaucracy whose staff may not be very welcoming to what they consider outsiders.

For Federal taxpayers, this fragmentation increases costs of Federal oversight and of local agency administration, as the U.S. Government Accountability Office has found. Federal policymakers can help solve this problem.

As Mr. Cleaver mentioned, one opportunity in front of you is to agree with the Senate and fund the regional housing mobility demonstration that the Administration proposed. This is a very important start.

But this modest demonstration is not enough. Encouraging housing authorities to consolidate or form a consortia enables them to retain their identity and their individual boards of directors, which I am sure you appreciate is very politically important, but they still get to combine their administrative functions and create economies of scale and efficiencies. Helping them do this ought to be a goal of Federal policy.

But few agencies are going to take this step unless it really pays for them to do it, if it really creates efficiencies. And currently, policy doesn't do that.

The key here is to enable agencies that form a consortia to have a single funding contract with HUD. It has been more than 2 years since HUD proposed a rule change to allow that to happen, and HUD has not followed through.

Congress can expedite these changes by directing HUD to permit consortia to have a single voucher funding contract without delay.

It is also important to modify administrative fee policy to remove disincentives to form consortia and encourage greater use of vouchers in high-opportunity areas. My testimony includes other recommendations that will facilitate consortia.

But one thing Congress should not do is advance or enact the small agency reform bill.

Thank you.

[The prepared statement of Ms. Sard can be found on page 55 of the appendix.]

Chairman LUETKEMEYER. Thank you, Ms. Sard.

Ms. Thrope, you are recognized for 5 minutes.

**STATEMENT OF DEBORAH THROPE, STAFF ATTORNEY, THE
NATIONAL HOUSING LAW PROJECT (NHLP)**

Ms. THROPE. Thank you.

Good morning, Chairman Luetkemeyer, Ranking Member Cleaver, and distinguished members of the subcommittee. Thank you for the opportunity to testify today on increasing efficiencies for housing vouchers and creating upward mobility.

I am here on behalf of the National Housing Law Project, a private, nonprofit organization that provides legal and technical assistance to local housing advocates, tenant leaders, and public officials nationwide. NHLP hosts the National Housing Justice Network, a vast field network of over 1,000 community-level housing advocates and tenant leaders. Our work with local advocates who deal with the day-to-day problems and opportunities presented by implementation of housing laws informs NHLP's policy advocacy, including the views that I am going to express today.

The Housing Choice Voucher Program has great potential to provide housing choice and mobility to families nationwide. The cornerstone of the voucher program is the opportunity to move to neighborhoods with high-performing schools, medical services, quality jobs, and other amenities.

And yet, an increasing number of poor families live in areas of highly concentrated poverty where over 40 percent of residents are low-income. Even families who are lucky enough to receive a Section 8 voucher remain segregated in low-rent, high-poverty neighborhoods.

There are several reasons for this. Some voucher tenants choose to live in lower-income neighborhoods to be near friends, family, a local church, medical care, or other support networks.

That is why vouchers are only part of the multifaceted national approach to address housing instability and homelessness. National housing policy must also consider the preservation of affordable housing and community investment and revitalization.

In addition, for the families who wish to move to more economically diverse neighborhoods with a voucher, housing choice is limited. Voucher tenants across the country report that they cannot use their voucher in the private rental market and often end up returning to high-poverty areas with or without their voucher, because if they can't use their voucher, they have to give it back. And this is true even for families who have spent sometimes 10 to 15 years on the voucher wait list.

In order to maximize the effectiveness of the voucher program, policymakers must prioritize eliminating the barriers families face when they try to use their voucher in that private market.

First, in many places the value of a voucher does not reflect market rent, making it difficult, if not impossible, for families to find

a place they can afford. The value of a voucher is primarily based on fair market rents, or FMRs.

When HUD sets the FMR below market, the maximum assistance level for a voucher tenant is so low that families are effectively barred from many neighborhoods, and particularly areas of opportunity. If HUD revised its FMR methodology, voucher families would experience greater housing choice and mobility.

Second, voucher families may find there is a shortage of landlords willing to rent to assisted families. In San Diego, for example, there are reportedly enough vouchers to end veteran homelessness, although not enough landlords willing to take them. It is important to implement policies to incentivize and increase levels of landlord participation.

Third, mobility counseling is an essential component of the voucher program because it educates families about the advantages of moving to higher-opportunity areas and provides the support and resources to complete a successful housing search. We therefore fully support the Administration's proposal for a new housing choice voucher mobility demonstration.

Last, there are nearly 4,000 PHAs administering public housing and/or Section 8 vouchers in this country. This structure creates real challenges for tenants and can greatly restrict mobility because: one, it is inefficient and confusing for tenants who have to apply to a number of different wait lists in one metro area; and two, it creates portability problems when tenants have to jump through administrative hoops to move to the jurisdiction of another PHA.

To resolve the issues that arise when tenants face jurisdictional boundaries, Congress should enact policies that will encourage PHAs to form consortia, such as the provision in H.R. 4816 that allows agencies participating in a consortium to fully merge reporting applications.

While the Small Public Housing Agency Opportunity Act, or H.R. 4816, includes this important provision regarding consortia, parts of the bill run the risk of negatively impacting voucher families. The bill essentially calls for the deregulation of small PHAs by allowing full funding flexibility. As we have seen through the Moving to Work demonstration program, though, financial flexibility can lead to a significant reduction in the number of families served by Federal dollars.

H.R. 4816 also includes a rent demonstration that could cause extreme financial hardship to many tenants. A tiered rent system, gross rents, and unlimited minimum rents will likely harm the most vulnerable families.

My written testimony includes a number of additional ways that this bill could negatively impact tenants.

Congress can and should take steps to eliminate barriers to improve housing choice and mobility for voucher families. Thank you.

[The prepared statement of Ms. Thrope can be found on page 70 of the appendix.]

Chairman LUETKEMEYER. Thank you.

With that, we recognize Mr. Young for 5 minutes.

**STATEMENT OF AILRICK YOUNG, EXECUTIVE DIRECTOR, THE
LAUREL HOUSING AUTHORITY**

Mr. YOUNG. Good morning, Chairman Luetkemeyer, Ranking Member Cleaver, and members of the Housing Subcommittee. Thank you for the opportunity to appear before you this morning.

My name is Ailrick Young and I am the executive director of the housing authority of the city of Laurel, Mississippi. Although this testimony is representative of my own personal experience, I am also here representing my colleagues at public housing agencies across the country who have shared in my experiences.

I want to thank the subcommittee for your work on passing the Housing Opportunity Through Modernization Act. I also want to thank Congressman Palazzo for introducing and sponsoring the Small Public Housing Agency Opportunity Act of 2016, H.R. 4816. He and his staff have been invaluable assets to small housing authorities and to the affordable housing community in general.

H.R. 4816 can offer solutions to allow small agencies to, among other things, increase efficiencies for housing choice vouchers, create upward economic mobility, and offer better housing solutions for their communities. The bill strives to find the appropriate balance between responsible government oversight and additional flexibilities to make sure agencies are able to responsibly provide safe and decent housing.

H.R. 4816 is designed to assure the long-term viability and effectiveness of small agencies and the portfolios they manage. The bill encourages flexibility and enables smaller agencies managing fewer than 550 units of federally-assisted housing to explore innovative approaches to determining tenant rents while reducing administrative burdens unique to smaller agencies.

It accomplishes this by streamlining reporting and other regulatory burdens. Many of the burdensome reporting requirements not only take valuable time away from staff who could be meeting the needs of those whom we serve, but many of the reporting requirements are not even required for HUD's multifamily program.

If adopted, H.R. 4816 would also increase HUD's efficiency through more manageable and appropriate oversight. Smaller agencies typically perform well on all of HUD's assessments and tend to still superbly carry out their mission to provide affordable housing. Small agencies like Laurel need the flexibilities provided in H.R. 4816 in order to cope with this harsh reality and to continue to provide high-quality, safe, and affordable housing in our communities.

I understand that you are also looking at regionalization of housing—of the Housing Choice Voucher Program. I believe that mandatory consolidation of agencies is a bad idea. Creating voluntary programs where agencies can choose to work together and where they can receive regulatory flexibilities that make this cooperation easier and feasible is a worthy goal.

Although the Laurel Housing Authority is a small agency without vouchers, our jurisdiction is included in a larger regional voucher program. Being local, the public housing residents of the community of Laurel can easily assess our agency services, while voucher holders and applicants do not have the same level of access.

This is critical to eligible families who are looking to receive housing assistance. Many of our residents have children, they are trying to hold down a job, are elderly, or do not have access to their own transportation. Easy access to our agency significantly increases their ability to apply for housing, interview for a unit, or interact with staff at our agency.

I thank you for the work to help us serve our residents better, and I stand ready, with my affordable housing peers, NAHRO, and PHADA, to assist you as best we can in moving responsible small agency reforms like H.R. 4816 forward. I am happy to answer any questions that you may have.

Thank you.

[The prepared statement of Mr. Young can be found on page 83 of the appendix.]

Chairman LUETKEMEYER. Thank you, Mr. Young.

And Ms. Lovell, you are recognized for 5 minutes. Welcome.

**STATEMENT OF CHERYL LOVELL, EXECUTIVE DIRECTOR, THE
ST. LOUIS HOUSING AUTHORITY**

Ms. LOVELL. Good morning, Chairman Luetkemeyer, Ranking Member Cleaver, and other members of the Housing and Insurance Subcommittee.

First, I want to thank Congressman Clay for his introduction. I have worked with his office for many years and we have been able to accomplish a lot in our area, with the assistance of Congressman Clay's office.

My name is Cheryl Lovell and I am the executive director of the St. Louis Housing Authority. I am pleased to be here today to provide you information and insight on the proposed demonstration program for mobility counseling for families using housing choice vouchers. The demonstration program would allow public housing agencies to collaborate on initiatives to assist low-income families using existing vouchers to move to areas of opportunity.

The government structure in St. Louis is relatively unique. The City of St. Louis is a city that is not in a county. The City is surrounded by St. Louis County, which contains almost 90 municipalities.

St. Louis County has a separate housing authority. Together, the housing authorities serve almost 13,000 families in the Housing Choice Voucher Program. Approximately 95 percent of these families are African-American, and the average income for families is about \$12,500 a year. The families served are about half elderly and disabled and the other half families with children, mostly single parents.

For many years, the St. Louis Housing Authority and the Housing Authority of St. Louis County have allowed voucher holders to rent units in each other's jurisdiction without using the portability process. The jurisdictional sharing process allows families a broader choice of units in the metropolitan area.

Despite the efforts of both housing authorities, the housing choice voucher units are largely concentrated in areas of minority population or poverty. To address the concentration of voucher utilization, the St. Louis Housing Authority and the Housing Author-

ity of St. Louis County are collaborating to design and implement a small mobility counseling program.

The program focuses on moving families to areas with a concentration of poverty of less than 10 percent. Participation in the program is voluntary and open to all new or existing clients of both housing authorities. Our program is funded by a small, one-time grant which supports the program for 12 to 14 months. Our hope is that during the design phase, additional funding can be identified to continue and expand the program.

The St. Louis metropolitan area is one of the most segregated cities in the country and the poverty rate of African-Americans is nearly 3 times higher than the poverty rate of the remaining population. While the current program is early in the development stage and will initially serve a limited number of families, both agencies view the program as critical to their missions.

Providing families with extra services they may need to take advantage of areas of greater opportunity is a small step towards addressing historic segregation, and will provide participating families with a path to potentially break the cycle of poverty. Like St. Louis, many older urban areas remain segregated. As economic disparity tends to follow patterns of segregation, housing choice voucher families in many areas live in neighborhoods with a high concentration of poverty.

Creation of a demonstration program will evaluate the effectiveness and efficiency of regional mobility programs and will provide an opportunity for HUD and their partnering housing authorities to develop innovative solutions to move families to areas of higher opportunity. A demonstration program also allows HUD to determine which solutions provide the best outcome and develop best practices.

The results of a demonstration program could assist other housing authorities to develop and implement mobility programs. We hope that the results of the demonstration program will provide insight on how to increase the number and size of programs in areas where voucher holders are highly concentrated and areas of poverty.

It is important to note that the award of demonstration program need not be equally distributed across the regions of the country but should focus on the areas with the greatest need and the strongest proposals for a mobility program.

Funding of a demonstration program is important, as housing authorities currently lack resources to create such programs. Administrative fees for Housing Choice Voucher Programs have not been fully funded for several years. As have most housing authorities nationwide, both the St. Louis Housing Authority and the Housing Authority of St. Louis County have undertaken significant cost-cutting measures, including significant reductions in staff, to continue to operate their program.

The proposed funding levels of the administrative fee does not provide sufficient resources to provide staff necessary to create the mobility counseling program. Funding of a demonstration program would provide the necessary resources to initially design and implement programs and potentially identify additional resources to maintain a program.

Given the potential benefit that moving to a low-poverty area can have for a family, providing the authorization funding to a mobility demonstration program is a positive step toward finding solutions to persistent issues with segregation. It has been 50 years since the Fair Housing Act was enacted. The low-income families are often stuck in neighborhoods that offer little opportunity to change their lives.

While mobility counseling programs should not replace programs that revitalize existing neighborhoods to generate new economic opportunities, a mobility demonstration program could assist in developing solutions that offer families choices.

Thank you for inviting me to testify.

[The prepared statement of Ms. Lovell can be found on page 47 of the appendix.]

Chairman LUETKEMEYER. Thank you, Ms. Lovell.

With that, I recognize myself for questions.

Ms. Blom, as we were going through the discussion here it appeared that most of the witnesses addressed the Administration's mobility demonstration program, and I didn't really catch from your testimony whether you approve, disapprove, support, or don't support it. Can you give me a definitive answer on whether you do or do not support the mobility demonstration program?

Ms. BLOM. Unequivocally, the Department does support the mobility demonstration program. The Administration has sought, as part of its Fiscal Year 2017 budget, to include \$15 million for this mobility demonstration: \$12 million of that would go directly to PHAs that work as part of the mobility demonstration; and \$3 million of that would be used for an evaluation of the program.

Chairman LUETKEMEYER. Perfect. Thank you very much.

Ms. Sard, you began the discussion—at least during your discussion you made the comment with regards to consolidation and forming consortiums as a way to address some issues and problems. Can you discuss the difference between a consolidation and a consortium, what problems you have, and if you have already analyzed it, whether you are going to save any money by doing this? Very quickly.

Ms. SARD. We think that consolidation would be ideal to reduce the number of agencies and expand agencies' borders so families could move freely about the region—

Chairman LUETKEMEYER. Are you going to save any money doing that?

Ms. SARD. I'm sorry?

Chairman LUETKEMEYER. Will you save any money doing that?

Ms. SARD. We expect that you would. Right—

Chairman LUETKEMEYER. Have you done an analysis of how much?

Ms. SARD. We estimate that there is now about \$40 million in additional administrative fees that is paid to agencies because they are small, so some of that could be saved and that—

Chairman LUETKEMEYER. Do you have a percentage of that? 10 percent? 20 percent?

Ms. SARD. That is a small percentage of the overall amount, but it is really important to make that change because it is a disincen-

tive now to do the right thing, which is to consolidate or form consortia.

Chairman LUETKEMEYER. All right. Very good. I want to be able to get Mr. Young's and Ms. Lovell's opinions on that.

You kind of addressed it, Mr. Young, in your testimony, saying you didn't approve of the consolidation, but kind of alluded to maybe a consortium of working together on certain issues. Would you like to explain that just a little bit, please?

Mr. YOUNG. Yes, sir, Mr. Chairman. I think in most cases when we have local input and involvement in these changes, for example, it works better. There are instances where as governmental entities overlap and they consolidate and the housing authorities consolidate, as well, but it works better when that is worked at the local level and they worked out whether or not certain services that they can share. When it is mandated, I think if it is mandated it will not work as well as allowing agencies and governmental entities—

Chairman LUETKEMEYER. Okay. Do you share with other PHAs any sort of consortium-type things that would help you right now that you can point to as a way that you are working together on certain things?

Mr. YOUNG. Yes, sir, Mr. Chairman. We share as far as procurement.

Chairman LUETKEMEYER. Okay. Very good.

Ms. Lovell, would you like to address that question? You have some experience, apparently, because you work together, both the city and the county. Tell us your experiences on that and whether you would agree or disagree with Ms. Sard here on consolidation versus consortium.

Ms. LOVELL. We work together but the agencies remain independent. The consolidation and consortium issue really is mostly directed at very small housing authorities, and our two housing authorities are actually quite large, so we don't really have a lot of issues in common because of the two large housing authorities.

The sharing of jurisdiction does create a lot of efficiencies between our two agencies because the formal portability process is very cumbersome and very time-consuming.

Chairman LUETKEMEYER. Okay.

With regards to Mr. Palazzo's bill, just a kind of quick question for a couple of you with regards to the rules and regulations he is trying to streamline, can you give us an example, Mr. Young, of some of the rules and regulations that he is trying to streamline that would be cost savings that would—either with monies that you are going to have to spend to comply with or people you are going to have to hire? What would be your—a quick synopsis? I have about 30 seconds.

Mr. YOUNG. A good example would be the provision in the bill for us to have an inspection every 3 years. Currently, that inspection is once a year.

Chairman LUETKEMEYER. Let me stop you right there.

Ms. Blom, do you have any problem with something like that?

Ms. BLOM. From the Department's perspective, we believe that any kind of streamlining measures should be applicable to both large and small agencies, specifically with regard to the inspection

protocol. We do believe that the current requirement of a 2-year inspection is the most appropriate interval for doing inspections.

Chairman LUETKEMEYER. It is kind of interesting because this is the Financial Services Committee—and I will make my remarks brief here—this is the Financial Services Committee and we just passed recently—and Mr. Barr, I think, is the gentleman that passed it—with regards to streamlining an examination process. And those banks that are not problem shops, that have clean records, that are small, they went to a longer inspection period—or examination period. So I am kind of curious here that that doesn't seem to translate from one industry to another.

I appreciate your comments, but I am over my time.

With that, let me recognize the ranking member of the full Financial Services Committee, the gentlelady from California, Ms. Waters, for 5 minutes.

Ms. WATERS. Thank you very much, Mr. Chairman. I have a commitment to be at an event where I am speaking this morning.

But I really did have to stay here because I, as you—perhaps you know this, that at one time I represented six public housing authorities in Los Angeles when I was in the State legislature, and I am originally from St. Louis and have family who live in Pruitt-Igoe and Vaughan. And, of course, when I was young in St. Louis, most of my friends lived in Carr Square Village. That was about the only public housing that was offered way back then. So I pay a lot of attention to public housing.

Mr. Young, you have come before us this day to advocate for less rules and regulations to operate your public housing and Section 8 Housing Choice Voucher Programs. Specifically, you are advocating for H.R. 4816, the Small Public Housing Agency Opportunity Act.

Mr. Young, I recall a very serious letter of findings from HUD's Office of Fair Housing and Equal Opportunity from March 2014 outlining civil rights violations that occurred as a result of egregious actions taken by the Laurel Housing Authority via your rental assistance demonstration application, which uncovered that 27 African-American households were evicted from a public housing development without due process and administrative grievance procedures to which they were rightfully entitled under existing law and regulations.

I have been following this issue. I sent a letter to the HUD Secretary expressing my serious concerns about this conduct and the well-being of the wrongfully evicted tenants.

My staff got very much involved with this. We sought out some of the low-income housing advocates who tried to do something about locating all of these African-Americans who had been evicted. And to date, I understand that HUD has uncovered even more concerns with your housing authority and that all of these issues are still outstanding today.

So here you are, Mr. Young, to advocate for less rules and regulations despite the fact that you cannot even follow the basic rules protecting the rights and due process of your public housing residents. Your testimony suggests that the level of oversight and regulatory requirements applied to small PHAs is unnecessary and that scaling these back now will allow you to better serve residents. But it seems to me that loosening oversight and regulations, many

of which serve as key protections for tenants, will only ensure that serious violations of tenant rights, such as those that occurred in your agency, will happen more often and go unreported.

HUD advocated that exceptional measures needed to be taken to provide emergency relief for the 27 affected households. Has that been done, Mr. Young? Did these households receive emergency relief or were they welcomed back into the housing authority? What have you done since this incident to mitigate the egregious lapses in your housing authority to ensure this would never happen again?

Mr. Young?

Mr. YOUNG. Yes, ma'am.

Congresswoman, all of the affected people have been allowed to move back or their situations have been addressed. To this date, HUD has not provided us any final information regarding that incident.

Ms. WATERS. Excuse me. Let me just stop you here. Was it your responsibility or HUD's responsibility to go out and find these people and get them back? Because they have not been returned, is that right?

Mr. YOUNG. Yes, ma'am. We did contact all of those residents, and those who wanted to come back to the housing authority, all of them were allowed to if they wished—

Ms. WATERS. How many of the 27 are back?

Mr. YOUNG. It is less than half a dozen, if I am not mistaken.

Ms. WATERS. It is my understanding that none of them are back. And so what I am going to do is I am going to get with HUD and I am coming to Laurel because when I tell you some of my family was in Pruitt-Igoe and in Vaughan, I am serious about public housing and the way tenants are treated. And I don't know that justice has been done in this case and why you did what you did.

Why did you evict them?

Mr. YOUNG. Ma'am, those who were evicted, were evicted because they violated the rules.

Ms. WATERS. There was no proof. When HUD went down there and they took a look at what you had done, you had no documentation and no proof that violations had been made, particularly some of the accusations about drugs.

They searched houses. They found nothing. What documents and what proof do you have?

Mr. YOUNG. When HUD came in and did their assessment, they asked for files that did not contain the documentation regarding those cases.

Ms. WATERS. So since 2014—

Chairman LUETKEMEYER. The gentlelady's time has expired.

Ms. WATERS. Thank you, Mr. Chairman.

I will be coming to Laurel. Thank you.

Chairman LUETKEMEYER. Mr. Young, if you would like to respond to that, if you have anything else to add to that, we will give you another 30 seconds to respond if you so wish.

Mr. YOUNG. Yes, I would like to respond, Mr. Chairman.

Chairman LUETKEMEYER. Yes, sir. Proceed.

Mr. YOUNG. Regarding that, HUD did come in and do an investigation regarding our RAD project, in which some of our residents

were evicted due to a violation of our housing authority's rules that happened to coincide with this ongoing RAD project. The files that HUD looked into regarding the allegation did not contain the documentation that would have shown that due process was allowed to everyone involved. And when we tried to provide those documents to HUD, they went ahead and made their decision without the benefit of the additional documentation. But the documentation does exist.

Thank you, Mr. Chairman.

Chairman LUETKEMEYER. Thank you, Mr. Young.

The gentleman from New Mexico, Mr. Pearce, is recognized for 5 minutes.

Mr. PEARCE. Thank you, Mr. Chairman.

And I thank each one of you for being here today.

Ms. Blom, what is the cost of the program? What is the overall administrative cost of all the housing programs, basically? I am just looking for the big line figure. So the budget is, what, \$21 billion or \$22 billion? About what percent of that is used up in administrative costs?

Ms. BLOM. With regard to the Housing Choice Voucher Program—

Mr. PEARCE. I am looking for the top-line number. Just the basic administrative cost for all the housing programs as a percent of the program budget.

Ms. BLOM. I will need to consult with experts back at HUD to be able to give you that exact figure—

Mr. PEARCE. Thirty-something percent? Does about 33 percent sound right? \$7 billion or \$8 billion?

Ms. BLOM. I think for the variety of different programs there are different administrative costs associated with them.

For the Housing Choice Voucher Program, which is about half of HUD's budget, housing authorities do receive an administrative fee for that. For the Public Housing Program, housing authorities are able to use a portion of their operating fund and capital fund to cover administrative costs.

So each of the different programs has a different level of administrative costs and we can break that down for you as well as sum that up.

Mr. PEARCE. You talked about streamlining in your presentation. Have you succeeded in streamlining? Do you feel that your efforts there are paying off?

Ms. BLOM. I am happy to report that in April the Department published a rule which became effective, that streamlined programs for the Housing Choice Voucher Program as well as the Public Housing Program—

Mr. PEARCE. And about how much do you think, with that report, are you saving and able to redirect? The reason I bring it up is, you say that you are short of funds, and almost always when I get to looking, administration takes up a big amount of the cost.

And so if you are short of funds it seems like you would be measuring and saying, okay, we just freed up \$30 million, \$10 million, whatever the numbers happen to be. So do you have a kind of a top-line figure on how much you have saved by streamlining and able to redirect into better direction of the funding?

Ms. BLOM. The streamlining measures just went into effect in April so it is too early to tell to provide a monetary figure on the amount of savings that have been incurred to date.

Mr. PEARCE. So give me one example of a streamlined figure. Tell me—streamline action, tell me one thing you have done.

Ms. BLOM. Right. One example of streamlining is that housing authorities now only need to inspect units every 2 years instead of every 1 year. And in addition to that, when they—if there are other funding programs that assist that unit—for instance, a low-income housing tax credit program—the housing authority can rely on the inspection process that has occurred with the low-income housing program—

Mr. PEARCE. And you didn't do any projections on how much that was going to save when you implemented it? That would be a normal business practice: Okay, we are going to stop this and it is going to save us so many dollars. You did not do those projections?

Ms. BLOM. I will check to see if—

Mr. PEARCE. Okay.

Ms. BLOM. —the Department has done that.

Mr. PEARCE. So when I look at your overall—your statement says that targeted long-term housing assistance can be important for ending homelessness. So as we consider the 2.2 million people in one set of the programs and 2.3 million in another set that you referred to, if we were going to be able to do a search of the names that compose that 2.2 million, 2.3 million people, 4.5 million total, how static are those names?

In other words, are they actually moving into prosperity? Are they moving out of housing? Is it a very static group of people that you are dealing with?

Ms. BLOM. About half of the population is elderly or disabled, and that—

Mr. PEARCE. So they are going to be very static.

Ms. BLOM. Exactly.

Mr. PEARCE. What about the other 50 percent?

Ms. BLOM. For the other 50 percent, it varies among housing authorities. Some families with children tend to stay for some time but there is also turnover in that population.

Mr. PEARCE. But you don't have an average? Like if I go to V.A. and ask them, what is the wait time, they can give me a wait time nationwide: "Roughly 51 days. In your area, it might be a little higher." So do you have that nationwide figure of the mobility of these programs?

Ms. BLOM. I seem to recall that it was a 7-year period, but again, I will confirm that and we will provide that information to you.

Mr. PEARCE. Just an observation from up here: If your greatest objective is to move people into better living conditions it seems like that might be the one number that you would like to advertise.

Ms. Lovell, you had mentioned also in your report that the choice program moving people to areas of higher opportunity, of course, we have a hope that is going to actually improve their status in life. Do you have any results for those 6,500 families that you work with through the choice program? Are they actually improving?

You have figures in here on what their average income is, but do they improve when they move to an area of better opportunity?

Ms. LOVELL. Our demonstration program actually has not started yet. It was just recently funded so we don't have any information on—

Mr. PEARCE. It says in your report you have 6,500 people receiving assistance through the Housing Choice Voucher Program, and in the front of it you say you are going to measure the effectiveness of regional mobility programs. So you have 6,500 people but they haven't started receiving assistance?

