

**H.R. 1999—THE STATE AND LOCAL
HOUSING FLEXIBILITY ACT OF 2005**

HEARING
BEFORE THE
SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY
OF THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED NINTH CONGRESS
FIRST SESSION

—————
MAY 17, 2005
—————

Printed for the use of the Committee on Financial Services

Serial No. 109-30



U.S. GOVERNMENT PRINTING OFFICE

25-390 PDF

WASHINGTON : 2005

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H.R. 1999—THE STATE AND LOCAL HOUSING FLEXIBILITY ACT OF 2005

Tuesday, May 17, 2005

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

The subcommittee met, pursuant to call, at 2:04 p.m., in Room 2128, Rayburn House Office Building, Hon. Robert Ney [chairman of the subcommittee] presiding.

Present: Representatives Ney, Miller of California, Tiberi, Pearce, Neugebauer, Davis of Kentucky, Waters, Velazquez, Lee, Miller of North Carolina, Scott, Frank, Davis of Alabama, Cleaver, Green, Maloney, and Watt.

Chairman NEY. [Presiding.] The hearing will come to order.

I will go ahead and give my opening statement and see if anyone else is going to be arriving.

I want to thank all of our witnesses for appearing today, as we continue our examination of the important Section 8 Housing Choice Voucher Program. Those of us on the Housing Subcommittee are acutely aware of the many difficult management and budget challenges inherent to this Government program. It is my hope that we can take this opportunity to work together as we contemplate the future of Section 8.

While homeownership is a desired goal for many Americans, there are many in today's society that are not yet ready to own their home for a wide variety of reasons. It is, therefore, prudent that we continue to pursue alternatives to make sure that affordable rental housing is available. We must also make sure that assistance is there for those who need it.

The Section 8 Housing Assistance Program is the major vehicle for providing rental assistance to low-income families and individuals. Today, the Section 8 program has become the largest component of the Department of Housing and Urban Development's budget. The rising cost of providing rental assistance is due in varying degrees to expansion in the program, the cost of renewing expiring long-term contracts, and rising costs in housing markets across the country.

The day of reckoning is coming fast. If we do not address the increasing cost to the program, it will consume the HUD budget. It is already affecting the funding of other programs in the department, and I think that forces choices of good programs versus good programs, which is not what we want to do.

Last Congress, we held six hearings on the Administration's proposal to block grant the Section 8 program—I feel like we are at Groundhog Day again. You wake up, and you go through another year and another year—and that, of course, was a block grant to the States.

While I recognize we have to constantly seek ways to improve America's communities and strengthen housing opportunities for all citizens, particularly our poor, I also understand that the issue of reforming Section 8 is a contentious one. It is a difficult one.

However, it is an issue that deserves a sustained debate so that all interested parties are heard. To that end, I intend to continue to hold roundtable discussions that will focus on the future of the Housing Choice Voucher Program.

As to not plagiarize, I have to give credit to Jody Geese, who is here today. It actually was her idea. She allowed me to take some credit for it. It was an idea that she talked about one night when I was talking to some of the housing groups.

Congressman Barney Frank, who just arrived, was at the roundtable, as was Congresswoman Maxine Waters. I think Congressman Miller stopped in and Congresswoman Velazquez of New York.

I thought it was productive because we did not go the formal 5-minute, we had a give-and-take, and I think that was very, very healthy. So I think future roundtables would be healthy, too.

Through these roundtables, it is my hope to continue identifying the top-level issues regarding the current operation, administration and funding of the Housing Choice Voucher Program and to craft solutions that will address the effectiveness and efficiency of the Government's role in the administration of the program.

I trust we can engage in meaningful discussions with my colleagues on both sides of the aisle and the Administration to find a solution to the Section 8 program and some of the problems that are there.

Not a day goes by that I do not talk to a constituent or an organization concerning the problems inherent in the program, such as a long waiting list, lack of affordable Section 8 Voucher housing, and various PHA funding concerns. The longer we wait to address the increasing costs of the Section 8 program, the greater risk there is to the program, as well as to other programs of HUD that will most surely suffer some additional cuts.

I would like to recognize also, as I did our ranking member of the committee, Congressman Gary Miller of the subcommittee for his hard work on this issue, along with our ranking member, Maxine Waters and, again, Mr. Barney Frank.

As we know, Congressman Miller introduced the Administration's most recent proposal to reform Section 8. H.R. 1999, The State and Local Flexibility Act of 2005, makes significant changes to the Housing Choice Voucher Program and gives greater flexibility to Housing Authorities to meet their local housing needs.

According to the Administration, the introduction of this proposal represents another step in the process, and I hope, again, that we will be able to eventually reach some conclusions on the issue.

With that, I am going to yield to the gentleman from Massachusetts.

[The prepared statement of Hon. Robert W. Ney can be found on page 58 in the appendix.]

Mr. FRANK. Thank you, Mr. Chairman.

The ranking member of the subcommittee, the gentlewoman from California, Ms. Waters, is, of course, very interested in the subject, but what is relevant today is that she is not from California in general, but from Los Angeles, in which today they have a mayoral election. So she is on the way, but I think we all understand. Ms. Waters is in town now; she will be at the hearing, but the delay was because of the election.

The chairman of the subcommittee has, in fact, done very useful work, as he said, with the roundtable he had, and I think we should make some things clear. I am very eager to participate in rationalizing the voucher system and making it less expensive by getting rid of duplication in dealing with what might not be the best set of incentives.

Clearly, we ought to reform the system, but that ought to be driven by trying to make the system better. I have a problem here, as elsewhere, when we start the equation with the answer, when we posit a saving and then move the program around to reach that saving. We may or may not reach it.

In that roundtable, I found it very useful, the one I was able to get to, because a number of very interesting suggestions came forward that we could use to save costs and make the program work better, and I look forward to that.

But the bill goes far beyond that, and one thing in particular that troubles me on the bill—and I notice a number of the witnesses have mentioned it—is the absence of a funding formula. This is, after all, something about money, and it just is inconceivable to me that we can do this without putting the money in there.

People are nervous about block granting. I have been here for a long time, and I have followed things before that. During my time here, I do not remember anyone ever proposing to block grant a program that he or she liked. People rarely propose block grants for things they really like.

What we are afraid is the flexibility that the local authorities will be given. I want them to get appropriate flexibility; I have a lot of confidence in them, but I do not want them to get the kind of flexibility in which they are told, “Look, you can take care of about 90 percent or 85 percent of what you have been taking care of, and you get to pick who gets hurt.”

I do not think the flexibility to pick victims is what we want. Is it “Sophie’s Choice” where you have to pick among your children? That is not what we should do, and there is no way to assure that that does not happen without us putting the funding in there.

You cannot, I think, pass this as not only a blank check. A blank check would not bother me. I am afraid we are going to send you a check that will be marked insufficient funds, and that is the problem. So I really want to focus on that.

In addition, I am concerned about the one provision of the bill which gives communities an effective veto over anybody bringing a Section 8 into their nice pleasant precincts. Obviously, it makes sense to say that the authority that has the Section 8 has to have some control over whether or not people take them outside or not,

but there is a provision in this bill that gives the receiving community the right to veto poor people coming into their city.

It is one of the great frustrating things that I encounter from time to time. I tried to get the Secretary to explain that one to me, and it goes on the list of things that he would not explain to me. I do not understand why we would do that at all.

So, yes, we want to rationalize this, and I think the chairman of this subcommittee has set a good tone for us in doing it, but let's not forget again that this needs to be about money.

The final thing is this. As we change targeting and we give flexibility, I do believe we have to be careful about the effect on the homeless. I know the Secretary has said from time to time that one of his goals would be to get a less poor cohort of people into the program, and if we do that, then there needs to be some concern about what we do for the homeless.

I have written to the Administration's homeless coordinator to ask his evaluation of the effect this could have on the homeless, and, apparently, that is in the same place as Secretary Jackson's explanation of how the piece would work because I have not gotten that one either. So I await that.

But I appreciate the people who really do the tough job of trying to help these programs who are not coming here, and we all do want to work together. But, as I said, I do think the funding piece has to be there. It is simply unacceptable for us to send this out of here without dealing with that funding piece.

Chairman NEY. I thank the gentleman.

Opening statement?

Mr. MILLER OF CALIFORNIA. Yes, very briefly. Thank you, Mr. Chairman.

Mr. Frank, on the accepting community or receiving community, I am more than happy to work with you on that issue, and we discussed that in the last hearing. So that, at this point, should not be of a great concern because we will resolve that issue with you on there.

I do not think there is a doubt that we need to do something about Section 8. We need to allow more flexibility and more local control. You have a program that is spiraling out of control as far as cost, and the amount of people using it is not spiraling with the cost.

That is tremendously of concern to us basically because there is a limited amount of funds. HUD's discretionary budget is just shrinking because Section 8 is just gobbling up more and more each year, yet the people that benefit are not increasing with it.

I happen to trust local Housing Authorities. I think that we need to give them more control. I think we need to allow them more flexibility. I think there are certain parameters we need to place upon them from a Federal perspective, which we do. Ninety percent to 60 percent, I think, is reasonable. Ninety percent of the dollars have to go to 60 percent.

If you want to take 90 percent of the dollars and give it to the bottom 30 percent, that is your call. If you do not want to change anything based on this bill in your local housing authority, you do not have to. So there is not a lot of mandate in this on local housing authorities.

If you like most of the programs the way they are, the way the Federal Government mandates them and the way that HUD oversees them, leave them like they are. But, if you are progressive and your housing authority just says, "We need to make sure that we get the best bang for the buck locally," I think the Federal Government should give you that authority, and that is what we are trying to do in this bill.

Is this product I introduced the product we are going to actually send out of this committee? No, but I think it is a very good starting point, and I think we are willing to listen. We are willing to receive input. If somebody has a better idea, that is fine. I think we can work with that.

Barney Frank is a friend of mine. He brought up the issue about a receiving, accepting community having the right to accept the voucher if they want to. Well, I think that is reasonable. I think we can work with him on that issue.

But there are some things out there I think we need to reform, and I think there are certain things and certain people we need to trust, and we need to allow things to take place locally that we are not currently doing. So I am looking forward to the testimony.

Thank you, Mr. Chairman.

Chairman NEY. The gentlelady from California?

Ms. WATERS. Thank you very much.

Mr. Chairman, I came in a little late, and I am sorry for that, but I wanted to introduce Mr. Rudolph Montiel. Is it okay that I do that at this point?

I am very pleased to have Mr. Rudolph Montiel, the executive director of the housing authority of the City of Los Angeles, join us as one of the witnesses for today's Section 8 hearing.

Mr. Montiel was selected as HACLA's executive director after a national search. He began his work at HACLA in November 2004 at HACLA. Mr. Montiel oversees an operation of over 1,000 employees, a yearly consolidated budget of about \$875 million, and is a provider of housing assistance to cover over \$50,000 Angeleno families.

From 2001 until 2004, Mr. Montiel served as the president and CEO for the housing authority in El Paso, Texas, and, during his tenure there, the housing authority achieved the highest ranking from HUD among large housing authorities in the U.S. It was among the first four housing authorities in the country to successfully close a Hope VI Grant and successfully increase the stock of housing units through acquisition and remodernization and significantly increase the housing authority's net assets.

Mr. Montiel holds a bachelor's degree and a master's degree in civil engineering from the University of Texas at El Paso. He has also served as a program manager for IT Group and operations manager for Delphi Automotive Systems and a regional manager for General Motors, all of El Paso.

Mr. Montiel has plunged into his job at HACLA with great energy and diligence and is working hard to effectively address the many challenges facing the Section 8 program participants and public housing residents in Los Angeles.

Since his appointment, HACLA now is operating under a balanced budget, the Section 8 program is no longer overleased, and

the organization is moving to develop a strategic plan for redevelopment of citywide large public housing developments in Los Angeles.

So we are very pleased to have Mr. Montiel with us in Los Angeles and look forward to his testimony today.

I thank you for allowing me the opportunity to introduce him.

Mr. Chairman, this is a very long statement, and I think I am going to submit it for the record.

Chairman NEY. Without objection.

Ms. WATERS. I just want to thank you for holding this hearing. As many people in this room know, you have paid an awful lot of attention to Section 8.

Chairman NEY. Thank you.

Ms. WATERS. You were in my fair city where we held a hearing on Section 8, and I am very appreciate to the fact that you recognize that this is a very important program and we have to do it right. So the witnesses that you have here today will help us to understand the implications of the bill that is being offered and help us to understand how best to serve the people that most need housing assistance.

So with that, I will yield back the balance of my time and submit my statement for the record.

[The prepared statement of Hon. Maxine Waters can be found on page 69 in the appendix.]

Chairman NEY. I thank the gentlelady for her comments.

The first hearing we ever had was out in your area, and then, prior to your arrival, I was also thanking you for your participation in the roundtable, which I thought was invaluable.

Thank you.

The gentleman from New Mexico, do you have a statement?

The gentlelady from California?

Ms. LEE. Thank you very much, Mr. Chairman.

I want to also thank you and our ranking member for this hearing and for really helping us understand, as Congresswoman Waters said, the implications of this whole reform effort.

I, quite frankly, believe that instead of calling this bill a reform bill, we should really call this bill what it is. I think it is a plan to put low-income and poor people out on the streets or yet another plan, as I have said earlier, to dismantle HUD and our Nation's housing safety net.

How about maybe we should call it let's put one of our premier affordable assistance programs on the chopping block because, sadly, these suggested titles that I just mentioned are very accurate in their description of what is a terribly flawed bill that would have devastating impacts on our communities and especially the most vulnerable.

We all know the basics of the bill. It block grants the voucher program, delinking it from the current voucher funding system in which allocations are based on the number of vouchers in use and on actual costs.

It eliminates the current income system that targets the extremely low-income families; it eliminates the statutory requirements tying voucher rents to income and ensuring that rents are

affordable; and it eliminates authority to provide enhanced voucher assistance to a tenant after 1 year, and the list goes on and on.

So it also means that many extremely low-income people, who are disproportionately African Americans and Latinos, stand to lose their vouchers.

So I think that this is morally wrong. I think this is just another way to put more people on the streets, and it erodes our housing safety net, and I think we have a moral obligation to work to assist low-income households, to increase the number of vouchers, and to help more people, not kick those who need the help to the curb.

Thank you, Mr. Chairman.

I yield the balance of my time.

Chairman NEY. Thank you.

The gentleman from Texas, Mr. Green?

Mr. GREEN. Thank you, Mr. Chairman.

Thank you, ranking member.

Mr. Chairman, I do not quarrel with those who support flexibility. I assume that it is because of their life experiences that they have found good reason to support flexibility. I trust that they will not quarrel with me for being antithetical to flexibility because of my life experiences.

Flexibility allowed colored water fountains. Flexibility allowed some to ride in the back of the bus. Flexibility is not always a good thing, and I fear unchecked, uncontrolled flexibility. I am concerned that in this legislation we are going to have the flexibility to segregate people and concentrate poverty. That kind of flexibility is invidious to the best interests of our country.

I trust that I will hear words today that will give me reason to conclude otherwise, but I am concerned about flexibility.

Thank you.

I yield back the balance of my time.

Chairman NEY. I thank the gentleman.

Gentlelady?

Mrs. MALONEY. I would just like to place my comments in the record that this proposal would be devastating to the City of New York. I would assume in many cities across the country the same thing.

Already, tenants are coming to my office and telling me that they have received notice that they will not be able to have their vouchers or that the Sticky Voucher Program will be abolished, and their question is, "Where do we go?"

I do not know about other localities, but the housing does not exist in New York City. We have a waiting list of over 900,000 people to get on public housing in New York, and, for every single voucher, we have a waiting list of thousands and thousands and thousands.

The Sticky Voucher Program has been incredibly—the markup-to-market program—successful with landlords and the community people and HUD working together to keep people in their homes.

The question that I am beginning to hear is, "Where are we supposed to go?" The housing does not exist. There is no place for these people to go.

Now what do you intend to do—cut back the vouchers, cut back the income qualifications, cut back the sticky vouchers, get rid of

all these programs, and just build up homeless housing? I just do not know where we are going to go.

You cannot build housing or sustain housing, affordable and low-income housing, without a Federal role, and to abolish and cut back some of these very important programs would be absolutely devastating to the lives of millions of people across this country. I hope that this is just a trial balloon that will be changed and moved in a different direction.

This is really problematic. Really I have no answers to people who are coming to me saying, "I have gotten a notice. I am not going to have my voucher anymore. Where do I go? Is there any housing available? Give me a list."

There is no list; there is no housing available, and so I am showing some of the desperate cries that I am hearing in the community that I represent.

I yield back.

[The prepared statement of Hon. Carolyn B. Maloney can be found on page 63 in the appendix.]

Chairman NEY. Additional opening statements?

Mr. Neugebauer?

Mr. NEUGEBAUER. Thank you, Mr. Chairman, and thank you for having this hearing.

I think "flexibility" is a good word because what we want to do is give our public housing authorities the flexibility to manage their business as they have more community knowledge than the Federal Government does, and so we give them the ability to look at what the needs are in that community.

But the other thing about this bill—and, Mr. Chairman, I think it is important—is that there are provisions in this bill that also help transition people to homeownership and not keep them stuck on vouchers. One of the things that we do know about this country, it has a low savings rate, but one of the things that keeps that savings rate from really being embarrassing with the rest of the world is the equity buildup. Many Americans that have been able to access homeownership have been able to build up equity. What we also know is what homeownership does for our families.

So I commend the chairman for this hearing. I think this is a good bill. I think it has some ability in there to give the people that are out managing these housing authorities the ability to decipher what is in the best need not for just a complex or a group, but for each individual recipient or resident that is participating in the housing programs.

I look forward to the testimony of our guests today.

Mr. MILLER OF CALIFORNIA. Will the gentleman yield?

Mr. NEUGEBAUER. I yield back the balance of my time.

Mr. MILLER OF CALIFORNIA. Would the gentleman yield for a second?

Chairman NEY. Do you yield back the balance or you yield it to Mr. Miller?

Mr. NEUGEBAUER. Yes, I will yield. Yes.

Chairman NEY. Mr. Miller?

Mr. MILLER OF CALIFORNIA. Thank you.

It is interesting because I heard comments that it is unchecked, it is uncontrolled, people are receiving notices already about their

vouchers being revoked. We have not done anything yet except talk. So, if people are receiving notices vouchers are being revoked, that is something unbeknownst to me and nothing to do with this bill.

But this bill does not create an uncontrolled environment. We need to read the bill. It allows flexibility within certain parameters, and that is the key. We do set guidelines. We do set parameters. We say that 90 percent of the money has to go to those under 60 percent of AMI. Currently, 75 percent has to go the people under 30 percent of AMI.

If the local agencies want to keep it at 75 percent to 30 percent, they can. We are just saying that we are going to allow flexibility, but you have to work within certain guidelines. There is a goal in here, is to try to help people get into homes of their own, allowing them to take vouchers and use them for that.

We are saying that there needs to be a time limit, that they can establish a time limit if they want to, but the bill goes on to say that you cannot create a time limit of less than 5 years. We do not want people creating a time limit locally of 12 months or 24 months. If you want to make it 10 years or 15 years, do what you want to do, but we are saying it cannot be less.

So to say there is no parameters under which local PHAs have to work is unreasonable based on the language within the bill.

Thank you.

I yield back the balance of my time.

Chairman NEY. I thank the gentleman.

Mr. Miller from North Carolina?

Mr. Scott from Georgia?

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

First, let me ask for clarification, Mr. Chairman. Just for clarification, I think Mr. Frank had asked for a request for me. Is this the time for that, or is that later?

Chairman NEY. That will be in a little bit.

Mr. SCOTT. Okay. Thank you.

Well, I look forward to that. Thank you.

But let me just say this very quickly because I do not want to take from that time I have heard criticisms from some of my own housing authorities that H.R. 1999 would not address significant problems that now limit the success of Section 8 and creates new obstacles.

We all know that Congress has changed the way that the voucher program is funded, and this has caused budgetary stress for public housing authorities during the last 3 years, including unanticipated shortfalls and inadequate reserves.

Regardless of the outcome of H.R. 1999, this committee, I feel, must establish a renewal formula for Section 8 Voucher funding, and I look forward to hearing your testimony.

Thank you, Mr. Chairman.

Chairman NEY. Thank you.