Ms. LOVELL. No. What I am saying is the mobility counseling program was just recently funded so we don't know the effect of moving to a higher-income—

Mr. PEARCE. All right.

Mr. Chairman, I yield back. Thank you.

Chairman LUTKEMEYER. The gentleman's time has expired.

With that, we will recognize the gentleman from Missouri, the ranking member of the subcommittee, Mr. Cleaver.

Mr. CLEAVER. Thank you, Mr. Chairman.

My children believe that I just take every opportunity I can to quote Robert Frost, and that is probably accurate. I try to camouflage it but it doesn't work. Robert Frost said, "Two roads diverged in a woods, I took the one less traveled by, and that has made all the difference."

When I think about my years and growing up in public housing there were two men—boys—who grew—spent at least 7 years in public housing, and we were—our parents were able to move. We are the only two who graduated from college, and most of them didn't graduate from high school.

The point I want to make is I think it is critically important that we pay attention to Professor Chetty's comments, and I also think that it is important to run this mobility demonstration program as well as the consortia.

But I want to concentrate—Ms. Blom, we have been concerned about housing on this committee, but we have also become concerned about the homeless, particularly after the economic collapse in 2008. Are there ways that programs like the voucher program are effective in reducing homelessness?

Ms. BLOM. Thank you very much for the question.

The voucher program has proven to be very successful in reducing homelessness. There was a recent study that has been published that the voucher program is extremely effective, and reducing homelessness is one of the most effective ways of having people have stable housing once they have become homeless.

The Department also has several programs within the public housing voucher program that target the homeless. One is the VASH Program, so that is veterans who are receiving vouchers and providing supports from the Veterans Administration; and then secondly, the Family Unification Program that is now targeting foster youth, and once they become adults, providing them with a voucher to prevent homelessness. And we currently have a demonstration that we are currently initiating to provide those individuals with support through the Family Self-Sufficiency Program.

So we do currently use the voucher program as a very successful tool for preventing and ending homelessness.

Mr. CLEAVER. But it is just a demonstration.

Ms. BLOM. In two areas—with regard to the Family Unification Program, we are starting that demonstration. Just a couple of months ago, we started to identify housing authorities that are interested in this, and we have already seen improvements to that thanks to HOTMA, which allowed for an extension of the vouchers from 18 months to 36 months.

I would say the VASH Program is beyond a demonstration and has proven to be effective. And the study that was recently released also, too, I think has proven that vouchers in and of themselves are an extremely effective way of ending homelessness.

Mr. CLEAVER. Thank you.

Mr. Young and Ms. Thrope, the two of you may be the most likely responders to this inquiry, but I represent three rural areas outside of Kansas City, the urban area—Saline and Lafayette Counties—and we do have public housing there, maybe per capita more than we have in Kansas City or St. Louis. But if we are able to increase mobility and coordination, do you think that will help these communities thrive or the public housing programs there?

And I wondered about the—when HUD will finalize the rule. Maybe I have to get that from you, Ms. Blom, but in the rural areas how valuable would a consortia? If we were able to pool housing authorities from across counties and so forth, would that be of some help?

Mr. YOUNG. As far as in Mississippi, and it is a rural area, some of the housing authorities are 30, 40 miles away. So if you consolidate housing authorities from that great a distance I think you lose some resources, local resources and what have you, of people being on the ground.

It is a little bit different, I think, in urban areas. It may work better. I just don't think that you would have the same level of customer service, support; you have people driving greater distances if you consolidate in the rural areas.

Chairman LUETKEMEYER. The gentleman's time has expired.

The gentleman from Florida, Mr. Posey, is recognized for 5 minutes.

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

Deputy Secretary Blom, I am going to read you a list of just some of the recent developing HUD requirements for all public housing agencies: smoke-free protocol; community service certification; stricter Section 8 employment rules; Violence Against Women Act updates; conflicted instructions of the use of applicant's criminal records; restrictions on the use of demolition and disposition tools; the costly Green Physical Needs Assessment; rollout of small area fair market rents; and ambitious assessment of fair housing tools.

These are just some; that is not all of them.

These may be well-intentioned ideas, but do they really come with any funding? Each of these requirements will entail communications with residents, training for staff, and updates to local policies and procedures. And, of course, that takes time and money.

If HUD doesn't provide the money and small agencies don't have the extra time to do this work, what do you suggest? Which of these is the highest priority? Which can be ignored? When is enough regulation enough?

Ms. BLOM. Thank you very much for that list of variety of different HUD programs. I think some of them are voluntary in nature, some of them are not in effect yet, and some of them are required.

Housing authorities do receive funding from the Department, thanks to Congress, to support their administrative activities. I think the Department certainly realizes that there are a number of requirements that housing authorities currently face, and the Department has looked at that seriously and reduced the burden for the housing authorities.

In April, the Department published a rule that would reduce burden for housing authorities. In addition to that, the Department is very eager to implement the time-reducing burdens associated with the FAST Act as well as with HOTMA, and we are focusing our attention on that so that we can, again, reduce burden and reduce cost for housing authorities.

Mr. POSEY. Tell me some of the burdens you have reduced.

Ms. BLOM. Some of the burdens that have reduced as a result of our current regulation is that the inspections only need to be done every 2 years instead of every 1, and that housing authorities can use protocols of other programs instead of having to inspect them themselves. Also, with regard to families who are on fixed incomes, the recertification of those incomes can now be done only every 3 years instead of on a more frequent basis.

Mr. POSEY. Do you expect to change any of the ones that I mentioned?

Ms. BLOM. Specifically with regard to the Physical Needs Assessment, the Department has not implemented that provision. And if it were to implement that provision, we would not make that a requirement for small PHAs.

With regard to demolitions and dispositions, we are looking to provide more flexibilities to housing authorities on that through a notice process. And in addition to that, with regard to implementing the Moving to Work Program, providing 100 additional agencies with flexibilities, the Department is on a very accelerated timeframe to be able to offer those Moving to Work flexibilities to agencies as quickly as possible.

Mr. POSEY. The Public Housing Capital Fund is down another \$18 billion, and the operating fund is down \$6 billion below the need. Should there be a point where the Department stops adding new demands on agencies that receive just partial funding?

Ms. BLOM. I think the Department is looking to reduce requirements where it can, and at the same time we have a responsibility to ensure that the laws that are on the books are enforced and that the Department puts an emphasis on that, as well.

Mr. POSEY. Do you think there is a point where there is just too much?

Ms. BLOM. Again, I think that through HOTMA, which we were very pleased to have enacted, we will provide a number of reductions of burden for housing authorities. And again, the Department is working as quickly as possible to be able to implement those. Some we have already implemented directly, such as the flexibility for the vouchers so that benefits can go to families.

Mr. POSEY. So we agree that there is way too much regulation? Do we agree on that already?

Ms. BLOM. Again, the Department implements requirements that are—

Mr. POSEY. If you agree we need to get rid of a bunch of them, then obviously we had too many. Do we agree on that?

Ms. BLOM. Again, I think the Department is doing its best—

Mr. POSEY. Can't you just say yes or no? Do you agree with it or not?

Ms. BLOM. I think the Department is doing the best—

Mr. POSEY. No, just say yes or no. Do you agree we had too many regulations?

I hate this game. The bureaucrats come in here, and I ask you what time it is, and you describe a clock to me for 5 minutes, but you won't tell me what doggone time it is.

Do you agree that we had too much regulation and that is why we are removing regulations now? Yes or no, please. Just say yes or no.

Ms. BLOM. I think the Department is—

Mr. POSEY. Arrogant, petulant, and defiant.

Mr. Chairman, my time is up. I am sorry I couldn't get a yes-or-no answer.

Chairman LUETKEMEYER. The gentleman's time has expired.

With that, we go to the gentlelady from New York, Ms. Velazquez. She is recognized for 5 minutes.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Ms. Thrope, I would like to discuss with you how HUD's proposed small area rule will work in New York City and other cities like New York with low vacancy. In fact, in New York it is expected that it will impact more than 55,000 voucher holders, and they might have to move or pay substantially more money in rent.

Can you explain the problem of implementing HUD's small area proposal and the steps that you think HUD should take to limit its harm on individuals and families?

Ms. THROPE. Great. Thank you, Representative Velazquez.

First, I will explain a little bit about subsidy and assistance levels work in the voucher program. I talked a little bit about this earlier, but fair market rents are set by HUD and they are supposed to reflect average gross rent estimates in a given geographical area.

HUD sets one FMR for what it calls metropolitan statistical areas, and these can actually be relatively large regions that encompass a fair number of cities and towns. So HUD's proposed small area FMR rule is specifically meant to address the problems that we have when we set FMRs based on large geographical regions, and it actually changed the way FMRs are calculated and uses zip code-level data, so much more granular-level data, when setting FMRs, which are what assistance levels are based on.

So under HUD's proposed small area FMR, rule 31 housing authorities would be required to use small area FMRs, so the zip code-level rent data, in setting assistance levels, and other housing authorities would be able to opt in. And New York is one of the jurisdictions that would be impacted by small area FMRs.

On the one hand, small area FMRs could actually help a lot of new voucher tenants entering the program because it increases the

value of that voucher so it allows people to move to areas of higher opportunity and higher rent places. But unfortunately, for existing tenants it looks like small area FMRs, because a lot of existing tenants are in lower-income neighborhoods, could actually negative impact those tenants and cause rent increases and significant rent burdens.

So we performed a rigorous data analysis of HUD's proposed small area FMRs and found that 78 percent of existing voucher holders could be negatively impacted by the small area FMR rule, and that amounts to over 400,000 voucher families in this country.

Ms. VELAZQUEZ. What do you propose?

Ms. THROPE. We propose first, an exception for low vacancy rate areas like New York, where if you increase the amount of rent a family has to pay they will absolutely, in most cases, be forced to move and so it could cause displacement. So a vacancy rate exception along with a provision that would hold all current tenants harmless from a small area FMR rule.

Ms. VELAZQUEZ. Thank you.

And, Ms. Sard, I have seen that the center has similar comments. If there is anything that you would like to add to what Ms. Thrope explained?

Ms. SARD. Thank you, Congresswoman.

We agree that the small area FMR change that HUD has proposed is a key policy change to help fulfill the goal that we have been talking about this morning of helping families with vouchers live in higher-opportunity areas.

That said, we agree with what Ms. Thrope said about the importance of starting out the implementation with areas that aren't under such low vacancy/tight market pressure as New York. We also think it is important to target those areas where voucher use is concentrated in the poorest and most racially segregated neighborhoods.

Ms. VELAZQUEZ. And I support that. Thank you so much.

Ms. Blom, in August, Senator Schumer and I wrote a letter to Secretary Castro that was signed by the rest of the New York delegation. Neither Senator Schumer nor I have heard a response.

So would you convey to Secretary Castro how important this issue is not only for New York but other cities across the country that will be negatively impact and that we expect a response back?

Ms. BLOM. Yes. Certainly.

Ms. VELAZQUEZ. When does HUD expect to release the final rule?

Ms. BLOM. The final rule is still in process. We have taken into consideration strongly your recommendations, those of Senator Schumer, those of Ms. Thrope and Ms. Sard, as well as other comments that we received.

Thanks to those comments, we are keenly aware of the issue of residents potentially being displaced, and while I can't speak to what the final rule says, I can assure everyone here that all of those comments have been taken into consideration and that we are mindful of that issue.

Chairman LUETKEMEYER. The gentlelady's time has expired.

The gentleman from Pennsylvania, Mr. Rothfus, is recognized for 5 minutes.

Mr. ROTHFUS. Thank you, Mr. Chairman.

Ms. Lovell, I want to talk a little bit about this notion of success and housing programs. This committee has taken a look over the past couple of years at the last 50 years of HUD and considered what works and what doesn't. I have been surprised that there seems to be a divergent view of defining success.

In your testimony you note that your housing authority has a public housing occupancy rate and voucher utilization rate of 99 percent. Do you consider full occupancy to be the mark of a successful public housing program?

Ms. LOVELL. There are a number of marks that would indicate success. In the end, a public housing authority's business is a real estate business. It is a business that rents units, albeit to a very specific set of clients.

But you would measure success the same way you would measure success with any real estate: Are the units rented? Is the maintenance being performed accordingly? Is the rent being collected? Is the physical condition of the property in good shape? Are your finances in good shape?

Those are all measures of success of these programs.

Mr. ROTHFUS. Apart from elderly and disabled individuals, what about able-bodied adults and looking at a metric and transitioning to independence? Should that be a consideration in determining whether a public housing authority is trying to help with this notion of upward mobility?

Ms. LOVELL. Certainly, upward mobility is the goal for all of our residents—

Mr. ROTHFUS. It is a goal, but is it measured in any way?

Ms. LOVELL. Currently, it is not measured in any particular way. It is measured with an individual grant. If you get a grant for a specific program, for specific funding to do a jobs training program or a family self-sufficiency program, the goals of the program are and the success of your achievements with that grant funding are measured.

But for the most part there is very little funding for housing authorities to implement job training-type programs unless it is through a special grant, so they rely on their partners in the community to serve their clients.

Mr. ROTHFUS. Mr. Young, I want to touch on a couple of issues here: the political challenges associated with consolidated public housing authorities and the potential operational difficulties that could result, especially when mergers might be involuntary. Do you believe that consortia between existing public housing authorities could be a first step towards a more efficient voucher system, as opposed to consolidation?

Mr. YOUNG. Congressman, I do believe that it would be beneficial, but I think that it has to start with the individual housing authorities, as I have stated earlier, working together to see what areas administratively that could benefit the number of housing authorities involved.

Mr. ROTHFUS. Are there steps that we can be taking to address barriers or disincentives that would prevent PHAs from forming consortia?

Mr. YOUNG. Some of the regulations that is mentioned, but some of it prevents this consortia, as you have mentioned, of being able

to move forward. Some loosening of the regulation would allow for more consolidation.

Mr. ROTHFUS. If I can touch on with Ms. Blom, again, the dichotomy between the larger housing authorities and the smaller ones, though there are many small and very small public housing authorities across the country, they are only responsible for administering a small percentage of units—roughly 6 percent. Many of these public housing authorities are regulated similarly to the large entities that manage thousands of units. Is that reasonable?

Ms. BLOM. I think from our perspective, we are looking at this from the families who are being served, and we believe that all of the families who are being served should have the ability to live in a place that is safe and decent for them. We believe that the Department should have the ability to be able to inspect units as needed to be able to ensure that families are living in safe environments.

Mr. ROTHFUS. And there is a cost that goes with all of that when we are talking about scarce resources that we have. How much of HUD's resources and manpower are spent on regulating small public housing authorities? Do you know?

Ms. BLOM. I don't know that exact figure, but we have staff who are monitoring housing authorities based on a risk profile. Some of those are small agencies; some of them are larger agencies.

Mr. ROTHFUS. I would be curious as to whether it is proportionate to their overall scale. We might want to follow up with you on that.

So thank you. I yield back.

Ms. BLOM. Absolutely. We will do that.

Chairman LUETKEMEYER. The gentleman's time has expired.

With that, we go to the gentleman from Massachusetts, Mr. Capuano, for 5 minutes.

Mr. CAPUANO. Thank you, Mr. Chairman.

And I thank the panel for being here.

As far as I am concerned, the question of whether there are too many regulations or too few regulations is the wrong question. It is whether we have the right regulations versus the wrong regulations. And as far as I know, in everything I have ever done most of my time in public life has been trying to fine tune those regulations trying to figure out what works, and what doesn't work.

Things change and you want to change a regulation; you try something, it doesn't work, you try something else. That is why I am here.

I don't think you will find anybody on either side of the aisle, anybody here, anybody I know who thinks that public housing should be a permanent situation for anyone if we can help it.

And, by the way, my measure of success for all public housing authorities—not just for them, for us—is to put you out of business. I wish I lived in a society where there is no need for HUD, no need for any housing authorities, no need for any think tanks who try to help us work this through. I wish everybody had a job that could pay them enough money to live in safe, decent, affordable housing everywhere in this country.

I am not sure with—I am not so sure that is your job. It probably is more my job than it is your job, and we are trying to do it.

So the truth is I love you all but I am trying to put you all out of business. And I actually think if you are doing your job you are trying to put yourselves out of business as well.

All that being said, we are here for upward mobility. Can anybody guarantee you know how to do this? Do you have the magic elixir? Anybody?

I am not sure. If I knew, I would do it. So would you. We are here to try to struggle how to figure that out.

I guess for me—we are always trying new things—HUD is trying some new things. I love the idea of the small area FMRs, but I also understand the difficulties in transitioning to them.

And I love it because I come from Boston. Cambridge costs a lot more money than some of the other towns in my area, and you can't move. Well, you can, but it is really difficult to move from one place to another, to get a job, to get transportation, to get more affordable housing, to be able to build yourself up so you can get off Section 8.

And that is why I like the concept. They are trying to figure out some mobility issues. That's not easy to do. I respect HUD's problem.

However, while we are struggling to do that, we need regulations that prohibit inappropriate activity both by tenants and by housing authorities. We need them, period.

When we are doing it this is an experiment unless, as I said—I didn't hear anybody jump up and say, "I have the answers." It is an experiment. We are going to try something new, try to open up maybe some—deregulate a few places to allow a little bit more mobility.

Good idea. I don't know if it is going to work, but I think it is worth trying.

Yet in my area, I don't think anybody would disagree that the people of Massachusetts are pretty open-minded, pretty supportive of the concept of public housing. We have some of the best housing authorities in the country. HUD has reached into Boston to grab an Assistant Secretary repeatedly.

We had people trying the Move to Work Program. We have some questions about it, but we are trying it.

Last year Congress allowed HUD—didn't require, allowed you—to take the MTW programs and merge them if you want, come up with some regionalization. And to be perfectly honest, one of the good and bad things in New England, we have a long tradition, hundreds of years, of local government—small local governments. We don't have big places.

Boston is one of the geographically smallest cities in America. If we were the size of Houston we would be 4 million people. But we chose that. Not a problem. Good, bad, or indifferent. It has good parts, and it has bad parts. But it makes these kinds of things problematic.

Yet, after Congress allowed it my Boston Housing Authority and my Cambridge Housing Authority, two of the best in the country, asked HUD to be able to regionalize for the purposes of trying some of these things out. Two good agencies, area where everybody knows that our income differences and inequalities in Boston are huge—we are struggling with that. Mobility might help it.

And yet HUD basically did not just say no, it just said, "We are not accepting applications." They had the support of the smartest people in the country that you say you listen to on a regular basis. Yet, Ms. Blom, you said, "No, we are not taking applications now. We know better than you what to do."

What the heck are you thinking? Let them try it with some and experiment so you can learn from their experience. Why wouldn't you let that happen?

Ms. BLOM. Thank you very much for the question.

The letter that did come to us from the Cambridge Housing Authority and the Boston Housing Authority I personally thought was intriguing. They had a very interesting proposal. I have spoken to staff at the Boston Housing Authority asking for a little bit more information on exactly what types of MTW flexibilities would they be seeking in order to create a regional program among those two agencies.

You are absolutely correct that the letter that was sent back to the executive directors of those agencies did say that the Department is not quite ready at this moment to be able to accept applications for that. We are currently diligently working on setting up the framework for expanding the MTW Program to add an additional 100 agencies, and as part of that expansion we will be testing the regionalization, as well.

Chairman LUETKEMEYER. The gentleman's time has expired.

The gentleman from Texas, Mr. Williams, is recognized for 5 minutes.

Mr. WILLIAMS. Thank you, Mr. Chairman.

First of all, Mr. Young, you are a veteran, aren't you?

Mr. YOUNG. Yes, Congressman.

Mr. WILLIAMS. I don't think anybody has said thank you today. We appreciate your service.

Mr. YOUNG. Thank you.

Mr. WILLIAMS. Yes, sir.

My first question to you, Mr. Young, is this: In your testimony you say HUD's implementation of portability is more complicated and burdensome than it needs to be. What changes would you suggest to HUD that would increase portability outcomes?

Mr. YOUNG. As I said earlier, we don't have a voucher program. What I hear from my peers is that the system is complicated and if we are allowed to figure out ways to work together, that we can do that.

I probably have to get with my peers and provide some better answer for you on that, Congressman.

Mr. WILLIAMS. If you would do that, it is—the problem is that big government sometimes gets in the way.

How should HUD streamline its portability administration? Do you have an idea about that?

Mr. YOUNG. I need to provide you some information, get back with you on that.

Mr. WILLIAMS. If you would do that, it would be great. Okay.

Another question is, what changes need to be made that would incentivize PHAs to voluntarily collaborate on voucher administration?

Mr. YOUNG. Again—

Mr. WILLIAMS. Okay.

Mr. YOUNG. —personally we—

Mr. WILLIAMS. Would you get that to me?

Mr. YOUNG. Yes, Congressman.

Mr. WILLIAMS. That would be great.

Ms. Blom, a question to you. It has been suggested this morning that consolidation and regionalization of voucher administrations or a public housing agency would potentially harm local rural communities where the local leadership could become disengaged or residents are at a disadvantage to have reasonable access to housing officials.

I am from Texas, and I represent a large rural population in the State of Texas, and this is something I would obviously be concerned about. So could regionalization or consolidation of voucher administrations place rural areas at a disadvantage, in your opinion?

Ms. BLOM. From the Department's perspective, the regionalization or the consolidation or consortiums are activities that housing authorities should be able to decide on their own if they want to go forward with that type of cooperation among those agencies. The Department is not requiring agencies to do such. Instead, we believe that agencies should make those decisions on their own. Some have and some haven't, at this point.

Mr. WILLIAMS. So they might know better than you all?

Ms. BLOM. Right. And again, the Department wants to be able to facilitate that kind of regionalization and cooperation where agencies want to do it, but the Department is not mandating it.

Mr. WILLIAMS. Okay. Another question would be how could some of these perceived disadvantages that I am talking about be addressed?

Ms. BLOM. Can you speak a little bit more about the types of disadvantages?

Mr. WILLIAMS. The perception is that rural populations could have a problem, and if that is a disadvantage, how could we address that and make sure it doesn't happen?

Ms. BLOM. Again, I think from the Department's perspective, we do not want to regulate those smaller agencies and force them to do consolidation. If there are barriers there for consolidation where agencies want to do that, we are ready to provide them with advice. But the Department at this point is not seeking to ask smaller housing authorities to consolidate.

Mr. WILLIAMS. New ideas, flexibility you would listen to?

Ms. BLOM. Excuse me?

Mr. WILLIAMS. New ideas, flexibility from your rural areas you would listen to?

Ms. BLOM. I am having a hard time hearing your question.

Mr. WILLIAMS. You are talking about flexibility and the rural areas have to have flexibility to have their own programs, and so forth. You support that.

Ms. BLOM. Yes, we do.

Mr. WILLIAMS. Okay. All right.

Thank you, Mr. Chairman. I yield back.

Chairman LUETKEMEYER. The gentleman yields back.

With that, the gentleman from Minnesota, Mr. Ellison, is recognized for 5 minutes.

Mr. ELLISON. Let me thank the chairman and the ranking member.

I am glad we are holding this hearing on the affordable housing crisis. To me, it is perhaps one of the most important things that Congress could be doing at this moment.

On this screen are some quotes from Matthew Desmond. He is the author of a great book I recommend to everyone here. The book is called, "Evicted: Poverty and Profit in the American City."

And I will just say that according to Desmond, the majority of low-income renting families spend half of their income on housing; one in four families spend 70 percent of their income on housing—rent and utilities. And for those families, eviction is more likely the result of an inevitability than personal responsibility.

It is a huge moral issue and deserves a solution. You can't fix it unless you fix housing.

So I just wanted to sort of frame my comments in light of this.

Let me just start with my—there is some other stuff up there. It just sort of lays out rental assistance program and how much our programs that exist now don't even reach the people who need them. And I definitely appreciate every one of my colleagues, Republican and Democrat, who believe that we need to have more efficiency, more flexibility, more creativity. I am all in with that. Fine, let's try it.

But I cannot escape the fact that we simply don't have enough low-income housing. We don't have the units.

Now, would one of you all like to challenge me on that? Do we have enough units or we simply not have them?

Because in Minneapolis, where I am from, between public housing and Section 8, we may have a waiting list of about 15,000 people. And so could somebody—why am I wrong?

You got it.

Ms. SARD. You are absolutely right. Thank—

Mr. ELLISON. See?

Ms. SARD. —you for putting up our chart.

And it is correct that only one out of four families eligible for Federal rental assistance programs receives help from any of them. It is a problem that has been getting dramatically worse over the last 15 years, at the same time that the number of households assisted has been static.

Mr. ELLISON. Right. Now, Ms. Sard, let me ask you just a general question: If you were 9 years old and homeless, how easy would it be to complete your homework assignment?

Ms. SARD. Obviously, it would be much more difficult.

Mr. ELLISON. If you were on drugs and trying to get clean, what if you were living under a bridge and didn't have anywhere to live? Would it be easy to get clean on the street?

Ms. SARD. No.

Mr. ELLISON. How about even holding a job? Homeless people have jobs. A lot of people don't know homeless people work every day. But how tough is it to keep that job or get it when you don't have an address?

Ms. SARD. It is hard for homeless people who don't have an address. It is also hard for the millions of families who don't have a stable address, who are moving from house to house of people who will help them out temporarily.

Mr. ELLISON. Now, I only have 2 minutes left, and I have 1 minute where I have to ask a question. I am going to use my next minute to ask you all this question: Do you think there is a lot of discrimination against people on Section 8?

Ms. SARD. Unfortunately, we know less than we should know about that question. I believe the Department is doing a study now about that discrimination.

We also know that in jurisdictions that have passed State or local laws to prohibit that discrimination, those laws help, but they are not well enough enforced. And that is actually one of the things that I would hope the regional mobility demonstration would focus on.

Mr. ELLISON. I wish we could just really kind of get together with landlords to tell them that a Section 8 tenant is not going to be a bad tenant necessarily. Some are, but other tenants who pay full rent are bad tenants, too.

And I think that because of the way the program is administered people kind of think—they look down on Section 8 and public housing, but the truth is when they say there is about \$28 billion in unmet maintenance needs for public housing. And when Congress went great guns, when we did the most we did about \$4 billion with the stimulus package.

We are not doing what we are supposed to do in here.

By the way, do you know how much the mortgage interest deduction program costs? \$70 billion. Do you know how much HUD's total budget is? A lot less.

We spend up to about over \$100 billion on middle- and upper-income people giving them government money for housing. Government money. Okay, maybe welfare for upper-income people like me, but we don't do nearly as much for people who desperately need housing and don't have the same level of option.

Are you all as mad about this as I am? Do you guys see this as an issue? No? Yes?

Ms. SARD. Yes.

Mr. ELLISON. Okay, thank you.

So let me just wrap up by saying this. Now, I am trying to help people, with a lot of my colleagues, and I would like to ask, Ms. Blom, if you could answer this question. Ms. Blom, I am interested in the power of—oh, man.

Chairman LUETKEMEYER. Do you want to wrap it up?

Mr. ELLISON. Yes. I am interested in the power of rent reporting pilot for the HUD assisted attendance. Do you understand what I am asking you?

Chairman LUETKEMEYER. Okay.

Ms. BLOM. I think it is an intriguing idea. We would like to talk with you further about that concept and see if it is an idea that we can promote in the future.