The gentleman from Missouri, Mr. Cleaver?

Mr. CLEAVER. Chairman Ney, Ranking Member Waters, thank you for convening this hearing today on H.R. 1999, the so-called State and Local Housing Flexibility Act of 2005. I look forward to the testimony of the distinguished panelists here today.

Although this is my first term in Congress, I am very familiar with public housing. As a child and teenager, I lived in public housing with my family for 7 years. We lived in public housing not because my parents were shiftless and lazy—my father worked two jobs—and neither did my parents share some casual desire for a handout, but because of necessity, we lived in housing that was subsidized by the Federal Government.

You see, Mr. Chairman, prior to moving into public housing, my family lived in what was once a slave shanty. My three sisters, my mother, father, and I lived in that shack until I was 7 and in public housing until I was 14. And when we moved into public housing, we did so because it provided a more decent and environmentally safe place to live.

As the richest and most technologically and militarily powerful Nation on this planet, I believe that the United States Government has a responsibility to make sure that its citizens are not homeless or living in squalor, particularly for those individuals who are struggling to get out of poverty, as did my family.

Particularly I raise this issue: We are perhaps unintentionally throwing out this age-old term that if anybody is in need of some public assistance, they are trifling, and that is offensive to me and to many of the other individuals I know living in public housing.

I do not read about public housing. The leadership did not tell me my position on public housing. I know men and women who live in public housing. I know their names. I know their children. Many of them grew up with me. I resent any kind of implication that my somebodiness is lessened because I needed to live in public housing.

My opposition to H.R. 1999 is drawn from this philosophy and my personal experience in public housing. Among the many flawed provisions of this bill are those that greatly relax the statutory income targeting and rent affordability requirements.

In addition, the bill would eliminate the Brook Amendment which limits public housing tenant payments to 30 percent of their income, which is how my family was able to live there. As a result, H.R. 1999 would have the most devastating impact on the poorest Americans.

For example, under current law, 75 percent of new vouchers must go to extremely low-income families or those who earn less than 30 percent of the median income. The legislation would replace that requirement so that 90 percent of new vouchers would go to families below 60 percent of median income.

I have a lot of stuff to say, and I will stuff it in as we go along. [The prepared statement of Hon. Emanuel Cleaver can be found on page 60 in the appendix.]

Thank you, Mr. Chairman.

Chairman NEY. I just gave a tap, not a gavel, just a tap. That is all.

Mr. SCOTT. I will finish it as we ask questions.

Chairman NEY. I thank the gentleman.

I want to thank the panel for being here today.

Tarah Leach is a Section 8 Housing Choice Voucher participant from Logan, Ohio. Ms. Leach was recently awarded a certificate of practical nursing by Hocking College.

Congratulations.

Currently, she is seeking a licensed practical nursing position in the medical field. So if anybody has a position, please feel free to look Ms. Leach up.

Thank you for being here.

Margery Turner is the director of Metropolitan Housing Community's Policy Center at The Urban Institute, a nonprofit organization located here in Washington, D.C. The institute supports research in a wide variety of public policy issues.

Jody Geese has been the executive director of the Belmont Metropolitan Housing Authority in Martins Ferry, Ohio, since 1998, having joined the authority as an accountant in 1989. Currently, she is the legislative chair of the Ohio Housing Authorities Conference.

Mr. Montiel has been introduced by the gentlelady from California, Ms. Waters.

Welcome, Mr. Montiel.

And David Brightbill is the executive director of the Washington-Morgan Counties Community Action, a nonprofit organization located in Mariette, Ohio. The agency seeks to reduce poverty and to help low-income people become self-sufficient. There are 52 community action agencies in Ohio cumulatively administering nearly \$525 million worth of resources. This amount places Ohio second in the Nation in the amount of resources developed by its community action network.

Jon Gutzmann has been the executive director of the Saint Paul Public Housing Agency since 1987. The agency owns 4,300 units of federally assisted housing, administers another 4,000 in housing vouchers, both of which provide housing to over 20,000 residents. It has had an annual operating budget of \$61 million and has received HUD's high performer rating each year under the Public Management Assessment Program.

Welcome to all the distinguished panelists.

Ms. Leach, we will start with you.

Thank you.

**STATEMENT OF TARRAH LEACH, SECTION 8 HOUSING CHOICE
VOUCHER PARTICIPANT, LOGAN, OHIO**

Ms. LEACH. Mr. Chairman, my name is Tarrah J. Leach. I am a recipient of Section 8 housing assistance in Hocking County, Ohio. I am a divorced mother of three children and now a licensed practical nurse.

It has taken me a lot to get where I am today. I am very proud of my accomplishments, but let me tell you how I got here.

I lived with my grandparents most of my life because my mother had her own difficulties.

At the age of 16, I went to stay with my sister in Lancaster, Ohio, for the summer. I met a man named James. My sister moved back to Columbus, Ohio, before the summer was over, but I decided to stay. So, at the age of 16, I was by myself with my boyfriend.

We stayed with various people that we could because we did not have a permanent place to live. I found out that I was pregnant. I quit school, and we got married.

We ended up in a homeless shelter in Lancaster, Ohio. The worst part of it all was that James was abusive to me.

We got on Metropolitan Housing in Lancaster, Ohio, in December 1988 after waiting a year. We got a little apartment in Lancaster, so I thought things would get better. I was wrong, and the abuse got worse. I had another daughter at the age of 18.

But I finally got the courage to leave him and went to stay at a domestic violence shelter for women and got divorced.

I met another man shortly thereafter. David and I moved to Logan, Ohio, into a little apartment. I got pregnant again at age 20. I got married to David; he lost his job, so we decided to apply for HUD in Hocking County, Ohio, in 2001.

I decided when I was pregnant with my third daughter that I at least wanted to get my GED. I did not want my kids to be able to say that I never graduated from high school. So my third daughter was born in October 2001, and my GED was issued December 12 of 2001. That was a very big accomplishment.

David and I moved to a three-bedroom trailer in Logan, Ohio. We had various problems throughout our relationship. He would not keep a job. So I worked.

Well, after having 3 kids, I never thought I would go to college, but my GED teacher at the Volunteers of America had told me that I scored very high on my GED and I should go to college. So I got the courage up and I decided I would go to school to become a nurse.

So in June of 2002, at the age of 21 and after not being in school since I was 16, I stepped foot in college. My husband was not behind me to say the least. We ended up divorcing. But, after starting college, I was not going to let anything hold me back anymore.

I went though 2 years of nursing school, raised three kids by myself, and worked a part-time job at Wal-Mart to accomplish my goals. Yes, I did have to sacrifice time away from my kids by working and going to school, but it was all for them.

Throughout my 2 years of nursing school, I maintained a 3.8 GPA, made the dean's list every quarter, and received various other awards. I graduated fourth in my class with honors.

HUD has helped me to achieve so many of my goals. If it had not been for HUD, I, as a divorced mother, would not have been able to put a roof over my children's heads. I would not have had the time to devote to school to better my education for myself and my children. My children would have suffered more because I would have had to spend more time away from them just to make ends meet.

I know I am not the only divorced mother out there with children that has goals and sees them slowly fade away because of the struggles that we go through, from not receiving child support to having to work all the time or to have the Government want to take programs away.

I am living proof that one person can make a difference and make their life better, given the support and opportunity. The Government teaches us to better ourselves and to get off HUD and welfare, but how can you better yourself to get off of it if you take it away before giving the people the chance to try and succeed as I have?

When I got my new job, I reported my changes to the Hocking Metropolitan Housing Authority. With my current income, they tell me that I am 46 percent of the median income for our county, but with the low fair market rent for our area, I would no longer be receiving rental assistance effective July 1 of 2005.

I am looking forward to standing on my own two feet after all my struggles, but my success did not happen overnight. It has taken me over 7 years to achieve some of my goals. I am a very motivated person, but someone a little less sure of his or her goals would take a lot longer to get to the place that I am today. I would like to see others be able to fulfill their goals even if it takes a long time.

While I am very grateful for the assistance, I am worried that others will not have the opportunity to improve their life with the same support that I received. It is my understanding that when I go off the voucher program, the voucher will not be reissued because of budget cuts in the Section 8 program, which is unfair to other people who have waited so long just to get the assistance and now to be told, "Sorry. You waited all that time for nothing because we just do not have it anymore."

Thank you for this opportunity to speak to the committee.

[The prepared statement of Tarrah Leach can be found on page 127 in the appendix.]

Chairman NEY. Thank you for your testimony.

Now we will move on to Ms. Turner.

STATEMENT OF MARGERY AUSTIN TURNER, DIRECTOR, METROPOLITAN HOUSING AND COMMUNITIES POLICY CENTER, THE URBAN INSTITUTE

Ms. TURNER. Good afternoon.

I direct The Urban Institute Center on Metropolitan Housing and Communities and conduct research on Federal housing policy and its impacts on families and neighborhoods. I appreciate the opportunity to testify today on the Administration's proposal to reform the Federal Housing Voucher Program.

The Housing Choice Voucher Program plays a critical role in our nation's housing policy. One of its greatest strengths is that it allows families to choose the type of housing and the neighborhood that best meets their needs.

Historically, many other low-income housing programs have exacerbated the geographic concentration of poor families, especially minority families, in high-poverty and distressed neighborhoods. In contrast, vouchers have generally allowed assisted families to disperse more widely and to live in lower-poverty, less-segregated neighborhoods of their choice.

Social science research shows clearly that living in a distressed high-poverty neighborhood undermines the well-being of families and the long-term life chances of their kids. When families are able to escape from distressed neighborhoods and move to healthier communities, their lives improve measurably.

Rigorous research confirms that the opportunity to move to a healthy, low-poverty neighborhood can make families safer and more secure. It contributes to better health; it provides access to

well-performing schools; and it may ultimately lead to higher employment and higher earnings.

The proposed State and Local Housing Flexibility Act threatens to restrict choice for voucher families. Participants would not be able to use their housing vouchers to move from one jurisdiction to another unless the administering housing agencies had a standing agreement and the receiving jurisdiction agreed to have them move in.

In addition, moves within a jurisdiction are likely to be restricted because the Administration's proposal would create very strong incentives for local housing agencies to set their payment standards lower in order to serve the same number of families. Lower payment standards will make vouchers less competitive in the rental market, particularly in healthy neighborhoods in the rental market and, therefore, could severely limit neighborhood choice.

In effect, local housing agencies would be forced to choose between serving more families in higher-poverty, distressed neighborhoods or fewer families in healthy, opportunity-rich neighborhoods.

The Administration's proposal also creates very strong financial pressures for local housing agencies to use their scarce resources to serve more families at higher income levels rather than targeting assistance to extremely low-income families.

Again, there is strong social science research evidence suggesting that targeting vouchers to very low-income families may yield benefits that go way beyond housing per se, contributing to our country's larger policy goals of work and self-sufficiency.

Finally, the Administration's proposal would allow local housing agencies to experiment with alternative subsidy formulas and even impose time limits on housing assistance. But there is no solid research evidence here to guide local housing agencies in designing these new formulas that would encourage work without sacrificing access to affordable housing in safe and opportunity-rich neighborhoods.

The current voucher program certainly does not work perfectly, and there is a growing body of experience from innovative agencies around the country that point to promising strategies for addressing these shortcomings with the program.

It is conceivable that some local housing agencies might be able to use the new flexibility in this proposal to implement one or more of these promising strategies, but the emphasis on cost containment and on local autonomy actually create the opposite incentives, moving away from the strategies that we know to be the most promising for strengthening the program.

So, in summary, the proposed State and Local Housing Flexibility Act moves Federal housing policy in the wrong direction, trapping families in neighborhoods that are poor and distressed and perpetuating concentrated poverty and isolation from economic opportunity.

Thank you.

[The prepared statement of Margery Turner can be found on page 163 in the appendix.]

Chairman NEY. Well, thank you for your testimony.

I do not normally do this, but just one clarification before we move on, Ms. Geese.

We were all three trying to find it up here. You had mentioned lower payment standards. Is that in your testimony?

Ms. TURNER. In mine?

Chairman NEY. Yes.

Ms. TURNER. The flexibility that the bill would allow, given the funding constraints which are getting tighter all the time, really would encourage housing authorities to provide a shallower subsidy.

Chairman NEY. Lower payment standards.

Oh, thank you.

Ms. Geese?

STATEMENT OF JODY GEESE, EXECUTIVE DIRECTOR, BELMONT METROPOLITAN HOUSING AUTHORITY, MARTINS FERRY, OHIO

Ms. GEESE. Chairman Ney, Ranking Member Waters, members of the subcommittee, I am the executive director of the Belmont Metropolitan Housing Authority—Am I better there? Can you hear me now? Could not resist—serving Belmont County, Ohio, the proud home of Congressman Bob Ney. I greatly appreciate the opportunity to testify on H.R. 1999.

This bill has been introduced to better assist our low-income families obtain decent, safe, and affordable housing, and to promote self-sufficiency, just as QHWRA was in 1998.

My issues are not with flexibility and local decisionmaking, but, in an environment of adequate and dependable funding, they would produce very different results, the need of flexibility to pay the bills. There are many housing authorities that could do great things with flexibility, but, as the saying goes, you cannot make a silk purse out of a sow's ear.

Being forced to make the hard choices that negatively impact the less fortunate we serve is not one I relish, and I agree with Congressman Shays; HUD is passing the buck. This proposal is about dollars, and I do not call this flexibility. I call this no other choice.

While I appreciate the difficult task this subcommittee is faced with, I still advocate for a unit-based voucher program reflective of actual costs and adequate funding and sensible rulemaking for our public housing programs. Costs have stabilized and are no longer spiraling out of control.

The income-targeting requirements in this bill not only paint a dismal picture for the very poor, but turn back the clock on the hard work of Congress. If the desire is to allow families between 30 percent and 40 percent of median income a piece of the pie, then change the targeting requirements to reflect that. But clearly, the proposed targeting levels are extreme, but that is because this proposal is about dollars, not reform.

I am also concerned with the apparent lack of concern this proposal gives to the large number of children housed in a nonelderly, nondisabled household. There will always be families that need our assistance, and there are many working poor that have already achieved the best job or financial situation available to them that could be hurt by term limitations.

Interestingly, this bill provides up to 60 days of funding for vacant project-based vouchers to private sector properties, while HUD

provides no vacancy provision for public housing, deleting the long-standing and modest 3 percent public housing vacancy allowance from the negotiated rule.

The GAO felt a formal study was needed on the proposed rent-to-termination method. Concerns for the impact on tenants and the potential cost and burden placed on housing authorities and property owners were cited. They also felt the study was necessary to provide Congress with needed decision-making information.

While inspection needs vary by community, I am concerned that the administrative funding will ultimately get tied to the proposed inspection requirements. Belmont Housing Authority has older housing stock with many mom-and-pop properties that need more frequent inspection.

Requiring 50 percent of properties to be inspected annually could still provide for quality assurance while allowing agencies whose properties need to be inspected more frequently the funding to do them.

Another approach would be to eliminate inspections on tax credit or other federally subsidized properties that already have mandated inspections. This would result in all units being inspected annually, reduce administrative burden, and avoid duplicate inspections.

While great efforts are focused on the voucher program, public housing is being greatly compromised. The proposed voucher targeting will shift the very poor to public housing, and the less poor will once again have the greatest access to vouchers and rental choices.

Public housing operating and modernization funds have been greatly reduced. Many housing authorities fund security out of their capital fund dollars and may be forced to choose between security and a new roof. My fear is that our public housing stock will deteriorate, creating blight, increasing crime, again turning back that clock.

The study on the Moving to Work Demonstration indicated more time was needed to accurately measure its success, yet HUD proposes to make this a permanent program, while only authorizing the voucher program—with proven success—for the next 5 years. I would suggest the opposite: retain the successful voucher program's permanent status and continue to expand, study and monitor the Moving to Work demonstration over the next 5 years.

In conclusion, I reiterate. Everything is relative to funding. Flexibility and local controls are great concepts in a good funding arena and necessary in a bad one, but the outcomes will be very different under each scenario.

Again, thank you for the opportunity to express my views.

[The prepared statement of Jody Geese can be found on page 92 in the appendix.]

Chairman NEY. Thank you.

Mr. Montiel?

**STATEMENT OF RUDOLF MONTIEL, EXECUTIVE DIRECTOR,
CITY OF LOS ANGELES HOUSING AUTHORITY**

Mr. MONTIEL. Chairman Ney, Ranking Member Waters, honorable members of the committee, I am Rudolf Montiel, the executive director of the Housing Authority of the City of Los Angeles.

I am happy to report that HACLA is making great progress in fiscal stewardship, operational efficiency, and in bringing a culture of transparency and compliance to our organization.

I would furthermore like to recognize the support of our congressional delegation led by Ranking Member Waters, our partners at HUD, the Los Angeles City leadership, and our HACLA chairperson and board for the fine work that took place in 2004 to keep HACLA out of receivership.

Today, I would like to frame my remarks on the situation we live in Los Angeles. A brief history will show us some highlights.

Specifically, HACLA is no longer overleased. As a result, no families will be cut from the Section 8 program this year.

Secondly, gang action and high rates of criminal activity continue to plague our public housing developments in Los Angeles.

Third, despite wonderful redevelopment examples within the City of Los Angeles, we still find that the majority of our large city-wide public housing developments have not been redeveloped.

Fourth, little progress has been made in the past decade on significantly decreasing the wait lists of our public housing and Section 8 programs. Today, over 90,000 families are on the Section 8 wait list; over 24,000 families, on the public housing wait list.

Given these facts, it is with great interest that we have analyzed H.R. 1999 and offer the following comments on this sweeping piece of legislation.

Specifically, there is great value in reduced administrative requirements for rent calculations, inspections, and recertification. We believe that the cost that the housing authority will not undertake in added inspections, et cetera, can actually flow to helping more families, and that is a good aspect to the proposed legislation.

Conversely, on income targeting, I do not concur with the structural shift in income-targeting provisions of this bill. Simply put, it will hurt the poorest of the poor. The income-targeting provisions of the current program have allowed families from our Watts and our Boyle Heights areas of the city to move to more middle-class areas, such as San Fernando, where there are better schools, better job opportunities, and better opportunities for self-sufficiency.

As far as public housing funding is concerned, the funding simply is not representative of what it takes to run public housing today. We have many more regulatory constraints than does the private marketplace or even the Low-Income Housing Tax Credit Program, which is the number one producer today of affordable housing in this country.

As far as the public housing capital fund is concerned, there simply has not been enough investment in our public housing stock to keep the public housing in a safe, decent condition. As a result, public housing tends to have a stigma associated with it simply because of the appearance that it has in our neighborhoods.

We in Los Angeles are working very hard to develop a strategic plan to redevelop our public housing, and one of the positive as-

pects to this legislation is the potential fungibility that we could have in diverting funds from one program to public housing to redevelop our public housing stock, which is vitally necessary in our large public housing developments, such as Nickerson Gardens, Ramona Gardens, Jordan Downs, Imperial Courts, et cetera.

In addition, I would like to add for the record some provisions that we at the Housing Authority of Los Angeles believe would be extremely helpful and would be of mutual benefit to HUD and to the housing authorities, and that is the strengthening of penalties and permanent debarment for fraud violations of participants or landlords and also for providing a more automated, easily accessible system for third-party income verification on a national basis that would allow us to quickly determine a family's eligibility at a very low cost and with a high degree of accuracy.

This sweeping legislation has good points and bad points. I have tried to outline those that are most relevant to the population that we serve in Los Angeles.

It has been a great honor to address you today.

[The prepared statement of Rudolf Montiel can be found on page 132 in the appendix.]

Chairman NEY. Well, I thank the gentleman for his testimony. Mr. MILLER OF CALIFORNIA. Mr. Chairman, can I ask that L.A. County's written testimony be included in the record?

Chairman NEY. Without objection.

Mr. MILLER OF CALIFORNIA. Thank you.

Chairman NEY. Mr. Brightbill?

**STATEMENT OF DAVID BRIGHTBILL, EXECUTIVE DIRECTOR,
WASHINGTON-MORGAN COUNTIES COMMUNITY ACTION
AGENCY, MARIETTA, OHIO**

Mr. BRIGHTBILL. Good afternoon.

My name is David Brightbill. I am the executive director of Washington-Morgan Counties Community Action, a private non-profit corporation located in Southeastern Ohio. The agency has been in business since 1967 and operates a variety of programs designed to help low-and moderate-income families.

In 1988, the City of Marietta received funding for 50 vouchers and subcontracted with our agency to provide the management for this new program. We currently manage 356 vouchers.

The Housing Voucher Choice Program has had a significant and important impact on our community throughout the years. It has provided tenants with the resources to afford decent, safe, and sanitary housing, and landlords with the incentive to provide quality housing.

The fact that we have 168 active landlords and over 300 have participated in the program indicates the level of local acceptance of the program.

In reviewing The State and Local Housing Flexibility Act of 2005, the proposed changes that we have particular interest in are income-targeting guidelines. Today, as has been mentioned, 75 percent of the vouchers must go to families with incomes below 30 percent of area median income.

H.R. 1999 would require that at least 90 percent of the vouchers go to families with incomes up to 60 percent of the median. This

would have the effect of allowing housing authorities to reduce the HAP, consequently reducing the Federal funds necessary to support the same number of vouchers.

This change seems to me to be getting away from the purpose of the program, which is to provide safe, affordable housing for those families with the most significant housing cost burdens. Until there are more resources available, I feel we should continue by national policy directing limited funds to individuals and families with the greatest need.

Allowing public housing agencies to impose time limits on voucher assistance, this would, if used by the housing authorities, set limits for the first time on how long families could participate in the program. The change would obviously have the effect of increasing the number of total families served, but often at the expense of families that are working, but unable to earn sufficient income to pay the full cost of their housing.

What is gained when we move one family on to the program and at the same time remove a family, even though they do not have the income to maintain needed housing? Investing in adequate job training and support services, expanding the Family Self-Sufficiency Program would be a better way to get additional turnover. The goal ought to be having the family earning enough money to take care of their needs, not just getting them off the rolls.

Allowing housing authorities to change how rents are calculated so that rents may no longer be a percentage of resident income, this again would allow housing authorities to reduce their HAPs, decrease the cost of serving the same number of families.

Given the current turmoil in funding, we can serve about 30 vouchers less than we are actually authorized for because of funding. With the need to somehow make dollars stretch, it will be very tempting to impose tenant payments that shift the burden to the client.

Organizations such as ours will be faced with the difficult decision of setting higher tenant rents to help balance the budget when we know that for families we serve. Even minimal increases are hard on them, let alone the kinds of increases that could be made under the proposed new law.

Voucher portability, the current system has not been a problem for us. While once in a while, we are faced with rents much higher than normal, we have been able to deal with those within the existing law. The primary purpose of the proposed policy change, it seems to me, is another way of removing families from the program and, therefore, is contrary to the best interests of the families we serve.

I would suggest that HUD create some type of central pool of funds which would provide local housing authorities with the ability when port rent is significantly higher than local rent to apply for funds to make up the difference.

After January 1, 2009, voucher policy changes could also apply to new elderly and disabled families at the discretion of the local housing authority. About 57 percent of our current families are in that category.

If the local housing authority does not make the decision to exempt elderly and disabled families from these changes, then they

are applicable. Once again, people who are the least able to afford to pay more for housing will have an additional burden placed on them. Time limits would remove people who, in most cases, have no real way to earn additional income, so they will be faced with homelessness or an incredible rent burden.

The enhanced vouchers, we currently do not have enhanced vouchers, but in a tight housing market, it seems to me that this would create a problem. Housing projects are taken to market with a corresponding increase in rent, and if the enhanced voucher is available for only 1 year, then the family could easily be faced with the necessity to move and no adequate place to go.

The community loses both ways. Affordable housing is lost, and families may now have no place to go that is affordable.

The voucher program has served the affordable housing needs of this country for years. At least now in our area, it is a great blend of public and private interests.

The housing is affordable to clients. They are not forced to move from one home to another because they get behind in the rent. The Family Self-Sufficiency Program provides help and guidance in moving toward self-sufficiency. Private landlords are willing to invest in and maintain property because they select their own tenants, yet are guaranteed a portion of the rent will be paid every month and on time.

While anything can be made better, I encourage the subcommittee to carefully consider the proposed changes and to reject those that do not improve the program. Costs should not be shifted to tenants who are not in the position to be able to afford the additional financial burdens.

Thank you for the opportunity to appear today.

[The prepared statement of David Brightbill can be found on page 71 in the appendix.]

Chairman NEY. Well, thank you.

I also wanted to note at this time with my colleagues with Washington-Morgan Counties, Morgan County also had hit near 24 percent unemployment not too long ago and is still reeling, so these are counties where people are really having, I mean, a lot of problems, which happens across the Nation, too. I just wanted to point that out.

Thank you.

**STATEMENT OF JON GUTZMANN, EXECUTIVE DIRECTOR,
SAINT PAUL PUBLIC HOUSING AGENCY, SAINT PAUL, MINNESOTA**

Mr. GUTZMANN. Mr. Chairman and members, I am Jon Gutzmann, director of Public Housing in St. Paul. I have been there 18 years. I have worked for and with residents for the past 25.

Industry groups are just beginning to look at these bills. I am glad we have a bill, but I would like to work with everyone in this room to seek consensus on amendments that would preserve affordability, enhance decisionmaking at the local level, and ensure adequate and predictable funding. I have to mention funding because we cannot look at the bill in isolation.

Despite all of our concerted efforts, our budget recommendations before Congress have not had much success. We lost the Drug Elimination Program years ago. The voucher program has already been transformed into a dollar-based budget.

Because of the deep funding cuts for the last 3 years, I have already laid off 10 percent of our staff. We have reduced voucher payments to owners by 7 percent. We have scrimped on capital improvement. We have already sold off excess land to Habitat for Humanity. This is not a financial operating picture that can be sustained by even the most creative housing authority.

I also for the record reject the Administration's contention that PHAs are to blame or just need to work harder to overcome these funding shortfalls. On the contrary, our PHA essentially invented the solution to last year's voucher crises by stretching the allowable rules under the existing program. The current voucher program is not nimble enough to allow PHAs to appropriately respond to the ups and downs of the rental housing market. Some reform is necessary.

I also disagree with the blame-the-tenant sentiments that were expressed before this body. We have over 20 years of data at the Saint Paul Public Housing Authority that confirms that residents in public housing and voucher programs stay on average 6 years, that they are trying to move up and out and do all the right things.

But I also want to importantly point out that we should remember the historical bargain struck between Congress and PHAs under the Housing Act of 1937, and that is that Congress would provide the necessary funding, PHAs would house low-and moderate-income people, and the part Congress keeps forgetting is to provide the funding.

At Saint Paul, the average cost to run a public housing unit is about \$600 a month. The average rent based on the income formula is about \$200 a month. We house people at 20 percent of AMI. If we do not get that \$400 a month from HUD, the PHA cannot remain viable.

Congress does not do its end of the bargain when subsidy levels are reduced, especially when Congress prevents anything to do on the income side, and, of course, that is the tricky part. Do not get me wrong; I want to keep the historical bargain and house low-and moderate-income people, but this has to pencil out at the PHA level.

I agree with Sheila Crowley that public housing and the voucher programs are not broken, their costs have not spiraled out of control, and that this Nation can afford to keep this deeply affordable safety net program. We can afford it if we want, but we do not seem to want to too much as a country.

At the end of the day, my colleagues and I are left to still balance the books and to fulfill our mission.

So, to reiterate, public housing and the voucher program are already insufficiently funded today, despite our best collective efforts, and what is on the horizon looks even worse. These realities have forced PHAs to already make difficult decisions.

If more decisions have to be made about bad money, shouldn't those decisions be made at the local PHA level and not in Washington? Shouldn't the painful decision that a New York State hous-

ing authority might have to face in 1 year about losing 40 percent of their funding occur at that New York State housing authority?

If they had some consideration on the income side with tenant blessings, shouldn't that be allowed to happen? If we cannot improve the income portion of the equation, then Congress must. That is the historical bargain.

Regarding the bill, I think on the flexible voucher program, it makes some sense to have PHAs set subsidy levels at their level, at their market, again, to allow us to control the costs. I do not think it makes any sense—and I would work against—creating term limits, curtailing enhanced vouchers, changing the income targeting, and restricting portability. Those provisions should be stricken. Of course, the bill needs a predictable funding formula.

On the rent reform side, there are some very good things. The bill does keep Brook in, and it allows for two others that I like, creation of flat-tier grant systems and the percent of growth income, but the flat rent should be stricken because it could produce results that are not affordable.

Finally, I like the idea of expanding the MTW, Moving to Work, sites, but probably only to about an additional 100 or 200. I think the industry groups that are working at MTW sites are already demonstrating how they can preserve affordability while allowing local flexibility.

Thank you.

[The prepared statement of Jon Gutzmann can be found on page 113 in the appendix.]

Mr. MILLER OF CALIFORNIA. [Presiding.] Thank you very much.

You all need to understand, first of all, we are not the appropriators. We do not establish funding levels. We wish we did sometimes. It might make life a lot easier for us, but we do not.

Mr. Montiel, I guess my main question is—I enjoyed your testimony—you understand your current situation on Government housing right now, Section 8—what does this bill mandate that you do that changes that?

Mr. MONTIEL. Well, Mr. Miller, as far as income targeting is concerned, I understand that it does not mandate income targeting.

Mr. MILLER OF CALIFORNIA. It does not mandate it at all.

Mr. MONTIEL. Correct. The concern there is that you may have good stewardship and the boards of today believe that it is too important to house people at 30 percent of AMI.

Mr. MILLER OF CALIFORNIA. But you can currently still do that.

Mr. MONTIEL. We can currently still do that.

Mr. MILLER OF CALIFORNIA. Even under this bill, you can still do that. In fact, you can go and you can say, "We want to put 75 percent to the bottom 20 percent."

Then it is not the language in the bill that concerns you as much as it is how it might be applied by the PHAs.

Mr. MONTIEL. It might be applied by a PHA in the future where a board might move to help people with a shallower subsidy as a result of pressure from a landlord group that says, "Hey, let's cut the tenant and not cut our rent."

Mr. MILLER OF CALIFORNIA. See, what I keep getting from everybody as their criticism of the bill is it is as if this bill is mandating that you do something. It does not mandate that you go 90 percent

to the 60 percent level. It says, "You must at least give 90 percent to the people below 60 percent."

It allows discretion. If you want to take 90 percent to the people below 20 percent, you can do that. It allows a tremendous amount of discretion at the local level that we currently do not allow, and that is what we are trying to do.

We are trying to say, "We honestly believe in most cases that local public housing authorities understand local needs and local people and local situations better than we might understand them here in Washington."

The criticism I keep hearing is that it is as if the bill mandates you do something, and that is bothersome to me.

This bill is going to be modified. There is no doubt about it. We are going to ingest this bill to try to come out with a good product, but you basically think that the current program has been successful in providing decent and safe housing to families? Is that what you are telling me? If not, why not?

Mr. MONTIEL. I believe that the floor, the safety net that the current program provides is vitally important to help families move from concentrated poverty areas to areas of middle income that provide better educational opportunities, better job opportunities to continue the process of family self-sufficiency.

Mr. MILLER OF CALIFORNIA. And you can still do that when this bill is in place.

Mr. MONTIEL. Under the new legislation, that would be possible, but the flexibility might in the future not be used to the benefit of tenants.

Mr. MILLER OF CALIFORNIA. So it is that the unknown is what some future public housing authority might do at a local level?

Mr. MONTIEL. Correct.

Mr. MILLER OF CALIFORNIA. Okay. The problem that HUD is having, experiencing today, is this program has grown to 62 percent of their budget. In the near future, they say it will be somewhere in the 70th percentile in the next few years, and yet the growth has not occurred in the amount of people benefiting from the program. The growth has occurred in the cost of the program, and that is their main concern, is that they want to create more accountability at the local level where the dollars are being spent.

If you look at the growth in a discretionary program, Section 8 has grown at a greater percentage than most any other program we have, and that is what we are trying to do.

Ma'am, would you like to respond? Maybe you have a comment. I do not want you to fall out of the chair there. So we want to see you participate, too.

Ms. GEESE. I get a little overly excited.

Mr. MILLER OF CALIFORNIA. I understand.

Ms. GEESE. The one thing that is not spelled out in this proposal, sir, is the performance standards, and if you look at HUD's last proposal last year, the performance standards were closely tied to HUD's priorities and took away any real flexibility a housing authority had.

Now you look at this environment and you do like they did last year and you tell us that we are to maintain 97 percent lease-up and that is our performance standards where we are going to be

graded, I can tell you right now we are going to serve less poor people or we are going to lose our program.

Not having the performance standards spelled out is a horrible scenario for housing authorities. We do not know how we are being graded; we do not know how we are being assessed; and that is another fear. Our fear on flexibility is not just the housing authorities are not going to do the right thing with it. It is that we are not going to have the opportunity to do the right thing with it when HUD sets performance standards that we cannot meet.

Mr. MILLER OF CALIFORNIA. What about the section, though, where we say, "Let's change it. If the person goes out and finds a house, move in today, and we will inspect it after the fact," instead of the way it is today. Today, you have to go get an inspection when somebody wants to go and get into a home. We are saying, "Let's help people get in a home. If you find a home you want, come in; get your voucher; have a given amount of time to inspect it. Do you think that is beneficial?"

Ms. GEESE. I think that would be beneficial to some housing authorities. That would be what they would choose. It would not be beneficial to me. We are smaller. We turn over faster.

I look in Belmont with older housing stock, and our concerns are lead-based paint and other safety issues.

Mr. MILLER OF CALIFORNIA. But we do not mandate that they have to move in. We are saying that they can after this bill is enacted. So we are trying to help you put people in homes.

Ms. GEESE. We understand that, sir, but, typically, the ultimate fear is all this flexibility that does not work for every agency will ultimately get tied to the administrative funding because they are going to say, "You do not have to do that. You have chosen to do that."

We need to do some of these things. I have housing stock that you want me to go in regularly. I can see the tax credit properties, other federally subsidized properties. As I stated, they already have inspection. There is no reason to duplicate people's work.

If he does not need to inspect his properties that often, then I agree he should not have to. I am not imposing Belmont on another authority. So I think there are many ways that flexibility and choices are good. But I do not think it is any accident that the performance measures are not included in this bill.

Mr. MILLER OF CALIFORNIA. But, in closing, it does not mandate that you cannot inspect as often as you want. Am I correct?

Ms. GEESE. Naturally, but, again, if I do not have the funds to pay my inspector to go out and I need to do it, what have we accomplished?

Mr. MILLER OF CALIFORNIA. I appreciate that, but understand we are not in any way trying to limit funding in this bill. That is not our goal at all. There is nothing in here that says you are not going to have funds, nothing in here that says we are going to change your funding. There is nothing that does that.

So I understand your concerns, but I am saying I am dealing with a piece of legislation here, and I have to deal specifically with it. I cannot deal with the appropriators, and we are saying that this does not mandate anything, it does not put you in any harm's way in my opinion.

Ms. Waters?

Ms. GEESE. Can I ask a question on that?

Mr. MILLER OF CALIFORNIA. Sure.

Ms. GEESE. I am sorry, but I just cannot help it. When you are looking at the targeting of 90 percent below 60 percent, all I have heard Secretary Jackson testify to and I have heard other people talk about—and I will tell you I will agree—is I do see people slightly above 30 percent that wait far too long on the waiting list.

Mr. MILLER OF CALIFORNIA. No, you are not understanding. We are saying that you have to put 90 percent below 60 percent. We are not going to just open it up and say, “Do what you want to with the money.” We are saying that we are going to allow discretion, but you have to put 90 percent below 60 percent. If you want to put 90 percent below 30 percent, you can do it.

So I understand your concern, but the language does not mandate anything; except we did set a threshold. We absolutely did. We did not eliminate all the guidelines, but we tried to make them as flexible at the local level as possible.

Ms. Waters, my time is concluded. I want to be fair to everybody on the committee.

Ms. GEESE. Okay. How are you going to vote? I cannot help it. How are you going to vote?

Mr. MILLER OF CALIFORNIA. Well, I am sorry, but your time is up.

Ms. GEESE. All right, sir. Thank you.

Mr. MILLER OF CALIFORNIA. Ms. Waters?

Ms. WATERS. Thank you very much.

This argument about flexibility is bothersome. There are some types of discretion that we should not want the public housing authorities to have, but, first of all, we have to agree that philosophically there is a reason for all of this, reasons to provide housing, housing assistance, to people who otherwise would not have decent quality of life, would not have decent quality of housing. So some of this flexibility would cause us not to meet that part of our mission.

This discretion to give vouchers to people with higher incomes is bothersome because I do not know what would happen to the people with low income. I do know in Los Angeles. I do not know what the numbers are in terms of the homeless, but I think this would just exacerbate that if, in fact, you chose to use that flexibility.

The other thing that I am really bothered about is this portability flexibility. The bill appears to eliminate the nationwide voucher portability. It also makes voucher portability even within a State or region, say for example, between a city and a suburb, depend upon the existence of a written portability agreement. Vouchers would be portable only when the initiating and receiving housing authorities within a region had entered into a written agreement permitting such portability.

Now, you know, it is a subject we do not like to talk about, but there are just some areas who do not want certain people in their jurisdiction, and this would give the flexibility for people to discriminate. And so what I have heard generally here today is that housing authority management is concerned about the overall thrust of this bill.

Given that there are some who think you should be happy that you have flexibility, what I hear is this flexibility does not help you to do the job that you need to have done. While I suppose you could let people move in to an apartment without an inspection, there are some areas you better not do that because the housing is in such disrepair until it would be absolutely criminal to do that.

So let me say to Mr. Montiel, who has all of this experience, what in this legislation really helps you to solve the problem of the long waiting list that we have for Section 8 or the long waiting list we have for public housing or the problems that we experience? What in the bill would help you?

Mr. MONTIEL. Ranking Member Waters, I believe that the most important part of the legislation has to do with the fungibility that the different funding streams can be used for, and specifically in the case of Los Angeles—and to answer your question, I have heard numbers of upwards of 50,000 homeless people in our city—what we have lacked for a long time in Los Angeles is a viable production vehicle for affordable housing.

Although there has been a lot of talk about the cost of rental units throughout the country going down, the reality is in the five-county Southern California area of metropolitan Los Angeles, there are two types of rents, high and higher, and that will continue until the housing situation stabilizes to the point where the increases are not so dramatic.

As a result, in the five-county area of Southern California, our affordability index is under 20 percent, and in some counties like Orange County, it is under 12 percent. That means that only 12 percent of the population of Orange County can afford a house, a median-priced house in Orange County.

As a result, as we look at our public housing portfolio, as we look at the great need in our waiting list, unless we produce more units and unless we revitalize the units that we have, we have done very little to actually address the long wait list and the homelessness issue in Los Angeles. This bill and its related facets allow us to release the underlying value of the real estate that we have to develop additional units and put more people into safe, affordable, decent housing.

On the Section 8 side, I am concerned, again, with the income targeting because it really reduces the floor, the safety net for the people that most need it. On the converse, there are very good aspects to the bill. The reduced inspections will cost us less money to do.

Ms. WATERS. But you are talking about something like instead of once a year, every 2 years or something like that?

Mr. MONTIEL. Yes, ma'am. Yes, ma'am.

Mr. MILLER OF CALIFORNIA. You need to wrap up, if you can.

Mr. MONTIEL. Usually, it is not a very large number, but it is significant enough to help more families.

Ms. WATERS. Thank you very much.

Mr. MILLER OF CALIFORNIA. We have a vote coming up at 4:00, so if everybody can hold their comments to 5 minutes, we can all have a chance at this panel before we leave, and then we will bring the new panel back afterwards.

Mr. Pearce?

Mr. PEARCE. Thank you. I really appreciate the reasoned suggestions and contemplations, both pro and con. I was going to ask along the line that Mr. Miller did about what would you change if you had this flexibility.

I am hearing that you probably would not change too much in the 90 percent; you might still direct it the same way you do, but you are more concerned about the people that are in the housing authorities. Really, there is nothing that mandates that you change, and so that is a confusing thing to me.

Mr. GUTZMANN, if I would address you specifically—you had mentioned the last 3 years of budget cuts in your testimony—can you give me the actual level of your budget that was appropriated to you or distributed to your PHA in the last 3 years?