Mr. ELLISON. Okay. We will do that.

Ms. BLOM. Thank you.

Chairman LUETKEMEYER. The gentleman's time has expired.

The gentleman from Kentucky, Mr. Barr, is recognized for 5 minutes.

Mr. BARR. Thank you, Mr. Chairman. Thank you for your leadership and for the ranking member, my friend, Mr. Cleaver from Missouri, thank you for your joint leadership in holding this important hearing.

And I want to compliment and thank all of the witnesses here on our panel for your dedication to helping our fellow Americans who are struggling and who, as Ms. Sard just pointed out, need help.

To Ms. Sard's testimony that only one in four families in need or who are eligible for Section 8 housing is actually getting those vouchers, I wanted to direct my initial question to Ms. Blom and the Department of Housing and Urban Development.

My understanding is that the total budget, annual budget for Section 8 vouchers, is about \$21 billion-plus annually. Is that about right?

Ms. BLOM. That is right.

Mr. BARR. So we spend \$21 billion on Section 8 vouchers but only one out of four eligible families get them. Is that correct?

Ms. BLOM. I need to double-check that figure, but there certainly is more of a need than funding that is available.

Mr. BARR. Okay.

Now, I think Ms. Sard's testimony was about one out of four. So one out of four eligible families gets an allocation of what we spend annually on Section 8 vouchers, which is a little over \$21 billion annually.

Ms. SARD. Or any other Federal rental assistance.

Mr. BARR. Thank you.

So, Ms. Blom, my question is this: I have read and I understand that a full one-third of HUD's annual budget of \$21 billion for Section 8 vouchers is spent on administrative expenses, not on actually housing low-income Americans. Is that an accurate figure?

Ms. BLOM. My belief is that there is much more funding going directly to housing payments than the administrative fee that housing authorities receive and that the budget does set aside a certain amount of money directly for housing assistance payments versus funding that goes to—

Mr. BARR. Is that number an accurate number?

Anyone, is that an accurate number?

Ms. SARD. The Congress provides for administrative fees to administer the voucher program about 8 percent of the total funding—8 percent.

Mr. BARR. Okay. So of \$21 billion, how much is not actually spent on rental payments to landlords?

Ms. SARD. I believe this year it is on the order of \$1.6 billion.

Mr. BARR. Okay. So—

Ms. BLOM. That is correct.

Mr. BARR. So all of this administrative expense, okay, and not sheltering people who actually are eligible—my question is this: Do we agree that these administrative expenses are too high? Are they too high?

Ms. BLOM. The Department administered an administrative fee study which actually showed that the administrative fees that

housing authorities receive is less than what it costs to run an effective Housing Choice Voucher Program. As a result of that, the Department has requested as part of the 2017 budget an increased amount of funds for administrative fees so that housing authorities receive the funding that they need to be able to properly administer the housing choice voucher—

Mr. BARR. Well, someone disagrees with the statistics that you are offering. There is some analysis out there that says a full one-third of all Federal dollars spent on the Section 8 program is spent on administration and overhead.

Would you at least stipulate and agree that would be too much, it would be too high, it would be excessive?

Ms. BLOM. One-third is certainly too much.

Mr. BARR. Okay.

Let's talk about how we can get a little bit of administrative efficiency here. The consolidation idea, I would applaud anyone who is considering the ideas.

Mr. Young, I am very sympathetic to the small public housing authorities and the agencies that have to deal with a lot of the administrative compliance costs, but I do believe economies of scale is a policy objective. I applaud a demonstration project.

Can anyone speak to the idea of encouraging greater competition for these scarce Section 8 voucher allocations so that we reward public housing agencies, and maybe even non-public authorities, maybe some private institutions, some dioceses, some not-for-profit organizations who actually deliver results in delivering efficiency and more units for less cost?

Is that a concept that any of you are open to?

Ms. SARD. If I may, sir, we at CBPP have supported the idea of a demonstration of competition. It actually was once 20 years ago recommended by Senate Republican appropriators for HUD to look into it and HUD rejected it at the time.

But vouchers are different from public housing. Public housing is, by design, publicly owned on publicly-owned land. The administration of rental assistance can be much more flexible, and we ought to be looking for the best performance for the money.

Mr. BARR. Well, amen to that. And I would encourage everybody on this committee to consider a competition so that we deliver more units and less cost.

Thank you. I yield back.

Chairman LUETKEMEYER. The gentleman's time has expired.

With that, the gentleman from Missouri, Mr. Clay, is recognized for 5 minutes.

Mr. CLAY. Thank you, Mr. Chairman.

And I thank Ranking Member Cleaver, both of you, for holding this informative hearing.

Let me start with Ms. Lovell. In your testimony, you state that St. Louis is one of the most segregated cities in the country and that economic disparity tends to follow the patterns of segregation. You also note that an important first step to a successful mobility counseling program is to dispel stigma and myths about the HCV Program among landlords and communities.

Can you talk a little bit more about how structural discrimination can limit the mobility of voucher holders and other households,

and can neighborhoods block landlords from getting established in these neighborhoods?

Ms. LOVELL. Thank you for the question. When Congressman Ellison was talking I—yes, there is a huge stigma against Section 8 voucher holders for—a lot of landlords won't accept them because they believe that somehow voucher holders are less reliable tenants. In fact, there are bad tenants everywhere.

No matter how much you pay in rent you can be a good or a bad tenant, and the vast majority of Section 8 voucher holders are families who are just like everybody else, just want to have a decent place to live, and a roof over their head and a safe neighborhood in which to raise their children.

There is a structural—there are many neighborhoods that are very opposed to not only Section 8 but even any rental housing. In St. Louis a couple of years ago, there was a big demonstration against an elderly development that was located in—I am not sure—in your district in South County, which to me just spoke to the stigma of not only affordable assisted housing but also the racial stigma that still exists in our community.

Mr. CLAY. Yes. Thank you for that response.

Mr. Young, in follow up to Ms. Waters' questions, you indicated that some rules were violated. Were other tenants complaining about violations or was this an initiative by your housing authority? What specifically were the rules violated?

Mr. YOUNG. I am sorry, Mr. Chairman. I didn't say that rules were violated. I said that HUD accused us of rule violation of the residents dealing with our RAD demonstration project.

And since, we have tried to provide HUD with the information and the documentation that would dispute their allegations but have yet to resolve the issue with them. But there is proof that exists that all of the affected residents had the opportunity to exercise their due process.

Mr. CLAY. Wait a minute now. Were they evicted?

Mr. YOUNG. Yes, sir.

Mr. CLAY. And they were evicted because of—

Mr. YOUNG. Of violation of the housing authority's policies.

Mr. CLAY. Okay, specifically what kind of violation?

Mr. YOUNG. Some of them may have dealt with—may—I believe, as Congresswoman Waters mentioned earlier, with drug violations. Some of them were just normal violations of the policy regarding guests, or a number of various violations.

Mr. CLAY. In the case of drug violations, were any criminal charges filed and were any drugs found?

Mr. YOUNG. To be honest, it has been—this has been over a 2-year process and, to be honest, I probably need to review the files. There were various reasons and various different cases that HUD looked into.

Mr. CLAY. That gives me pause and concern when you put these struggling families out and then it makes their situation that much more difficult, that much more challenging. Where is the compassion for the people who need a roof over their head?

Mr. YOUNG. Congressman, I totally agree with you. We have a number of different levels that we go through before we evict any residents. That is a serious matter with us when you are evicting

a family and they have to find somewhere else to stay. And usually we do not go to that point unless it gets to a situation where it is affecting the safety and well-being of the other families in a development.

Mr. CLAY. All right. I yield—

Chairman LUETKEMEYER. The gentleman's time has expired.

Next, the gentleman from California, Mr. Royce, is recognized for 5 minutes.

Mr. ROYCE. Thank you very much, Mr. Chairman.

And thank you, witnesses, for joining us today.

The cost of the Housing Choice Voucher Program consists really of two parts, right? You have the payments to owners to cover the difference between a tenant's contribution and the rent, and then you have the administrative fees paid to participating housing authorities. And logic would dictate that reducing the resources extended on one would free up resources for the other, but the pool of these resources that they are drawn from, that is not infinite.

So the housing authorities in my district are unable to accept applicants to Section 8 wait lists, they tell me, because the administrative costs are rising.

And I would like to ask Ms. Sard, you pointed to housing authority consolidation and also HUD shuttering poorly run or poorly performing, I guess I should say, housing authorities as a way to increase that efficiency. And I was going to ask you, how will that alleviate the wait for these families in need?

Ms. SARD. I want the committee to be clear that today's consortia rules don't create the kinds of efficiencies that they potentially could, and that makes them less attractive to PHAs and less useful to families. So we need changes—

Mr. ROYCE. We need to reform that.

Ms. SARD. I think the key thing is to allow the agencies that agree to form a consortia to have a single funding contract with HUD. That means instead of each of them doing all the paperwork and HUD doing all the paperwork on the reporting, that saves time.

It saves time on maintenance of waiting lists. Right now, each individual housing authority maintains their own waiting list. Families often apply to as many as they can in an area to maximize their chances of getting assistance, as they should, but—

Mr. ROYCE. On economies of scale—

Ms. SARD. —that is a waste of resources.

Mr. ROYCE. Right, right. Are you suggesting city-wide we could do this, or county-wide as the most—

Ms. SARD. It is going to vary in the area. There are a lot of parts of the country that have county-wide authorities. Mississippi, in fact, is a leader in having regional housing authorities as a strategy to work in rural areas.

Mr. ROYCE. That we should—

Ms. SARD. It is going to vary.

Mr. ROYCE. We should pursue that.

The second issue, you speak of efficiency here. I am encouraged by HUD's Moving to Work contract renewals and the expansion of that pilot program, and I will just tell you I have talked at length to the board of supervisors through that local payment standards.

The housing authority, for example, of San Bernardino County in my district oversaw a reduction per unit cost from \$730 to \$652 in addition to a 9 percent decrease in residents living in the two highest-poverty areas. So that is kind of a win-win. We are spending more efficiently there while moving residents closer to better opportunities, which is why the board really likes the program.

Ms. Blom, how has the Moving to Work contributed to economic mobility and efficiency in public housing? What characteristics can be replicated in other affordable housing programs so authorities like San Bernardino's can expand their success?

And I will just share with you that I have expressed my feelings about this to Secretary Castro many times. I am glad to see HUD making progress, albeit slowly.

And with that, I will go to your answer.

Ms. BLOM. Thank you very much.

The Moving to Work demonstration that currently has 39 agencies participating, including San Bernardino, have been leading the way on reducing administrative costs and providing more housing choice and self-sufficiency options to families. We used that as one of the pieces of information to help inform the streamlining rule that we published in April.

But going forward, with regard to the 100-PHA expansion on MTW, we are going to be rigorously studying the policy areas for that expansion so that we can better utilize that research to be able to make changes and simplify and reduce burden to housing authorities. So I appreciate your support—

Mr. ROYCE. A quick response on Ms. Sard's comments, too. Were you in concurrence with some of her suggestions on—

Ms. BLOM. I think with regard to consortium the Department believes that this is a vehicle that housing authorities should voluntarily choose to do and that we are looking to provide guidance on consortium beyond just the voucher program but also on public housing, and we need to look at that in a unified way.

Mr. ROYCE. Thank you very much.

Thank you, Mr. Chairman.

Chairman LUETKEMEYER. The gentleman's time has expired.

The gentlelady from Ohio, Mrs. Beatty, is recognized for 5 minutes.

Mrs. BEATTY. Thank you, Mr. Chairman, and Mr. Ranking Member.

And thank you to all of our witnesses here today.

Let me just start by saying this is very dear to me. I have over 20 years of experience with working with public housing authorities and doing relocation work, so let me just tell you I know the difficulties, I know the funding fiasco, I know the issues that many of my people have living in poverty. And I see it as our role, your role, and especially those who are hands-on running public authorities, that you have a special obligation.

We come here, we quote articles from Harvard and how well people are doing and they are moving out of poverty and what they are doing with their Section 8 vouchers, and we know the real reality. We know, as Congressman Ellison just said, in most of our communities we have long, long wait lists for them to get a Section 8 voucher. People wait what seems like to them a lifetime.

So for the record I want to say I want more information, Mr. Young, about what is happening. I am appalled sitting here hearing from my colleagues and learning that earlier some 27 people were evicted and—or put out of facilities where you have responsibilities of leadership and administration and it was 2 years ago; 2 years ago is not like it was 20 years ago.

Coming here, there is an expectation that we will get information from you all, and that is something that you are going to hear a lot more about, and I want responses to what happened to those folks, where are they, what are we doing. Because this is what makes it bad for us when we come here trying to help individuals be more self-reliant, to be self-sufficient, all the terminology that we have used for over the last 40 years that we want people to move out of poverty.

So you get where I am coming from.

So let me get to my questions, Mr. Chairman.

First, I want to also say some thank you's. I am from the great State of Ohio, and Ms. Blom, just to let you know, I have worked for 15 years with the Columbus Metropolitan Housing Authority and our \$30 million Choice Neighborhood Implementation Grant is converting a public housing portfolio through rental assistance demonstration.

And we were very sensitive when we went into a public housing entity, Mr. Young. I know what it is like, that you get people in there who have all kind of issues because they haven't had the opportunities that many of us have had, and especially people who look like us, or me.

So I want to thank you for the dollars and saying to us not to displace anyone. If they need treatment, they get treatment. We brought in mental health counselors; we brought in drug counselors; we did financial literacy.

So with all that said, Ms. Blom, in your testimony you discuss the problems with prioritizing subset populations for housing assistance absent targeting funding. Could you briefly expand on that or tell us why that is a problem and what it means for at-risk individuals in need of housing assistance?

Ms. BLOM. Thank you very much, and thank you for your support of the Choice Neighborhoods Program. The Columbus Housing Authority has done a phenomenal job of creating new housing in Columbus to support low-income families.

With regard to your question—I'm sorry, remind me again what your question was?

Mrs. BEATTY. In your testimony, you discussed the problem with prioritizing subset populations for housing assistance absent of targeted funding.

Ms. BLOM. Thank you very much for that reminder.

The housing authorities have the ability to establish the preferences for families who are on their waiting list. And depending on the locality, some jurisdictions may want to provide preferences for homeless; some may want to provide preferences for homeless youth; some may want to provide preferences to veterans, or to women who have been a victim of domestic violence.

I think from the Department's point of view, we want to allow housing authorities and jurisdictions to have the ability to decide

what is the most important policy objective for their jurisdiction and to allow housing authorities to have that flexibility.

Mrs. BEATTY. Okay. Thank you.

I yield back my 1 second.

Chairman LUETKEMEYER. The gentlelady's time has expired.

With that, we are at the end of the hearing, and we want to thank all our witnesses today for your testimony and for taking time out of your schedules to be here to answer our questions and to inform us. Your expertise and your insights are very important to us and we certainly appreciate everything that everybody has said.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

And with that, this hearing is adjourned.

[Whereupon, at 11:54 a.m., the hearing was adjourned.]

A P P E N D I X

September 21, 2016



Written Testimony of Dominique Blom
Deputy Assistant Secretary, Office of Public Housing Investments
U.S. Department of Housing and Urban Development (HUD)
Hearing before the House Committee on Financial Services,
Subcommittee on Housing and Insurance
“The Future of Housing in America: A Better Way to Increase Efficiencies for Housing
Vouchers and Create Upward Economic Mobility”
Wednesday, September 21, 2016, 10:00 a.m.

Thank you Chairman Luetkemeyer and Ranking Member Cleaver for inviting HUD to testify this morning about increasing efficiencies and promoting upward economic mobility. As part of HUD’s ongoing efforts to more effectively manage its programs, we have many initiatives to increase resident mobility, streamline processes and improve service delivery, which I am pleased to share with you today.

Voucher Programs Provide Mobility and Improve Economic Outcomes

I want to thank the Committee for asking the question about whether or not the Housing Choice Voucher (HCV) program is effective in its current form. The answer to that question is unequivocally, Yes.

Without housing assistance, the 2.2 million elderly, disabled, and families with children with housing vouchers and the 2.3 million households living in Public Housing and Project Based Rental Assistance would certainly be living in much worse housing conditions and many would be dependent on the generosity of friends or relatives or experiencing on-the-street homelessness.

The research is clear. Targeted long-term housing assistance, like the housing voucher, is critically important for ending homelessness; and it has the additional benefits of improving the health and safety of parents and improving the economic outcomes for their children.

For example, a recent study on providing vouchers to homeless families, as compared to our other programs to address homelessness, results in a 56% lower rate of returning to shelter after 18 months; a 46% lower rate of child separation; and a 58% lower rate of experiencing intimate partner violence. Housing vouchers were also found to be as cost effective, or more cost effective, than other housing programs aimed at helping homeless families.

Housing Assistance alone is important; but couple that housing assistance with a safe neighborhood, better yet a safe neighborhood with decent schools, and you further improve the health and safety of families and increase the economic benefits their children will experience as adults.

A number of research studies, including studies that use the data from the Moving to Opportunity demonstration, show the importance of neighborhoods. For the mothers who moved to safer, lower poverty neighborhoods, they experienced a 50% lower rate of diabetes, a 42% reduction in severe obesity, and a 13% higher rate of reporting being happy. For their youngest children, nearly 20 years after moving, they have 31% higher earnings as a result of the move, higher college attendance rates, are more likely to live in lower-poverty neighborhoods as adults, and are less likely to be single parents.

In terms of mobility, we know that, in most locations, housing vouchers are the most effective form of housing assistance to give families access to safer, lower-poverty neighborhoods. The mobility that tenant-based housing vouchers provide is a key factor for the voucher program's success in helping families live in communities where there is more economic and educational opportunity.

But we know that we can do better and we are looking at different ways to reduce concentrations of voucher holders in neighborhoods with higher poverty rates and fewer educational opportunities. We have a proposed rule that looks to replace an ineffective tool – 50th percentile FMRs – with a promising tool – Small Area FMRs, – that may reduce that concentration by improving voucher holders' access to communities where there is more opportunity. We are similarly working with a number of Public Housing Agencies (PHAs) to explore other tools and efficiencies within the voucher program for helping families find units in safer and resource rich neighborhoods.

To run these voucher programs effectively requires that PHAs are adequately funded. HUD's Administrative Fee study has found that most HCV programs are underfunded. To improve the efficiency and effectiveness of voucher programs in helping to decentralize poverty and increase access to economic and educational opportunity, we need to fund them adequately. The Department's Fiscal Year 2017 Budget requests to fully fund administrative fees under a new fee formula that is based on the findings of the study.

The Department's Fiscal Year 2017 Budget also seeks the authority to implement an HCV Mobility Demonstration program. The goals for this program are to facilitate collaboration, encourage HCV program participants to move to lower-poverty areas, and expand families' access to opportunity areas. Through implementation of the program, the Department intends to identify impediments to collaboration (in particular, regulatory and administrative barriers) in addition to cost-effective mobility strategies. In addition to requesting the authority to establish the program, which would provide the Department with the ability to approve limited, program-level regulatory waivers, HUD requested \$15 million. Of this amount, at least \$12 million would be awarded to PHAs for activities such as mobility counseling, landlord outreach, and administrative activities associated with establishing and operating a regional housing mobility program. Up to \$3 million of the amount would support an impact evaluation of the mobility interventions put into place by

program participants, with the goal of identifying activities that contribute to family decisions to move to lower-poverty areas. Additionally, as part of the Department's request, PHAs would be able to use their administrative fees to support demonstration related costs.

We know that PHAs are working to provide more opportunities for families. PHAs in Chicago, St. Louis, Baltimore and other areas are currently providing mobility services above and beyond typical HCV administration to their families. To date, there is not a strong base of research to definitively answer whether larger or smaller agencies are better able to serve housing recipients in terms of accessing educational and housing opportunities in the HCV program.

This proposed Demonstration is a way for the Department to strengthen this research base by measuring outcomes, evaluating best practices, and determining the most cost-effective ways to promote mobility that are replicable on a national scale.

Expanding Flexibilities

HUD is moving forward with the expansion of the Moving to Work (MTW) Demonstration in accordance with the Consolidated Appropriations Act, 2016. With the expansion of MTW to 100 additional PHAs, HUD plans to learn from new policy interventions, and apply that knowledge to all PHAs across the nation, to include simplifying the administration of housing assistance programs.

Currently, 39 PHAs receive statutory and regulatory waivers under MTW to pursue innovative policies that promote cost effectiveness, encourage family self-sufficiency, and increase housing choice. Since its inception, MTW has been a valuable tool in creating local solutions to our nation's housing challenges. We have learned a lot from the existing MTW agencies, and many successful MTW interventions are now applied to all housing authorities through our Streamlining Rule and various components of the Housing Opportunity Through Modernization Act of 2016.

The vision for MTW expansion is to evaluate MTW interventions in order to improve the delivery of federally assisted housing. As directed by the Consolidated Appropriations Act, 2016, we plan to expand the MTW through cohorts of PHAs, with each cohort adopting a specific policy change for evaluation in the statutorily designated areas of cost effectiveness, self-sufficiency, and housing choice.

Certain MTW flexibilities will be provided to all MTW expansion PHAs. Other MTW flexibilities may only be available to particular cohorts, depending on the specific policies to be tested and evaluated by each cohort. We would then seek regulatory and statutory changes to apply successful MTW policy changes to all PHAs.

HUD has established and met with the Federal Research Advisory Committee, is working to structure the overall framework for the MTW expansion, and is committed to engaging with the public and providing opportunities for comment on the many important program questions as it expands the MTW Demonstration. In spring 2016, HUD solicited and received valuable comments on policy changes to study through the expansion and how to evaluate those policies. We anticipate publishing a notice in late 2016 or early 2017, that includes the expected policy

changes to be studied in the expansion and inviting responses to participate in the first cohort of MTW expansion PHAs. Interested PHAs would have four months to respond to the notice, and we are targeting the summer of 2017 for announcements of the first cohort of MTW expansion PHAs.

The Small Public Housing Agency Opportunity Act (H.R. 4816)

We support efforts to reduce administrative burdens and simplify program administration for small PHAs.

At present, PHAs administering the HCV program range in size from fewer than 50 vouchers to close to 100,000 vouchers. In general, we know that small PHAs face greater challenges in administering the HCV program than larger PHAs, in part because they lack sufficient economies of scale.

HUD's HCV Administrative Fee Study, released in the summer of 2015, determined that PHAs with 500 or fewer leased vouchers had significantly higher per-unit costs than PHAs with more than 500 leased vouchers. However, smaller PHAs that lack the resources of larger PHAs may choose to enter into cooperative agreements or other arrangements with other PHAs to share administrative costs and responsibilities, as well as to facilitate opportunity moves on a regional basis. HUD's proposed Mobility Demonstration mentioned above would allow HUD to test different approaches to regionalization and mobility and will provide insight into how the size of a PHA's program might factor into program effectiveness.

With respect to the public policy objectives of the Small Public Housing Agency Opportunity Bill (H.R. 4816) and whether creating a dual regulatory system would increase efficiency, HUD believes that reducing burden and simplifying program administration are important goals for all PHAs, and we have highlighted our ongoing efforts in this regard elsewhere in this testimony. While creating a dual regulatory system within an individual program may not be the optimal approach to increasing overall program efficiency, we certainly agree that there is opportunity to make further changes to HUD's PHA management assessment process and other facets of program administration that would recognize the limited resources of small PHAs and the lower financial risk those agencies pose to the Federal Government. That said, HUD has a number of concerns with H.R. 4816 in its current form, and we welcome the opportunity to continue to work with the Committee on efforts to effectively deliver administrative relief for small PHAs.

When undertaking program streamlining and reform efforts, we need to be mindful of the potential impacts these changes may have on our programs beyond reduced burden. Foremost would be the potential impact on the health and safety of families under HUD programs and whether any changes would compromise our ability to ensure that assisted housing meets appropriate quality standards.

Program changes that reduce or eliminate current tenant or resident protections simply because of the size of the PHA would arbitrarily disadvantage families. Meaningful performance standards for HUD programs are necessary to maintain credible accountability, regardless of the administering entity's program size.

For the HCV program, the bill provides that a small PHA is only required to inspect an assisted unit once every three years as opposed to the current biennial requirements. There is no reason to believe that the quality of HCV units administered by small PHAs are somehow better than those units administered by larger PHAs. As this could impact the safety of the families, we question whether frequency of inspections is really the right place to seek to reduce administrative burden for small PHAs.

The bill also mandates that HUD evaluate a small PHA's HCV management solely on the basis of its utilization rate. Under such an assessment, PHAs with a sufficient utilization that nevertheless admitted ineligible families to the program, failed to inspect units, incorrectly calculated rental subsidies, paid unreasonable rents to landlords, and did not recertify family incomes would still be considered acceptable, since performance would be based solely on the utilization rate.

For Public Housing, the bill appears to prohibit HUD from inspecting Public Housing sites (with the exception of troubled PHAs) for up to three years from the last inspection, regardless of risk factors such as financial health and the severity and frequency of housing quality complaints. Beyond these limited physical inspections, HUD would have to determine PHA financial condition solely on the basis of the ratio of current assets to current liabilities, and similarly determine PHA management condition only on the basis of vacancy rate. These provisions are too limiting in terms of oversight, and would be insufficient to result in an informed assessment of PHA performance and accountability.

In addition, the bill seeks to eliminate or amend several PHA requirements of concern to HUD. For example, the bill would limit the applicability of the Section 3 requirements for small PHAs, which would impede the important economic mobility goals of job creation and employment. The bill also would exempt small PHAs from some current environmental review requirements, which protect both the environment and families. We strongly believe that tenants should be able to rely on health and safety protections, regardless of the size of their administering PHA.

The bill also would provide small PHAs with the authority to use public housing and HCV funds for either program. On a practical level, it is not clear how this "fungibility" authority would work with respect to how HCV renewal funding is calculated and administrative fees are earned under current law. In addition, Congress recently expanded the number of Moving To Work PHAs by 100 agencies, and designated that at least 50 of the agencies must administer 1,000 or fewer aggregate public housing and voucher units. The MTW expansion will allow us to potentially test the impact of fungibility on small PHAs and the families they assist, so that, should the outcomes be positive, we can develop an informed and effective policy for the future.

Additionally, the bill would significantly hamper economic mobility for residents by eliminating for small PHAs the current statutory requirements that deconcentrate poverty and expand housing opportunity through the Project-Based Voucher (PBV) program. HUD believes these are critical goals of the PBV program that should not be eliminated based on the size of the PHA. The bill also would increase the cap on PBV funds from 20% to 50% of overall HCV funds. HUD believes that a change of this magnitude is premature in light of MTW expansion, which offers us the

opportunity to test and evaluate policies, to identify both positive and negative outcomes before implementing such policies across-the-board.

As written, H.R. 4816 curtails HUD's ability to reasonably assess a small PHA's management of Public Housing and HCV programs. The bill appears to focus mostly on limiting oversight by HUD, with less emphasis on simplifying or eliminating burdensome administrative functions for PHAs. Under the bill, it would become much more difficult, if not impossible, for HUD to determine if PHAs were complying with important program requirements.