Mr. GUTZMANN. For combined sources, sir, Mr. Chairman, member, it was about \$65 million 3 years ago. It is about \$61 million today. We lost \$3 million in the Housing Choice Voucher Program, and we lost about \$1 million each in the public housing and capital fund.

Mr. PEARCE. I saw your testimony. You had to cut 10 percent of your personnel and 7 percent of your rentals. The losses do not represent 10 percent of your budget. In other words, if you lost \$6 million, you would have lost 10 percent. So I am not sure why you were forced into those circumstances.

Mr. GUTZMANN. Mr. Chairman and member, because we are talking about 3 years of sustained cuts.

Three years ago, I laid off 5 percent of my public housing staff.

Last year, I dealt with the funding shortfall in the voucher program, which caused us to cut amounts we paid owners. Owners took that hit. We protected tenants. Owners took that hit. We had proposed 15 percent. After a public hearing, we cut their rents by 7 percent.

Then this last year again, we got whipsawed. It is the public housing program that got cut. We are only funded at 89 percent of what is eligible this last year by HUD.

So these are cumulative cuts, and there are more on the horizon given what is coming out of OMB on the operating fund rule.

Mr. PEARCE. Ms. Geese, you had mentioned on Page 3 of your testimony that there are many provisions on the Quality Housing and Work Responsibility Act of 1998 that have never been implemented by HUD. Can you tell us a little bit about a couple of those things that have not been implemented and maybe the outcomes if they were?

Ms. GEESE. There were some things on it like, if you would take the rental inspections, when we are looking at means that would simplify, there was one way that HUD had the regulatory ability that we could group them geographically.

I know running a rural housing authority, certainly not the size of my neighbor here, just to be able to concentrate annually doing them by location could save a tremendous amount of dollars and driving 40 miles for one inspection, coming back and having to go 30 miles for another based on the lease-up date, and the anniversary date to do them would have been simpler.

Mr. PEARCE. If you were to choose the best of these suggestions, how would that impact the lives, say, of people like Ms. Leach, peo-

ple that really are trying to get a start, if you were to implement the best suggestion that has not been implemented up until now?

Ms. GEESE. I believe it would have absolutely no effect on the tenants. These are things that would just ease administrative burdens.

Mr. PEARCE. All right.

Ms. GEESE. I attached with my testimony a NAHRO study that would go individually, so I will not go into great detail of all the time, but most of them were administrative eases, such as like if you are having to reduce the payment standards—and we are in a tough scenario—or if your market changes, then it does not have to be the second re-exam.

Mr. PEARCE. If we were to go to this new choice and you do not have to direct funds at the full 60 percent spectrum, are you going to go ahead and put 90 percent to 30 percent or below?

If someone were to misuse that authority and that flexibility, is there any reason that those administrators cannot be terminated or brought in check because there would be an outcry and someone would go in and say, “I am sorry. You are directing money at this income level, and you have to these suffering people here.”

Anyway, I see my time is up, but it is just an observation. We will leave it as an open question.

Thank you.

Mr. MILLER OF CALIFORNIA. Thank you.

Ms. Lee from California? Ms. Lee?

Ms. LEE. Thank you very much, Mr. Chairman.

Let me thank you all for being here today and for giving us your perspective on this again, this next effort to dismantle HUD and the safety net which so many people rely on in our country.

I wanted to ask any of you to respond to this question. The more I look at this, the more I believe that this is going to become a real issue of civil rights and Fair Housing.

First of all, Latinos and African Americans make up the majority of the extremely low-income households, and given this proposal and this redistribution of Section 8 Vouchers, hundreds of thousands of primarily African Americans and Latinos could lose and their lives could be destroyed because they no longer would be eligible for these because of the income level.

I am wondering if any of you have looked at this as a Fair Housing or civil rights issue and could provide that kind of feedback in terms of what the unintended consequences could be to primarily African Americans and Latinos?

Ms. TURNER. Yes, thank you. I agree that the impacts of this flexibility are potentially felt most by the poorest families and particularly African Americans and Latinos, and I believe one of the speakers on the next panel will be addressing that issue very specifically.

In addition to the potential for moving resources away from minority families, I think the proposal has the potential to worsen segregation as well, both poverty concentration and racial and ethnic segregation, by, as I said, reducing the ability of families to choose housing in neighborhoods of their choice, limiting portability, limiting mobility.

I would argue that these are really important Federal goals that the existing program does a good job of advancing. It could do a better job, but these are important Federal goals and the Federal Government should maintain the commitment to achieve them, not give way to flexibility on these fundamental issues.

Mr. GUTZMANN. Mr. Chair, member, I would just like to agree and say that that is why I support leaving the current income targeting provisions in place—that is a national standard—and keeping the current portability rules in place—that is also a national standard that permits furthering Fair Housing objectives of HUD and Congress.

Ms. LEE. Let me just ask any of you then, in terms of just the lawsuits that could follow, I can see what could possibly happen in terms of civil rights lawsuits and in terms of discrimination lawsuits if, in fact, the bill were passed in this manner. Can any of you respond to that?

Ms. GEESE. That has been a concern, I know, of mine. I guess maybe the Moving to Work Demonstration—I cannot personally speak to that—might have some, you know, more evidence to bear on that.

I know my concern is, if I have a tenant and I have a complaint, I have a regulation that supports my decision, and, with all these things all over the board, I do have fears more of legal aid, Fair Housing-type issues.

Ms. LEE. Okay. Well, thank you very much, Mr. Chairman.

I can see the danger of this from a variety of perspectives, and I certainly can see the very negative and discriminatory aspects of this legislation as it relates to African Americans and to Latinos, and I would hope that we keep that in mind as this bill, hopefully, does not move. Maybe that in itself would be enough for those who want it to move forward to say, “We cannot violate the real civil rights of such an enormous amount of American citizens.”

Thank you very much.

Mr. MILLER OF CALIFORNIA. Mr. Davis of Kentucky?

Mr. DAVIS OF KENTUCKY. Thank you, Mr. Chairman.

I know that there are a variety of perspectives when we raise the issue of housing and, oftentimes, they become more political than personal. As someone who got into his first house as a child where my mother was helped by our Congressman to open a door, it had a dramatic change on our life, and I think all questions of fiscal responsibility and stewardship do not necessarily imply any negative intent whatsoever.

I think it is fair that we ask the questions, particularly from a standpoint of congressional accountability, of how best to spend the dollars, challenge our assumptions on why we believe what we believe, so we can better help people, and I think that is a very important thing to do, certainly in those areas of our economy that are able to compete effectively globally. They have asked those hard internal questions ultimately to benefit communities, benefit individuals.

I guess right now, as I look at current law, PHAs do not necessarily have, let's say, competitive incentives to control costs. That does not imply discrimination by any means whatsoever, but simple management. I can see places in our region, for example, in the

Ohio Valley where in some communities costs have been artificially driven up where folks have taken advantage of Section 8.

I guess my question, so it does not become simply a de facto entitlement program and becomes a partisan battle that actually ends up not helping the people that I think both sides of the committee really want to help is, do you believe that moving the program from a unit-based system to a dollar-or budget-based system has been effective?

The person I am going to ask is a little bit closer to my home, is Mr. Brightbill.

Mr. BRIGHTBILL. In our case, what has happened in the last 2 years—and I think I mentioned this—is we are authorized to 356 vouchers right now with a waiting list of somewhere around 900, purged about 2 years ago. We are going to be able to actually issue about 25 less vouchers than what we are authorized because we just do not have the funds to carry them.

While I understand that certainly this is not the committee that is responsible for appropriating them, my concern is that if you look at moving to the 90 percent, what happens is the pressure shifts, quite honestly, from Congress to fund those so that we can actually serve the 356 families that we are authorized to us to increase those tenant rates to the point that we can balance the budget. As has been mentioned, at the end of the year, at the end of the day, our budget has to come out even one way or the other.

So right now it seems to me that what happens is the potential is that we have to shift that burden to tenants, and those are the people who cannot afford it. I would much rather see a greater emphasis on family self-sufficiency, on job training. In our case, our assistant housing person is across the hall from our one-stop training center. It is in the same facility with our Head Start people so that we try to approach it in a comprehensive way.

I have been in this business a long time, and I long ago realized that the only way that people are not poor is if they have a job and if they have a job that pays something. That is just the way it is, and we are never going to appropriate enough money. We do not want people to not work. We want people to work. We have to encourage them to do that.

I mean, it has certainly forced us to balance the budget. We have consistently tried to maintain reasonable rents because we think it is in the best interests of the program and the people that we serve, so I do not think that the change has forced us to do anything different than what we would have, except not issue vouchers.

Mr. DAVIS OF KENTUCKY. Okay. Thank you.

I yield back my time.

Mr. MILLER OF CALIFORNIA. Thank you.

Mr. Green of Texas?

Mr. GREEN. Thank you, Mr. Chairman.

I must say that I do marvel at how vouchers are very important to promote choice in schools, but not in public housing.

We have approximately 44,000 voucher holders who have exercised choice, meaning that they were permitted to move from one jurisdiction to another in this country, and I think eliminating that choice is going to have some adverse consequences.

I have had the opportunity to serve on a committee that crafted some laws that regulated landlords and tenants, and I assure you the landlords were well represented. Their views were well represented. The least, the last, and the lost rarely had their views represented.

So my question is this—and maybe I will direct this to Mr. Montiel and Ms. Turner—how do you see the organized landlords impacting public policy in an adverse methodology, Mr. Montiel, Ms. Turner?

Let me compliment Ms. Leach for your accomplishments in life. You are truly a role model and a person to be congratulated, and I do so.

If you would, please?

Mr. MONTIEL. Mr. Miller, Mr. Green, I think that is the point I was trying to stress earlier. Without the safety net of the income targeting, when you are going to get into a situation where two interest groups are fighting over the same pool of money, I assure you that organized landlords, property owners, et cetera, will have a lot more tools with which to make their policy perspective known.

Without that wall, if you will, a retaining wall, to keep back these interest groups and that retaining wall being the 30 percent, 75 percent of the 38 percent AMI, then what local housing authorities will be forced to do is to have to make the tough decision and not cut landlord rents and instead serve less families at a deep subsidy.

Essentially, what in my mind happens when this all takes place is that when there is not enough money to go around, given this flexibility to serve 90 percent at 60 percent, then the onus will be passed from the appropriators to the public housing authorities that manage the program to make the tough decisions and at the local level have to adjust to reduced funding.

So yes, it is good flexibility, and many aspects of the bill are good, but in this particular case, this is one that comes with a lot more pitfalls than it comes with benefits.

Mr. GREEN. Thank you.

Ma'am?

Ms. TURNER. Thank you.

One of the challenges that the current voucher program faces is the unwillingness of some landlords, particularly landlords with property in healthy neighborhoods, to participate in the program. So the kind of flexibility that housing authorities really need is the flexibility to work constructively with those landlords and draw them into the program, addressing administrative challenges or red tape that legitimately make it difficult to work with the program, but still retaining the fundamental goals of the program.

So, again, I think there are some ways to strengthen the programs. Some housing authorities have done really creative work in this area, but the flexibility that this bill offers and the funding constraints that go with it do not help them work in the right direction with regard to landlords.

Mr. GREEN. I yield back the balance of my time.

Thank you, Mr. Chairman.

Mr. MILLER OF CALIFORNIA. Thank you, sir.

Mr. Scott from Georgia?

Mr. SCOTT. Thank you, Mr. Chairman.

You know, I am just growing in my apprehension about the direction in which we are moving in housing. We constantly see, it appears, an effort of dismantling HUD in and of itself. They seem to be more concerned with process than outcomes.

We bring forth a plan in H.R. 1999 which will miss the most fundamental problem in the whole area and that is the inability to establish a renewal formula for Section 8 Voucher funding. We have flexibility in here that could be misconstrued as a vehicle that could cause discrimination.

But paramount of my frustration is an example that occurred in this committee, and I probably would look to Ms. Geese or Ms. Turner, or any of you, to respond to this.

The Secretary of HUD, Secretary Jackson, in his testimony before this committee on the Administration's fiscal year 2006 HUD budget—I do not know how many of you saw that hearing—claimed that HUD had reduced improper payments of Federal housing assistance by \$800 million. But then under persistent questioning from myself and others on this committee, he later admitted that no money was actually recaptured.

Now we now know that money was not recaptured because HUD is tracking paper and process rather than actual outcomes and results, and I want to get your response to this by simply asking the question in view of this. Would it not be prudent to change HUD's compliance focus from process to outcomes? In other words, should not HUD concern itself with the number of households served and not the red tape and not the paperwork?

Ms. Turner or Ms. Geese? Any of you could comment on this, but I hoped that you all might.

Ms. GEESE. Part of the QHWRA that you can read that is attached to my testimony allowed for consortiums of housing authorities to be put together, and I can speak for some Ohio housing authorities; I cannot speak, you know, for the Nation, but a lot of our county housing authorities are smaller and, typically, when you get into a lot of the really small ones, you will have one director that oversees several counties.

Now the consortium, the beauty of it, was they could come together; they could pay for one audit cost, which is a costly expense to a housing authority. They would only have to file paperwork, end-of-year statements, budgets, et cetera, reducing the payment simply for one agency as one whole agency. This process has never been fully enacted. I mean, you had to really, really fight and struggle and only very recently be allowed to get to the point where you could get down to doing one audit or conserving boards.

On the funding formula you spoke of, I mean, I would love to be able to serve all my authorized vouchers, and we were pretty close on the borderline for a while of, you know, going pretty evenly. We now are finding that while we always had a 98 percent and 99 percent lease-up rate by how we would handle ours—and we only have 275 vouchers. We are a little bit heavier in the public housing program—I am down to 262 by funding constraints. For the unit-based system, I mean, I think there has been plenty of studies that have shown the cost spiraling has quit.

I question too on the funding formula that we keep talking about that is not proposed here, the current method we are working out of created winners and losers, sir, the way they took the snapshot from May, June, and July, and that picture in time. I mean, I have always found that my housing authority, that is the period of time when people move, kids are out of school, it is just a natural process. So for myself, it was a bad snapshot. It was the time my lease-up was down because I had people moving.

Now this created winners. Some people got big wins, but they were temporary because HUD took the money back; they did not get to keep it, and the rest of us lost funds, and that just resulted in fewer vouchers being utilized. I mean, I think NAHRO did a study that, in fact, in 2004 believed Congress allocated enough funds to serve every single voucher out there, but it was the funding mechanism employed that caused the problem and the shortfall and all the nightmares that we are seeing.

This was propagated on into 2005 and is being proposed to be used as the basis for 2006 and then forward.

Mr. SCOTT. Ms. Turner, could we get you on this before my 5 minutes is up?

Ms. TURNER. Thank you.

I think a move toward measuring performance rather than process would be very positive for HUD if those performance measures really focused on the fundamental goals that this program has the potential to advance, like the number of households served, the share of the neediest, you know, the share of assistance going to the neediest, the success rates in finding units, the success rates in finding it in healthy neighborhoods, and making progress toward work and self-sufficiency.

Mr. MILLER OF CALIFORNIA. We need to wrap up.

Thank you.

The gentleman's time has expired.

Okay. Mr. Cleaver?

Mr. CLEAVER. Thank you, Mr. Chairman.

Mr. Chairman, I also would like to express my appreciation to you, and you have said even away from the committee hearing that you wanted to do something that would improve the lives of people who live in public housing.

I have two questions, and I will ask them quickly, and, hopefully, you can answer them quickly, whoever would like.

Despite the fact that this bill is proposing to broaden income targeting requirements, the truth of the matter is the number of individuals eligible for new vouchers will expand.

When that expands, that means that there may be people who would become eligible in some of the more affluent parts of our city because the new eligibility in my community in the Fifth District of Missouri could go to \$41,000, opposed to \$20,520 right now.

That means there are people who could qualify to receive this assistance who are almost middle class, and then it hurts the people who are poor. Am I wrong?

I just want somebody to just answer that.

Ms. TURNER. You are correct, and one of the things that we have learned is that it is really important to offer the project-based housing to a mix of incomes so that you do not concentrate poor

people in one development, but vouchers have the advantage since they disperse families, that that is a resource we really can safely target to the families who need help most.

Mr. CLEAVER. That would be true except for a couple of things. Number one, we have already labeled the people. One of the things I hated about living in public housing was that all of the kids when I would go to school pointed me out as a public housing resident, and now we do the same thing.

In Kansas City, I heard my own children say one day, "Those are the Voucher Valley kids," because there is a section where a number of the Section 8 houses are located. We keep talking about scattered-site housing. The reality is we do not have much scattered-site housing in this country.

Number two, we give names, "You are poor, so you live in Section 8 housing." If you are affluent and the area where you live receives a Section 108 loan which subsidizes all kinds of neighborhoods, you know, you live in Quality Hill. If you are poor, you live in Section 8.

I mean, how in the world can we not feel some regret about what we have done to people? They live in Section 8 housing. I mean, who do you know who would like to go around and say, "I live in Section 8." It just sounds horrible. Am I wrong about that?

I have lived there. So if you have not lived there, do not say it. You on the end?

Ms. LEACH. You are not wrong, but I am not ashamed to say that I lived in Section 8 because it got me where I am today.

Mr. CLEAVER. Yes, the point I am making is that children end up getting labeled.

Ms. LEACH. Yes, they do.

Mr. CLEAVER. It goes into their schools with them. These are Section 8 kids.

Ms. LEACH. Yes.

Mr. CLEAVER. I mean, it cannot be good for our country.

Ms. LEACH. No, it is not, not for kids. You know, my kids do not know exactly what it is. My kids do not understand, you know. When they get older, they will.

Mr. CLEAVER. Well, I thought it was big time myself because we had an indoor bathroom. You know, I had to get a little older before I was told that it meant that I was separated from the other kids who had real houses.

Mr. GUTZMANN. Of course, the labeling is not good; I agree, but the fact that we have safety net deeply affordable housing is a good thing, and in most communities, it is seen as part of that community, part of the fabric, not as warehouses for the poor.

Remember that over 40 percent of public housing is for elderly and people with disabilities who look upon it as their permanent last place, and so when we talk, there are so many programs, it is confusing, you know, the voucher label, the public housing labels. It is only 2 percent of the housing supply in America that we keep deeply affordable.

I agree; let's work to banish the labels, but let's also work to keep this housing deeply affordable and keep it places where, as a family, people want to move up and out, but as elderly and people with disabilities, they are going to be there for a long time.

Mr. CLEAVER. Of course, I do not know anybody who does not want to move up and out. I have not met anybody yet who said, "Boy, this public housing is hard to beat."

Mr. MILLER OF CALIFORNIA. Ms. Velazquez?

Mr. CLEAVER. I yield back the balance of my time, Mr. Chairman.

Mr. MILLER OF CALIFORNIA. Thank you.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

I would like to address my first question to Ms. Geese and Mr. Gutzmann. You both mentioned the recent issue regarding the public housing operating subsidy formula, and you are concerned that H.R. 1999 contains a provision that will use a similar approach with the voucher program.

With New York City standing to lose an estimated \$120 million in annual operating assistance under these supposed "good faith negotiations," I am acutely aware of this provision, and I share your concerns. Can you please expand on your testimony regarding this issue and explain why are you wary of such an approach?

Ms. GEESE. Well, I think on the negotiated rule and the operating fund, it is pretty clear they took, NAHRO estimates, \$371 million out of the proposal, and, of course, that is before appropriations, so the cuts would be deeper.

The different incentives that separated public housing from the private sector have been removed, and we are not the private sector. I mean, I think everybody can agree on that. Our approach is different.

Also, the fact that this negotiated rule, there was a lot of time, effort, and energy putting into coming out with the process they did, which in my opinion was not a great one to begin with, let alone to have all these extra cuts.

There are two areas in the budget proposing in this bill to use a negotiated rulemaking process, you know, and I think many of us have lost faith in that ability to work well.

Ms. VELAZQUEZ. Thank you.

Mr. Gutzmann?

Mr. GUTZMANN. I would agree. I think the parties were at the table in good faith on the negotiated rule for the operating fund, and OMB, HUD cherry-picked those things that would cost too much, took them out.

I have colleagues at the New York State housing authorities who are going to lose 40 percent of their operating fund in 1 year, and the stop-loss provision has been removed. They cannot survive as an entity without doing something on the income side, but that, Congresswoman, creates the challenge.

Should they have some flexibility to do something on the income side? I say yes, and even as difficult as that discussion will be, probably it will include should we raise minimum rent. If they have that discussion, if they have the flexibility to have that discussion and they locally agree, that is the big part.

If they agree minimum rents go from 25 percent to 75 percent, should not that be allowed to occur? That is where I am coming a little bit on the side of parts of this bill. There is a lot that is wrong.

Ms. VELAZQUEZ. Maybe that should be coupled with an increase in the minimum Federal wage.

Many of you mentioned concerns about the provision in H.R. 1999 that will limit enhanced vouchers to 1 year, and I share your concerns. I believe that a better approach would be to make efforts to preserve affordable units by helping tenants find ways to purchase their buildings if landlords choose not to remain in the program.

I raised this issue with Secretary Jackson in last week's hearing, but of course, he failed to give me a straight answer or commit to ways in which HUD can work to help preserve affordable units. Can you share your thoughts on this idea or other ways in which HUD could preserve rather than jeopardize housing?

Any of the members of the panel, have you thought of any ways? Yes?

Mr. MONTIEL. Yes, ma'am. One way of doing it might be for actually housing authorities with the flexibility provided in the fungible aspects of this bill to actually step in and purchase buildings to preserve the affordability, and in Los Angeles, we are actually looking at doing that. Wherever an owner is opting out, if we can step in and purchase the building to continue the affordability, that is what we are trying to do, and that is a good aspect of the bill.

Ms. VELAZQUEZ. And how will you do that if the landlord has the right to sell their building?

Mr. MONTIEL. Well, again, given that you have some flexibility in how you use the income streams from HUD, then you can take some of that to leverage financing of these buildings to actually purchase them?

Ms. VELAZQUEZ. Would any other person like to comment on that question?

There seems to be a misconception that the Section 8 program attracts families that are unemployed and lack the skill or ambition to support themselves without Government assistance. This mindset is evident in the bill before us in which PHAs will be allowed to limit voucher assistance to 5 years.

Recent data indicates, however, that over half of the voucher holders were employed, and the average stay in the program was just over 3 years, with only elderly residents staying more than 5 years. Can those of you who run PHA's share with us your experiences with residents in terms of employment status and length of stay in the program?

Mr. MILLER OF CALIFORNIA. Could you please make your testimony brief? The time has expired.

Ms. GEESE. I will try to be brief.

Seventy-nine percent of our nonelderly, nondisabled workers are employed. They might not be employed to obviously where they can go off the program, but they are employed, and there are only 17 percent receiving TANF assistance.

Ms. VELAZQUEZ. Yes?

Mr. GUTZMANN. About 45 percent of our family households are employed, have income, earned income. We have 20 years of data that show the average stay in public housing is 6 years, and people are trying to move up and out by getting jobs.

Mr. MILLER OF CALIFORNIA. That will have to do it. Good response. Thank you.

Ms. VELAZQUEZ. Thank you.

Mr. MILLER OF CALIFORNIA. Mr. Scott? I mean, Mr. Davis of Alabama?

Mr. DAVIS OF ALABAMA. Thank you, Mr. Chairman.

Let me go back to a question that Mr. Pearce asked you probably about 20 minutes ago. I have a lot of respect for Mr. Pearce. I view him as one of the thoughtful members of the committee, but I am not sure if I followed the logic of his question, so I want to pursue that with you a little bit.

He was addressing with you what would happen as a practical matter if greater flexibility were given to the local housing authorities in terms of balancing the competing needs of this program, and I think Mr. Pearce's observation was that if, for whatever reason, the housing authorities started leaving too many of the poorest of the poor out of the equation that there would somehow be some kind of a public outcry or backlash around that.

Do any of you sitting on the panel expect that in a given community, if the local authorities adjusted their formulas in that manner, that there would be any significant public outcry or the public would even know about it?

Mr. BRIGHTBILL. I come from a relatively small community, and I would, without question, say that there would be no public pressure on us to go back to the 30 percent.

Mr. DAVIS OF ALABAMA. To follow up on that, do any of you serve in communities where there is an active and huge and vocal lobby of low-income people who have a lot of political influence?

You are all shaking your heads no.

Mr. MONTIEL. Yes, sir. Certainly in Los Angeles, we have very vocal advocates. But what I would add is if I were to compare the two, where would more vocal outcry come from? If we modified the rent standards or reduced the indexes, I believe that there would be a lot more outcry from the landlord community than there would be from the homeless advocates.

Mr. DAVIS OF ALABAMA. That sounds entirely reasonable.

Let me ask you another question. Secretary Jackson last week in his testimony posited that one major problem was that people were remaining on Section 8 for too long and that they simply did not want to leave the program either through inertia, better known as laziness, or because they just had no desire to move into the world of housing.

Ms. Leach, let me direct this to you. You are here today giving us your testimony literally and figuratively, and the people that you knew who were in the Section 8 program, were most of those—in fact, were the overwhelming majority of them—hardworking people who remain in Section 8 because they have no other economic choice?

Ms. LEACH. Yes, just like me. I had three children. I worked a part-time job at Wal-Mart making \$7 an hour.

Mr. DAVIS OF ALABAMA. Do any of you think from your experience at the local housing authorities that there are any cognizable numbers of people who just like being on Section 8 and remain on it because of the fun of it?

Ms. LEACH. No.

Mr. DAVIS OF ALABAMA. Okay. Let me ask one final set of questions. One of the points that I regularly try to make of Administration witnesses before this committee is that every now and then if we are going to make changes in housing programs, whether it is Section 8 or Hope VI or the whole panoply of programs, if we are going to make changes in funding levels, that every now and then that we do it with the idea of improving the housing mission and not just with the idea of meeting the bottom line. I assume you would all agree with that.

Is there anyone on this panel who thinks that the proposed changes to Section 8 included in this bill would make any dent in reducing homelessness in this country?

Mr. GUTZMANN. No, nothing adds to the supply. We are talking about regulation and reform, but nothing in this provision would add to the supply. The only way you could do it is if you created shallower subsidies.

Mr. DAVIS OF ALABAMA. Of course, doctors take the Hippocratic Oath that at minimum do no harm, and I would hope that that would be the same standard for housing programs.

My concern, as several members have stated very eloquently, if you add more people to a diminished pool, then fewer poor people can benefit from that pool. So does not it stand to reason that rather than reducing homelessness that these changes might actually push some people at the margins into homelessness because the Section 8 will not be available?

Several of you are nodding your heads in agreement with that.

Ms. LEACH. Ours is about 46 percent. I am no longer eligible, and, you know, I am only about 46 percent.

Mr. DAVIS OF ALABAMA. Let me just conclude, Ms. Leach, by thanking you. One of my colleagues did it earlier, but I absolutely agree that there is too much of a stigma around this program. Some of us in this room do not think that there is any stigma around needing help, and some of us in this room do not think there is any stigma around trying to improve your lot in life. Thank you for testifying openly and boldly about your experience.

Thank you, Mr. Chairman.

Mr. MILLER OF CALIFORNIA. Thank you very much.

I want to thank the panel. You did an excellent job. It was very informative.

Before I dismiss you, 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 30 days for members to submit written questions and those witnesses then to replace their response in the record. I know members on this panel that were here would like to ask additional questions.

Thank you very much.

Mr. GUTZMANN. Thank you very much.

Mr. MILLER OF CALIFORNIA. You have some members that would like to talk to you.

With that, I would like to call the second panel forward.

Mr. MILLER OF CALIFORNIA. I would like to welcome the second panel and call the committee back to order.

Mr. Scott, you would like to introduce our first witness?

Mr. SCOTT. I certainly would. Thank you very much, Mr. Chairman.

We have one of our distinguished citizens from Atlanta, Georgia, here and a good, good friend, and I would like to just highlight a few things about her distinguished career, and that is Ms. Renee Louis Glover.

She is the CEO of the Atlanta Housing Authority and has been so since September 1994. She has been widely acknowledged for her business leadership and strategic approach to community redevelopment, and at the Atlanta Housing Authority, Ms. Glover pioneered master-planned, mixed-finance, mixed-income residential development where families of all socioeconomic profiles live next to each other in the same amenity-rich community.

Ms. Glover has been nationally recognized for her role in transforming U.S. urban policy. By introducing mixed-income communities into our cities, we have improved not only housing, but also public schools, transit access, and employment opportunities. Her efforts have rebuilt entire communities from the ground up, and in creating a replicable model for redevelopment, Ms. Glover has helped cities across this country transform their urban landscape. In fact, the model that Ms. Glover created at the Atlanta Housing Authority is now used as the redevelopment blueprint by the United States Department of Housing and Urban Development.

Finally, Ms. Glover has reorganized the Atlanta Housing Authority to become a diversified real estate company with public policy and service-oriented mission. The Atlanta Housing Authority is the sixth largest housing authority in the United States and owns and operates approximately 9,500 multifamily apartments and administers approximately 12,000 Section 8 Vouchers.

As a result of implementing private-sector-oriented strategies and outsourcing, the management of its properties to professional firms, the Atlanta Housing Authority was removed from HUD's troubled housing list in 1998 and was designated a high-performance agency in February 1999 with a score of 97 percent and in January of 1998 was designated again. She earned a perfect score of 100 percent for its most recent HUD assessment for the fiscal year which ended in June of 1999.

Ms. Glover has been named public official of the year for 2002 by *Governing* magazine, and she joins 10 other officials honored for outstanding achievement in public service at the State and local level, and she has served on the National Advisory Council of Fannie Mae and was appointed by the United States Congress to the Millennial Housing Commission in 2000 charged with providing legislative recommendations to Congress on national housing policy.

Prior to joining the Atlanta Housing Authority, Ms. Glover was an accomplished corporate finance attorney in New York City and Atlanta, where she received her Bachelor of Arts degree from Fisk University and her master's degree from Yale University and her juris doctor degree from Boston University.

I am extraordinarily proud to have you here, Ms. Glover, as one of my constituents.

Thank you, Mr. Chairman, for giving me the opportunity to introduce her.

Mr. MILLER OF CALIFORNIA. Thank you, Mr. Scott.

I am going to be a little more brief than that on the rest of you. Excuse me.

Daniel Nackerman is executive director of Housing Authority of the County of San Bernardino, one of the largest counties in the United States.

In fact, I represent part of that county. So welcome.

Sheila Crowley is president of National Low Income Housing Coalition, a nonprofit organization concerned with the housing circumstances of low-income people. The coalition seeks to increase the stock of housing units for low-income families.

Phil Tegeler—Is that correct?—is the executive director of the Poverty and Race Research Action Council, a nonprofit organization created in 1990 by major civil rights, civil liberties, and anti-poverty groups. The council supports social science research, links the State and national advocacy strategies.

Chris Reilly is the area vice resident for Equity Residential, a real estate investment trust listed on the New York Stock Exchange. He oversees nearly 9,000 apartment units, quite a few, in 68 New England properties. He is testifying today on behalf of the National Multiple Housing Council and the National Apartment Association, organizations focused on public policies relating to the rental housing business.

Dennis Muha—Is that right?—I am lucky today—is executive director of the National Leased Housing Association, the association, which represents private and public participation in the affordable multiple rental housing industry specializing in federally assisted rental housing.

Welcome. It is good to have you all here.

As my daughter lives in Atlanta, I will ask Ms. Glover to make a 5-minute presentation.

**STATEMENT OF RENEE LEWIS GLOVER, PRESIDENT AND CEO,
THE HOUSING AUTHORITY OF ATLANTA**

Ms. GLOVER. I do want to thank the outstanding David Scott. We love him, and we are so proud of him. He is doing a magnificent job, and we expect greater things from him.

So thank you so much for that very generous introduction.

Mr. Ney and Ms. Waters and the other members of the subcommittee, I really appreciate the opportunity to speak to you today about this very important issue.

I want to mention two things to eliminate two misconceptions.

First of all, the first misconception is that public housing agencies are seeking legislative flexibility to abandon their fundamental mission. That simply is not true.

The second misconception is that there should be a trade-off between regulatory flexibility and funding. That also is not the case.

I want to say that there are too many American citizens who are ill-housed, undereducated and ill-nourished. Too often, the debate is around these very complicated issues that we find ourselves discussing before the issues and problems have really been identified before we seek solutions.

Too many of our American citizens continue to live in poverty, and the question that really confronts us is whether, through thoughtful policy and strategic investment, we, as policymakers and practitioners, can make a difference.

In my humble opinion, we can make a difference, but only if we are intentional about it and understand the problem that we are seeking to solve. So I want to offer the following framing principles that I believe must govern any thoughtful discussion of reform of the public housing or housing choice programs.

There is no question that the programs need to be reformed. The programs are overly complex; they are too prescriptive; and the regulations are often contradictory in their spirit and intent with too many unintended consequences and unfunded mandates. There is no clear articulation of the outcomes that we seek to accomplish.

The problems ought to be addressed and the scope of the need must clearly be articulated before defining outcomes, approaches, or how much it will cost. Currently, the public housing and housing choice voucher programs serve low-income seniors, in most cases, on fixed incomes; the disabled—physically disabled, learning disabled and mentally disabled—often also on fixed incomes.

I would submit to you that each of these groups has different needs, and the policymakers should approach these groups based on their needs and agreed solutions and outcomes. The public housing and voucher programs in many ways have not served the groups well with the appropriate level of services.

I believe we first must agree on the outcomes we desire to accomplish as a result of the United States Government making an investment. For example, we should ask what types of supportive services are needed for the mentally disabled so that they can function in community. We have all failed the mentally disabled because the States have been getting out of this business and the mentally disabled have been left to fend for themselves, often ending up homeless or in jail or in public housing originally designed for seniors, resulting in neither the seniors nor the mentally disabled being served very well.

We should also ask the question is it a realistic expectation that if families who are capable of caring for themselves over a period of time, if the environment is decent and services are available and required to be used for that purpose, that after that time period and after they have accomplished their goals, they should move on and move up. Should we as a Nation provide a permanent housing subsidy to seniors and disabled persons who live on fixed incomes and who cannot take care of themselves?

All real estate is local, and, therefore, the approaches to addressing the problems need to be locally crafted and implemented. The real estate markets vary vastly, including availability, cost, and condition.

Mr. MILLER OF CALIFORNIA. Could you conclude your testimony?

Ms. GLOVER. Next, the public policy resulting in the concentration of poverty—I want to make this point—has caused horrible outcomes because it has institutionalized poverty; it has created environments of crime, drugs, hopelessness; and it has destroyed neighborhoods.

In Atlanta, as Representative Scott mentioned, we have been able to address it through creating market-rich communities.

Mr. MILLER OF CALIFORNIA. You will need to wrap up your testimony. Time is up.

Ms. GLOVER. Last point: HUD must be re-engineered if we are going to implement reform, and I will answer my questions as they come up in other comments.

[The prepared statement of Renee Glover can be found on page 109 in the appendix.]

Mr. MILLER OF CALIFORNIA. Thank you very much.

Ms. GLOVER. Thank you.

Mr. MILLER OF CALIFORNIA. Mr. Nackerman?

**STATEMENT OF DANIEL NACKERMAN, EXECUTIVE DIRECTOR,
HOUSING AUTHORITY OF THE COUNTY OF SAN
BERNARDINO, CALIFORNIA**

Mr. NACKERMAN. Thank you, Vice Chairperson Miller, Ranking Member Waters, and subcommittee members.

I would like to first thank you for not comparing my resume to that of Ms. Glover.

But my name is Daniel Nackerman, and I am the executive director of the Housing Authority of the County of San Bernardino, and I have also served as executive director or senior manager at three other large California urban housing authorities, including Oakland, Richmond, and Contra Costa County.

At the agency I am with now, we take pride in taking progressive approaches in areas, such as development of additional housing, creating first-time home buyer opportunities, and providing supportive services to help families transition from assisted housing to self-sufficiency.

Through these experiences, I have come to the following conclusions.

First of all, housing authority personnel, as you have heard probably here today, genuinely understand the plight and struggle of the seniors, families, disabled individuals, and other individuals that we serve.

The programs we administer, as Ms. Glover stated, are overly complex and overly prescriptive. HUD has a chokehold on us. This bill releases that chokehold slightly, but the hands are still there.

Presently, the key elements of these programs include disincentives to employment. In particular, income up equals rent up. Also, the intrusive complexity of some of these programs actually create sort of a hopelessness with some of the residents we serve.

HUD's past approach of one-size-fits-all does not work in many individual communities, and I think you heard that today too.

Also, despite these problems, the HUD programs of public housing and Section 8 have had overall success in recent years, as evidenced by the record number of people assisted, a record high for homeownership, the elimination of many severely distressed properties, but as Mr. Frank said, we are at a day of reckoning.

I also believe that there are acres of common ground of agreement here. We are talking about the areas of disagreement. There is a lot of pieces of agreement that we have been working on for

2 or 3 years, long before some of the tragic stories of the Section 8 program from the past year.

This bill is a culmination of the 3 years of efforts. The bill proposes to allow local design of programs by simplifying rent structures, standardizing income requirements, which match tax credit and home programs, reducing the number of required inspections, if you can, on a local level, providing homeownership incentives.

We have sold over 60 homes in our county to public housing and Section 8 residents. We have developed an infrastructure, and it works, and we will sell more than 60 this coming year.

Most of these changes will be optional based on new locally adopted policies, and a very important point: If adopted, the persons served in both programs, both Section 8 and public housing, would continue to pay only 30 percent to 40 percent of income just as before.

I have included in my written testimony a brief summary of some of the specific proposals. However, I would like to emphasize a few of those points.

On the budget, as noted by our three reputable public housing entity organizations, CLPHA, PHADA and NAHRO, the bill does not prescribe a distinct allocation formula or permanent authorizations for budgets. These could be clarified before passage, or perhaps, as some have alluded, that is an appropriations issue. However, it is very clear that these substantial and successful programs require stable funding that we have not had over the past 2 or 3 years.

The income targeting: This bill proposes to change the income ratio of persons served by targeting 90 percent of vouchers to households below 60 percent of median, in lieu of the current 75 percent at 30 percent. As the gentleman from Minnesota pointed out, a few agencies may need that flexibility to design the programs at a local level to be successful.

In conclusion, the reform aspects of this bill are long overdue and have been formulated through years of work. Except for funding appropriation issues that may not be adequately addressed, these overhauls will result in the following: many benefits to residents, including simplification, matched savings, keeping money as incomes rise, less intrusion; number two, financially stable programs for the authorities; number three, higher employment levels for participants, simplification on a national level, significant administrative efficiencies and cost savings, full rents paid in every market, and higher level of first-time home buyer sales.

Thank you for your time.

[The prepared statement of Daniel Nackerman can be found on page 140 in the appendix.]

Mr. MILLER OF CALIFORNIA. Thank you, sir.

Ms. Crowley?

**STATEMENT OF SHEILA CROWLEY, PRESIDENT, NATIONAL
LOW INCOME HOUSING COALITION**

Ms. CROWLEY. Mr. Miller, Ms. Waters, and other members of the committee, thank you for the opportunity to testify on H.R. 1999.

The Housing Voucher Program has been in a state of tumult since 2003 due to actions by the Administration and Congress cre-

ating instability in the program that has adversely effected all program participants. It is to the credit of the many PHA managers who work hard everyday to provide safe, decent, and affordable housing for needy Americans that more families have not been up-ended and lost their homes.

Recognizing the impasse in coming to agreement over how best to return the program to the degree of stability needed for it to work, the National Low Income Housing Coalition convened a National Housing Voucher Summit earlier this year for the purpose of developing a consensus agenda on legislative and regulatory changes to the program to restore credibility and stability with the intent of paving the way for future growth. Sixty-six experts, representing a range of perspectives, including members of the committee's staff from both sides of the aisle, participated in the summit.

While the summit participants have not yet completed their process of reaching a consensus agenda, it is safe to say that H.R. 1999 does not reflect what the majority of participants would agree are prudent and appropriate changes that will improve the voucher program.

I urge the committee to continue the consensus-seeking process begun by Mr. Ney with his roundtables and to build upon the substantial work already completed by the National Housing Voucher Summit before considering changes to the voucher program.

In my written testimony, I go over several concerns that we raised on H.R. 1999, but I want to focus on just three now.

One, H.R. 1999 would block grant voucher funding. Once Congress's decision on the annual appropriation for the voucher program is severed from the actual number and cost of authorized vouchers, it will be impossible for Congress to know the actual cost, the true cost, of housing vouchers.