HUD's Streamlining Efforts to Reduce Administrative Burdens

In recent years, PHAs have faced dual challenges of critical underfunding and increased regulatory burden. PHAs receive just 82% of their operating needs for public housing at current FY 2016 funding levels, and (prior to the enactment of the Rental Assistance Demonstration) the nationwide backlog of unmet capital needs was estimated at more than \$26 billion. At the same time, the HCV administrative fee remains far below actual PHA needs. This continued reduction in resources, combined with increasing administrative requirements, makes it challenging for PHAs to direct adequate resources to the core program requirements.

Regulatory Streamlining

During the last year, HUD has undertaken regulatory action to simplify administrative requirements for PHAs.

Specifically, HUD enacted a final rule on April 7, 2016, to streamline administrative requirements across Public Housing, HCV program, and certain multifamily housing programs. This final rule was the product of a multiyear review of recommendations from PHAs, industry stakeholders, and other interested parties. Highlights of the provisions include:

1. Allowing PHAs to perform unit inspections every two years instead of annually and allowing use of inspections performed under other programs, such as the Low Income Housing Tax Credit program;
2. Allowing PHAs to approve payment standards of up to and including 120 percent of the fair market rent (FMR) for families that include a person with disabilities;
3. Providing for less frequent re-certifications of fixed income sources to every three years;
4. Reducing the frequency of small utility reimbursement payments (<\$15) to quarterly;
5. Reducing the frequency of asset verification to every three years, and allowing self-certification of assets less than \$5,000;
6. Reducing requirements for third-party verification of community service requirements;

While we believe this streamlining rule makes program administration more efficient, we continue to review our regulations, requirements, and recommendations from stakeholders to identify areas where further regulatory streamlining is possible.

Recent Statutory Changes

During the past year, Congress enacted two important bills that we believe will streamline program requirements for PHAs. Specifically, the Fixing America's Surface Transportation Act and the Housing Opportunities Through Modernization Act enacted longstanding industry requests, such as improving project-based voucher requirements, streamlining income determinations for fixed-income families, and improving capital planning for Public Housing.

On December 4, 2015, the President signed the Fixing America's Surface Transportation Act into law (Public Law 114-94). The law amended the United States Housing Act of 1937 to allow PHAs and owners to apply a cost of living adjustment (COLA) determined by the Secretary to all income for families with incomes that are made up of at least 90 percent fixed income. Owners and PHAs are still required to use third-party documentation for a full income recertification every three years. HUD is working towards implementing the FAST Act.

The Housing Opportunity Through Modernization Act of 2016 was signed by President Obama into law (Pub.L.114-201) on July 29, 2016. The law makes a number of changes that affect PIH programs, including income reviews and asset calculations, project-based voucher assistance, unit inspections, the Family Unification Program, and parameters for over-income families in public housing. We believe several HOTMA sections also offer greater flexibility to housing agencies, including:

- Use of Interim Alternative Inspection Method (Section 101)
- Project-Based Voucher Assistance (Section 106)
- Public Housing Capital and Operating Funds (Section 109)

Improving Systems to Increase Efficiency and Reduce Costs

Our Real Estate Assessment Center (REAC) Information Technology (IT) department is implementing many system improvements that will lessen the time required by PHAs to complete various programmatic operations and reporting.

In consultation with industry partners and PHAs, HUD is building a new, cloud-based data collection system, Public Housing Information Center-Next Generation (PIC-NG), which will replace the current PIC system used to gather and maintain information about PHAs' inventories of developments, units, officials, etc. The new system will allow PHAs to "stream" data from their IT systems to HUD versus the existing time-consuming batching and transmission processes.

Another business system undergoing upgrades is the Voucher Management System (VMS) used to collect PHA data that enables HUD to fund, obligate, and disburse funding in a timely manner. The new enterprise data solution, eVMS, is expected to replace the current need for manual data entry of expense information for the approximately 2,250 PHAs participating in the voucher program. It will also provide improved information access for PHAs to review their remaining funding and reserve balances, for better planning and utilization of program resources.

These efforts will result in more user-friendly and efficient IT reporting applications that will reduce the administrative burden on PHAs in the administration and reporting functions related to housing assistance programs.

Assisting Youth Aging Out of Foster Care

HUD is committed to preventing and ending homelessness for youth aging out of foster care. The 2015 point-in-time (PIT) count of the nation's homeless identified 17,551 unaccompanied youth (18 to 24 years of age) in shelters, and 14,689 unsheltered youth. Additionally, Department of Education data shows that an estimated 89,000 students without a parent or guardian were identified as experiencing homelessness at some point during the 2013-2014 school year. In fact, researchers estimate that between 11 and 37 percent of youth who age out of foster care have experienced homelessness.¹

It is unacceptable that these youth experience homelessness at a rate significantly greater than their peers that did not have foster care involvement. It is imperative that our systems work together so that our youth are exiting foster care with a clear pathway to success. To that end, HUD is working with its partners across the Federal government to identify opportunities that result in better outcomes for our former foster care-involved youth. This work is premised on four outcomes: stable housing, permanent connections, education or employment, and social-emotional well-being.²

Coordination alone will not get us to an end of youth homelessness. Ending homelessness for youth, as it does for Veterans and families with children, requires a greater investment in housing and service interventions, and a continual focus on testing promising interventions and investing in what works. The investment in the HUD Veterans Affairs Supportive Housing program (HUD-VASH) has resulted in a nearly 50% reduction in Veteran homelessness since 2010. The Administration's Fiscal Year 2017 budget calls for investing \$11 billion in mandatory spending toward ending family homelessness. These are the kind of bold investments needed to end homelessness.

Prioritizing former foster care-involved youth requires making difficult decisions regarding who gets housing assistance in an environment of limited resources. PHAs have the authority to prioritize who receives an HCV through the use of waiting list preferences, but these decisions must be based on local need. Prioritizing one population may mean that another vulnerable population does not get served. HUD continues to believe, absent targeted funding, that local communities are in the best position to make these determinations.

HUD's experience serving youth through the Family Unification Program (FUP) has shown that, while some youth will thrive with just housing assistance and basic services, other youth need greater supports to achieve self-sufficiency. HUD heard from both youth and PHAs administering FUP that the 18-month limit on assistance was not long enough to achieve self-sufficiency, and

¹ See Housing for Youth Aging Out of Foster Care report
https://www.huduser.gov/portal/publications/pdf/youth_hsg_main_report.pdf.

² Framework to End Youth Homelessness
https://www.usich.gov/resources/uploads/asset_library/USICH_Youth_Framework_FINAL_02_13_131.pdf.

requested to extend the period of assistance to 60 months in the Fiscal Year 2017 budget. That is why HUD is thankful for the HOTMA changes to FUP, including expanding the length of assistance to 36 months and extending eligibility to more youth. HUD worked expeditiously to determine that these provisions were effective immediately and to communicate these changes to PHAs and child welfare agencies. As a result of these changes, HUD has already heard from PHAs reporting that they have been able to prevent homelessness for youth who would have been required to leave FUP had it not been for the extension of assistance.

HUD has launched two additional efforts this year to increase opportunities for foster care-involved youth to find the stability they need to become self-sufficient. On January 15, 2016, HUD launched the FUP and Family Self Sufficiency (FSS) Demonstration (FUP-FSS Demonstration). The FUP-FSS Demonstration provided PHAs administering both FUP and FSS the opportunity to participate in a demonstration testing the effectiveness of combining vouchers with FSS supportive services. The Demonstration allows youth to receive voucher assistance for the length of an FSS Contract of Participation, typically five years. The application window to participate closed on July 15, 2016. Over 50 PHAs will be participating, and HUD will evaluate the Demonstration and report on whether the demonstration helped homeless youth achieve self-sufficiency. On August 22, 2016, HUD published the Youth Homelessness Demonstration Program (YHDP) Notice of Funding Availability (NOFA). HUD will select up to 10 communities to participate in YHDP to develop and execute a coordinated community approach to preventing and ending youth homelessness. This demonstration will help build the capacity of communities to serve youth, and evaluate the effect of establishing a coordinated community approach on preventing and ending youth homelessness. The selection of the communities will be announced in January 2017.

Conclusion

Within its existing authority, HUD is working to improve efficiencies to deliver programs more effectively for PHAs and residents. We will continue to find ways to increase mobility, streamline processes, reduce administrative burdens and serve diverse populations.

I would like to thank all of you for the opportunity to appear before you today, and I am pleased to answer your questions.

Housing and Insurance Subcommittee
Hearing: The Future of Housing in America:
A Better Way to Increase Efficiencies for Housing Vouchers and Create Upward Economic Mobility
September 21, 2016

Good morning Chairperson Luetkemeyer, Ranking Member Cleaver, and other members of the Housing and Insurance Subcommittee. My name is Cheryl Lovell and I am the Executive Director of the St. Louis Housing Authority. I am pleased to be here today to provide information and insight on the proposed demonstration program to evaluate the effectiveness of regional mobility programs for families using Housing Choice Vouchers. The demonstration program will allow public housing agencies to collaborate on initiatives to assist low-income families using existing vouchers to move to areas of higher opportunity.

I have been working with public housing authorities for 23 years, first with the East St. Louis Housing Authority, and now with the St. Louis Housing Authority (SLHA) for the last 17 years. Consistent with SLHA's mission to efficiently build and maintain desirable, affordable housing for residents of the St. Louis area through forthright leadership, innovative partnerships, progressive technology, and expansion of new resources, the SLHA team has implemented a wide range of programs to improve the quality of the lives of our residents. In the past 17 years, SLHA has developed over 2,000 units, over 800 of which are public housing units in 19 mixed-income, mixed-finance communities. The investment in these developments is over \$450 million, with over \$275 million in private funding. In that same time, SLHA transformed from a troubled agency to a consistently high performing agency. We did not achieve this success alone. Our success is attributable to the support of Congress, HUD, our local leadership, our clients and our private sector partners.

SLHA serves approximately 9,600 families in St. Louis; 2,700 families live in public housing and 6,900 families receive assistance through the Housing Choice Voucher program. We maintain a public housing occupancy rate of 99% and have a utilization rate of 99% in the Housing Choice Voucher program. Ninety-eight percent of the clients we serve are African-American. Approximately 55% of our families are elderly or disabled whose primary source of income is Social Security or Supplement Security Income (SSI). The remaining clients are primarily single parent families with children. The primary source of income for approximately 75% of these families is employment. The average annual income for public housing residents is \$11,402 and \$12,240 for families participating in the Housing Choice Voucher program.

The government structure in St. Louis is relatively unique. The City of St. Louis is a city that is not located in a county. The city is surrounded by St. Louis County, which contains almost 90 individual municipalities. St. Louis County has a separate housing authority, which serves close to 7,000 families, with about 6,500 families receiving assistance through the Housing Choice Voucher program. The clients in the Housing Authority of St. Louis County's Housing Choice Voucher program are very similar to SLHA's clients. Ninety-three percent of the clients are African-American. Approximately 41% of the families are elderly or disabled whose primary source of income is Social Security or SSI. The remaining clients are primarily single parent families with children. The primary source of income for approximately 75% of these families is employment. The average annual income is \$12,946 for families participating in the Housing Choice Voucher program.

For many years, the St. Louis Housing Authority and the Housing Authority of St. Louis County have allowed voucher holders to rent units in each other's jurisdiction without using the portability process. The jurisdiction sharing process allows families a broader choice of units in the metropolitan area. Despite the efforts of both housing authorities, Housing Choice Voucher units are largely located in areas that contain a concentration of minority populations and/or poverty. Most of the areas of concentration have unaccredited, marginally accredited or low performing school systems. While most of the areas have reasonable access to public transportation, many of the areas contain limited economic opportunities. Many of the areas experience high rates of crime. As recent research shows, living in neighborhoods with low educational and economic opportunities contribute to generational poverty.

The reasons families choose units in these areas are not entirely clear - anecdotally, the reasons appear to be familiarity with the neighborhoods, proximity to family and availability of units with landlords willing to accept vouchers. In a very limited study recently conducted by Dr. Molly Metzger of the Brown School of Social Work at Washington University, her findings indicate that some families strategically choose to live in areas with unaccredited school districts to allow their children the opportunity to attend high performing schools through a transfer process. Because the size of the study was very small, Dr. Metzger indicates more research needs to be conducted in this area to draw any conclusions, but the study does show that HCV families do consider educational opportunities when making housing choices and also indicates that there may be unanticipated reasons for particular housing choices.

To address the concentration of voucher utilization, the St. Louis Housing Authority and the Housing Authority of St. Louis County are collaborating to design and implement a small mobility counseling program. The program focuses on moving families to areas with a concentration of poverty of less than 10%. Participation in the program is voluntary and open to both new and existing clients of both housing authorities. Our program is funded by a small one-time grant that supports the program for 12-14 months. Our hope is that during the design phase, additional funds can be identified to continue and expand the program.

The program requires participants to attend a series of mandatory workshops including:

1. Rights and responsibilities as a tenant
2. How to be a good tenant
3. How to search for housing
4. How to present yourself and negotiate with a landlord
5. Financial fitness
6. Energy efficient living

The first four workshops will provide participants with vital information for their successful housing search. The financial fitness program will provide budgeting and saving information to ensure families have the skills to pay their portion of the rent timely. The energy efficiency workshop is required because many families have a significant challenge maintaining utility service. Providing information on how to conserve energy will lower a family's utility bills, allowing them to maintain services.

The program includes pre-move counseling services. These services include a review of the family's credit report, development of a family plan that identifies the family's goals, and any additional services the family may need, such as daycare, school registration or health services. The program also provides post-move counseling services. A 30-day follow up counseling session will answer questions the family may have and will seek to ensure the family has connected with needed services. A session will also be scheduled with the family four months before their lease expires to determine if the family is considering moving when the lease expires. If the family wants to move, the counselor will try to determine the reason and provide a plan to address the family's concern or alternately encourage the family to move to another area of opportunity.

The key to a successful mobility counseling program is obtaining the participation of landlords in areas of opportunity. The first step in attracting landlords is to dispel the stigma and myths about the HCV program with landlords and communities. To accomplish this task, the program will use marketing materials to explain the benefits of the HCV program. The program staff will speak at community and neighborhood association meetings, churches, apartment associations and landlord organizations to explain the program and dispel negative stereotypes. To assist in dispelling negative stereotypes, the staff will recruit participants to provide testimonials to these groups. As the program is developed, an advisory committee of landlords in areas of opportunity will be established to consider suggestions and deal with issues landlords are encountering.

The St. Louis metropolitan area is one of the most segregated cities in the country and the poverty rate of African-Americans is nearly three times higher than the poverty rate of the remaining population. While the current program is early in the development stage and will initially serve a limited number of families, both agencies view the program as critical to their missions. Providing families with the extra services they may need to take advantage of an area of greater opportunity is a small step toward addressing historic segregation and will provide the participating families with a path to potentially breaking the cycle of poverty.

Like St. Louis, many older urban areas remain segregated. As economic disparity tends to follow the patterns of segregation, HCV families in many areas live in neighborhood with a high concentration of poverty. Creation of a demonstration program that will evaluate the efficiency and effectiveness of regional mobility programs will provide an opportunity for HUD and their partnering housing authorities to develop innovative solutions to move families to areas of higher opportunity. A demonstration program allows HUD to determine which solutions provide the best outcomes and develop best practices. The results of a demonstration program could assist other housing authorities to develop and implement mobility programs. We hope that the results of a demonstration program will provide insight on how to increase the number and size of programs in areas where voucher holders are highly concentrated in areas of poverty. It is important to note that the award of demonstration

programs need not be distributed equally across regions of the country, but should focus on the areas with the greatest need and the strongest proposals for a mobility program.

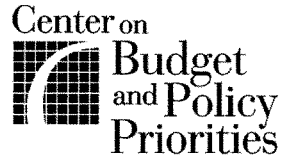
Funding for a demonstration program is important as housing authorities currently lack the resources to create such programs. Administrative fees for the Housing Choice Voucher program have not been fully funded for several years. As have most housing authorities nationwide, both the St. Louis Housing Authority and the Housing Authority of St. Louis County have undertaken significant cost-cutting measures, including significant reductions in staff to continue to operate their programs with the available resources. The proposed funding level of Administrative fees does not provide sufficient resources to provide the staff necessary to provide the mobility counseling. Funding of a demonstration program will provide the necessary resources to initially design and implement programs and potentially identify additional resources to maintain and expand the programs.

Creating the opportunity for families with young children to move to areas with lower poverty may have a significant impact on their futures. A recent study by Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz (Harvard University and NBER, August 2015) shows “that moving to a lower-poverty neighborhood significantly improves college attendance rates and earnings for children who were young (below age 13) when their families moved. These children also live in better neighborhoods themselves as adults and are less likely to become single parents.” The study goes on to state, that the findings imply that moving to lower-poverty neighborhoods to families with young children “may reduce the intergenerational persistence of poverty and ultimately generate positive returns for taxpayers”.

Given the potential benefit of moving to a lower poverty area can have for a family, providing the authorization and funding to a mobility demonstration program, is a positive step toward finding solutions to persistent issues with segregated neighborhoods. While it has been 50 years since the Fair House Act was enacted, many low-income families are stuck in neighborhoods that offer little opportunity to change their lives. While mobility programs should not replace programs that revitalize existing neighborhoods to generate new economic opportunities, a mobility demonstration program could assist in developing solutions that complement improving neighborhoods and offer families receiving voucher assistance a broader range of choices for their families.

Thank you for inviting me to testify. Both St. Louis Housing Authority and the Housing Authority of St. Louis County are deeply committed to improving the lives of our clients. The work is often very challenging and complex, but is also very rewarding. I hope that my testimony has been helpful to the Committee.

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September 21, 2016

The Future of Housing in America: A Better Way to Increase Efficiencies for Housing Vouchers and Create Upward Economic Mobility

Testimony of Barbara Sard, Vice President for Housing Policy, Before the House Financial Services Subcommittee on Housing and Insurance

Thank you for the opportunity to testify. I am Barbara Sard, Vice President for Housing Policy 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, particularly the Section 8 Housing Choice Voucher program.

The June 2016 report of the Speaker's Task Force on Poverty, Opportunity, and Upward Mobility noted that "A major obstacle to housing assistance recipients moving up the economic ladder is the lack of individual choice in housing programs and bureaucracies." It recommends that "To combat this, we should enhance the portability of housing assistance vouchers" and reform the "fragmented" system of thousands of public housing agencies.¹ My testimony will review the evidence concerning the interplay between individual choice and administrative fragmentation in the Housing Choice Voucher program, explain why remedying these problems is important, and recommend solutions Congress could enact. I will also address two legislative proposals that would be unwise. In brief, I recommend that Congress:

- Fund a regional housing mobility demonstration in the final 2017 appropriations legislation.
- Direct HUD to permit consortia to have a single voucher funding contract with HUD rather than a separate one for each agency.

¹ Task Force on Poverty, Opportunity, and Upward Mobility, "A Better Way: Our Vision for a Confident America," June 7, 2016, <http://abetterway.speaker.gov/assets/pdf/ABetterWay-Poverty-PolicyPaper.pdf>, p. 18.

- State explicitly that state laws may not block local housing agencies from forming consortia.
- Direct HUD to make greater use of its authority to consolidate poorly performing agencies.
- Direct HUD to develop and make available technology that could help agencies establish and operate consolidated waiting lists, thereby allowing families that need assistance to submit a single application.
- Modify the voucher administrative fee formula to remove disincentives for forming consortia and encourage greater use of vouchers in higher-opportunity areas.
- Decline to advance or enact H.R. 4816, The Small Public Housing Agency Opportunity Act, which would undermine the goals of increasing efficiency and access to opportunity, and includes other risky provisions.
- Decline to advance or enact legislation to establish a new federal preference for youth aging out of foster care in all major federal rental assistance programs (Rep. Turner's proposal).

Housing Choice Voucher Program Generally Very Effective

The Housing Choice Voucher (HCV) program, the nation's largest rental assistance program, helps 2.2 million low-income households, including about 1 million families with children, rent modest units of their choice in the private market. But due to funding limitations, only about one in four families eligible for a voucher receives any form of federal rental assistance.

Rigorous studies demonstrate that Housing Choice Vouchers sharply reduce homelessness and other hardships. In addition, vouchers for homeless families cut foster care placements (which are often triggered by parents' inability to afford suitable housing) by more than half, sharply reduce moves from one school to another, and cut rates of alcohol dependence, psychological distress, and domestic violence victimization among the adults with whom the children live.

By reducing families' rental costs, housing vouchers allow them to devote more of their limited resources to meeting other basic needs. Families paying large shares of their income for rent spend less on food, clothing, health care, and transportation than those with affordable rents. Children in low-income households that pay around 30 percent of their income for rent (as voucher holders typically do) score better on cognitive development tests than children in households with higher rent burdens; researchers suggest that this is partly because parents with affordable rent burdens can invest more in activities and materials that support their children's development. Children in families that are behind on their rent, on the other hand, are disproportionately likely to be in poor health and experience developmental delays.²

² Research documenting the wide range of benefits of housing vouchers is gathered in 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, <http://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term>.

Vouchers Help Families to Access Opportunities, But Could Do Better

A strong body of research shows that growing up in safe, low-poverty neighborhoods with good schools improves children's academic achievement and long-term chances of success, and may reduce inter-generational poverty. Studies have also consistently found that living in segregated neighborhoods with low-quality schools and high rates of poverty and violent crime diminishes families' well-being and children's long-term outcomes.³

Location also can affect adults' access to jobs, the cost of getting to work, the ease of obtaining fresh and reasonably priced food and other basic goods and services, and the feasibility of balancing child care responsibilities with work schedules.⁴

Vouchers enable families with children to move to safer neighborhoods with less poverty, and thereby enhance their chances of long-term health and success. But reforms are needed to realize the program's potential in helping families to access neighborhoods of opportunity.

New Rigorous Studies Find Persuasive Evidence of Neighborhoods' Influence

A recent groundbreaking study by Harvard economists Raj Chetty, Nathaniel Hendren, and Lawrence Katz found that young children in families that used housing vouchers to move to better neighborhoods fared much better as young adults than similar children who remained in extremely poor neighborhoods.⁵ The study provided the first look at adult outcomes for children who were younger than 13 when their families entered the Moving to Opportunity (MTO) demonstration, a rigorous, random-assignment, multi-decade comparison of low-income families who used housing vouchers to relocate to low-poverty neighborhoods to similar families that remained in public housing developments in extremely poor neighborhoods.

The Chetty study found that young boys and girls in families that used a voucher to move to lower-poverty neighborhoods were 32 percent more likely to attend college and earned 31 percent more — nearly \$3,500 a year — as young adults than their counterparts in families that did not receive an MTO voucher. Girls in families that moved to lower-poverty neighborhoods were also 30 percent less likely to be single parents as adults (see Figure 1). MTO's design imparts confidence to the conclusion that neighborhood differences are responsible for these striking outcomes.

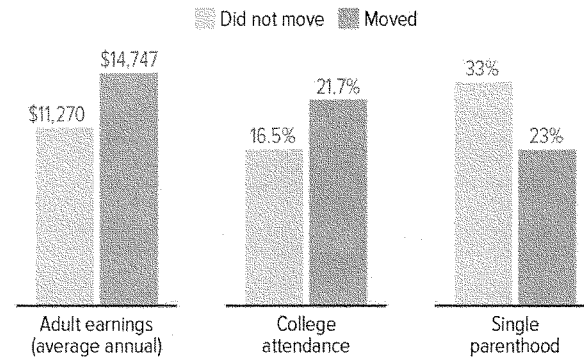
³ Barbara Sard and Douglas Rice, "Realizing the Housing Voucher Program's Potential to Enable Families to Move to Better Neighborhoods," Center on Budget and Policy Priorities, updated January 12, 2016, <http://www.cbpp.org/sites/default/files/atoms/files/11-9-15hous.pdf>.

⁴ See X. Briggs, *The geography of opportunity: Race and housing choice in metropolitan America*. Washington, D.C.: Brookings Institution Press.

⁵ Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," August 2015, http://www.equality-of-opportunity.org/images/mto_paper.pdf.

FIGURE 1

Moving with Voucher to Lower-Poverty Neighborhoods While Young Children Improves Key Adult Outcomes



Note: Outcomes are for children up to age 13 at the time of random assignment under the Moving to Opportunity (MTO) demonstration. "Moved" refers to families that used MTO vouchers to relocate to neighborhoods where fewer than 10 percent of residents were poor. "Did not move" refers to control group families that did not receive MTO vouchers.

Source: Chetty et al., "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," National Bureau of Economic Research, Working Paper #21156, May 2015.

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Program Reforms Needed to Realize the Housing Choice Voucher Program's Location Potential

When African American and Hispanic families use housing vouchers, their children are nearly twice as likely as other poor minority children to grow up in low-poverty neighborhoods and somewhat less likely to grow up in extremely poor areas. The voucher program thus has an important, positive impact on minority families' access to opportunities.

Still, only one in eight (12.9 percent) families with children participating in the HCV program used their vouchers to live in a low-poverty area, where fewer than 10 percent of residents are poor, and 343,000 children in families using vouchers lived in extremely poor neighborhoods in 2014. Vouchers could do much more to help these and other children grow up in safer, low-poverty neighborhoods with good schools.⁶

⁶ Sard and Rice, 2016.

Many more families would like to use vouchers to move to better neighborhoods — and many housing agencies would like to help them do so — but families typically do not receive the information and assistance they need to make successful moves. In addition, certain program rules,⁷ as well as the program's balkanized administrative structure, make it more difficult for families to use vouchers in high-opportunity areas. In the few cases where families receive assistance from public housing agencies (PHAs) — or partner organizations — that operate regionally, have policies that facilitate using vouchers in higher-opportunity areas, and provide information and assistance to families to move to such areas, thousands have successfully made such life-changing moves.

In a recent paper, I discuss the four sets of interrelated policy changes at the federal, state and local levels that can help more families in the HCV program to live in better locations.⁸ Today I want to highlight the importance of streamlining and consolidating program administration to increase efficiency and make it easier for families to use vouchers in opportunity areas; and of providing additional funds to help achieve these goals.

Consolidating HCV Administration Would Increase Efficiency and Expand Opportunity

HUD currently contracts with about 2,240 PHAs to administer housing vouchers.⁹ These agencies administer as few as four and as many as 99,200 vouchers. Beyond consideration of population and housing need, differences in municipal and county governance as well as state politics have led to this great variation in PHAs' scale, as well as in their geographic coverage. The result is a complex network of program administration, where multiple agencies, both large and small, often administer vouchers in the same metro areas, sometime with overlapping jurisdictions. The complexity and redundancy of program administration is inefficient, increases program costs, makes federal oversight more difficult, and reduces housing opportunities for families.

In some states, state-level agencies oversee a large share of the federal rental assistance resources. About 30 states (including the District of Columbia) have state-level agencies that administer a portion of the housing vouchers in the state.¹⁰ Other states have created regional entities that respond to the administrative challenge posed by rural areas. In Mississippi, for example, six regional housing authorities administer nearly 75 percent of the state's vouchers and nearly 15

⁷ In particular, voucher subsidy caps are often too low to enable families to afford units in high-opportunity areas. See Will Fischer, "Neighborhood-Based Subsidy Caps Can Make Housing Vouchers More Efficient and Effective," Center on Budget and Policy Priorities, June 2015, <http://www.cbpp.org/sites/default/files/atoms/files/6-10-15hous.pdf>; Will Fischer, "HUD Should Act Promptly to Broaden Opportunity for Voucher Holders," Center on Budget and Policy Priorities, August 2016, <http://www.cbpp.org/blog/hud-should-act-promptly-to-broaden-opportunity-for-voucher-holders>.

⁸ Sard and Rice (2016).

⁹ 1,433 of these agencies also manage public housing. For more data concerning PHAs and the programs they administer, see Barbara Sard and Deborah Thrope, "Consolidating Rental Assistance Administration Would Increase Efficiency and Expand Opportunity," Center on Budget and Policy Priorities, April 11, 2016, <http://www.cbpp.org/sites/default/files/atoms/files/4-11-16hous.pdf>.

¹⁰ For example, the Montana Department of Commerce administers about two-thirds of the vouchers in Montana, and the Idaho Housing Finance Agency administers about half of that state's vouchers. State agencies in Alaska and Delaware manage both public housing and voucher programs.

percent of its public housing units. State or regional administration of rental assistance makes it easier for families to apply for assistance and to choose where to live, and typically provides economies of scale.

Most Metro Areas Served by Multiple Housing Voucher Programs

In most metropolitan areas, one agency administers the HCV program in the central city and one or more different agencies serve suburban cities and towns. This pattern is the case in 97 of the 100 largest metro areas, where 71 percent of households in the HCV program lived in 2015. In 35 of the 100 largest metro areas, voucher administration is divided among ten or more agencies. This is the case even in mid-size metro areas such as Providence, Rhode Island, and Albany, New York, each of which has at least 35 agencies administering the HCV program.¹¹

One reason for this pattern is that HUD in the past allocated voucher funds to hundreds of new small agencies to serve individual suburban towns or to administer special vouchers for people with disabilities, including nearly 700 small agencies in metro areas.¹² These decisions result, at the extreme, in 68 different small PHAs administering the HCV program in the greater Boston metropolitan area (which includes part of southern New Hampshire), in addition to 25 larger agencies and two state-administered HCV programs.

Large Number of PHAs Increases Costs, Reduces Program Effectiveness, and Limits Housing Choice

The large number of PHAs administering the HCV program has made its operation more costly and less efficient — as well as less effective for families — than it could be.

Oversight and Operation of Small PHAs Increase Federal Costs

The large number of PHAs increases the cost of federal oversight as well as the cost of local agency administration. In an analysis of opportunities to increase HCV program efficiency, the Government Accountability Office (GAO) found that “consolidation of voucher program administration under fewer housing agencies . . . could yield a more efficient oversight and administrative structure for the voucher program and cost savings for HUD and housing agencies. . . .”¹³

A careful HUD study recently examined the actual costs that high-performing agencies of various sizes incur in administering the HCV program, as well as the financial data that voucher PHAs

¹¹ CBPP analysis of HUD, *2015 Picture of Subsidized Households*. In 278 out of the 381 metro areas in the United States and territories, two or more PHAs administered HCV programs; a single agency served only a little more than one-fourth of metro areas. Barbara Sard and Deborah Thrope, “Consolidating Rental Assistance Administration Would Increase Efficiency and Expand Opportunity,” Center on Budget and Policy Priorities, April 11, 2016, <http://www.cbpp.org/sites/default/files/atoms/files/4-11-16hous.pdf>. (Appendix 3 has data for each of the largest 100 metro areas.)

¹² CBPP analysis of HUD’s 2015 *Picture of Subsidized Households*. As used here, a small agency administers 550 or fewer authorized Section 8 housing vouchers, public housing units, or a combination of the two.

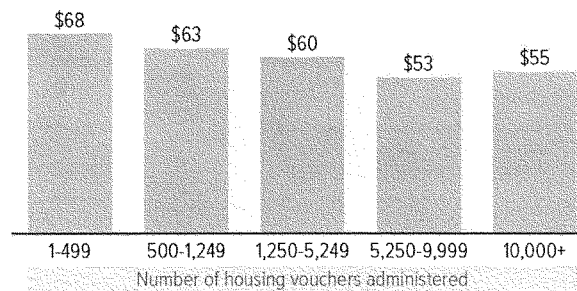
¹³ U.S. Government Accountability Office, “Housing Choice Vouchers: Options Exist to Increase Program Efficiencies,” GAO-12-300, March 2012, p. 39.

submit to HUD. It found that PHAs that administered fewer vouchers had significantly higher costs per family served than larger programs (see Figure 2).¹⁴ One significant cost factor is additional staff per voucher in use. This is likely because some basic administrative functions — such as overall planning and staying up to date on program rules — take essentially the same amount of time regardless of the number of vouchers a PHA administers.

FIGURE 2

Smaller Public Housing Agencies Have Higher Administrative Costs

Average monthly administrative cost per voucher



Source: Abt Associates, "Housing Choice Voucher Program Administrative Fee Study" Ex. 8-2, August 2015, http://www.huduser.org/portal/publications/pdf/AdminFeeStudy_2015.pdf.

Note: Abt adjusted its cost estimates to account for differences in local labor costs.

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Under current policy, HUD gives smaller agencies — those with 600 or fewer vouchers — higher per-unit subsidies for voucher administrative costs, with the payment boost phasing out for larger programs.¹⁵ The recent HUD study recommends paying additional fees for agencies serving fewer than 750 families, with the biggest boost to agencies serving fewer than 250 families and then gradually phasing out the boost to avoid a funding cliff. If federal policymakers maintain current law or adopt the study's recommendation, the federal cost will be greater than if policymakers decide that agencies should be paid only the amount needed to operate at an efficient scale, without a boost based on the small size of their voucher programs.¹⁶

¹⁴ Abt Associates, "Housing Choice Voucher Program Administrative Fee Study," August 2015, http://www.huduser.org/portal/publications/pdf/AdminFeeStudy_2015.pdf.

¹⁵ This policy is required by statute: see 42 U.S.C. § 1437f(q).

¹⁶ The size adjustment in the proposed administrative fee formula that HUD released on July 6, 2016 would have increased smaller agencies' funding eligibility by \$43 million in 2015. (CBPP analysis of HUD's estimate of 2015 fee eligibility under the proposed formula, available at <http://portal.hud.gov/hudportal/documents/huddoc?id=proposdformulafcephas.xlsx>.)

Fragmented Rental Assistance Administration Reduces Housing Choice and Is Less Efficient

Rental units in safe neighborhoods with good schools are more plentiful in some suburban areas than in the central cities or older suburbs, which are more likely to have higher-poverty neighborhoods with lower-performing schools. A recent study by the Urban Institute and other analyses of data from the Annie E. Casey Foundation's ten-site Making Connections Initiative, a comprehensive place-based initiative, found that interventions that don't support relocation to suburban areas with high-quality schools "cannot reasonably expect improved educational outcomes for children, given the educational environment in most cities."¹⁷

But the balkanization of metro-area HCV programs among numerous housing agencies often impedes greater use of vouchers in higher-opportunity areas. Families living in high-poverty neighborhoods in central cities or older suburbs with increasing poverty may have more difficulty using a voucher to move to such areas than if a single agency, or consortia of agencies, served the metro area. Agency staff in higher poverty jurisdictions may be unfamiliar with housing opportunities elsewhere and unlikely to encourage families to make such moves, particularly because under current policy agencies lose administrative fees when families use their voucher in another jurisdiction. (Typically, agencies have to transfer 80 percent of the HUD-provided administrative fee for a voucher used in another PHA's jurisdiction to the receiving PHA.) And PHAs in destination communities may be reluctant to accept new families or assist them in finding a willing landlord, seeing newcomers as potential competition with current residents for scarce rentals. Racial prejudice also may play a role.

In addition to these barriers to using housing vouchers to move to higher-opportunity areas, families most in need of affordable housing may have less chance to receive it in metro areas where multiple agencies administer federal rental assistance. To maximize their opportunity to receive housing assistance, families should apply to housing agencies throughout the region. This can be time consuming and costly, particularly if many agencies in the area administer federal rental assistance and require in-person applications. It also can be confusing, as GAO found, which can keep families from submitting all the applications they should have the best chance to obtain the assistance they need.¹⁸

A single application for assistance to all housing agencies operating in a metropolitan area or rural county would help families in need. Consolidated waiting lists also would reduce administrative

¹⁷ Brett Theodos, Claudia Coulton, and Amos Budde, "Getting to Better Performing Schools: The Role of Residential Mobility in School Attainment in Low-Income Neighborhoods," *Cityscape* 16:1, 2014, p. 81, <http://www.huduser.gov/portal/periodicals/cityscpe/vol16num1/ch3.pdf>.

¹⁸ GAO-12-300, p. 43. Moreover, if housing agencies give first priority to their local residents — a common practice — families from communities with the longest waits will have less chance to receive a federally funded voucher from another agency where the waits are shorter. (There is little correspondence between the supply of vouchers or other rental assistance — which is largely based on decisions made decades ago — and current local need or demand.) Such local residency preferences also hurt the chances that families in very poor, racially concentrated cities will be able to move to higher-opportunity suburban communities. In 2012, the Congressional Research Service found that 41 percent of PHAs used residency preferences to order their waiting lists for housing vouchers, based on a representative sample of PHA administrative plans. See Maggie McCarty and Carmen Brick, "The Use of Discretionary Authority in the Housing Choice Voucher Program: A CRS Study," April 2012.

costs for agencies, whose staff now must maintain waiting lists with many duplicative applicants. Forming consortia would facilitate the use of a single application and waiting list for the member PHAs. But even without that change, PHAs could join together to implement a streamlined application process. For example, in Massachusetts, an organization representing local housing agencies oversees such a list for most of the voucher PHAs in the state, and the participating agencies have saved significant staff time as a result. Similarly, recognizing the importance of a single application point for families seeking assistance, the Utah legislature recently required that all voucher-administering agencies in each county use a single consolidated waiting list.¹⁹

PHAs Need Additional Funds to Help Families Move to and Remain in High-Opportunity Neighborhoods

HUD recently strengthened requirements for PHAs to make available diverse landlord lists or other resources that include units in areas outside of poverty or minority concentration, provide enhanced briefings to families about the potential benefits of lower-poverty areas, and take other steps to increase housing choice. Without additional funding, few agencies will have the resources needed to go beyond these requirements and help more families with vouchers rent in higher-opportunity areas.²⁰

There have been efforts in some metro areas, funded through a variety of sources, to provide intensive mobility assistance to families that want to move to lower-poverty neighborhoods, but only about 15 such programs operate today.²¹ Programs in the Baltimore and Dallas areas have reported significant success in moving substantial numbers of families to — and helping them remain in — much lower-poverty, predominantly non-minority communities. These initiatives provide families with assistance in locating available units, higher rental subsidy levels, payments for security deposits and other moving costs, and counseling to help them adjust to such neighborhoods. They provide similar services to families for at least one subsequent move to help them remain in designated opportunity areas. These programs operate on a regional basis covering at least the central city and many suburban areas, thereby avoiding the barriers created by separate agency service areas.²²

These local initiatives illustrate that housing vouchers can enable more families to move to safe, lower-poverty neighborhoods with greater opportunities, but it will require both policy changes and additional resources to do so at a larger scale.

¹⁹ Utah H.B. 489, 2011.

²⁰ In 2016, agencies are receiving only 84 percent of the voucher administrative fees for which they're eligible because policymakers didn't appropriate enough money to cover the full amounts.

²¹ Poverty & Race Research Action Council, "Housing Mobility Programs in the U.S. in 2015," <http://prrac.org/pdf/HousingMobilityProgramsInTheUS2015.pdf>.

²² For more information, see Sard and Rice (2016), pp. 16-17.

What Could Congress Do to Increase the Efficiency of the HCV Program and Expand Housing Choice?

Overcoming the administrative divisions created when multiple PHAs serve a housing market is challenging. Cumbersome federal portability policies — which hinder families' ability to move to low-poverty suburban areas with better schools — exacerbate these difficulties and create financial disincentives for housing agencies to encourage such moves. HUD recently made modest improvements in the portability process, but it left unchanged several key obstacles to families using vouchers to move to areas served by different PHAs.²³ Congress could assist by providing the \$15 million that the President's fiscal year 2017 budget requests for a regional housing mobility demonstration. HUD — or Congress — could substantially lessen these problems by encouraging additional agencies beyond those benefiting from this small demo to form regional consortia, requiring consolidation of poorly performing agencies with others, and modifying policies governing administrative fees.

Fund the Proposed Regional Housing Mobility Demonstration

The President's 2017 budget includes \$15 million for a new Housing Choice Voucher Mobility Demonstration. This three-year demonstration would help public housing agencies in ten regions collaborate on initiatives to help low-income families use existing vouchers to move to higher-opportunity neighborhoods. A growing number of communities are interested in developing or strengthening regional collaborations — including forming consortia — to facilitate housing mobility but are stymied by the lack of funding to support the related administrative costs. Demonstration funds could be used to support staff time to plan for regional collaboration and align policies and administrative systems across public housing agencies, as well as to cover costs of enhanced landlord recruitment and other activities to expand families' housing choices. The one-time funding also would support research to learn what strategies are most cost-effective.

The Senate's version of the fiscal year 2017 appropriations bill for HUD, S. 2844, includes \$11 million for this purpose plus \$3 million to research what strategies are most effective, but the House Appropriations Committee-approved bill omits similar funding.

The mobility demonstration is a modest investment that could improve outcomes for children by enabling more families to use their housing vouchers to live in safe neighborhoods where their children can attend good schools, helping to reduce intergenerational poverty. It helps address both key barriers I've focused on today — the division of metro areas among multiple housing agencies and the lack of funds for mobility assistance — and deserves Congressional support.

Facilitate Formation of Consortia That Have a Single Voucher Funding Contract

If PHAs in a metro area could form a consortium in which they each retain their local board but together have a single voucher funding contract with HUD, families would be able to use their

²³ HUD's final revisions to the portability regulations left unchanged the need for a "receiving" PHA in the area where a family moves to bill the "initial" PHA that issued the voucher, and for the initial PHA to transfer subsidy funds and a share of the related administrative fee (typically 80 percent) to the receiving PHA. HUD also declined to change the policy that permits receiving agencies to rescreen families seeking to move and potentially find them ineligible for assistance on grounds the initial agency did not consider relevant. 80 Federal Register 50564, August 20, 2015.

vouchers to move relatively seamlessly among the cities and towns in the consortium. (Consolidation of separate housing agencies to form a single metro-wide PHA could have greater benefits but also faces greater political hurdles; for many PHAs, the ability to retain their independent identity is a paramount concern. This makes it more likely that PHAs would join a consortium to achieve administrative economies of scale than formally consolidate with other agencies.²⁴) Under HUD's current rules, however, agencies have little incentive to form consortia, and when they do, they still lack a single funding contract with HUD.²⁵

Enabling agencies in a consortium to function as a single entity for funding, reporting, and oversight purposes would substantially reduce PHAs' and HUD's administrative burdens. Agencies would also benefit from greater economies of scale. GAO notes, for example, the greater efficiencies that are possible when small agencies join together to hire inspectors or when a voucher program is large enough to generate sufficient administrative fees to support a fraud detection unit.²⁶ Economies of scale also could free up staff time to take advantage of program options such as using project-based vouchers to help develop or preserve mixed-income housing and supportive housing. Creation of a consortium with a single funding contract would also eliminate the administrative work required when a voucher holder moves from one community to another.

In July 2014, HUD proposed revising its consortia rule to allow all agencies in a consortium to have a single voucher funding contract with HUD, but it hasn't finalized the rule. Last year, HUD announced a plan to solicit further comment on voucher consortia as part of a new proposed rule streamlining the requirements for forming consortia to manage public housing.²⁷ But to date, HUD has not begun the formal process to issue such a combined rule, and there is no reliable indication if or when HUD would make this policy change.

Given HUD's inaction, and the likely delays that will inevitably result from the upcoming change in presidential administrations, Congress could expedite this important policy improvement by requiring HUD to allow consortia of HCV programs to have a single funding contract with HUD, and to implement this policy change by notice.

Congress (or HUD) could further improve consortia policy by allowing PHAs to choose to form *partial* consortia to operate particular initiatives, such as promoting moves to higher-opportunity areas and using savings created by eliminating the costs of portability billing and paperwork exchanges to increase landlord outreach and provide other housing search assistance. A partial consortium recognized by HUD could also enable PHAs to collaborate efficiently to operate a regional project-based voucher program with a regional waiting list at much lower cost than they could do under a cooperative agreement.

²⁴ HUD Office of Policy Development and Research, "Strategies for Regional Collaboration," *Evidence Matters* Summer/Fall 2015, pp. 13-17, <https://www.huduser.gov/portal/periodicals/em/fall15/highlight2.html>.

²⁵ According to HUD, in 2014 there were only eight consortia involving 35 PHAs that administer the HCV program. HUD, Streamlining Requirements Applicable to Formation of Consortia by Public Housing Agencies, Proposed Rule, 79 Federal Register 40019, July 11, 2014.

²⁶ GAO-12-300, p. 40.

²⁷ Unified Agenda and Regulatory Plan, May 21, 2015, <http://www.reginfo.gov/public/do/eAgendaMain>.

At least initially, many PHAs are likely to be more willing to enter into partial consortia than consortia with a single funding contract, because it will be less challenging to agree on how to operate a single joint project than to merge much of their individual HCV programs' administration, and because political resistance is likely to be substantially less. As PHAs deepen their collaboration through partial consortia and political resistance diminishes, the administrative efficiencies of a single funding contract may outweigh concerns about losing control, resulting in the expansion over time in the number of PHAs that are willing to make the more dramatic change of forming consortia with single funding contracts.

Ensure that State Laws Do Not Block Formation of Consortia

Federal law broadly permits PHAs to form consortia unless state laws stand in the way. In most states, the laws governing the powers and jurisdiction of PHAs appear to permit consortia but these laws are often unclear, inconsistent, or confusing and they have sometimes been interpreted restrictively by state attorneys general or others.²⁸

To avoid any confusion, Congress and HUD should explicitly prevent state laws from blocking formation of consortia. HUD's final consortia regulation should include the express preemption language for tenant-based programs that exists in federal law.²⁹

Congress could also revise the consortia section of the U.S. Housing Act³⁰ to include a broad preemption provision for both Housing Choice Vouchers and public housing, modeled on (but expanding) Congress' existing preemption of state law for purposes of administering tenant-based Section 8. If Congress broadened the preemption language in the statute to apply to the administration of housing programs more generally, it could better enable PHAs to form consortia despite any uncertainty as to a state's interpretation of its joint powers statute or other enabling laws.

Consolidate Poor-Performing Agencies With Better Managed Ones

HUD has authority under existing statutes and regulations to take over administration of programs that are in substantial default or are "troubled" under HUD's performance assessment rules and fail to improve satisfactorily within two years. HUD is also empowered to consolidate the poorly performing agency with a willing, well-managed PHA or to appoint another PHA or private management entity to manage the agency's programs.³¹ An authoritative study found that, as of mid-2004, HUD had largely not implemented the substantial new authority and responsibility the 1998 Housing Act provided to address failed management, though HUD did focus reform efforts on several of the

²⁸ Sard and Thrope (2016).

²⁹ Once the Secretary determines there is a need for a new PHA to administer the HCV program in an area because there is no current agency doing so or the current agency is not operating effectively, the Secretary may contract with a PHA to operate outside of its jurisdiction and can do so despite any state or local restrictions. 42 U.S.C. §1437a(6)(B)(iii).

³⁰ Section 13 of the U.S. Housing Act, 42 U.S.C. §1437k(a).

³¹ HUD's remedial authority is specified in section 6(i) of the U.S. Housing Act, 42 U.S.C. 1437d(j). In addition, section 3(b)(6)(B)(iii) of the Act, 42 U.S.C. 1437a(b)(6)(B)(iii) gives HUD the authority, for Section 8 programs only, to override state and local laws to select a public or nonprofit entity or another PHA to administer the housing voucher program in place of an agency that "is not performing effectively."

largest severely troubled agencies.³² Congress could direct HUD to both strengthen its performance assessment tools and use available remedies for poor performance to foster the formation of larger, more effective and more efficient local programs, where appropriate. It is important to note that H.R. 4816, discussed below, would bar HUD from using its existing remedial authority to consolidate troubled small agencies with others, or to install new management in such agencies.

Revise Administrative Fee Policy to Encourage PHA Consolidation and Moves to Higher-Opportunity Areas

As noted above, current law requires — and HUD’s recent study of the cost of administering a high-performing HCV program recommends — paying additional fees for smaller agencies. The study also recommends paying 20 percent more when a family moves with a voucher using portability procedures. This would compensate PHAs in the destination communities for the full cost of administering families’ vouchers on an ongoing basis (rather than paying them 80 percent of the fee) while continuing to allow the PHAs that issued the vouchers to be paid 20 percent of the fee for their initial costs and the time involved in transferring HUD funds.³³

In the upcoming revision of the administrative fee policy, HUD could substantially limit such additional costs and remove the financial disincentive for PHAs to form consortia or consolidate by paying all except isolated PHAs no more than the amount needed for operating a program of efficient size. If a PHA is the sole HCV administrator in a metro area or non-metro county, making it impractical to join with another PHA to operate more cost-effectively, a size adjustment would make sense. Otherwise, if local communities want to maintain their separate small PHAs despite their higher operating costs and the availability of feasible alternatives, they could supplement the federal payments. With a portion of the money saved from discontinuing or reducing the bonus paid to small agencies, HUD should help PHAs meet the transition costs of forming a consortium or consolidating.

It is important to fairly compensate agencies for their actual, higher net costs of administering vouchers under portability procedures to make them more willing to assist families to use their vouchers in higher-opportunity areas. Current policy does not do this, so if the administrative fee policy is not changed in the coming year to recognize the additional costs due to portability, Congress could add that modification to current policy. These additional costs would be substantially lower, however, if PHAs operating within a metro area formed consortia (or consolidated), enabling families to move within the expanded area of operations without having to use portability procedures.

³² Rod Solomon, “Public Housing Reform and Voucher Success: Progress and Challenges,” The Brookings Institution Metropolitan Policy Program, 2005.

³³ Abt Associates, “Housing Choice Voucher Program Administrative Fee Study,” August 2015, http://www.huduser.org/portal/publications/pdf/AdminFeeStudy_2015.pdf. Fee-splitting and ongoing transfers of funds and records between the agencies that issued the vouchers and the agencies that serve the areas where families lease housing are required, unless the “receiving” agencies “absorb” the families into their own HCV program by giving the families vouchers the receiving agencies have available instead of serving families on their waiting lists. In recent years, HUD has provided a supplemental fee of 5 percent — for a total of 85 percent if fully funded — to PHAs that administer a very large share of “port-in” vouchers.

Congress should direct HUD to pay the same (or more similar) fees to housing agencies regardless of size, though it could continue paying higher fees to small agencies that are so isolated they do not have a real opportunity to form consortia or consolidate. In addition, Congress should direct HUD to use part of the savings from scaling back added fees for small agencies for technical assistance and one-time grants to help PHAs meet the transition costs of forming a consortium or consolidating. In addition, Congress could require any new administrative fee policy to “pay for success” by rewarding PHAs that increase the number of families using vouchers in low-poverty, higher opportunity areas.

Congress Should Not Enact Risky Deregulation of Small Agencies That Would Discourage Greater Efficiencies

H.R. 4816, The Small Public Housing Agency Opportunity Act (SPHAOA), introduced by Representative Steve Palazzo (R-MS),³⁴ is intended to reduce administrative burdens for small local agencies that operate the federal public housing and Housing Choice Voucher programs. Unfortunately, the bill’s deregulation provisions go so far to sweep aside federal rules and safeguards that they could have unintended and undesirable consequences — such as higher federal costs, fewer low-income families receiving federal housing assistance, and higher rents for many vulnerable households. They would also complicate program administration by establishing a separate set of rules for small agencies, and create a disincentive for agencies to form consortia or consolidate.

Polymakers have already done much in recent years to streamline rental assistance, including enacting a broad set of reforms in the Housing Opportunity Through Modernization Act (HOTMA) in July 2016. These recent measures will substantially reduce administrative costs through careful changes that apply to all agencies regardless of size and they balance streamlining against other goals, such as ensuring effective assistance to low-income families and efficient use of federal funds.

HUD is also evaluating alternative policies that go beyond recently enacted reforms. For example, as directed by Congress, HUD is conducting a rent reform demonstration testing whether alternative formulas for setting tenant rents can ease administrative burdens and support work. In addition, in December 2015, Congress directed HUD to add 100 agencies — nearly all of them small or mid-sized — to its Moving to Work (MTW) demonstration. This expansion will provide broad flexibility to test alternative policies and, in a departure from prior practice under MTW, requires that those policies be carefully evaluated.

HUD should move promptly to implement HOTMA and ensure that MTW expansion generates findings that are rigorous and useful. Until the recent streamlining measures have been assessed and the ongoing and planned demonstration evaluations completed, there is no justification for Congress to consider sweeping additional deregulation like that proposed in SPHAOA.

Rather than weakening standards for small housing agencies, Congress and HUD should help and encourage them to work together with other agencies to achieve economies of scale and

³⁴ The similar Senate version (S. 2292) was introduced on November 17, 2015 by Senators John Tester (D-MT) and Deb Fischer (R-NE).

administer assistance more effectively. SPHAAO seeks to advance this goal by allowing agencies that administer rental assistance jointly through a consortium to combine reports to HUD. Consortia are a potentially powerful tool for easing administrative and oversight burdens and improving program performance. But realizing their potential will require HUD and Congress to take the steps outlined above, and not just streamline reporting requirements as SPHAAO proposes.³⁵

Congress Should Not Create a New Federal Preference for Rental Subsidies for Children Aging Out of Foster Care

The Committee has requested witnesses' views about a discussion draft of the "Fostering Stable Housing Opportunities Act of 2016," circulated by Rep. Turner. The draft bill is well-intentioned, aiming to alleviate the serious problem of many youth aging out of foster care becoming homeless. The proposed approach, however, is unwise.

Nearly two decades ago, in the Quality Housing and Work Responsibility Act of 1998, Congress rescinded federal preferences for homeless applicants and other types of households that previous Congresses had deemed a priority for admission. In their place, the 1998 Act imposed a simple-to-administer requirement that local agencies and owners admit extremely low-income applicants for a specified share of available units or vouchers each year (the percentage and related requirements vary by program). Such income-targeting requirements achieve the key goal of ensuring that a large share of federal housing resources serve those with the greatest needs, while deferring to state and local agencies to determine whether it is worth the administrative burden to prioritize for admission certain types of households, and if so, which types of households they consider most important to assist more quickly. It would be unwise to tamper with this long-standing policy compromise that effectively balances federal and state/local concerns.

Underlying the disturbing problem of homelessness among youth aging out of foster care are a shortage of housing subsidies — only one out of four eligible households receives federal assistance — and a foster care system that terminates support without taking all feasible steps to enable young adults to live in stable housing and otherwise meet their basic needs. Congress and the states should address these serious problems, which will require new resources, rather than assuming that the challenges faced by foster youth can be addressed merely by requiring them to go to the front of years' long waiting lists for housing assistance. Indeed, Congress has taken steps recently to provide additional housing resources and income-promoting services for youth aging out of foster care, and the Senate's 2017 HUD appropriations bill would add funds for this purpose. More could and should be done, but this draft bill is not a sound approach.