Congress will give up its authority and responsibility to provide funding based on what the program costs. We believe that this action will result in cuts to the program in future years, and, indeed, that is the Administration's intention.

Of all the reforms to the voucher program that the committee should consider, none is more important than restoring stability and predictability in the program's funding. This means accurate knowledge of what it costs to fund the program to meet its current obligations and future objectives. It means confidence that the program is operating at maximum cost efficiency. It means the transparent and predictable method of distributing funds from HUD to PHAs. And it means a system of reserves to deal with naturally occurring and unpredictable changes in the housing market and in tenant income.

My second point is about the income targeting. H.R. 1999 would reduce access to housing vouchers to the very people who need it the most. Many witnesses have noted that the current income targeting focuses on those with incomes of 30 percent of area median income or less. The bill would move that to 60 percent of area median income or less.

On a national basis, 30 percent of AMI is about \$15,000 a year. Sixty percent is about \$30,000 a year.

There are 6.3 million renter households in the U.S with incomes at or less than 30 percent of area median income that are now paying more than half of their income for their housing. That is what we refer to as severely unaffordable housing.

This compares to 1.1 million renter households with incomes between 30 percent and 60 percent of AMI that have such severe housing cost burdens, and there is a poster here that illustrates this point, and there are hand-outs that have the same data that have been circulated.

Parenthetically, I might note that we see on this poster a severe cost burden based on rent and ownership, and, indeed, what you will see here is that homeownership does not, in fact, protect or low-income people or low-income people from severe housing cost burdens.

In my written testimony, there is a chart attached which will give you this information on a State-by-State basis.

There is simply no policy justification to increase the upper limit on income eligibility when the unserved population of currently eligible renter households with severe housing cost burdens outnumbered the population proposed to be served by 6 to 1. Raising income eligibility is merely a strategy to reduce the cost of the program by serving people who need less assistance.

While we are on the subject of income targeting, I want to take this opportunity to point out to members of the committee that you are going to be marking up legislation on the GSEs next week, and we are very much hoping that you will take into consideration the severe affordability problems of people at 30 percent of area median income when you take up that legislation.

And finally, H.R. 1999 gives HUD sweeping authority to exempt PHAs from the vast majority of Federal requirements for the public housing and housing voucher programs. This is the equivalent of enacting the super waiver that Congress has consistently rejected in other legislation.

Mr. MILLER OF CALIFORNIA. If you could conclude?

Ms. CROWLEY. The proposal resembles the Moving to Work Demonstration Program in name only. Many lessons have been learned from the Moving to Work programs, and I urge the committee to hold hearings on what we have learned or not learned from Moving to Work before proceeding to try to implement this program any further.

[The prepared statement of Sheila Crowley can be found on page 77 in the appendix.]

Mr. MILLER OF CALIFORNIA. Thank you very much.

Ms. CROWLEY. Thank you.

Mr. MILLER OF CALIFORNIA. Mr. Tegeler?

**STATEMENT OF PHILIP TEGELER, EXECUTIVE DIRECTOR,
POVERTY AND RACE RESEARCH ACTION COUNCIL**

Mr. TEGELER. Thank you.

We are grateful to the members of the committee, particularly Chairman Ney, Ranking Member Waters, Vice Chairman Miller, for this opportunity to discuss our serious civil rights concerns about House Bill 1999.

We have previously summarized these concerns in a letter to the House Financial Services Committee dated May 10, 2005, from the Lawyers Committee for Civil Rights, the Poverty and Race Research Action Council, the National Fair Housing Alliance, and the National Housing Law Project. This letter was entered into the record at last week's hearing and is appended to my written testimony today.

In the time we have here, I am going to focus on the adverse Fair Housing consequences of Title I of the bill, the Flexible Voucher proposal. The Section 8 Voucher Program is our one major Federal housing program that has the built-in capacity to promote housing integration and voluntary moves out of high-poverty neighborhoods. This is called housing mobility and it was part of the Section 8 program's original design, and it has been supported by Congress and HUD for decades.

But the current administration at HUD seems determined to disable the very features that give families the ability to move out of poverty. For example, over the past 2 years, HUD has stopped approving exception payment standards for moves to lower-poverty neighborhoods and communities. HUD has authorized some PHAs, public housing agencies, to refuse tenants the right to move across jurisdictional lines through the portability process. They have also encouraged the lowering of payment standards across the board which leads to reduced choices and greater concentration of voucher families in poor neighborhoods.

The proposals in the bill before this committee will do even more to take away housing choice from low-income families.

First, the bill would continue a version of the current voucher budgeting system that has been in effect for the last 2 years, which creates a financial conflict on the local level between the number and the quality of housing placements.

In other words, since apartments in higher-poverty neighborhoods are more likely to have lower rent, local agencies now face pressure to serve more families in lower-cost and often lower-opportunity areas. HUD knows that this problem could be fixed without undue expense by designating a special reserve fund for moves to lower-poverty areas, but such a reserve fund does not appear in this bill.

Secondly, the bill appears to restrict the longstanding portability rights of Section 8 families. The language of the bill suggests that city and suburban housing authorities must agree on a system for transferring vouchers before families can move.

If this interpretation of the bill is correct, it would give suburban government officials or city government officials the authority to simply say no to additional city families seeking to rent private apartments in suburban towns. From a Fair Housing perspective, this would be outrageous, and it would tie up these local housing agencies in a new round of litigation.

Finally, by removing the program's current focus on the poorest city residents, the proposal to eliminate income targeting would steer new vouchers away from the most segregated and poverty-concentrated neighborhoods, undermining one of the voucher program's core goals to deconcentrate poverty.

Also—and I know this was raised by Representative Lee on the last panel—the proposal to lift the current income targeting would reduce the number of vouchers going to black and Latino families. This is a natural consequence of the way black, Hispanic, and white families are distributed in the population, particularly in the eligible low-income population.

A bill like this, before it comes to Congress, should have had a racial impact and civil rights analysis. I do not believe this is something HUD did when it drafted this bill, and it had the responsibility to do that before presenting it.

Thank you.

[The prepared statement of Philip Tegeler can be found on page 154 in the appendix.]

Mr. MILLER OF CALIFORNIA. Thank you very much.

Mr. Reilly?

STATEMENT OF CHRISTOPHER REILLY, AREA VICE PRESIDENT, EQUITY RESIDENTIAL, BOSTON, MASSACHUSETTS, REPRESENTING NATIONAL MULTI HOUSING COUNCIL AND NATIONAL APARTMENT ASSOCIATION

Mr. REILLY. Chairman Ney, Vice Chairman Miller, Ranking Member Waters, and distinguished members of this subcommittee, my name is Chris Reilly, and I am an area vice president for Equity Residential.

Today, I am representing the National Multi Housing Council and the National Apartment Association, whose combined memberships represent the Nation's leading firms participating in the multifamily rental housing industry.

Equity itself owns or has interest in 939 properties containing 199,510 units. We operate in 32 States and the District of Columbia and employ more than 6,000 people.

NMHC and NAA commend you, Chairman Ney, for your leadership, and we thank the members of the subcommittee for your valuable work addressing affordable rental housing in America. We also commend the U.S. Department of Housing and Urban Development, Secretary Jackson, and the Administration for their interest in improving the Section 8 Housing Choice Voucher Program.

As you are aware, we have submitted written testimony to the committee on the Section 8 program. I would like to underscore that testimony by sharing with you one of our firm's experiences with the program.

We own and manage a 143-unit property in West Roxbury, Massachusetts, that serves elderly residents. The property is now part of an 80-20 program that requires at least 20 percent of the apartments to be rented to low-income tenants. Before entering into the 80-20 program, the property had been 100 percent subsidized.

As a result, in addition to the 49 required affordable units, another 30 percent of the units are currently occupied by low-income residents who lived there when the property was fully subsidized and now receive Section 8 vouchers.

In April of 2004, we received notice from the Boston Housing Authority that they were experiencing a shortfall in Section 8 funding and that to close that shortfall, they would be making a 7 percent across-the-board cut in Section 8 contract rents throughout their

entire portfolio. Those cuts were announced and then implemented within 14 days.

Before the housing authority's rent reduction, the Section 8 contract rents at Rockingham Glen were \$1,200 on a one-bedroom unit and \$1,335 dollars for a two-bedroom unit. Comparable market rents were \$1,200 on a one-bedroom and \$1,495 respectively. After the housing authority's unilateral rent reduction, the Section 8 rent for one-bedroom apartments was \$84 below market rent, and the two-bedroom units were now \$253 below market rent. The housing authority's shotgun approach to its funding crisis resulted in a \$76,800 reduction in annual revenues at Rockingham Glen.

At the same time that the rental revenues were falling, the aging property required \$422,000 in capital investments to maintain it, including rehabilitating the elevator systems and upgrading and replacing the fire alarm system. We were fortunate as a company to have the resources to absorb these increased capital costs, despite the rental revenue reductions.

However, other property owners, particularly those who already have high mortgages, may find it difficult to do so. In fact, smaller owners finding themselves in a similar situation could be forced to choose between three alternatives, none of which benefit low-income tenants.

First, the owner may choose to delay or cancel the repairs and upgrades. Second, the owner may make a business decision to nonrenew the leases of the Section 8 residents and instead rent the apartments to market-rate residents. A third option would be to try to obtain bank loans or other funds to pay for capital improvement. But as we have mentioned in our written testimony, some lenders may be unwilling to give these properties new loans because of the lenders' concerns about the predictability of the future income stream.

We agree that the Nation must meet the needs of low-and moderate-income families, and we believe that improving the Section 8 program is the key way to do that. However, NMHC/NAA urge Congress and HUD to make fewer apartments available to voucher residents.

We wholeheartedly support the Section 8 program as a means for private housing owners to provide affordable rental housing to families who need it. We believe more apartment owners would participate if the program were more stable and if the cost of renting to voucher residents were more comparable to the cost of serving unsubsidized residents.

We propose the following recommendations to achieve that goal. First, we urge continued funding and program stabilization. Next, we support the changes introduced in H.R. 1999 that speed up the move-in process by amending the inspection procedures. This will reward well-managed properties and allow public housing authorities to focus their scarce resources elsewhere.

However, we are adamantly opposed to provisions that would disconnect Section 8 Voucher rents from FMRs and instead allow rents to be set by the more than 2,500 public housing authorities across the country. This change would put property owners and lenders and other housing providers that operate in many States

and jurisdictions in the unmanageable position of trying to keep track of potentially 2,500 individual programs.

In closing, we believe the Section 8 program with the improvements I have noted will make affordable housing available to more Americans.

Thank you.

[The prepared statement of Christopher Reilly can be found on page 148 in the appendix.]

Mr. MILLER OF CALIFORNIA. Thank you.

Ms. Muha?

**STATEMENT OF DENISE MUHA, EXECUTIVE DIRECTOR,
NATIONAL LEASED HOUSING ASSOCIATION**

Ms. MUHA. Thank you.

Being that I am last and the lateness of the day, I think I will be brief and spare you repeating what has already been said.

My written testimony, I ask, be presented for the record, and I just want to make a couple of brief points and spend time answering your questions.

One of the things I want to say is that I have been in this business for 20 years, and when anybody uses the word “reform” in the context of a Government program, I get very scared, and I want to run the other way. I think the word “reform” conjures up something that is unworkable or broken, and I do not believe the Section 8 program is broken. I think it is an excellent program and has served its purpose well.

If there is a problem with the program, it is the fact that the funding formula has been changed so dramatically that the monies are not getting to the housing authorities in a way that allows them to lease up their vouchers, and that instability affects a lot of different constituents.

So the other point I want to make is that we have housing authorities here, one developer—we do not have lenders present and others—but there are a broader array of stakeholders who are interested in preserving the Section 8 Voucher Program.

I want to draw your attention to a letter that we sent up—oh, I guess, at the end of April—as soon as HUD introduced this proposal, and it was signed by the National Association of Home Builders, the National Apartment Association, the Institute of Real Estate Management, National Housing Conference, and others, and I will just read a little brief part of it.

“We are concerned that the HUD’s proposal lacks specificity with regard to the amount and manner of funding for the voucher program. Further, the bill’s treatment of enhanced vouchers raises serious questions about ongoing preservation transactions, not to mention the ability of landlords, lenders, and other housing providers that operate in many States and jurisdictions to be able to keep track of potentially 2,000 individual programs. We strongly believe that the current Housing Choice Voucher Program is successful in providing housing opportunities for eligible families.”

And, with that, I will conclude.

[The prepared statement of Denise Muha can be found on page 135 in the appendix.]

Mr. MILLER OF CALIFORNIA. Thank you very much.

Chairman Ney?

Mr. NEY. Thank you, Mr. Chairman.

I apologize. I had a meeting I absolutely could not get out of. So I could not ask questions of the first panel. I know the first panel quite well, and I can see them down the road at home.

But let me just ask one generic question, which I would have asked of the first panel.

Again, thank you for coming today.

Whenever we change something, whether, you know, it is the first change that was going to occur in the block granting or this change, internally, what type of havoc does this create or does not create and does it cost money once you make these changes? Does it cost money to make changes such as the proposal? Any reflections on that from anyone? It is a generic question. I just wonder does it cause internal problems.

Mr. NACKERMAN. Chairperson Ney, in speaking, we have about 10,000 total Section 8 vouchers and about 2,500 public housing and a staff of close to 150. The key point is if the elements of this bill go through, those changes would vary from housing authority to housing authority.

In most cases, including some of the Moving to Work Demonstration sites, as demonstrated by some of those sites, those changes could include a reduction in staffing levels. As an example, if you do 75 percent fewer inspections, you need 75 percent fewer inspectors.

So a lot of the changes are administrative. I think they are fairly easy to make as far as those types of changes, staffing impact, and the costs would be less to the agencies.

Chairman NEY. Do you want to add to that?

Ms. GLOVER. Well, of course, whenever you change these things deeply incessantly, there are changes in terms of re-engineering financial systems, inspection systems, and so there are costs associated with any type of change.

One of the things that we have not seen are changes at HUD in terms of re-engineering their system so that, as these things walk lockstep, we are not doing things and then having to make adjustments with either the field office or what-have-you.

So, if reforms are made, I think they have to be looked at for the long term so that when systems are re-engineered—and there is some of that, and you spend money to do it—they can actually be sustained and improved rather than having to make abrupt changes in direction, which is really what we have been going through over the last several years.

Mr. NEY. Thank you, Mr. Chairman.

Mr. MILLER OF CALIFORNIA. Ms. Waters?

Ms. WATERS. I would like to thank all of the members of the panel for being here today. I guess I could ask you a lot of questions, but I do not agree with this bill at all. It just do not make good sense. You know, if I had my way, I would just put more money in the program.

We have waiting lists of people who have no place to live, and even though we complain about the increased costs or the rising costs, well, people increasingly do not have anyplace to live, and so I would fund all of the vouchers that were needed.

I would try and do something about public housing and make it more livable. I would try and do something about real job training programs and assistance to these young people in many of these large housing projects in the city.

For the people who get jobs, I would go back to the old working mother's budget that we had before Ronald Reagan that allowed people who have a job for the first time not to be cut off welfare. In the same way with increased rent, I think people need a break. If you get a job, I do not think your rent needs to increase immediately; maybe, you know, after 6 months, a year or so, once somebody has gotten stable in a job and they have met the increased costs of having to buy new clothes and all of that to be in the workplace.

I certainly would not deal with this portability in the way that this bill is doing. I think it is really problematic, discriminatory, and maybe even racist. So the bill is just going in the wrong direction, and while one may make a case for flexibility, again, it is about the mission. You know, why do we have these programs to begin with, and are we going to undermine the mission of these programs by creating so-called flexibility?

I think with flexibility comes a lot of uncertainty. I really do not know what it means to have so much flexibility that as you move from one county or one area to the next, things are so drastically different. How do you reconcile all of that?

So, you know, we disagree, but we have to work to try and make sense out of all of this so-called reform. I think we have some willing partners on the other side of the aisle. They may not go as far as Maxine Waters would go, but we are going to work with them to see if we cannot eliminate a lot of this and see if we cannot do some improvements in ways that will be helpful to you.

I wish I could give you high hopes that there was going to be more money, but, even though they will not like me to say this, the money is gone. We have given it away in tax cuts to rich people, the richest 1 percent in America, and we have very expensive wars in Afghanistan and in Iraq. So, you know, philosophically, we have problems that we have to overcome.

Let me just say this—and even to the landlords—we had great cooperation with landlords in Los Angeles trying to solve the problems that we had there, and so I think there are some ways that we can work with landlords to make it more attractive to be in the program.

I do not think we should try and starve you or to squeeze you to death. I think we should try and pay fair rents, and I think we should eliminate some of the paperwork, and I think we should have inspections in a cycle that makes good sense. So I am not, you know, opposed to any of that.

I am going to work with my colleagues. Again, I think both Mr. Ney and Mr. Miller can be worked with. He is on message today, but we are going to get him off message.

Mr. NEY. You think so?

Ms. WATERS. We are going to work with him so that we are able to serve all of these people who need it so desperately.

Again, thank you very much for being here. I really do appreciate the tough problems that you have.

I have worked with public housing in Los Angeles, created training programs. I used to use the Wagner-Peyser monies that came from the Federal Government in ways that nobody understood but me, and we were able to try and connect people with the old GEPTA program only to find out that GEPTA did not have much that worked at the time.

But my greatest desire—my greatest desire in all of this—is to, number one, get some temp opportunities away from public housing during summer months to give the kids a break.

My greatest desire is to have some real job training programs where people could find jobs and to make that public housing project in some areas a lot more livable, perhaps in ways that you have done in Atlanta.

Mr. MILLER OF CALIFORNIA. The lady's time has expired.

Ms. WATERS. He is tapping. He is tapping. So I have to say thank you and good-bye. I yield back the balance of my time.

Mr. MILLER OF CALIFORNIA. I believe to have a viable Section 8 market, we need an affordable move-up marketplace, and I have been in the building industry for over 30 years, and I can write a book on how the Federal, State and local governments have negatively impacted the affordable housing market and created a real problem for us in this country.

Mr. Nackerman, how would you say this legislation would benefit or impact your local housing authority?

Mr. NACKERMAN. Well, I think our county, which is the largest geographical county in the United States, we are in solid fiscal condition in all our programs. We have not experienced some of the problems in Section 8 that many authorities did last year. As my friend in Santa Clara, San Jose says, it is like bungee jumping and almost hitting the ground, but bouncing back up.

Our greatest fear is really that these programs are not reformed, but that the budgets stay static or are cut in future years. That to us is a recipe for disaster. If you want to see fewer people housed in this country under these programs, do not pass the elements of this bill because each agency needs the flexibility, especially the agencies like City of Alameda, which was another example of an authority that really had trouble with the Section 8 funding, unit-based versus overleasing, et cetera.

So, in our county, we would likely take some of the more progressive elements of this bill, such as encouraging more homeownership opportunities, such as removing a few of the disincentives to work. Again, those disincentives are, "Do not report your income to us and we will not raise your rent. If you report your income to us, we will raise your rent. If you do not report it, HUD will call that fraud," you know, that type of issue.

Just to give you an example of that, how ridiculous some of these regulations are, at all of these housing authorities, unless they have adopted a recent sort of escape hatch, if a senior citizen has \$50 in the bank in a savings account, once a year, they have to bring us proof of that \$50.

They cannot bring their Bank of America statement. That is not okay. We have to get it directly from the bank to prove they have that asset. That costs \$10. Now that senior's savings is reduced by

20 percent. That is how ridiculous some of these constraints that I mentioned are, the choke hold on these programs are.

So in our county, we would likely combine some of the funding that we would like to become a Moving to Work site. We would likely use some of that combination of funding to create more affordable housing in our county. We presently build about 100 new units a year of new affordable housing in all areas, including the higher-income areas, and we would probably reduce our inspections.

We would add more self-sufficiency elements for residents, more incentives, probably things like matching funds for homeownership, IDA accounts where the authority can actually match what the resident is saving in rent. So our agency is quite a bit different.

On that note, we have 42 residents who were previously homeless before they moved into our program. That is different than Central Boston. However, you know, we are not Newport Beach, as Ms. Waters knows. San Bernardino has the second highest crime rate in California, so out of the 12,000 families we serve, 41, 43, depending on how you count it, were previously homeless. That differs from agency to agency, which is why there is so much contention in this one-size-fits-all approach that HUD has taken.