³⁵ For a full analysis of the weaknesses of H.R. 4816, and our alternative recommendations, see Will Fischer and Barbara Sard, "Sweeping Deregulation of Small Housing Agencies Would Do More Harm Than Good," Center on Budget and Policy Priorities, September 19, 2016.



TESTIMONY OF DEBORAH THROPE, STAFF ATTORNEY
THE NATIONAL HOUSING LAW PROJECT

HEARING ON THE FUTURE OF HOUSING IN AMERICA: A BETTER WAY TO INCREASE
EFFICIENCIES FOR HOUSING VOUCHERS AND CREATE UPWARD ECONOMIC MOBILITY

BEFORE THE HOUSE FINANCIAL SERVICES SUBCOMMITTEE ON
HOUSING AND INSURANCE

WEDNESDAY, SEPTEMBER 21, 2016

Good morning Chairman Luetkemeyer, Ranking Member Cleaver, and distinguished members of the Committee. Thank you for the opportunity to testify today on behalf of the National Housing Law Project on the Small Public Housing Agency Opportunity Act of 2016.

The National Housing Law Project (NHLP) is a charitable nonprofit organization providing legal and technical support for housing advocates, tenant leaders and public officials nationwide on the housing issues confronting Americans with incomes at or near the poverty level. Our support role has included legal research, advice and co-counsel regarding litigation matters; legislative and administrative advocacy and assistance with Congress, federal agencies and state and local governments; publication of our housing law manuals; and training and technical assistance. NHLP hosts the national Housing Justice Network, a vast field network of over 1,000 community-level housing advocates and tenant leaders committed to protecting affordable housing and tenants' rights for low-income families and individuals nationwide. Since our inception in 1968, our work with local advocates, dealing with the day to day problems and opportunities presented by implementation of affordable housing laws and programs, has informed the views we express today.

The Housing Choice Voucher Program provides housing choice and mobility to millions of families but key changes must be made to realize the program's full potential.

The Housing Choice Voucher Program provides housing subsidies to 2.2 million low-income households in America.¹ A vast majority of these households include a member who experiences a disability and/or is elderly.² Almost half of voucher households include families with children.³ Tenant-based housing vouchers have a proven track record of reducing family homelessness and housing instability.⁴

The cornerstone of the voucher program is the ability of voucher families to move from one unit to another while continuing to receive rental assistance. Families can move with continued assistance both inside and outside the jurisdiction of the Public Housing Agency (PHA) that issued the family's voucher (renting a unit outside of the issuing PHA's jurisdiction is referred to as "portability"). Recent studies have highlighted the importance of the voucher program's mobility feature by demonstrating that where we live has a lasting impact on our health and future economic mobility. For example, children who move to higher opportunity neighborhoods with high-performing schools, reliable public transportation, and quality jobs, tend to have higher adult earnings and educational attainment, among other positive outcomes.⁵ And yet, an increasing amount of poor families live in areas of highly concentrated poverty where over 40% of residents are low-income.⁶

¹ HUD, Office of Policy Development and Research, *Picture of Subsidized Households (2015)*, <https://www.huduser.gov/portal/datasets/picture/yearlydata.html>.

² Center on Budget and Policy Priorities, *United States Fact Sheet: The Housing Choice Voucher Program* (July 21, 2016), http://www.cbpp.org/sites/default/files/atoms/files/3-10-14hous-factsheets_us.pdf

³ HUD, Office of Policy Development and Research, *Picture of Subsidized Households (2015)*, <https://www.huduser.gov/portal/datasets/picture/yearlydata.html>.

⁴ Michelle Wood, Jennifer Turnham, and Gregory Mills, *Housing Affordability and Family Well-Being: Results from the Housing Voucher Evaluation*, Housing Policy Debate (2008).

⁵ Raj Chetty, Nathaniel Hendren, and Lawrence Katz, *The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Project* (August 2015), available at http://scholar.harvard.edu/files/hendren/files/mto_paper.pdf

⁶ Elizabeth Kneebone and Natalie Holmes, *U.S. Concentrated Poverty in the Wake of the Great Recession*, Brookings Report (March 31, 2016). According to the report, by 2010-14, almost 14 million people lived in neighborhoods with poverty rates of 40% or more- more than twice as many as in 2000.

While vouchers have the potential to help deconcentrate poverty and improve the lives of low-income families, there is evidence that the program has failed to meet its housing choice and mobility goals. As HUD itself has acknowledged, even tenants with a Section 8 voucher live in low-rent, high poverty neighborhoods.⁷ Families across the country report the difficulties of using their voucher in the private rental market. Despite spending years on the waitlist,⁸ families that cannot use their voucher within a limited search time⁹ must give the voucher back to the local PHA and often return to areas of high concentrations of poverty. As a result, PHAs are experiencing historically low “success rates” (the percentage of families that receive a housing voucher that are able to use it in the private market).¹⁰ Low success rates are often tied to low voucher utilization rates (the number of units leased with voucher assistance as a percentage of the number of units that the PHA was authorized to lease by contract with HUD). Low utilization rates cause fiscal waste because the PHA leaves money on the table; money that could be used to provide critical services for families experiencing homelessness and housing instability.

Families face significant barriers that prevent them from using their housing voucher, which undermines the effectiveness of the voucher program. We address the key barriers below and provide policy recommendations to overcome them, including:

- Increasing the value of vouchers to reflect market rent by improving HUD’s Fair Market Rent (FMR) methodology;
- Improving landlord participation in the voucher program by providing incentives to participate in the voucher program;
- Implementing mobility counseling, including the Administration’s proposed Housing Choice Voucher Mobility Demonstration program that would provide resources to administer and study much-needed mobility programs;
- Encouraging consortia and regionalization of PHAs, instead of the deregulation of small PHAs as proposed in H.R. 4816, the Small Public Housing Agency Opportunity Act.

Vouchers are an essential component of a multifaceted national housing policy. Coupled with project-based assistance and the preservation of the existing affordable housing stock, tenant-based vouchers could go a long way towards improving the lives of low-income families. Until Congress addresses the barriers to true housing choice and mobility, however, voucher families are yet to realize the potential of the voucher program.

We look forward to working with the Subcommittee staff to provide more specific suggestions on the many issues raised by the mobility demonstration and H.R. 4816 as they move forward.

⁷ Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in Housing Choice Voucher Program Instead of the Current 50th Percentile FMRs, 81 Fed. Reg. 39,218 (Jun. 16, 2016) at 39,219.

⁸ It is not uncommon for PHAs to have a waitlist of up to 10-15 years. Many PHAs close their waitlists for periods of time when the list becomes too long.

⁹ 24 C.F.R. § 982.203. The initial term of the voucher must be at least 60 days although PHAs have discretion to extend the term.

¹⁰ The Housing Authority of the County of Santa Clara, for example, had a success rate of 14% in June 2014. Probably one of the lowest, San Francisco Housing Authority, experienced a success rate of 5% in 2015. HUD does not require the reporting of success rate data. The success rates here were discovered through a California Public Records Act request.

Vouchers Must Reflect Market Rents

In areas throughout the country, voucher tenants simply cannot compete for private housing because the value of their voucher is less than market rent. The two main factors at play are HUD's setting of "fair market rents" and PHAs' setting of "payment standards." First, HUD sets "fair market rents" (FMRs) for Metropolitan Statistical Areas (MSAs) throughout the country. FMRs are meant to reflect gross rent estimates in a given geographical area and are used by PHAs to set the maximum assistance that a housing authority will pay for a particular bedroom sized unit (the "payment standard").¹¹ PHAs have considerable discretion in setting a payment standard but HUD generally requires PHAs to set it at 90-110% of FMR.¹² Even in areas where HUD has set the FMR at lower than average market rent, some PHAs don't set payment standards at the maximum amount allowed under the law. This reduces both the amount of assistance and the quantity of housing available to voucher families in low poverty, high opportunity neighborhoods.

Statutory law requires HUD to revise FMRs annually using the most recent available data.¹³ Pursuant to its authority, HUD has set FMRs at either the 40th or 50th percentile rent – the dollar amount below which the rent for 40 or 50 percent of standard quality rental housing units are rented by recent movers in a given geographic area.¹⁴ HUD's methodology in setting the FMRs, however, often results in inaccurate and significantly lower than market rents because of its underlying flaws. In part, FMRs are problematic because they are based on rents across a metropolitan area, where rents can vary drastically between cities and towns. FMRs also use data that is several years old and does not account for recent shifts in the housing market. *Simply put, HUD's current methodology produces FMRs that, in many areas across the country, do not reflect the current realities of the rental market faced by voucher families.*

Despite pleas from a range of stakeholders including PHA industry groups, housing advocates, and local governments, HUD has declined to change its methodology. As a result of HUD's inaction, voucher holders are effectively barred from living in many areas, especially low-poverty neighborhoods with access to high-performing schools and other community amenities. The majority of voucher tenants continue to live in low-rent, high-poverty areas.¹⁵

HUD recently proposed a rule to address the geographical scope of FMRs and to "establish a more effective means for HCV tenants to move into areas of high opportunity and lower poverty" by replacing Fair Market Rents (FMRs) with zip-code level rent data, thereby raising the potential maximum assistance amount in some areas and lowering it in others.¹⁶ Under HUD's proposal, the new "Small Area Fair Market Rents" will be applied to about 30 areas that meet HUD's criteria although other housing authorities could choose to opt in.

Due to the negative impact on existing voucher families, Small Area FMRs alone are only part of the solution to address systemic barriers to housing choice faced by current voucher tenants. While

¹¹ 42 U.S.C.A. § 1437f(c); HUD, Office of Policy Development & Research, *Fair Market Rents for the Section 8 Housing Assistance Payments Program* (July 2007).

¹² 42 U.S.C.A. § 1437f(o)(1)(B).

¹³ 42 U.S.C.A. § 1437f(c)(1)(B).

¹⁴ 24 C.F.R. § 888.113(a).

¹⁵ Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in Housing Choice Voucher Program Instead of the Current 50th Percentile FMRs, 81 Fed. Reg. 39,218 (Jun. 16, 2016) at 39,219.

¹⁶ *Id.*

Small Area FMRs would likely expand housing opportunities for new families entering the voucher program by increasing the value of a voucher in high opportunity areas, it would put a large number of existing voucher participants at risk of eviction and termination of assistance. *In fact, approximately 78% of current voucher holders in the areas that meet HUD's criteria, or over 435,000 voucher families, will likely experience reduced payment standards, and therefore a reduction in rental assistance, under the proposed Small Area FMR rule.*¹⁷ For example, in the Washington-Arlington-Alexandria HUD Metro FMR Area, the payment standard for the average current 2-bedroom voucher holder will decrease by \$281.97. For those voucher tenants whose rents already match the payment standard, unless the landlord *lowers* the rent (an unlikely scenario), this equates to a \$281.97 rent increase.¹⁸ Under the Small Area FMR rule, a significant number of voucher participants already facing tight budgets will have to make a difficult decision: pay more or get priced out. Many families will be forcibly displaced and uprooted from their neighborhoods.

Small Area FMRs suffer from many of the same methodological issues as FMRs. One way to improve the FMR methodology would be to require HUD to account for trends in local rental markets. HUD currently uses a "Trend Factor" to calculate FMRs, which measures the forecasted changes in *national* gross rents. Instead, HUD should use the percentage change in MSA-wide rents published as part of HUD PD&R's quarterly U.S. Housing Market Conditions Regional Reports. Using the MSA, instead of the whole nation, as the unit of analysis for measuring rental market changes will result in a trend factor that is more sensitive to local conditions. The FMRs and payment standards will therefore more closely represent actual rents, improving housing choice and mobility opportunities for low-income families.

Landlord Participation is Essential to the Voucher Program

Along with a voucher that reflects market rent, participant families must find a landlord willing to rent to voucher tenants. In many areas, this is no easy task. Even in cities like San Diego, where hundreds of veterans remain on the street because they have nowhere to use their housing vouchers, government officials are desperately seeking help from landlords to accept vouchers and help house the nation's veterans.¹⁹ This is particularly disturbing because vouchers are largely responsible for the reduction in homeless veterans nationwide.²⁰ *Landlords' blanket refusal to consider voucher holders increases the harm and severity of the country's rental housing crisis, continues a cycle of poverty and segregation, and perpetuates housing barriers that are often based on misguided stereotypes.*

The most effective way to improve tenant mobility for all voucher families would be to require landlords to accept vouchers or at the least, prevent unreasonable discrimination against voucher

¹⁷ NHLHP, Understanding the Impact of HUD's Proposed Small Area Fair Market rent (SAFMR) Rule at <http://safmrnhlp.blogspot.com/> Note that this figure excludes Dallas, one of the areas designated to use Small Area FMRs. NHLHP compiled data in order to assess the impact of the rule on current tenants. Please refer to the website to see our data and methodology.

¹⁸ The tenant must receive proper notice, but once the payment standard is reduced below the full contract rent, the tenant becomes responsible for any rent above the payment standard.

¹⁹ KPBS News, *Targeting Homeless Vets, Faulconer Launches 'Housing Our Heroes'*, January 15, 2016. San Diego Mayor Kevin Faulconer announced the initiative because the city had enough vouchers to house all of its homeless veterans, but not enough landlords willing to rent to them.

²⁰ The Veterans Supportive Housing Program (VASH), a partnership between the Department of Veterans Affairs and HUD, caused the number of homeless veterans to drop by almost 50% since 2010. HUD Exchange, *Obama Administration Announces Nearly 50 Percent Decline in Veteran Homelessness* (August 1, 2016). <https://www.hudexchange.info/news/obama-administration-announces-nearly-50-percent-decline-in-veteran-homelessness/>

tenants. The failure of landlords to accept vouchers is so pervasive that many states and local jurisdictions have adopted “Source of Income Protection” laws to protect voucher families from discrimination based on stereotypes of people that participate in the program.²¹ Source of Income Protection laws broaden housing opportunities for low-income families by increasing the amount of housing available. Protection from discrimination based on receipt of housing assistance also helps reduce the stigma associated with voucher families. State and local laws are insufficient because they are vulnerable to legal challenges and inconsistent across jurisdictional boundaries.²² Federal action is necessary in order to truly safeguard voucher families from discrimination solely on the basis that they receive federal housing assistance.

Other solutions to increase the amount of landlords participating in the voucher program include:

- Ensuring that PHAs are providing rental assistance to tenants that reflect market rent. Even if HUD-published FMRs are too low, PHAs should be increasing their payment standards to realistic rent levels.
- Mobility counseling that includes landlord outreach. We support that the Administration’s mobility proposal explicitly includes landlord outreach as a possible activity under the demonstration.
- The loosening or elimination of certain regulatory requirements on PHAs so that tenants can move into their units faster. The Housing Opportunity Through Modernization Act (HOTMA) accomplished this goal in part by allowing families to move into a unit that fails an inspection for a non-life threatening Housing Quality Standards (HQS) violation.²³ However, it can still take a few weeks for a PHA to perform an initial inspection and landlords prefer to rent out apartments immediately to other applicants.
- Providing a financial premium to landlords for participation. PHAs could pay more than market rent to compensate landlords for the additional administrative requirements required by the voucher program.
- Even when landlords are willing to participate in the voucher program, they may be denied insurance coverage simply for agreeing to house voucher tenants, based on false stereotypes about the risks of renting to a voucher family. Landlords who wish to rent to voucher families should be protected by law from such discrimination.²⁴

Families Benefit From the Services Offered by Mobility Counseling

Even with an adequate amount of rental assistance and a willing landlord, families often find it difficult to successfully obtain and maintain housing in higher opportunity areas. Mobility counseling

²¹ Poverty and Race Research Action Council, *Expanding Choice: Practical Strategies for Building a Successful Housing Mobility Program, Appendix B: State, Local, and Federal Laws Barring Source-of-Income Discrimination* (Updated May 2016), found at: <http://www.prrac.org/pdf/AppendixB.pdf>

²² See *Austin Apt. Ass’n. v. City of Austin*, 89 F. Supp. 3d 886 (Feb. 27, 2015) (federal court upheld an amendment to the city’s fair housing code that prohibits landlords from refusing to rent to prospective tenants on the basis of using a housing voucher). Consequently, the state legislature passed a law prohibiting adoption or enforcement of such local ordinances. See S.B. 267, 2015 Leg., 84(R) Sess. (Tex. 2015).

²³ Housing Opportunity Through Modernization Act (HOTMA), H.R. 3700, Pub. L. 114-201, div. ___, tit. ___, 130 Stat. 782 (July 29, 2016) to be codified at 42 U.S.C. § 1437f(o)(8)(1)(A)(ii).

²⁴ See Complaint, *National Fair Housing Alliance v. Travelers Indemnity Company*, 1:16-cv-00928 (D.C. Cir. May 17, 2016) (suit alleges that defendant insurance company violated local and federal fair housing laws when they refused to provide insurance to owners of multi-unit residential buildings because some of the residents relied on vouchers).

is an essential component of the voucher program because it educates families about the advantages of moving to higher opportunity areas and provides the support and resources to complete a successful housing search. Studies have shown that families who wish to move to higher opportunity areas have a hard time doing so due to a variety of administrative and social constraints.²⁵ One pilot in Dallas was successful in moving families to areas with lower crime rates in part because participating voucher families had access to mobility counseling as a means to assist families to move to high opportunity areas.²⁶

*We therefore fully support the Administration's proposal for a new Housing Choice Voucher Mobility Demonstration to assist public housing agencies in ten regions collaborate on initiatives to help low-income families use existing vouchers to move to higher-opportunity neighborhoods.*²⁷ The one-time funding also would support research to learn what strategies are most cost-effective. The mobility demonstration not only has the potential to improve low-income families' opportunities, but acts as an investment in evidence-based programs.

Despite the strong evidence that mobility programs help families overcome obstacles to locating housing in low poverty neighborhoods, few housing authorities provide mobility counseling, most likely due to the administrative costs to PHAs. However, it may be worth the small investment now as there is evidence that mobility programs could generate medical cost savings (to government health programs such as Medicaid) in the long-term due to the health benefits of living in high opportunity areas.²⁸

The Mobility Demonstration will provide participating PHAs with the financial capacity to build mobility programs. The proposal includes examples of mobility-related services that may be funded including "counseling, portability coordination, landlord outreach, and administrative activities." Other key elements of a successful mobility program include financial assistance for security deposits and moving assistance as well as long-term support for second and third moves.

Too Many Housing Authorities Results in Waitlist and Portability Problems for Tenants

Nearly 4,000 PHAs administer public housing and/or Section 8 vouchers. About 3,300 of these agencies are small, administering fewer than 550 units. When numerous agencies administer rental assistance programs in a metropolitan area, as occurs frequently, applicants face greater barriers to obtain the assistance they need and families have more difficulty moving to areas of opportunity.

First, in metro areas where there are multiple PHAs, tenants have to apply for housing separately with each agency, and many end up on a number of waitlists. A single-point-of-contact makes the process of applying for and obtaining rental assistance less confusing and more transparent.²⁹ This is especially true for applicants that face special barriers to housing access such as

²⁵ Ruoni Wang, *Tracking "Choice" in the Housing Choice Voucher Program, The Relationship Between Neighborhood Preference and Locational Outcome*, Shimberg Center for Housing Studies (April 2016).

²⁶ Robert Collinson and Peter Ganong, *Incidence and Price Discrimination: Evidence from Housing Vouchers*, Joint Center for Housing Studies, Harvard University (April 2016).

²⁷ HUD, FY 2017 Budget Proposal, Sec. 270, "Housing Choice Voucher Mobility Demonstration."

²⁸ Dan Rinzler et al. *Leveraging the Power of Place: Using Pay for Success to Support Housing Mobility*, Federal Reserve Bank of San Francisco (July 2015).

²⁹ U.S. Government Accountability Office, *Housing Choice Vouchers: Options Exist to Increase Program Efficiencies*, GAO-12-300 (March 2012) at 43.

people with disabilities, seniors, and individuals with limited English proficiency. Massachusetts provides an example of a statewide system for Section 8 voucher applications. The waitlist is centralized and applicants need only apply once for a housing voucher.

Second, when a number of PHAs administer housing assistance in a particular area, voucher tenants who wish to move are more likely to experience the challenges created by the portability process. Existing portability regulations are burdensome and confusing for tenants and housing authorities alike and can put tenants at risk of homelessness. For example, the roles of the initial and receiving PHAs are often unclear, particularly with respect to billing requirements and rules around search times, leading to delays in approval of portability requests. Given that families must find a new unit within a limited search time, any delay can result in eviction or termination of assistance. Tenants are also provided conflicting information from various PHAs about eligibility requirements. Even though PHAs have an obligation to accept most porting tenants, families can be discouraged from porting because of a misunderstanding about the eligibility criteria at a receiving PHA. HUD's recent changes to the portability regulations and subsequent guidance are an improvement but did not go far enough to have a real impact on tenant moves with continued assistance.

The most effective policy to address the problems created by the number of PHAs is to encourage the formation of consortia and regional PHAs. To that effect, H.R. 4816 contains an important provision that would incentivize PHAs to participate in consortia by reducing administrative burdens and reporting requirements for participating agencies, while maintaining some HUD oversight and tenant protections.

Consortia and regional PHAs have the potential to significantly improve the operation of the HCV program while expanding families' housing choice and mobility because they eliminate portability requirements and consolidate waiting lists, among other benefits to applicants and tenants. In areas where PHAs form consortia or regional entities, voucher participants are free to choose a unit without the existing barriers created by complex portability rules. Expanding the jurisdiction of a PHA allows an avenue of mobility for families to move closer to a current job, for example, or to move out of neighborhoods with high concentrations of poverty to those richer in community assets.

Consortia also provide a degree of administrative relief to PHAs by allowing PHAs to pool resources, share program staff, reduce reporting requirements, and increase efficiency.³⁰ Because PHAs retain their separate existence while participating in a consortia and some ability to continue local policies, PHAs and their trade groups tend to support increased flexibility to form consortia while opposing more comprehensive consolidation.³¹ However, very few agencies currently take advantage of the consortia option.³² H.R. 4816 would take an important step to incentivize the formation of consortia by allowing participating agencies to fully merge reporting obligations. HUD issued a proposed rule in 2014 that contained a similar innovation, "single-Annual Contributions Contract (ACC) consortia," which would allow PHAs participating in a consortium to merge reporting requirements.

³⁰ 42 U.S.C.A. § 1437a(6)(A); 24 C.F.R. § 943.122.

³¹ National Association of Housing and Redevelopment Officials (NAHRO), *Banding Together to Face Tough Times: The Consortium Option*, NAHRO Monitor (June 30, 2013).

³² Barbara Sard and Deborah Thrope, *Consolidating Rental Assistance Administration Would Increase Efficiency and Expand Opportunity*, Center on Budget and Policy Priorities (April 2016), <http://www.cbpp.org/research/consolidating-rental-assistance-administration-would-increase-efficiency-and-expand>

Along with allowing for single-contract consortia, Congress could ensure that there are no state law barriers to the formation of consortia. Federal law broadly permits PHAs to form consortia although a minority of states appear to be limited by state-enabling legislation.³³ Congress could eliminate the barriers created by the lack of uniform state-enabling legislation by revising the U.S. Housing Act to include explicit authorization for the formation of consortia, notwithstanding state law barriers.

H.R. 4816 will negatively impact low-income families; the formation of consortia and regional PHAs are better options.

H.R. 4816 seeks to address the administrative burdens placed upon small PHAs. Despite its objective, H.R. 4816 will create additional problems for small PHAs by creating a new regulatory system and oversight challenges for HUD. The bill's provisions are also likely to have a negative impact on low-income tenants.

Complete Deregulation Will Lead to Less Families Served

H.R. 4816 contains two potentially harmful provisions that will fully deregulate the voucher program administered by small PHAs. The bill (1) allows small PHAs to combine funds for voucher assistance with the public housing operating and capital funds and (2) allows small PHAs to use the combined funds for any activity authorized under those programs. The funding flexibility is only limited in that the use of the combined funds must "assist substantially the same number of low-income families, with a comparable mix of families."

The Moving to Work Demonstration Program (MTW) authorizes similar funding flexibility to 39 participating PHAs and includes the requirement that PHAs serve substantially the same number of families. One valuable lesson learned from the MTW program is that without guidance on the criteria for serving "substantially the same" numbers of families, PHAs tend to serve significantly less families than before participation in the program. *In fact, the five MTW agencies responsible for the largest percentage of funds transferred away from the voucher program provided housing for 3,600 families with the money that could have been used to provide vouchers to 32,000 families.*³⁴ Moreover, the average voucher utilization rate for a traditional PHA is 96% on average and the average voucher utilization rate for MTW agencies is only 81%.³⁵ Some MTW PHAs have utilization rates as low as 71%.³⁶ Voucher applicants are left on increasingly long waitlists while PHAs fail to use their share of authorized vouchers. Without guidance on reporting obligations, some PHAs grossly inflate the number of families served. PHAs have accomplished this in part by using all units and households that receive any amount of funding from the PHA as a measure of the number of families served.³⁷

³³ *Id.*

³⁴ Will Fischer, *HUD Seeks Significant Improvements to "Moving to Work" Demonstration, But Additional Changes Needed*, Center on Budget and Policy Priorities (January 21, 2015).

³⁵ Will Fisher, *Senate Expansion of "Moving to Work" Block Grants Would Sharply Cut Number of Families with Housing Vouchers*, Center on Budget and Policy Priorities (July 29, 2015).

³⁶ Center on Budget and Policy Priorities, *Housing Choice Voucher Utilization Data*, <http://www.cbpp.org/research/housing/national-and-state-housing-fact-sheets-data>

³⁷ Will Fischer, *HUD Seeks Significant Improvements to "Moving to Work" Demonstration, But Additional Changes Needed*, Center on Budget and Policy Priorities (January 21, 2015).

One reason the voucher program suffers when PHAs are authorized to have funding flexibility is that it allows PHAs to disinvest in the voucher program in order to make up for the chronic underfunding, capital needs, and maintenance backlogs in public housing. In addition, voucher funding is not tied to the number of households served, eliminating the incentive to utilize all vouchers available. There is also additional evidence that funding flexibility results in funds being diverted from housing assistance all together. In Chicago, for example, the PHA used its MTW authority to stockpile unused federal dollars. There, the PHA diverted an average of \$107 million per year from its voucher program from FY 2008-2012 and during that time built up a cash reserve of \$432 million.³⁸ There are also examples of huge increases in executive compensation for MTW agency employees.³⁹

At least four MTW PHAs used their deregulated authority to limit mobility options by severely restricting tenant portability. The San Diego Housing Commission revised its portability policy so that households who request to “port out” of the jurisdiction must provide a “compelling” reason to the PHA, such as an employment opportunity, medical needs, or safety reasons.⁴⁰ Similarly, the Keene Housing Authority in New Hampshire restricts portability unless it is requested as an accommodation for an individual with a disability or due to documented domestic violence.⁴¹

While there are currently no small PHAs participating in MTW, Congress recently expanded the program to include an additional 50 PHAs that have fewer than 1000 public housing units and vouchers combined. Given that the MTW demonstration includes a deregulation component and will expand to include small PHAs, H.R. 4816 is duplicative of existing efforts that will test and evaluate potentially innovative policies that could improve the administration of small PHAs. If there is a benefit to complete deregulation, it is more likely to be realized under the more rigorous oversight and evaluation requirements of MTW.

The Proposed Rent Demonstration Will Cause Extreme Financial Hardship

H.R. 4816 contains a rent reform demonstration project that allows selected small PHAs to choose among three rent-setting methodologies: (1) a tiered rent system, (2) gross rents, or (3) the existing rent mechanism. Currently, voucher tenants generally pay 30% of their income in rent.⁴² As described below, both the proposed tiered rent and gross rent systems have the potential to cause significant harm to existing tenants by increasing low-income families’ rent burdens to an unsustainable level.

First, H.R. 4816 proposes the following tiered rent system based on the area median income (AMI):

- Extremely low-income families would pay a rent equivalent to 30% of 10% of the AMI;
- Very low-income families would pay a rent equivalent to 30% of 30% of the AMI; and
- A low-income family would pay a rent equivalent to 30% of 50% of the AMI.

The proposed tiered rent system could force poor families to pay a huge portion of their income in rent because it shifts rent-setting from an income based method to one based on AMI. In some cases,

³⁸ Center for Tax and Budget Accountability, *A Fiscal Review of the Chicago Housing Authority* (July 2014).

³⁹ WABE News, *Atlanta Housing Authority CEO Compensation At Center of HUD New Policy* (June 7, 2012), <http://news.wabe.org/post/atlanta-housing-authority-ceo-compensation-center-hud-new-policy>. The Housing Authority’s Chief office, Renee Glover, was cited as the highest paid housing authority executive in the country at over \$600,000.

⁴⁰ Jill Khadduri, et al. *Innovations in the Moving to Work Demonstration*, Abt Associates (Dec. 2014).

⁴¹ *Id.*

⁴² 42 U.S.C.A. § 1437f(o)(2)(A).

the poorest tenants will experience the most significant rent increases. For example, a low-income tenant (as defined by HUD) in Kansas City, Missouri whose total adjusted income is \$25,600 per year⁴³ would pay about \$7,680 per year in rent according to the current rules (30% of income). Under the proposed tiered rent system, the tenant would pay \$10,920 per year in rent (30% of 50% of the AMI), resulting in a 42% rent increase per year (a total of \$3,240 additional rent per year). As another example, a 2-person low-income family (as defined by HUD) living in Meriwether County, Georgia whose total adjusted income is \$18,300 per year⁴⁴ and currently pays \$5,490 per year in rent (30% of income) would experience a rent increase of 22% (\$1,215 additional rent per year). Both of these examples assume that rent is set at or below the PHA's payment standard and that the voucher plus the tenant's portion covers the entire rent.

Linking a tenant's rent contribution to actual income enables the tenant to pay a rental amount that is affordable, given his/her individual income limitations. *Connecting a tenant's rent to the average income in the community, instead of the tenant's own income, causes families to be increasingly rent-burdened, takes monthly income away from food, medical needs, and other basic necessities, and puts low-income families at risk of homelessness.* It also incentivizes families to move to low-income areas where the AMI is lower, which perpetuates economic segregation and undermines the voucher program's mobility and deconcentration objectives.

Additionally, H.R. 4816 states that a tenant whose rent is determined by the tiered income system is considered over-income if their income exceeds 80% of the AMI. HOTMA, with bipartisan support, recently defined over-income tenants in the public housing program as those tenants whose income has exceeded 120% of the area median income.⁴⁵ Congress has legislated this issue and should not enact a different rule for small PHAs.

The gross rent methodology proposes to eliminate deductions for some of the most vulnerable families, including elderly and disabled households and households with unreimbursed medical or child-care expenses. Currently, after determining a family's total annual income, owners and PHAs must apply certain additional deductions to arrive at the tenant family's adjusted annual income.⁴⁶ These deductions include: veterans' aid expenses, reasonable child care expenses necessary to enable employment or education, unreimbursed medical expenses, deductions for senior or disabled family members, deductions for students, and other amounts excluded by the Social Security Act.⁴⁷ Congress has recognized these vital needs by preserving and increasing the amount and types of deductions, including most recently in HOTMA.⁴⁸ It is a rational policy choice that small PHAs follow the same income deduction rules as other PHAs.

Alarming, H.R. 4816 would allow PHAs to impose a minimum rent *of any amount*, subject to a PHA's hardship policy. Currently, PHAs are allowed to impose a minimum rent up to \$50 per month, subject to certain statutory hardship suspensions and exemptions.⁴⁹ Imposing an unlimited minimum

⁴³ HUD, *FY 16 Income Limits*, HUDUSER.GOV, <https://www.huduser.gov/portal/datasets/il/il16/>.

⁴⁴ HUD, *FY 16 Income Limits*, HUDUSER.GOV, <https://www.huduser.gov/portal/datasets/il/il16/>.

⁴⁵ Housing Opportunity Through Modernization Act, HR 3700 (HOTMA), Pub. L. 114-201 (July 29, 2016).

⁴⁶ Streamlining Administrative Regulation for Public Housing, Housing Choice Voucher, Multifamily Housing, and Community Planning and Development Programs, 81 Fed. Reg. 12,354 (Mar. 8, 2016); Housing Opportunity Through Modernization Act, HR 3700 (HOTMA), Pub. L. 114-201 (July 29, 2016) *to be codified at* 42 U.S.C.A. § 1437a(b)(5)(A).

⁴⁷ *Id.*

⁴⁸ Housing Opportunity Through Modernization Act, HR 3700 (HOTMA), Pub. L. 114-201 (July 29, 2016).

⁴⁹ 42 U.S.C.A. § 1437a(a)(3); 24 C.F.R. § 5.630.

rent without taking into consideration a family's income is a harmful policy that could cause housing instability and put the lowest income tenants at risk of homelessness.

An additional provision in H.R. 4816 related to rents allows for rental adjustments every five years or more frequently if the agency establishes a specific percentage that would warrant an interim recertification. H.R. 4816 provides no limitations or requirements for PHAs when determining this threshold. If a PHA sets the threshold for downward rent adjustments too high, it could severely impact tenants whose income decreases due to a loss of employment or medical hardship. HOTMA recently revised the law to allow PHAs to recertify income every 3 years for families with a fixed income. The law was supported by a broad range of stakeholders and the change is sufficient to reduce administrative burdens for small PHAs, without having a negative impact on families.

Finally, as with any demonstration project, Congress should ensure that meaningful and comprehensive evaluation mechanisms are put into place. H.R. 4816 contains no indications of how and when an evaluation of the demonstration will be completed. As MTW expands to include small PHAs, HUD plans to perform a rigorous analysis of the policies implemented by participating PHAs. The smart approach is to study rent reform through the MTW program expansion.

Eliminating Reporting Requirements will Exclude Voucher Tenants From the Planning Process

H.R. 4816 limits reporting requirements for small PHAs to submissions that are required of HUD owners and operators of Section 8 project-based properties. The Quality Housing and Work Responsibility Act of 1998 already exempted small PHAs that have fewer than 250 public housing units from submitting annual PHA Plans to HUD and other reporting requirements.⁵⁰ H.R. 4816 would eliminate virtually all of a small PHA's reporting obligations. The PHA Plan is used by HUD as a key oversight tool and as a way to ensure resident participation of the administration of the PHA's public housing and vouchers. Eliminating the PHA Plan requirement will exclude tenants almost entirely from participating in the PHA's planning process.

H.R. 4816 Weakens Section 3 Requirements

The Section 3 program is an important workforce development program requiring "that recipients of certain HUD financial assistance, to the greatest extent possible, provide job training, employment, and contract opportunities for low- or very-low-income residents in connection with projects and activities in their neighborhoods."⁵¹ H.R. 4816 limits Section 3 requirements for small PHAs only to the extent that Section 8 property owners and operators have to comply. This greatly weakens the Section 3 program. There are few requirements for Section 8 owners and operators to comply with Section 3. Rather than the extensive and significant weakening of Section 3 proposed in H.R. 4816, Congress should apply Section 3 more broadly to Project-Based Section 8 owners.

Other Provisions That Negatively Impact Tenants

The following additional provisions of H.R. 4816 will negatively impact tenants

⁵⁰ 42 U.S.C.A. § 1437c-1; 24 C.F.R. § 903.111.

⁵¹ HUD, *Section 3- Economic Opportunities*, http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/section3/section3.

- H.R. 4816 authorizes small PHAs to perform physical inspections of public housing units every 3 years. Inspections every three years are insufficient to guard against unsafe and uninhabitable living conditions. In some cases, units deteriorate quickly and issues will not be identified for long stretches of time. Families often do not complain about living conditions for fear of retaliation. Inspections are important to implement the statutory obligation that PHAs maintain public housing in a decent, safe, and sanitary condition.⁵² By limiting inspections to every 3 years, it is impossible to monitor whether this obligation is being met.
- H.R. 4816 allows small PHAs to project-base up to 50% of its tenant-based vouchers. HOTMA recently authorized PHAs to raise the cap by 10% (from 20% to 30%) in order to provide units for certain populations (formerly homeless individuals and families, veterans, persons with disabilities, and the elderly)⁵³ or where tenant-based vouchers are difficult to use.⁵⁴ HOTMA's revisions to existing law are sufficient to meet the needs of small PHAs.

⁵² 42 U.S.C.A. § 1437d(l).

⁵³ Housing Opportunity Through Modernization Act, HR 3700 (HOTMA), Pub. L. 114-201 (July 29, 2016) *to be codified at* 42 U.S.C.A. § 1437f(o)(13)(B)(ii).

⁵⁴ Housing Opportunity Through Modernization Act, HR 3700 (HOTMA), Pub. L. 114-201 (July 29, 2016) *to be codified at* 42 U.S.C.A. §§ 1437f(o)(13)(D)(ii)(II).

“The Future of Housing In America: A Better Way to Increase Efficiencies for Housing Vouchers and Create Upward Economic Mobility”

Wednesday, September 21, 2016

Testimony of Ailrick Young

Executive Director, Housing Authority of the City of Laurel (Miss.)

Chairman Luetkemeyer, Ranking Member Cleaver, and Members of the Housing Subcommittee, thank you for the opportunity to appear before you this morning. My name is Ailrick Young, and I am the Executive Director of the Housing Authority of the City of Laurel in Mississippi, where I have been employed for over 20 years. Although this testimony is representative of my own personal experience, I am also here representing my colleagues at public housing agencies (PHAs) across the country who have shared in my experiences.

It is also my honor to have served as past President of the Mississippi Association of Housing and Redevelopment Officials (MAHRO) and as the immediate past President of the Southeastern Regional Council of the National Association of Housing and Redevelopment Officials (SERC-NAHRO). SERC-NAHRO is the largest region in the National Association. It is comprised of 10 southeastern states, plus the territories of Puerto Rico and the Virgin Islands, and represents over 720 housing agencies and affiliates. I am also a proud member of National NAHRO, where I serve on the Board of Governors. Additionally, I am a member of the Public Housing Authorities Directors Association (PHADA). I have served on various committees within all of the aforementioned associations.

The Housing Authority of the City of Laurel provides housing to 494 low- and very low-income families and senior citizens. Our mission is “[t]o provide and create affordable housing opportunities that promote and provide safe housing, self-sufficiency and viable productive communities for individuals and families within Laurel/Jones County.” We have carried out our mission by forming a housing development non-profit that has partnered on three different Low Income Housing Tax Credit (LIHTC) projects to create more housing opportunities. We have also sought and supported self-sufficiency programs to improve families’ quality of life and eliminate dependency on assistance. The Housing Authority of the City of Laurel has been recognized on numerous occasions by the Department of Housing and Urban Development (HUD) and by various industry associations.

Through meticulous planning and execution, the Housing Authority of the City of Laurel continues to operate without a deficit while providing superior housing opportunities. The Housing Authority typically scores well under HUD’s Assessment models regarding our management and financial indicators. However, we struggle with the burdensome regulatory requirements imposed by HUD, which take away valuable staff time that could be better spent serving the needs of our residents and community.

Chairman Luetkemeyer, I want to thank you for holding this hearing and for your focus on the “Small Public Housing Agency Opportunity Act of 2016” (H.R. 4816), which can offer solutions to allow small PHAs to, among other things, increase efficiencies for Housing Choice Vouchers, create upward economic mobility, and offer substantive housing solutions for their communities. I also want to thank you for making possible the passage and signing into law of H.R. 3700. The progress made with H.R. 3700 will continue with the passage of H.R. 4816. I also want to thank Congressman Palazzo for introducing and sponsoring H.R. 4816. He and his staff have been invaluable assets to small PHAs and to the affordable housing community in general.

H.R. 4816 is designed to assure the long-term viability and effectiveness of small PHAs and the portfolios they manage. The bill encourages flexibility and enables smaller housing agencies managing fewer than 550 units of federally-assisted housing to explore innovative approaches to determining tenant rents, while reducing administrative burdens unique to smaller agencies. If adopted, H.R. 4816 would also increase HUD's efficiency through more manageable and appropriate oversight. This, I believe, would also save government dollars that are now tied to that oversight responsibility. Small PHAs face a unique level and degree of federal oversight that is currently disproportionate to the risk presented by these agencies. H.R. 4816 liberates small PHAs from unnecessary and unproductive red tape and provides these agencies with new flexibility to administer assisted housing programs effectively, efficiently, and in the best interests of low-income residents, program applicants, and taxpayers. This is especially true for rural communities, where funding is scarce and other affordable housing options are limited. Statutorily mandated budget caps for all domestic programs in Fiscal Year 2017 will mean that there will be less money next year for all domestic programs. Small PHAs, like the Housing Authority of the City of Laurel, need the flexibilities provided in H.R. 4816 in order to cope with this harsh reality and to continue to provide much-needed safe, secure, and affordable housing to their communities.

I am aware that Congress recently approved an expansion of the Moving to Work (MTW) program to an additional 100 agencies, 50 of which must have 1,000 or less combined voucher and public housing units. Although the MTW demonstration provides necessary regulatory relief and local discretion to public housing agencies, a significant number of small PHAs will not be accepted into the demonstration. Furthermore, the expansion will take place over the span of seven years. Expanding MTW is something to be celebrated, and PHAs across the country thank Congress for their efforts in passing this important piece of legislation, however, all small PHAs need the flexibility that H.R. 4816 will provide now.

H.R. 4816 Increases Efficiency for Small PHAs and HUD

H.R. 4816 will not only increase efficiency of small PHAs, but will also reform HUD's oversight and regulatory regime. Recommendations included in the bill would also lessen resource requirements for oversight and compliance activity at the Department. A 2008 HUD report states that HUD spends too much time and money on oversight of small PHAs. According to the report, "HUD's level of effort for small PHAs is grossly disproportionate to the level of risk, total units involved, and subsidy dollar volume . . . HUD invests from half to two-thirds or more of its level of effort on 10% of its units." Some would argue that the problem lies in the number of small PHAs that exist, but this is not correct. The problem is the overly complex and burdensome rules and regulations they must follow. Small agencies have intimate knowledge of their communities, allowing them to provide for their communities in ways that larger, regional agencies cannot. This local knowledge, control, and discretion is something that should be celebrated -- it not only allows PHAs to have a better understanding of the population that they serve, but it also allows them to best meet the needs of their residents.

There is a disproportionate burden to the regulations small PHAs must follow compared to the resources they are provided by the federal government. Small agencies receive just 10 percent of overall public housing and voucher funding. They pose little risk to the federal government and taxpayers and should be regulated as such. H.R. 4816 proposes to simplify and streamline small PHA operations so that HUD can maintain effective federal accountability at a more rational and

manageable scale. This will allow small PHAs to redirect resources currently committed to managing federal reporting and compliance to activities more directly related to providing quality assisted housing (e.g., program and property management, property maintenance, resident services). H.R. 4816 would align HUD oversight to a more appropriate level that is in line with the level of risk, total units involved, and subsidy dollar volume of small agencies. H.R. 4816 would achieve this through fewer reporting requirements and simplified assessment structures. Small housing agencies could more easily tailor programs to fit local needs and preferences, providing residents and communities more satisfaction with assisted housing programs.

H.R. 4816 Streamlines Onerous Regulatory Requirements

H.R. 4816 also directly addresses language in the House Committee on Appropriations report regarding the appropriations for the Departments of Transportation, Housing and Urban Development, and related agencies for the fiscal year ending September 30, 2017, that notes “the Committee remains interested in ways to reduce onerous regulations for small public housing authorities.” There are many ways by which H.R. 4816 would reduce onerous regulations for small PHAs that would not only increase small PHA efficiency, but also HUD efficiency.

H.R. 4816 contains necessary streamlining for small PHAs which will reduce HUD regulatory requirements. This streamlining includes:

- Allowing tenants to self-certify their Community Service and Self-Sufficiency Requirement (CSSR) without third-party verification, a costly and time-consuming requirement.
- Permanently exempting PHAs that manage fewer than 400 public housing units from Asset Management, a provision that Congress has authorized in every Consolidated Appropriations Act since Asset Management was implemented.
- Exempting small PHAs from environmental reviews for projects that cost not more than \$100,000 and a streamlined environmental review process for projects that cost more than \$100,000.
- Requiring small PHAs to only submit reports, plans, or other information required by the Section 8 program, except designated housing for elderly and disabled families.

H.R. 4816 would allow small, non-troubled PHAs the option to perform physical inspections every three years, cutting back on HUD reporting for small PHAs by a third. Small PHAs lack the capacity to perform additional inspections, thus having to contract inspectors and contractors, which diverts needed funding away from housing services. As such, small PHAs would benefit from triennial inspections. This would reduce small housing agency administrative burdens while also ensuring families have access to safe, secure homes.

H.R. 4816 also provides streamlined program evaluations benefiting both HUD and small PHAs. The financial condition of a small PHA would be determined on the basis of the ratio of current assets to current liabilities. The management condition of a small PHA would be determined on the basis of the ratio of vacant unit months to eligible unit months. Evaluations for Section 8 programs for small PHAs would be determined on the basis of lease-up rates versus budget utilization rates. A lease-up rate of not less than 90 percent of voucher utilization would be deemed acceptable. This streamlined evaluation will cut back on the administrative work that must be carried out at HUD responding to more complicated program evaluation. Furthermore, this provision directly responds to language in the House report that “directs HUD to study and report back to the Committee on potential changes to

the Public Housing Assessment System for PHAs that operate 550 or fewer public housing units and Housing Choice Vouchers combined by taking into consideration physical inspections and an annual financial assessment based on current assets and liabilities.”

Some argue that small PHAs face barriers to innovation and high performance because they lack sufficient scale to “to plan and implement new initiatives” and are “less likely to take advantage of options that provide additional types of housing opportunities.” It is true that small PHAs have limited capacity and time. Reducing the amount of time and effort spent on complying with excess regulations can help small PHAs focus on more substantive, housing-related issues, such as capital improvements or providing resident services. Lowering excessive regulatory barriers functions much the same way as increasing funding does because staff can use time and money currently spent fulfilling onerous and unnecessary regulations on fulfilling substantive housing needs.

H.R. 4816 Allows Small PHAs to Use Taxpayer Dollars Efficiently and Effectively

H.R. 4816 would allow small PHAs to combine Section 8, Capital Fund, and Operating Fund dollars, so long as funds are still used toward Section 8, Capital Fund, and Operating Fund eligible activities and PHAs continue to serve substantially the same number of families. HUD would provide small PHAs with their funding through current formulas, requiring no additional work for the Department. Small housing agencies receive less funding than larger housing agencies due to their size. This can make it difficult to perform necessary capital and operating projects. Although Capital Replacement Reserves authorized by H.R. 3700 help, combining funds would further assist small housing agencies accomplish necessary modernization and rehabilitation projects, while still ensuring they serve substantially the same number of families. The impact of combining these funding streams will allow small PHAs to use limited federal funding more efficiently and effectively.

H.R. 4816 would allow small PHAs to project-base 50 percent of their vouchers. This increased flexibility would provide greater access to the Low Income Housing Tax Credit program and increased leveraging capabilities for small PHAs. As small housing agencies have less units, they require a larger percentage of project-based vouchers to attract financing partners. This will further increase HUD efficiency, as small PHAs will be able to finance deals through funding mechanisms outside of the agency.

Provisions in H.R. 4816 would also help small PHAs better forecast future costs. A small PHA may elect to be paid for its utility and waste management costs under a HUD assistance formula for a period, at its discretion, of up to 20 years based on its average annual consumption during the three-year period preceding the year in which the election is made. Furthermore, minimum rents for small PHAs would be adjusted annually to reflect the percentage increases in the Consumer Price Index for all urban consumers published by the Department of Labor. This will ensure that small PHAs have a better sense of what their rental incomes will be year-to-year, resulting in less unforeseen financial concerns that impact both HUD and the agency. This will help small PHAs remain in good fiscal health, lessening the amount of oversight required from HUD.

Importantly, H.R. 4816 establishes a rental reform demonstration. The bill establishes rent-setting mechanisms for a small PHA demonstration based on: (1) a tiered system for initial rents for extremely low-income families, very low-income families, and low-income families; (2) a certain range of gross income percentages; or (3) the existing method for establishing rents. This rental reform demonstration will not only have significant impacts on small PHAs, but may also benefit all

PHAs down the line, bringing increased efficiency to both HUD and PHAs, while still ensuring that low-income families have access to safe, secure, and affordable housing. The rental reform demonstration proposed in H.R. 4816 will allow small PHAs to create work incentives and possibly save the federal government taxpayer money in the long run. If successful, this rental reform could significantly impact HUD's rental structure bringing increased efficiencies and could help ensure the fiscal health of PHAs across the nation, especially in light of recent cuts to the program.

Regionalization Must Not Be Forced on Any PHA

I understand that the Committee is also looking at regionalization of the Housing Choice Voucher Program. I believe that mandatory consolidation of PHAs (i.e., the mandatory merger of PHAs) is a bad idea. Voluntary programs where PHAs can choose to work together and where they receive regulatory flexibilities that make this cooperation easier and more feasible is, on the other hand, a laudable goal. The purpose of these programs should not be to reduce the number of PHAs, but rather to give PHAs the regulatory flexibility to work together—if it makes sense to do so depending on their local circumstances. The programs must, however, be voluntary because small PHAs are in the best position to decide if working with other PHAs makes sense for them and their local communities.

The answer is not a top-down, one-size-fit-all reorganization of cities, towns, counties and their PHAs, but rather the reorganization and streamlining of HUD's regulations and HUD's implementation of those programs. Many small PHAs have organically sought out new efficiencies through MOUs, purchasing agreements and voluntary consortia as allowed by law. Local communities, rather than the federal government, must determine when, if and how PHAs join together to implement programs.

Regionalization is already occurring organically in a variety of different markets. In those instances, where local governments consolidate, local housing program administrators routinely follow suit in relatively short order. These types of consolidations enjoy significant public support and the support of public officials. Some PHAs have voluntarily chosen to collaborate on joint administration, while maintaining separate (and separately appointed) boards. Finally, some PHAs have regionalized certain activities under an affiliate non-profit. These types of regional activities make more sense because they are not top-down mandated consolidations, but are rather functions of local communities deciding which approach best serves their needs.

Mandatory consolidation of PHAs to achieve regionalization goals does not work for several reasons. First, there is already a statutory, regulatory and administrative approach to voucher administration on a state, regional and national basis: portability. HUD's implementation of portability is more complicated and burdensome than it needs to be, in order to accomplish the same portability outcomes. The Department should figure out how to streamline portability administration and facilitate choice amongst voucher holders. Second, if voucher administration is regionalized in a manner where local PHAs are mandated to consolidate involuntarily, it may result in expanding the costliest subsidies in the region throughout the region. In this way, regionalization may actually risk increasing program subsidy costs, which make up approximately 90 percent of appropriated funds. Small PHAs receive only 10 percent of the overall public housing and voucher money allocated. Therefore, they pose very little risk to the federal government. Considering the small amount of funding they receive, consolidation would result in marginal cost-savings. Additionally, removing locality based voucher administration risks reducing local political support for the Housing Choice Voucher program.

I would also like to discuss the role that local housing agencies play in ensuring that the needs of both the residents and local community are met from my experience as the Executive Director of a small housing agency. Although the Housing Authority of the City of Laurel is a small, public housing-only agency that focuses on serving our local community, our jurisdiction is also included in a larger, regional voucher program. Being local, the residents of the community of Laurel can easily access the housing authority's services. This is critical for eligible families who are looking to receive housing assistance. Many of our residents have children, are trying to hold down a job, are elderly, or do not have access to their own transportation. That these individuals can easily access our agency significantly increases their ability to apply for housing, interview for a unit, or interact with staff at the agency.

This is not the case for members of our community that are looking to enter the voucher program. Often, these individuals have to drive upwards of 45 minutes to get to the regional office to apply for assistance, interview for a unit, or interact with staff. This is incredibly challenging for the individuals we serve. Furthermore, applicants often experience a longer wait time for assistance than at the Housing Authority of the City of Laurel as the regional voucher program covers a much larger jurisdiction. Although our regional voucher program does an incredible job providing safe, secure housing to those in need, they are unable to remain as connected to the communities they serve as the Housing Authority of the City of Laurel is to Laurel due to the size of their jurisdiction. While these issues may not be covered in academic journals, they are critical to our residents.

This is true for many of my colleagues. In Idaho, the Idaho Housing Finance Association administers vouchers in 34 of Idaho's 44 counties. The Housing Authority of Pocatello, Idaho noted:

One of the challenges that residents who are served by the state housing and finance agencies face is the travel distance to the office to have face to face interaction with staff (be this at intake, annual exam, or any other housing "crisis" they may have). In some situations, the office is over two hours away. The cost burden for travel on the participant prohibits regular interaction and face to face interaction. Furthermore, the distance makes it difficult for an inspector to simply "drive by" and check on a unit if a report has been received of fraud, neglect, or damage.

Additionally, local PHAs can benefit residents in a variety of ways and play critical roles in communities. The Housing Authority of Pocatello has close ties to the local city government of Pocatello:

At [the Housing Authority of Pocatello], our mayor and city council have a personal relationship with and knowledge of the agency. We are a part of the city's five year consolidated plan. We work with the city to create our strategic plan to make their goals our goals to address poverty in the city. This partnership would be lacking if the agency were not local. We have worked with the city to improve the rental property stock. This is a benefit to our program participants.

The Nampa Housing Authority in Idaho runs a literacy program to give children living in its properties access to books.

Last year [the Nampa Housing Authority] kicked off a literacy program for [its] residents that was funded in large part by the Nampa Kiwanis club. That happened because [the Executive Director of the Nampa Housing Authority is] a member of the Nampa Kiwanis club, and wouldn't have happened if someone at a state level would have asked. It speaks volumes about relationships at the local level. As a result of this funding, every child that lives at [the Nampa Housing Authority] or moves into [the Nampa Housing Authority] is given an age-appropriate book to take home. [Frequently,] that is the only book in the house.