Mr. MILLER OF CALIFORNIA. Thank you.

Ms. Crowley, you referred to that 90-60, and it really concerns you. I know you would like the 75-30, but the intent of 90-60 is to say you have to spend at least 90 percent of it at the 60 percent or below. Why do you think that is so negative?

Ms. CROWLEY. Well, precisely because of the funding uncertainty that is facing housing authorities.

Mr. MILLER OF CALIFORNIA. So is funding authority that your concerned with in the future, not necessarily us wanting to make sure that at least that amount is spent below that level?

Ms. CROWLEY. Under the current income targeting us, we would like for it to all be more deeply targeted. Obviously, if you shifted it in this way, the access for people who are extremely low income would be reduced if the housing authority were faced with those kind of choices.

Mr. MILLER OF CALIFORNIA. So the concern is that they might be faced with a choice if funding's decreased in the future? That is the basic concern?

Ms. CROWLEY. Yes.

Mr. MILLER OF CALIFORNIA. I believe we needed to set some criteria. We wanted to be flexible, but we had to have a criteria.

Ms. CROWLEY. Let me just add a bit about why it is that we have 75 percent of vouchers that go to extremely low-income people in the law now. In the development of QWHRA, there was a huge debate about exactly who should live in public housing, and we relaxed the income targeting.

Mr. MILLER OF CALIFORNIA. I am going to have to conclude my questioning. We are running out of time. We have 5 minutes, and I am going to give Ms. Lee 2-1/2 minutes and Mr. Davis 2-1/2 minutes.

Ms. LEE. Thank you, Mr. Chairman. I will be very quick.

Oftentimes, accusations that the race card is being played are made when one views public policy impacts on minorities, espe-

cially on African Americans, but I must say that institutional racism is alive and well in America unfortunately.

So in advance of this bill moving, which I hope, of course, it does not, I wanted to ask Mr. Tegeler to comment on what you said in your testimony, that if this bill passes, you would expect about 65,000 black and Latino families to lose vouchers and, over the course of 5 to 10 years, 300,000 vouchers would be taken away from very low-income African-American and Latino families. I mean, is that a fact?

Mr. TEGELER. One can quibble with the numbers, but the basic analysis, I think, is sound. Black and Latino families are more heavily represented in the lower-income tiers of the eligible family groups eligible for Section 8. Whites are more represented in the higher-income tiers. So if you lift income targeting, as this bill allows public housing agencies to do, the natural consequence will be that kind of shift from black and Hispanic families to white families in the program.

We are talking about every year turnover in the program generates about 10 percent to 11 percent of the program quantity of vouchers. You see over 200,000 families a year coming into the program. It is those families that are subject to income targeting, and the assumption we make is that if all PHAs lifted income targeting, then you would see that shift.

Ms. LEE. Okay. You mentioned that the racial impact and civil rights analysis was not conducted on this bill, and is that a requirement, and if it is a requirement, then I do not know, Mr. Chairman, maybe we need to try to figure out how to have that done. It is not a requirement?

Ms. WATERS. It is not a requirement for racial impact, but it should be common sense.

Mr. TEGELER. So it has been our duty, Representative Lee, to affirm—

Mr. MILLER OF CALIFORNIA. Well, look it. I mean, I would be happy to work with you. Anything you believe is racial profiling or any way, I would be happy to work with you on that.

Ms. LEE. Thank you very much, Mr. Chairman. I appreciate that.

Mr. MILLER OF CALIFORNIA. Mr. Scott?

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

I have two lines of questioning. One, I first want to ask Ms. Glover, and then I want to come back to you, Mr. Tegeler. Is that right?

Ms. Glover, in your testimony, you stated that the voucher programs have not served targeted populations well because the program is focused on numbers and not outcomes, if you remember my earlier comment about Mr. Jackson and the thrust of the HUD in that direction.

Given that, can you provide the Congress with any suggestions about how the voucher program can be changed to better address needs rather than merely being a program of numbers and objectives.

Ms. GLOVER. Absolutely. And I would like to offer the following outcomes for consideration.

One, I think deconcentrating poverty is critically important. I think continuing to serve the lowest-income families, below 30 percent. I want to address this question because it has not been an-

swered. But what happens here is that if the performance requirement is that the agencies continue to serve the same number of families before the reforms and after, by just sheer attrition, the money will not support continuing to serve families below 30 percent because you would have to start moving up the income tier in order to meet the performance standard.

So what happens is the monies are block granted and reduced, and you have to serve the same number of families. You will by necessity have to stop serving families at the lower-income tier, which I do believe will result in an increase in homelessness, and the concern also about seniors and disabled persons on fixed incomes who have no earning upside. If reform eliminates the safety net for them, after, I think, it is 2009, I think that would be a travesty.

Mr. SCOTT. Thank you.

Mr. Tegeler, your testimony is very disturbing, and you raised some very important points. You know, if you feel and if it is documented that their civil rights are being violated with this piece of legislation, then I am sure the chairman would not want to push forward a piece of legislation that would do that.

Mr. MILLER OF CALIFORNIA. If the gentleman could give me an example of where he believes that is occurring, I would appreciate that.

Mr. SCOTT. Yes.

Mr. MILLER OF CALIFORNIA. We are going to have to wrap up. I am sorry. We have votes.

Very, very briefly. Very brief.

Mr. TEGELER. Very brief.

Mr. MILLER OF CALIFORNIA. You can submit additional comments.

Mr. TEGELER. Very brief. No housing program is race neutral or civil rights neutral. That is clear. But this bill has such serious consequences. My only point is that it should be sent back for a closer look.

Mr. MILLER OF CALIFORNIA. We would love to work with you on that.

Mr. SCOTT. Okay. Thank you, Mr. Chairman.

Mr. MILLER OF CALIFORNIA. I ask unanimous consent to include in the record the statement of the Housing Authority of Los Angeles County, the statement of the National Council of State Housing Agencies, the statement of the National Association of Housing Redevelopment Officials.

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 30 days for members to submit written questions to these witnesses and to place their responses in the record.

Any other comments?

The meeting is adjourned.

[Whereupon, at 5:01 p.m., the subcommittee was adjourned.]

A P P E N D I X

May 17, 2005

**Opening Statement of the Honorable Bob Ney
Chairman, Subcommittee on Housing and Community Opportunity**

Hearing on

“Day 2 – H.R. 1999, the State and Local Housing Flexibility Act of 2005”

Tuesday, May 17, 2005

I want to welcome and thank all of our witnesses for appearing today as we continue our examination of the Section 8 Housing Choice Voucher Program. Those of us on the Committee are acutely aware of the many difficult management and budget challenges inherent to this government program, and it is my hope that we can take this opportunity to work together as we contemplate the future of Section 8.

While homeownership is a desired goal for many Americans, there are many in today's society that are not yet ready to own their own home. It is, therefore, prudent that we continue to pursue alternatives to make sure that affordable rental housing is available. We must also make sure that assistance is there for those that truly need it.

The Section 8 housing assistance program is the major vehicle for providing rental assistance to low-income families and individuals. Today, the Section 8 program has become the largest component of the Department of Housing and Urban Development's budget. The rising cost of providing rental assistance is due, in varying degrees, to expansion in the program, the cost of renewing expiring long-term contracts, and rising costs in housing markets across the country. The day of reckoning is coming fast; if we do not address the increasing costs of this program it will consume the HUD budget. It is already affecting the funding of other programs within the Department.

Last Congress, we held six hearings on the Administration's proposal to block grant the Section 8 voucher program to the states. While I recognize that we must constantly seek ways to improve America's communities and strengthen housing opportunities for all citizens, particularly our poor, I also understand that the issue of reforming Section 8 is a contentious one. However, it is an issue that deserves a sustained debate so that all interested parties are heard. To that end, I intend to continue holding roundtable discussions that will focus on the future of the Housing Choice Voucher Program.

Through these roundtables, it is my hope to continue identifying the top-level issues regarding the current operation, administration, and funding of the Housing Choice Voucher Program and to craft solutions that will address the effectiveness and efficiency of the government's role in the administration of the program.

I trust that we can engage in meaningful discussions with my colleagues on the other side of the aisle and the Administration to find a solution to the escalating costs of the Section 8 program. Not a day goes by that I don't talk to a constituent or an organization concerning the problems inherent to this program, such as long waiting lists, lack of affordable Section 8 voucher housing, and various PHA funding concerns. The longer we wait to address the increasing costs of the Section 8 program, the greater risk there is to the program as well as the other programs at HUD that will most surely suffer additional cuts at the behest of Section 8.

I would like to recognize Cong. Gary Miller of this Subcommittee for his hard work on this issue. As we all know, Cong. Miller introduced the Administration's most recent proposal to reform Section 8. H.R. 1999, the State and Local Flexibility Act of 2005, makes significant changes to the housing choice voucher program and gives greater flexibility to housing authorities to meet their local housing needs. The introduction of this proposal represents another step forward in the process that I hope will move us toward a general consensus on reforms to this important program.

I look forward to working together with this Administration, Cong. Miller, and our ranking member Maxine Waters as we work to enact meaningful reform. Thank you.

**OPENING STATEMENT OF
CONGRESSMAN EMANUEL CLEAVER, II**

**COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT**

**HEARING ON H.R. 1999, THE STATE AND LOCAL HOUSING FLEXIBILITY
ACT OF 2005**

Chairman Ney and Ranking Member Waters, thank you for convening this hearing today on H.R. 1999, the so called "State and Local Housing Flexibility Act of 2005." I look forward to the testimony of the distinguished panelists on what I believe is a severely flawed piece of legislation.

Although this is my first term in Congress, I am very familiar with public housing. As a child and teenager I lived in public housing with my family for 7 years. We lived in public housing not because my parents we were lazy as my father worked two jobs. Neither did my parents have some casual desire for a handout but because of necessity we live in public housing. You see Mr. Chairman, prior to moving into public housing my family lived in what was once a slave shanty. This shanty had no electricity, plumbing or running water and was located in an alley. My father and mother moved me and my three sisters to public housing because it provided a more decent and environmentally safe place to live.

As the richest, most technologically advanced, and militarily powerful nation in the history of the world, I believe the United States government has a responsibility to make sure that its citizens are not homeless or living in squalor. Particularly for those individuals who are struggling to get out of poverty. Thus, I am vehemently opposed to legislation that runs counter to this belief and I am greatly offended by this Administration's latest attempt to attack the nation's most vulnerable under the guise of

budgetary deficits while proposing a budget for FY2006, which includes billions of dollars in tax breaks for the wealthiest 3% of Americans.

My opposition to H.R. 1999 is drawn from this philosophy and my personal experience in public housing. Among the many flawed provisions in this bill, are those that greatly relax the statutory income targeting and rent affordability requirements. In addition, the bill would eliminate the Brooke Amendment, which limits public housing tenant payments to 30% of their income. As a result, H.R. 1999 would have the most devastating impact on the poorest Americans.

For example, under current law 75% of new vouchers must go to “extremely low-income families” or those who earn less than 30% on the median income. This legislation would replace that requirement so that 90% of new vouchers go to families below 60% of the median income. The median income in many parts of my district is \$68,400. Thus, the targeting cut off under current law is \$20,520. Under the bill, the targeting cut off would almost double to \$41,040. Despite proposing to broaden the income targeting requirement, which in effect expands the number of individuals eligible for new vouchers, the Administration has failed to demonstrate a commitment to increase funding for vouchers to provide for this expansion of eligible recipients. Therefore, the logical result is that fewer families who are “extremely low-income” will receive vouchers than they would under current law. Now my point is not to belittle the struggle faced by those earning approximately \$40,000, but it is to highlight that it is markedly different than those earning under \$20,000.

In addition, the bill allows housing agencies to set a minimum rent for voucher holders and public housing residents, without any cap on the amount. The bill eliminates authority to provide enhanced voucher assistance to a tenant after one year which may make units unaffordable for tenants thus pushing many of them out on the streets. The bill jeopardizes the portability of vouchers because it only provides for voluntary agreements among housing agencies within a state or “region” to administer portable vouchers and appears to prohibit portability to other states outside a region.

Taken as a whole, this legislation appears to have been drafted without the slightest consideration for our nation's most vulnerable families. At the end of the day, this legislation will put families out on the street and punish children who like me only wanted a decent place to live.

Mr. Chairman, H.R. 1999 is a bad bill. It is not bad because the Leadership told me it is bad or because I read that it was bad. It is bad because experientially I recognize badness when I see it and I yield back the balance of my time.

Statement
Rep. Carolyn Maloney
FS Housing Subcommittee
HR 1999 "State and Local Housing Flexibility Act of 2005"
May 17 2005

Thank you Chairman Ney
and Ranking Member Waters.
Good morning to our witnesses
and I appreciate their taking time
from their busy schedules
to give us their input
on the Administration's latest Section 8 bill.

As a representative from New York City
I am acutely aware of the critical functions
served by the Section 8 voucher program.

One of the most critical aspects of the Section 8
voucher program in New York City
is the enhanced or "sticky" voucher program
which has enabled tenants
to stay in homes they have lived in
for over 20 years in many cases

as those apartments' market rent skyrockets and landlords opt out of moderate income housing.

As Secretary Jackson said in the last hearing – after extensive questioning by Congressman Frank --

the Administration's bill would terminate enhanced vouchers in one year except for elderly or handicapped persons, who would only receive them for the next three years.

The end of enhanced vouchers would mean that thousands of New Yorkers including elderly and handicapped citizens would be out on the street.

That is no exaggeration.
Today the market rent of an apartment near my district office may be \$4000 a month.

Low and moderate income tenants who have lived there for many years pay roughly one-tenth of that and receive enhanced vouchers to induce the landlord not to convert the building to luxury apartments.

Secretary Jackson stated that he thought people receiving enhanced vouchers could all afford to pay the higher rent.

That is preposterous.

There is no place for these New Yorkers to go. There is no moderate income housing available.

The Administration's proposal throws New York – any many other cities -- into crisis.

I'd like to ask the witnesses to comment on the result of the abolition of

enhanced vouchers
in their urban areas.

Also, as the testimony of almost all the witnesses makes clear, the Administration's proposal would seriously harm the ability of local PHAs to provide housing for low-income members of the community.

I am particularly concerned regarding the effect of the proposed legislation on the present rule that a public housing tenant may not be charged more than 30 percent of his or her income as rent. It appears that the bill would effectively remove this protection for public housing tenants.

Recent studies show that low-income tenants in private sector housing pay 50 or 60 percent of their income

for housing, leaving them without money for food, clothing, utility payments, or other essentials.

For several decades now, the Brooke Amendment has protected tenants of public housing from paying more than 30 percent of their income in rent.

Those who support the bill assert that the PHAs can protect public housing tenants depending on how they calculate tenant rent share.

But it is my impression that the legislation creates pressure on PHAs to use rent calculations that would result in dramatic rent subsidy cuts to public housing tenants.

I hope that the witnesses can comment on this as well.

Thank you and I look forward to the testimony.

**Statement of Congresswoman Maxine Waters for the Housing
Subcommittee Hearing on H.R. 1999, the Administration's Section 8 Voucher Bill
(The State and Local Housing Flexibility Act of 2005)**

May 17, 2005

2:00 PM

Thank you, Mr. Chairman, for scheduling this important hearing. I want to welcome all of our witnesses, and look forward to hearing their views about the Administration's Section 8 voucher bill.

Mr. Chairman, last week's hearing with Secretary Jackson only served to heighten my concerns about H.R. 1999, the Administration's latest Section 8 block grant bill. Unfortunately, H.R. 1999 abandons the Section 8 voucher program's historic mission of helping those with the greatest needs obtain affordable rental housing.

Mr. Chairman, Section 8 vouchers are designed to fill the gap between what poor people reasonably can pay for rent and what affordable rental housing costs. This bill is a huge step in the wrong direction that will hurt some of our most vulnerable tenants, namely, severely cost-burdened families with extremely low incomes.

H.R. 1999 would be devastating to tenants with extremely low incomes who need affordable rental housing. It must be resisted.

H.R. 1999, would shift federal housing resources away from those who need help the most, eliminate crucial tenant protections, including various tenant participation rights, and weaken, if not eliminate, the link between tenant income and rent.

The bill would block grant the voucher program, fundamentally change the program's income targeting requirements, and end the program's focus on serving extremely low income (ELI) households. It also would allow housing authorities to impose time limits, after five years of assistance, to voucher holders.

Mr. Chairman, this is an extremely bad bill that will hurt those who need federal housing help the most, and lead to increased homelessness. Once the grandfathering provisions expire (and sooner for new voucher holders), the elderly and the disabled also will be at risk. Finally, the bill has enormous implications for all who care about civil rights and fair housing enforcement.

Mr. Chairman, I am open to considering changes to the Section 8 program that could improve the way that the program functions, but I will not support proposals that would fundamentally compromise the program's mission.

Mr. Chairman, under current law, 75% of Section 8 vouchers must go to ELI households, that is, households with incomes less than 30% of the area median income. The bill would require only that at least 90% of vouchers go to households with incomes up to 60% of area median.

Thus, the Administration would double the target income threshold for the program, even as the program fails to meet the needs of so many persons with extremely low income. Many jurisdictions would be free virtually to abandon the mission of serving the poorest of poor people. Why, in the face of such huge unmet needs among those already eligible, would we redirect the program to cover more tenants with higher incomes?

Unfortunately, the bill also would permit housing agencies to make deep cuts to rent subsidy levels. H.R. 1999 would change statutory protections long in place that set rent subsidies at a level so that a voucher tenant generally pays no more than 30% of his income for a unit charging a Fair Market Rent, or for a public housing unit. These protections are critical to ensuring affordable rents for low income tenants.

The bill would limit enhanced vouchers to one year, after which time they revert to a regular voucher. Ending enhanced vouchers after one year surely will result in families being forced to leave their rental units.

The bill also makes fundamental changes to the rules on voucher portability. Vouchers would be portable only when the initiating and receiving housing authorities had entered into a written agreement permitting such portability.

Mr. Chairman, there are enormous fair housing implications to making voucher portability depend on the willingness of an originating and a receiving public housing authority to negotiate a portability agreement. Housing authorities who wish to exclude tenants with certain racial, ethnic, or income characteristics would have a roadmap as to how to do so- just don't sign a portability agreement!

Finally, unlike previous Administration Section 8 bills, this bill greatly expands the number of housing agencies eligible to run "Moving to Work" (MTW) programs. The bill would permit the HUD Secretary to waive almost any provision of the U.S. Housing Act for any public housing agency designated an MTW jurisdiction.

Mr. Chairman, there are 5.7 million people with extremely low incomes and severe housing cost burdens. Both they, and the two million families currently served by the Section 8 Voucher program would be severely harmed by H.R. 1999. They all deserve better treatment. I urge my colleagues to join me in rejecting this misguided bill.

Thank you, Mr. Chairman. I yield back.

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DAVID E. BRIGHTBILL
WASHINGTON-MORGAN COUNTIES COMMUNITY
ACTION

TESTIMONY BEFORE THE
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND COMMUNITY
OPPORTUNITY

TUESDAY, MAY 17, 2005

Good afternoon. My name is David Brightbill. I am the Executive Director of Washington-Morgan Counties Community Action. The Agency is a private nonprofit corporation located in Southeastern Ohio along the Ohio River. The agency has been in business since 1967 and operates a variety of programs designed to help low and moderate income families. These programs include Head Start, employment and training (we are the One Stop center for Washington County), transportation, senior programs, housing, and health services.

In 1988, the City of Marietta received funding for fifty (50) vouchers and subcontracted with our agency to provide the management for this new program. We leased the vouchers up rapidly and, for the next several years, HUD gave us additional vouchers and certificates until we reached our current level of 356. We have been unable to secure more vouchers although there is a waiting list of several hundred people and we have applied for more almost every year (we did receive forty (40) additional temporary vouchers this year following a flood that destroyed dozens of mobile homes, which were housing for very low income families). Because of the current funding situation, we only have funds to actually issue 337 of our authorized vouchers, even with our long waiting list.

Marietta is the county seat of Washington County and is located in Appalachian Ohio. We face many of the same problems that other Appalachian counties face, loss of manufacturing jobs, lower wage jobs, older housing stock, transportation needs, access to affordable health care, etc.