Although consolidation (the mandatory merger of PHAs) and consortia (voluntary groupings of PHAs which are given additional regulatory flexibilities) have different goals than H.R. 4816, the latter can help address some of the same problems that the former aim to solve, especially with respect to the time spent on excessive regulatory requirements. H.R. 4816 may be the superior vehicle to address these excessive regulatory issues because consortia may not make sense everywhere (especially in some rural regions). The streamlined regulatory requirements in H.R. 4816 would apply equally in both metropolitan and rural locations and benefit all small PHAs immediately

H.R. 4816 Offers Better Solutions to Excessive Regulatory Oversight than Consolidation or Consortia

In response to the argument that HUD spends too much time and money on oversight of small PHAs and that consolidation or consortia would be a solution to this, it is important to note that H.R. 4816 offers a better solution. The Department's Office of Inspector General has stated that although small PHAs receive only a small percentage of overall public housing and voucher funding, the Department is forced to spend too much time on oversight and that this "imbalance created oversight burdens and costs for both the Federal Government and housing agencies that were disproportionate to the number of families the housing agencies served." The Department's excessive burden on overseeing small PHAs is a legitimate problem.

There is an argument that smaller agencies have a higher cost per voucher to administer than large agencies. However, this does not necessarily mean that consortia will have a lower cost per voucher than a large agency. Collaboration has a cost and requires effort as well. While the administrative fee study may show that large agencies are more efficient in administering vouchers, this does not necessarily mean that consortia will be more efficient than small agencies in administering vouchers. Additionally, large agencies may not have the intimate knowledge of local housing markets the way that small agencies do.

H.R. 4816 would create a more appropriate and manageable oversight regime for both small agencies and for HUD. Burden reduction would be made possible because there would be fewer reporting requirements and simplified assessment structures.

H.R. 4816 would allow Small PHAs to Best Serve Their Local Communities

Some argue that "[small agency] staff may be unfamiliar with housing opportunities outside of their jurisdiction and unlikely to encourage families to make such moves." Some may also be displeased that "housing agencies give first priority to their local residents." However, this is a strength of small agencies. They have intimate knowledge of their communities. The agencies not only provide housing for people, but they actively work to better their communities. This is not a weakness. Additionally,

PHAs should give priority to local residents. They are not only finding housing for people, but are building their communities. They should do everything they can to house their local residents.

Extra care should be granted to small and rural housing agencies. Rural communities typically have fewer resources to meet the growing demand for affordable housing, especially for aging populations. These communities have been severely hurt by funding cuts and costly HUD reporting requirements. Consortia and consolidation efforts could speed up the loss of vouchers and entire voucher programs in these communities.

Mobility Demonstration Program

Finally, I understand that the Committee is also looking at the Mobility Demonstration Program. This program is worth supporting because it is a voluntary program that gives PHAs regulatory flexibility to adapt their mobility programs to local circumstances to promote mobility. There is also a research component that will evaluate the impact of the mobility changes that PHAs will enact. The research will provide evidence about whether there will be greater efficiencies, but we suspect that this will be greatly dependent on local circumstances. These programs make more sense in some areas than others.

Mr. Chairman, I appreciate and support the “Small Public Housing Agency Opportunity Act of 2016” (H.R. 4816) legislation. The bill strives to find the appropriate balance between responsible government oversight and additional flexibility to make sure that PHAs are able to responsibly provide safe and decent housing. I hope that you will note the reasons mentioned above and consider the adoption of this legislation in the next Congress. I stand ready, with my affordable housing peers, and NAHRO and PHADA, to assist you as best as we can, and thank you for your work to help us serve our residents better.

Chairman Luetkemeyer, Ranking Member Cleaver, let’s do what we can together to move forward. I am happy to answer any questions you may have.

CLPHA

Strengthening Neighborhoods.
Improving Lives.

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September 20, 2016

The Honorable Blaine Luetkemeyer
Chairman
Subcommittee on Housing and Insurance
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Luetkemeyer:

The Council of Large Public Housing Authorities (CLPHA) is pleased to submit comments for the record for the hearing entitled "The Future of Housing In America: A Better Way to Increase Efficiencies For Housing Vouchers and Create Upward Economic Mobility" scheduled for September 21, 2016. It is our understanding that the hearing will focus on the Housing Choice Voucher Program, the Administration's Housing Choice Voucher Mobility Demonstration proposal and relevant legislation that would affect the Housing Choice Voucher program.

CLPHA would first like to thank you, Ranking Member Emanuel Cleaver, other committee members and Congress for the passage and enactment of HR 3700, the "Housing Opportunity Through Modernization Act of 2016." This was long-awaited legislation that will make a critical difference in the programs, operations and administration of housing authorities and most importantly, the residents that they serve. We look forward to the real-world application of this legislation, and we understand the Department of Housing and Urban Development (HUD) is beginning to make progress towards its implementation. While this legislation is a first step towards essential improvements to the delivery of affordable housing, it makes significant changes to the Project-Based Voucher (PBV) program and takes noteworthy steps in simplifying the administration of PBVs. In addition to certain HCV changes, we strongly welcome provisions in the legislation that give authorization to public housing authorities to combine their capital and operating funds; and authorizes a Public Housing Capital Fund replacement reserve.

In turning to the hearing, the committee noted that the Housing Choice Voucher (HCV) program serves approximately 2 million households. However, it should also be noted that all the federal rental assistance programs together, including public housing, only serve approximately one-quarter of all eligible households, meaning three-quarters of all eligible households are not being served. While the committee has a legitimate interest in ensuring the HCV program can operate more efficiently and effectively, it is equally important to emphasize that the number of housing vouchers available to, and needed by the full complement of eligible families are simply inadequate.

In other words, all the efficiencies, program rearrangements—such as regional strategies— and operational effectiveness will not compensate for an insufficient number of housing vouchers. To adequately and appropriately serve more families in need, increasing the number of available housing vouchers is required.

In considering the question of whether assisted families are experiencing the mobility they need to relocate to communities where better educational or economic opportunities exist, CLPHA believes certain key characteristics should be considered in fashioning a mobility program, such as those aspects found in the Moving to Work program which emphasizes local flexibility and local decision-making. For instance, when we recently commented to HUD on the proposed rule concerning Small Area Fair Market Rents (SAFMRs), we stated, “many voucher holders need additional supports in order to consider, much less succeed, in making opportunity moves....All of the agencies changed their payment standard policy in conjunction with use of MTW funding flexibility to support opportunity moves, such as establishing mobility counseling programs and providing assistance with affording security deposits.” The flexibility needed to assess and change operational parameters at the local level in order to address local needs will be critical in fashioning a mobility strategy.

In a related fashion, CLPHA also strongly believes supplemental funding for the HCV administrative fee is essential and should be authorized and provided. Even the Administration in its FY17 HUD budget proposal justified their higher request for housing authority administrative fees by noting, the fees were *“to not only support fundamental functions, such as housing quality inspections and tenant income certifications, but to ensure that PHAs have sufficient resources to promote mobility and give low-income families greater access to areas with lower crime, more job opportunities, and better schools.”* Given that the administrative fee has been prorated well below 100 per cent every year since 2008, receiving less than full funding each year, providing adequate supplemental funding, resources and support for an ambitious mobility program is critical to ensuring its success.

The Administration’s proposed HCV demonstration program is designed to promote mobility and give low-income families greater access to areas with lower crime, more job opportunities, and better schools. As the Administration recognizes, recent studies “show that moving to higher opportunity areas can have significant and positive long-term earnings and college attainment outcomes for children.”

The demonstration would allow up to 10 regional housing mobility programs established by public housing agencies using competitive selection criteria and requirements, and would allow HUD to require housing authorities to use a randomized selection process among the families eligible to receive mobility assistance under the demonstration. Housing authorities participating in the demonstration may use their administrative fees, their administrative fee reserves, and funding from private entities. Mobility-related services may include but are not limited to such things as counseling, portability coordination, landlord outreach, and administrative activities associated with establishing and operating regional mobility programs.

While CLPHA generally supports the Administration's budget request to create the \$15 million HCV mobility demonstration program with a strong evaluation component, our position is that funding for this demonstration should not be another carve-out or set aside within the HCV program, and we are pleased the Administration did not specify geographic requirements or impose limitations on the size and number of housing authorities that are designated in a region.

Thank you for your attention to, and consideration of our comments, and we look forward to continuing to work with you and members of the committee as you consider questions of policy and legislation concerning affordable and public housing.

Sincerely,



Sunia Zatterman
Executive Director

cc: The Honorable Emanuel Cleaver



**“The Future of Housing In America:
A Better Way to Increase Efficiencies For Housing Vouchers and
Create Upward Economic Mobility”**

Diane Yentel, President and CEO of the National Low Income Housing Coalition
House Financial Services Subcommittee on Housing and Insurance
Statement for the Record
September 21, 2016

On behalf of the National Low Income Housing Coalition (NLIHC), I want to sincerely thank this Committee for its attention to increasing efficiencies for housing vouchers and for the opportunity to submit a statement for the record. Congress must do more to ensure our federal housing programs are reaching households with the highest needs and are providing families with real opportunities to break through the cycle of poverty.

NLIHC is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes. Our members include state and local housing coalitions, residents of public and assisted housing, nonprofit housing providers, homeless service providers, fair housing organizations, researchers, public housing agencies, private developers and property owners, local and state government agencies, faith-based organizations, and concerned citizens. While our members include the spectrum of housing interests, we do not represent any segment of the housing industry. Rather, we focus on what is in the best interests of people who receive and those who are in need of federal housing assistance, especially extremely low income people.

Today, the affordable housing crisis continues to reach new heights. Rents are rising, wages are flat, and more people are renting their homes than ever before. Yet, the supply of affordable housing has not kept pace. As a result, record-breaking numbers of families cannot afford a decent place to call home. Every state and every community is impacted.

The greatest need for affordable housing is primarily concentrated among extremely low-income renters who earn no more than 30% of their area median income (AMI). NLIHC's recent report, [The Gap: The Affordable Housing Gap Analysis 2016](#), found that there is a shortage of 7.2 million affordable and available rental homes for the nation's 10.4 million extremely low income renters. This means that just 3 out of 10 extremely low income families can find an affordable place to call home. As a result, 3 out of 4 extremely low income families are severely cost-burdened, spending more than half of their income on rent and utilities. These families are often forced to make difficult decisions about paying rent and buying groceries or visiting their doctor. In worst cases, they become homeless. Just 1 in 4 families that are eligible for housing assistance get the help they need.

Housing Choice Vouchers are a proven tool in reducing homelessness and housing insecurity, as well as helping families climb the economic ladder. Housing vouchers help people with the lowest incomes afford housing in the private housing market by paying

landlords the difference between what a household can afford to pay in rent and the rent itself, up to a reasonable amount. Administered by the U.S. Department of Housing and Urban Development (HUD), housing vouchers comprise the agency's largest rental assistance program, assisting more than 2.2 million households.

Groundbreaking research by Harvard economist Raj Chetty offers persuasive evidence on the impact of housing vouchers on upward mobility. Using new tax data, Chetty and his colleagues assessed the longer-term outcomes for children who moved at a younger age as part of the HUD's Moving to Opportunity demonstration. Chetty's study found that children who were younger than 13 when their family moved to a lower-poverty neighborhood saw adult earnings increased by approximately 31%. Children who were younger than 13 when they moved also lived in better neighborhoods as adults and were less likely to be single parents.

Given the program's effectiveness, Congress should not only expand housing vouchers to more families in need, but also work towards improving the program's effectiveness in serving low income families. While housing vouchers offer families the prospect of moving to areas of opportunity, barriers to mobility prevent many from doing so. Many private-sector landlords refuse to accept housing vouchers—whether because of the administrative costs, because vouchers do not cover the full cost of rent in high-cost areas, or outright discrimination.

NLIHC agrees with Speaker Paul Ryan and the GOP Anti-Poverty Task Force's recommendation to reform how Public Housing Authorities (PHAs) administer housing vouchers to enhance their portability and "to encourage recipients to move to areas with more affordable housing, education, or job opportunities."

To improve voucher mobility, NLIHC supports the following policy recommendations:

1. Consolidate public housing authorities' administration of vouchers.

Currently, 2,400 PHAs administer the nation's two million housing vouchers. Of these agencies, 58% administer fewer than 400 vouchers. These small housing agencies exist in rural, suburban, and urban markets. There are 558 housing agencies administering vouchers in the nation's 49 most populated metro areas.

Consolidation of the administration of vouchers would result in administrative cost savings, bring significant benefits to voucher holders and people with low-incomes in need of housing vouchers, and reduce HUD's oversight costs.

According to HUD's Housing Choice Voucher Program Administrative Fee Study, issued in April 2015, large housing voucher programs have lower costs than smaller programs. Cost estimates for the 130 small housing voucher programs studied show an inverse pattern of costs per unit, decreasing steadily with the increase in the number of vouchers under lease.

Under the current system of multiple housing authorities in single housing markets, a household seeking a voucher has to apply to several different agencies to maximize its chances of successfully competing for a voucher. For example, an eligible household in the Washington, D.C. housing market would have to submit separate applications to the District of Columbia Housing Authority, the Housing Opportunities Commission of Montgomery County, the Housing Authority of Prince George's County, the Alexandria Housing and Redevelopment Authority, the Fairfax County Redevelopment and Housing Authority, and the Arlington County Department of Human Services, not to

mention additional housing agencies in outer ring suburbs from which people commute to and from jobs in the D.C. metro area.

It is obvious how time consuming and frustrating this would be for the applicant household. It is also costly for a housing authority to process an application, a cost that is compounded when several housing authorities are processing applications from the same household. Under the current system, it is impossible to know what the true demand for vouchers is because the same household can be on multiple waiting lists.

Even if a household is lucky enough to rise to the top of a waiting list and receive a housing voucher, they may face significant barriers in using the voucher. Housing markets do not recognize jurisdictional boundaries. If a new voucher holder received its voucher in one jurisdiction, but found their preferred housing in the next jurisdiction, the household would have to go through the cumbersome process of "porting" its voucher from one administering agency to another. This process can reduce significantly the chances of successfully executing a lease and moving to the new house.

Consolidation of an area's vouchers into a single administering entity with a single waiting list, either with a new entity or one of the existing housing agencies, would significantly streamline the voucher process for households, the administering agencies, and the landlords on whose participation the program's success depends.

Regional administration of vouchers would also result in providing voucher holders with greater choice in where they can use their vouchers. Federal policy changes to require the consolidation of voucher administration would provide people more freedom to choose where they want to live with a voucher, including moving to low-poverty neighborhoods.

One example of a consolidated housing agency is the Southern Nevada Regional Housing Authority (SNRHA), which is the successor to the Housing Authorities of Las Vegas, North Las Vegas, and Clark County. According to the SNRHA's website, "Now, all of that expertise is under one roof and we hope to serve you much more efficiently." The SNRHA administers 10,094 housing choice vouchers.

The statute currently permits voucher administration consortia, but many housing authorities are reluctant to give up their authority. Congress should enact legislation that provides incentives for, or preferably mandates, consolidation and regional administration.

2. Fund mobility counseling pilot program proposed by the Administration.

Congress should support funding for a mobility counseling pilot program that was proposed in the President's Fiscal Year (FY) 2017 budget request. Through this three-year demonstration, HUD and PHAs will be able to develop new models for improving voucher mobility. Under the demonstration, PHAs in about 10 regions would provide counseling to help HUD-assisted families move to areas of opportunity. PHAs could use demonstration funds to improve collaboration between agencies and align policies and administrative systems. Funds could also be used to better recruit landlords and other activities that promote greater voucher mobility and housing choice. The proposal also includes a research component to study what strategies proved most cost-effective.

The Senate's version of the FY17 Transportation-HUD (THUD) spending bill includes \$11 million to fund the demonstration and an additional \$3 million for evaluation. The House THUD bill does not include similar funding.

3. *Encourage HUD to adopt small area fair market rents (SAFMRs) with tenant protections.*

For several years, NLIHC has advocated for small area Fair Market Rents (SAFMRs) as one means to help expand affordable housing choice for voucher households because SAFMRs have the potential to augment the value of a voucher and thus enhance the ability of a household to use their voucher in more neighborhoods, particularly areas of higher opportunity.

SAFMRs reflect rents for U.S. Postal ZIP Codes, while traditional FMRs reflect a single rent standard for an entire metropolitan region. The goal is to provide voucher payment standards that are more in line with neighborhood-scale rental markets, resulting in relatively higher subsidies in neighborhoods with higher rents and greater opportunities and lower subsidies in neighborhoods with lower rents and higher concentrations of voucher holders.

HUD recently issued a proposed rule that would use a formula to select a limited number of metropolitan areas that would be required to use SAFMRs. While NLIHC supports changes to the voucher regulations that enable households to use vouchers in areas of higher opportunity, HUD must ensure that the final rule prevents adverse impacts on households currently relying on vouchers. We are concerned about the potential harm that a transition to SAFMRs could cause voucher holders living in low-cost ZIP codes where the SAFMR is likely to be lower than the metropolitan FMR. This could result in a lower voucher payment standard, one that is below current rents to which landlords are accustomed. If a landlord does not lower the rent when the voucher payment standard declines, which is likely, residents would have to pay more for rent and may become rent-cost-burdened or severely cost-burdened.

Analysis by the National Housing Law Project reveals that if current voucher households are not held harmless, 78% (435,000 households) would likely suffer the impact of reduced payment standards in the 31 areas that meet HUD's SAFMR criteria. Consequently, we recommend that the final rule categorically exempt current voucher households from any reduction in the payment standard as a result of the transition to SAFMRs.

Moreover, we are concerned many landlords may stop accepting vouchers where payment standards in low-rent neighborhoods decline sharply, adversely impacting households currently relying on vouchers as well as future voucher recipients. In some tight rental markets landlords may be able to obtain the rents they want without vouchers and without having to comply with voucher program requirements. This is particularly true in gentrifying areas.

In order to prevent landlords from exiting the voucher program and thereby reduce the stock available to future and current voucher households, NLIHC recommended that the final HUD rule incrementally limit how far SAFMRs could fall below current metropolitan FMRs. NLIHC proposed that for the first year of implementation, SAFMRs be set no lower than 95% of the metropolitan FMR, no lower than 90% the second year, and so on in 5% increments.

We also believe that HUD's proposed rule does not account for tight rental markets. Several of the metropolitan areas on the list of 31 that would be required to comply have very low vacancy rates, little rental turnover, high and rapidly rising rents, and low growth in the rental stock. As a result, there is little or no opportunity for mobility for

renters in general and for voucher households in particular. Voucher households often have to return their vouchers unused because they cannot find a place to rent. In higher opportunity neighborhoods where vacancies are scarce, voucher households encounter strong competition from those without vouchers. Therefore, NLIHC recommends that any metropolitan area with a vacancy rate of 5% or less not be required to comply with the SAFMR rule.

4. *Encourage HUD to change rescreening policies for voucher holders.*

Individuals with criminal records who have secured a Housing Choice Voucher from a PHA can encounter problems when they need to move to another jurisdiction and have to port their voucher. When a voucher holder moves into a new jurisdiction, the receiving PHA is permitted to rescreen that individual employing more rigorous criteria than the initial PHA's.

This ability to rescreen often places voucher holders with criminal records in a difficult situation. On the one hand, they may want to leave their current neighborhood for a place that offers more opportunities, such as better job prospects, a new life apart from old associates, or more affordable child care options. On the other hand, if they do not meet the receiving PHA's screening criteria, the PHA could move to terminate their vouchers altogether. Considering that HCV waiting lists are usually years long, the possible deprivation of this very important housing benefit often chills the voucher holder's desire to port, even if that means staying in a place that offers little to no opportunities for mobility.

Unfortunately, HUD recently reaffirmed PHAs ability to rescreen families, stating, "[R]eceiving PHAs should be allowed to apply their own screening standards consistently among families in their program and for families moving into their jurisdiction under portability." If the receiving PHA finds the voucher holder fails to meet its criteria, it may terminate their assistance.

This practice likely does little to further the overall safety of federally-subsidized housing but instead may harm formerly incarcerated individuals looking to make the most of their second chance. People should be able to port their vouchers and not have to undergo additional screening, especially if they have a proven track record in federally subsidized housing.

Similarly, rescreening requirements may keep voucher holders from receiving other types of vouchers (e.g., Tenant Protection Vouchers, Enhanced Vouchers, and Family Reunification Vouchers), despite the fact that the voucher holders have likely been living in subsidized housing without incident. Rescreening can also prevent current public housing residents from moving into redeveloped public housing.

Congress should encourage HUD to reconsider its position on criminal records screening for ports and instead restrict a PHA's ability to rescreen participating households in the HCV program, as well as households with Tenant Protection Vouchers, Project-Based Vouchers, Enhanced Vouchers and Family Reunification Vouchers to promote voucher mobility.

5. *Reject risky proposals to deregulate small public housing agencies, which can further impede voucher mobility.*

The Small Public Housing Agency Opportunity Act of 2016 (H.R. 4816), introduced by Representative Steve Palazzo (R-MS), is a sweeping and misguided proposal that

purports to reduce administrative burdens for small agencies through deregulation. However, if H.R. 4816 were enacted, it would eliminate important safeguards for tenants and likely have the unintended consequence of increasing federal costs. The bill needlessly complicates program administration and diminishes federal oversight by creating special rules for small agencies, counter to this Committee's goals and prior legislative efforts.

NLIHC appreciates the Subcommittee's recent bipartisan work to pass H.R. 3700, the Housing Opportunity through Modernization Act, which promises to streamline administrative burdens for all PHAs, regardless of size, when it is fully implemented. The proposals included in H.R. 3700 represent years of thoughtful dialogue between law and policy makers in an effort to carefully balance the goals of streamlining program administration, protecting tenants, encouraging work, and reducing costs. Before considering additional deregulation proposals, Congress should first assess the impact of the reforms included in H.R. 3700.

We find certain provisions within H.R. 4816 to be highly problematic:

- A. The bill eliminates important reporting requirements and measures in assessing small PHA performance, undermining government oversight and accountability in ensuring all PHAs are meeting their obligations and that federal funds are being spent properly when carrying out the voucher and public housing programs. Moreover, the bill removes HUD's authority to consolidate a small PHA's voucher or public housing programs with a neighboring agency if HUD determines the PHA has chronically underperformed. This eliminates a powerful tool HUD can use to improve overall voucher administration.
- B. The bill would allow small agencies to project-base up to 50% of their vouchers, without requiring those vouchers serve special-needs populations or be located in areas where they are difficult to use—often areas of opportunity. By project-basing such a large percentage of vouchers, families will be tied down to a particular housing unit, rather than being able to find a home in a location of their choosing, where they are closer to better jobs, schools, and other opportunities.
- C. The bill proposes a rent reform demonstration that would permit participating agencies to impose new rent rules without requiring a rigorous evaluation of their impact on vulnerable tenants. Small PHAs could charge higher minimum rents, even if that amount exceeds 30% of a family's income—meaning they would be rent burdened. The bill also allows agencies to charge rents based on a household's gross income, eliminating medical, dependent, and child care deductions. Moreover, agencies would be allowed to establish a tiered rent system, in which an initial rent is set and adjusted annually based on changes in area median incomes (AMI). However, this structure could raise rents for poorer families while reducing rents for households with higher incomes, and thus lead to increased federal costs. These changes would undermine the purpose of HUD's rental assistance programs to ensure our poorest citizens have a home they can afford.
- D. H.R. 4816 includes changes that threaten the health and safety of low-income families. The bill reduces the number of required inspections to once every three years, instead of once every two years. It also eliminates agency incentives to maintain housing quality, as HUD would no longer be able to consider an agency's

compliance with quality requirements as a factor in evaluating the agency's performance in managing its public housing and voucher programs.

- E. Under the bill, small PHAs would no longer be required to have a resident advisory board, nor would they have to give residents and the public an opportunity to participate in policy decisions. The bill also weakens small PHAs' obligation to comply with Section 3, which seeks to provide HUD-assisted residents with job opportunities connected with federally subsidized housing. These changes contradict House Speaker Paul Ryan and the GOP Anti-Poverty Task Force, who have encouraged greater engagement of public housing residents in the operation and management of their residences. NLIHC has long advocated for greater resident engagement and participation. Public housing residents have important personal perspectives about the impact of established and emerging housing policies on their homes and communities, and they have good ideas about how their housing should be managed. Resident participation in all aspects of housing management is critical to the long-term success of federal housing programs.

Moreover, while expanding housing voucher assistance to many more families is an important part of solving the housing crisis, it alone cannot fully address the scope of the problem.

In addition to expanded housing vouchers, additional tools are necessary to address other challenges, including the need to recapitalize and preserve aging properties, revitalize distressed communities, provide housing options for low income families in tight or gentrifying markets and produce accessible housing for families with disabilities and special needs. Addressing these gaps in the rental housing market requires investment in bricks and mortar.

NLIHC proposes the following recommendations to increase the supply of affordable housing:

1. *Ensure more federal resources are directed towards producing deeply affordable housing in all communities.*

Too frequently, high-cost neighborhoods that offer better educational, employment, and social opportunities lack housing where families can use their vouchers. Lawmakers must therefore ensure more federal resources are directed towards producing affordable housing for the lowest income people in *all* communities to ensure low income families who wish to move to low-poverty neighborhoods have the opportunity to do so.

To that end, the House Financial Services Committee should support programs like the national Housing Trust Fund (HTF), created precisely to meet the need for affordable housing units targeted to families with greatest needs. When the Committee takes up comprehensive housing finance reform—which NLIHC urges lawmakers to do—the Committee should ensure that legislative proposals provide robust funding for the HTF, which now receives funding through a modest fee on Fannie Mae and Freddie Mac.

Congress should also look to expand and improve the Low Income Housing Tax Credit program and increase funding for the HOME Investment Partnerships Program, while also ensuring the preservation of public housing and the existing affordable housing stock.

2. *Congress should take an alternative approach to increasing needed investments.*

While federal investments in housing have a proven track record of reducing homelessness and housing insecurity, these investments are sorely underfunded. As a result, just 1 in 4 families that are eligible for housing assistance get the help they need. For our nation to

fully address the affordable housing crisis, we must identify additional resources to invest in housing.

Congress can make the investments needed to end homelessness and housing insecurity without adding any costs to the federal government by reforming the Mortgage Interest Deduction, a tax write-off that largely benefits America's wealthiest families. The Mortgage Interest Deduction is regressive and a poor use of scarce resources. Each year, the federal government spends more to subsidize the homes of 7 million high income households through the Mortgage Interest Deduction, most of whom would be stably housed without the government's support, than it does to assist the poorest 55 million families. In fact, eight out of every \$10 under the Mortgage Interest Deduction goes to families making more than \$100,000 a year; \$4 out of every \$10 goes to families making more than \$200,000.

Specifically, Congress should reduce the size of a mortgage eligible for the tax break from \$1 million to the first \$500,000, impacting fewer than 5 percent of mortgages holders nationally, convert the deduction into a tax credit, and reinvest the significant savings into programs that serve families with the greatest, clearest housing needs. These changes would result in 15 million low-income homeowners who currently get no benefit from the Mortgage Interest Deduction to receive a much-needed tax break, as well as \$220 billion (over 10 years) in savings to be reinvested in effective housing programs that serves families with the greatest needs.

Thank you again for this opportunity for NLIHC to share our views on how to improve the way we provide and administer affordable housing in our country. If you have additional questions, please contact Senior Policy Director Elayne Weiss at eweiss@nlihc.org.