The Housing Choice Voucher program has had a significant and important impact on our community throughout the years. It has provided tenants with the resources to afford decent, safe and sanitary housing and landlords the incentive to provide quality housing. Because the Housing Assistance Payment (HAP) guarantees landlords a portion of the rent, they have been more willing to rent to lower income families and to maintain their property in accordance with the housing quality standards. In a community with few standards that apply to rental property, this has had a positive impact on rental housing quality. The fact that we have 168 active landlords, and over 300 that have participated in the program, indicates the level of local acceptance of the program. Many landlords asked to be added to a list that we maintain which is made available to clients when they receive their housing voucher. The units are spread throughout the City of Marietta and Washington County assuring that there is no significant concentration of HUD assisted properties in any one location.

The voucher program has had a positive impact on our clients as well. Currently, approximately 57% of our clients are disabled/handicapped or elderly and disabled/handicapped. These are individuals and families who, without this program, would be spending an ever-increasing percentage of their disposable income on housing costs. It would be likely that they would have to choose between housing, food, or medicine. Of the individuals and families not in the above category, a significant percent are working and only fifteen families receive TANF funding or another form of general assistance. The average income of the employed families on

the program is not sufficient to allow them to pay for the full cost of housing without again facing choices that families should not have to make.

While we have no minimum rent requirement, 87 percent of the families receiving vouchers pay some part of their total housing costs. Our average one bedroom rent is \$341 with the average tenant payment being \$135, the average three bedroom rent is \$502 with the tenant payment averaging \$103. This demonstrates that even larger families are making a significant (average of 20%) contribution to the cost of their housing.

An additional feature of our Housing Choice Voucher program is the Family Self Sufficiency (FSS) component, which we have incorporated into the program. The voucher allows the family to afford a safe and sanitary home providing a stable platform as they work to move off of their various sources of public support. Current FSS funding allows us to employ a coordinator. She works with thirty-one (31) families developing self sufficiency plans of up to five years and provides follow up assistance to secure the services necessary to reach those goals. The goals range from getting the person started earning their high school equivalency degree, to getting job training, seeking counseling, and, in some cases, the purchase of their first home.

During the past two years, 45 families have been involved with the FSS program, fourteen (14) families have left the program with thirteen (13) of them successfully completing their five-year plan. Of the thirteen that graduated, so to speak, three of them have used their escrow accounts to purchase homes. While the numbers are not high, the total participants represent about 10% of our voucher holders and 23% of those individuals who are not elderly, disabled or handicapped. Ninety two percent of the families participating in the FSS component successfully completed their plan. This resulted in significant monetary savings as those families are no longer receiving various types of government assistance.

Part of the reason for this success is the nature of our agency. Many services are offered under the same roof, i.e., the One Stop Employment Center is just two offices down from the FSS coordinator's office, outreach workers are across the hall, as is our Home Energy Assistance program and Head Start recruiters are located in the same building. Each month, our front line staff, including the FSS coordinator, meet to discuss any changes in the programs we operate. Outside resource persons are brought in and their services discussed. The goal is to make sure that there is a comprehensive approach taken to helping the family get off assistance.

Since we have been able to use vouchers toward the purchase of a first time home, three of our families have taken advantage of this and have successfully purchased a home and are currently making the required mortgage payments along with our HAP. The self sufficiency component provides an important resource for helping to move families off other types of assistance and eventually off the voucher program. Unfortunately in this year's NOFA one of the threshold requirements to be a Tier I organization for FSS funding requires that five FSS families have purchased homes

since 2001. The five participant requirement is the same for an agency our size as it is for Cleveland or Columbus. Consequently we are concerned about our prospects for future funding. It does not seem right that a rural community with a relatively small number of vouchers would have to meet the same threshold requirement as a housing authority many times its size.

In reviewing the State and Local Housing Flexibility Act of 2005, the proposed changes we have a particular interest in are:

- **The income targeting guidelines.** Today, 75% of vouchers must go to families with incomes below 30% of area median income. H.R. 1999 would require that at least 90% of vouchers go to families with incomes up to 60% of area median income. This would have the effect of allowing housing authorities to reduce the HAP, consequently reducing the federal funds necessary to support the same number of vouchers. This change seems to me to be getting away from the purpose of the program, which is to provide safe, affordable housing for those families with the most significant housing cost burdens. Until there are more resources available, I feel we should continue, by national policy, to direct the limited funds available to individuals and families with the greatest need.
- **Allowing public housing authorities to impose time limits on voucher assistance in 2008 (not including the elderly or disabled).** This would, if used by the housing authorities, set limits for the first time on how long families could participate in the program. The change would obviously have the effect of increasing the number of total families served, but often at the expense of families that are working but unable to earn sufficient income to pay the full cost of their housing. What is gained if we move one family onto the program and at the same time remove a family even though they do not have the income to maintain needed housing? Investing in adequate job training and support services, including expansion of the FSS program, would be a better way to get additional turn over. As it is, at least in our case, we generally issue at least some vouchers to new participants each month, which means turn over is occurring. The goal ought to be having the family earning enough money to take care of their needs not just getting them off the rolls.
- **Allowing housing authorities to change how rents are calculated, so that rents may no longer be a percentage of resident income.** This again would allow housing authorities to reduce their HAPS and decrease the costs of serving the same number of families. Given the current turmoil in funding and the need to somehow make dollars stretch it will be very tempting to impose tenant payments that shift the burden to the client. Organizations, such as ours, will be faced with the difficult decision of setting higher tenant rents to help balance the budget when we know that, for the families we serve, even minimal increases are hard on them let alone the kinds of increases that could be made under the proposed new law.
- **Vouchers would only be portable between agencies if both agencies had a**

standing agreement and, then, only within the same state or region with some limited exceptions. The current system has not been a problem for us. Once in awhile, we are faced with rents much higher than normal and we have been able to deal with those within existing law. The primary purpose of the proposed policy change, it seems to me, is another way of removing families from the program and,, therefore is contrary to the best interests of the families we serve. I would suggest that HUD create some type of central pool of funds which would provide local housing authorities with the ability, when the port rent is significantly higher than the local rent, to apply for funds to make up the difference.

- **After January 1, 2009, voucher policy changes could also apply to new elderly and disabled families, at the discretion of the local housing authority.** If the local housing authority does not make the decision to exempt elderly and disabled families from these changes, then they are applicable to the elderly and the disabled. Once again, people who are the least able to afford to pay more for housing will have an additional burden placed on them. Time limits would remove people who, in most cases, have no real way to earn additional income so they will be faced with homelessness or an incredible rent burden.
- **Currently, residents are protected with enhanced vouchers if owners of HUD multifamily properties prepay on their mortgages or opt out of renewing project-based Section 8 contracts.** Under SLHFA, enhanced vouchers will only be good for one year. Then, they are converted to regular tenant-based vouchers. We do not have enhanced vouchers, but in tight housing markets it seems to me that this could create a problem. If housing projects are taken to market with a corresponding increase in rent and if the enhanced voucher is only available for one year then the family could easily be faced with the necessity to move and no adequate place to go. The community loses both ways, affordable housing is lost and families now may have no place to go that is affordable.

The voucher program has served the affordable housing needs of this country for years. At least in our area it is a great blend of public and private interests. The housing is affordable to clients, they are not forced to move from one home to another because they get behind on the rent and the FSS program provides help and guidance in moving toward self sufficiency. Private landlords are willing to invest in and maintain property because they can select their own tenants yet be guaranteed a portion of the rent will be paid every month and on time. The landlords develop a commitment to the program because they can see first hand the benefits of the program to them and the community. While anything can be made better, I encourage the subcommittee to carefully consider the proposed changes and to reject those that do not improve the program. Costs should not be shifted to tenants who are not in a position to be able to afford the additional financial burdens.

Thank you for the opportunity to appear before you this afternoon.

David Brightbill's biography:

I am a 1970 graduate of Ohio University with a Bachelors Degree in Education. I have been employed with our agency since July of 1970, serving in progressively more responsible positions and in October 1987, I became executive director. I am a past two-term president of the Ohio Association of Community Action Agencies; former two-term president of The Corporation of Appalachian Ohio Development, (a regional association of Appalachian Ohio Community Action Agencies); currently I serve on the national boards of the Community Action Program Legal Services, Inc. and the Ohio University Alumni Association. I have not received a direct benefit from our current sub-contract (or former contracts) with the City of Marietta to operate the Housing Choice Voucher program although part of my salary and fringe benefits are allocated expenses to the Housing Choice program following our cost allocation plan.



*Dedicated solely to ending America's
affordable housing crisis*

**Testimony of Sheila Crowley, MSW, Ph.D.
President of the National Low Income Housing Coalition
presented to
Housing and Community Opportunity Subcommittee of the Financial Services
Committee
United States House of Representatives
May 17, 2005**

Chairman Ney and Ranking Member Waters, I am Sheila Crowley, President of the National Low Income Housing Coalition. On behalf of our members, who include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens, I thank you for this opportunity to testify today on H.R. 1999.

As the committee members are well aware, since 2003, the Housing Voucher program has been in a state of tumult. The Administration's voucher funding requests, the HANF proposal followed by the Flexible Voucher Proposal, the funding formulas adopted for FY2004 and 2005, the April 22, 2004 voucher funding guidance memo, and the series of changes and missteps in issuing the Fair Market Rents last year have resulted in instability in the program that adversely affects all program participants, be they residents, prospective residents, landlords, developers, lenders, and PHAs. It is to the credit of the many PHA managers who work hard everyday to provide safe, decent, and affordable housing for needy Americans that more families have not been upended and lost their homes.

Recognizing the crucial importance of the housing voucher program in solving the affordable housing crisis in the United States and the apparent impasse in coming to agreement over how best to return the program to the degree of stability needed for the program to work, the National Low Income Housing Coalition planned and implemented a national housing voucher summit earlier this year. The purpose of the summit was to develop a consensus agenda on legislative and regulatory changes to the housing voucher program, in order to restore credibility and stability to the program, with the intent of paving the way for eventual future growth. Sixty-five experts, including members of the committee's staff from both sides of the aisle, participated in the summit, as did HUD officials.

While the summit participants have not yet completed the process of reaching consensus, it is safe to say that H.R. 1999 does not reflect what the majority of participants will agree to and indeed is antithetical to much of what we think are prudent and appropriate changes to be made to improve the voucher program. I urge the committee to continue the consensus seeking process begun by Mr. Ney in his roundtables and to build upon the considerable work already developed for the national housing voucher summit as you move forward in considering changes to the voucher program.

Now I will turn to specific problems that NLIHC has with H.R. 1999.

Block granting. H.R. 1999 would block grant voucher funding initially based on the distribution of voucher funds in place today to be replaced by a formula developed by negotiated rule making in two years. Once Congressional decisions on the annual appropriation for the voucher program are severed from the number and costs of authorized vouchers, it will be impossible for Congress to know the true cost of housing vouchers and to determine if the funds provided are adequate, thus setting the stage for reduced funding in the future. What has been uniquely effective about the voucher program has been its responsiveness to market forces.

Much has been made of the rise in the cost of the voucher program in recent years. Indeed, the impetus for this bill and HUD's other actions in the last two years have been for the purpose of curtailing and reducing the cost of the program. However, the rise in cost can be simply explained. Congress expanded the housing voucher program three years in a row in FY1999, FY2000, and FY2001. Congress also authorized the vouchering out of many public housing and project-based assisted units, thus transferring the subsidy cost to the voucher program. And the cost of housing rose precipitously across the country. NLIHC calculations show a 37% increase in the cost of modest rental housing between 1999 and 2003.¹

Of all the reforms to the voucher program that the committee should consider, none is more important than restoring stability and predictability in the program's funding. This means a) accurate knowledge of what it costs to fund the program to meet its current obligations and future objectives, b) confidence that the program is operating at maximum cost efficiency, c) a transparent and predictable method of distribution of funds from HUD to PHAs, and d) a system of reserves to deal with unforeseen changes in the housing market and in tenant incomes, so as to maximize the ability of PHAs to issue all authorized vouchers and to prevent at all costs any incidences of payment interruption.

The flexibility for PHAs to shift greater rent burdens to tenants or to reduce the number of families of served is a poor substitute for PHAs receiving the right amount of funding to properly run the program.

¹Pitcoff, W. et al. (2003). *Out of reach 2003: America's housing wage climbs*. Washington, DC: National Low Income Housing Coalition.

Income targeting. H.R. 1999 would change the income targeting in the voucher program in a manner that would reduce access to this form of housing assistance to the very people who need it the most. Instead of 75% of vouchers going to households with incomes at or less than 30% of the area median, 90% of vouchers would go to households with twice that income or 60% or less of the area median. Nationally, 30% of area median income is approximately \$15,000 a year; at 60% of AMI, it is \$30,000.

There are 6.3 million renter households in the U.S with incomes at or less than 30% of the area median that pay over half of their income for their housing, compared to 1.1 million renter households with incomes between 30 and 60% of the area median that have pay over half of their income for their housing. Nationally, 84.1% of all renter households that pay over half of their income for housing have incomes at or below 30% of the area median.² Attached is a chart that details this comparison on a state by state basis.

There is simply no policy justification to increase the upper limit on income eligibility, when the unserved population of renter households with severe housing cost burdens who are currently eligible for vouchers outnumbers the population proposed to be served by six to one. Raising income eligibility is merely a strategy to reduce the cost of the program by serving people who need less subsidy.

There are some jurisdictions where income is so low that 30% of the area median may need to be adjusted upward to be able to utilize all vouchers. We propose consideration of a change to income targeting such that 75% of vouchers go to households with incomes at or less than 30% of the area median or households with incomes at or less than the federal poverty level adjusted for family size, whichever is higher.

Time limits. H.R. 1999 grants PHAs the option of limiting the length of time that a family can have a voucher after a five year period has passed. HUD's own data shows that two-thirds of vouchers are used for less than five years.³ In a housing market in which housing affordable to low income households is in short supply, terminating voucher assistance for any reason other than an increase in household income means that the household will lose housing security and be forced into the ranks of those with severe housing cost burdens, who have to double-up in overcrowded housing, or who end up homeless. If the intent of a time limit policy is to promote "self-sufficiency" among long term voucher holders, there are any number of direct interventions that a PHA could employ that will be more effective than time limits, including outreach, counseling, adult education, and job training and placement.

Amount of assistance. Another major change to existing policy in both the voucher program and public housing in H.R. 1999 is in the area of determining the

² Pelletiere, D. & Treskon, M. (2005). *Severely unaffordable housing: Who lives in it?* Washington, DC: National Low Income Housing Coalition

³ U.S. Department of Housing and Urban Development. *Resident characteristic report* as of April 30, 2005. Pic.hud.gov/pic/RCRPublic/reremain.asp.

amount of rent that each household pays. Contrary to what you may have heard, tenants do make a substantial contribution to the cost of their housing. The average monthly tenant payment is \$255 nationally.⁴

What is true is that the process of determining what rent a given household is required to pay is cumbersome, complex, and prone to error in either direction. Calculating what each tenant owes should be streamlined and made much more transparent. However, it should continue to be linked to income to assure that the basic goal of the program, that is, to bridge the gap between what modest, safe, decent housing costs and what extremely low income families can afford, is retained. Under no circumstances does a flat rent achieve that goal.

One possible reform is to base the portion of rent the tenant pays on household income from the previous years as determined by tax forms.

Enhanced vouchers. The elimination of enhanced vouchers after one year is a particularly cruel feature of this bill. Congress worked hard to respond to the crisis for residents of Section 8 properties whose owners opted out of their contracts to take their properties to market. In the late 1990s, newspaper articles across the country told the stories of elderly and disabled residents who were in danger of losing their homes. Enhanced vouchers were the solution. As long as tenants continue to live in their homes, they would receive vouchers of sufficient value to cover the increased rents. If Congress enacts H.R. 1999, you will be reversing that decision and subjecting some 100,000 low income residents, most of whom are elderly, to severe hardship.

Rent reasonableness. H.R. 1999 will allow PHAs to set their own rents and not have to rely on the HUD Fair Market Rents to determine the cost of rents in their communities. The FMRs are imperfect, primarily because of the lack of up-to-date data upon which to determine them. However, in just two years, the U.S. Census Bureau will have fully implemented the American Community Survey. When these data are available, HUD will be able to determine FMRs in a much more precise manner than it does now. We highly recommend that FMRs continue to be the basis for determining rents, with the emphasis placed on improving FMRs rather than going to a patchwork system of 2500 different methodologies to set rents. Congress will have no way to know the true cost of the program if that happens.

Portability. Other witnesses will testify at length about the importance of choice in the housing voucher program. We concur that choice and mobility are core goals of the housing voucher program. HUD's proposal to require that receiving jurisdictions agree to accept a voucher holder who wants to move there is the antithesis of choice, and indicates a profound disregard for the department's statutory duty to affirmatively further fair housing. Portability must be preserved and can easily be handled by establishing a central portability fund from which PHAs can draw if there are increased costs associated with the porting of a voucher.

⁴ Ibid.

Elderly and disabled tenants. The bill attempts to protect current elderly and disabled voucher holders from the disruptions that other families will experience if the bill is enacted, but inexplicably ends that protection on January 1, 2009. Then these tenants will have no protections save the vague language in the bill that PHAs are to ensure that the “needs” of elderly and disabled people are “addressed.” Moreover, the bill explicitly allows PHAs to discriminate against some groups of disabled people in favor of other groups of disabled people, a clear violation of federal civil rights laws that protect people with disabilities.

Moving to Work. Under Title III of H.R. 1999, HUD is given sweeping authority to exempt PHAs from the vast majority of federal requirements for the public housing and housing voucher programs. This is the equivalent of enacting the superwaiver that Congress has consistently rejected in other legislation. The proposal in Title III to allow PHAs to co-mingle their PHA operating and capital funds with their voucher funds is particularly ill-advised.

This proposal resembles the Moving to Work demonstration program in name only. The point of a demonstration program is to experiment with new ideas to determine if they work and if they merit consideration for application to the larger program. Many lessons have been learned from the 24 Moving to Work demonstration projects. The committee would find that it is time well spent to hold hearings on these lessons in order to inform its deliberations on changes that would improve the voucher program and changes that will only be harmful.

Limiting this superwaiver to PHAs with 500 units or more is supposed to serve as incentive for small PHAs to consolidate. While we support measures to achieve administrative efficiencies by reducing the number of different voucher administering agencies, we must reject this approach. We suggest that the committee ask GAO to study the effects of consolidation, including the forming of regional consortia by several PHAs, in order to better inform the committee about ways to reduce administrative redundancy in the voucher program.

In conclusion, NLIHC is ready to work with the committee to develop sensible reforms to the voucher program. We urge you to remember that the housing voucher program has been and continues to be one of the most effective methods Congress has devised to address the affordable housing shortage in the United States. Changes you choose to make to the program should serve to strengthen it, not undermine it, which is what H.R. 1999 would do.

Thank you for the invitation to come before you today and for your consideration of my remarks.

NLIHC Analysis of 2003 American Community Survey
Severe Housing Cost Burden Among ELI and 60% of AMI Households

State	Income Category	State Totals					
		HHs with Severe Cost Burden			Total Households		
		renter	owner	all	renter	owner	all
Alabama	ELI HHs*	94,776	70,144	164,920	154,359	170,674	325,033
	60% AMI HHs*	5,962	17,875	22,837	111,743	236,749	347,492
	Upp Inc HHs*	676	7,247	7,923	149,786	834,972	984,752
	Total	100,514	95,266	195,780	415,882	1,241,395	1,657,277
Alaska	ELI HHs*	11,872	5,168	17,040	19,575	14,562	34,137
	60% AMI HHs*	1,088	3,277	4,365	25,654	26,115	51,769
	Upp Inc HHs*	12,960	9,377	22,337	28,071	102,227	130,298
	Total	25,920	17,822	43,742	71,700	142,904	216,204
Arizona	ELI HHs*	110,670	60,618	171,288	162,416	132,712	295,128
	60% AMI HHs*	21,844	43,086	64,930	186,622	263,672	450,294
	Upp Inc HHs*	1,764	20,945	22,709	240,334	960,787	1,231,131
	Total	134,278	124,649	258,927	589,372	1,357,171	1,975,553
Arkansas	ELI HHs*	66,816	30,734	97,550	93,101	79,429	172,530
	60% AMI HHs*	6,657	9,911	16,568	88,210	134,760	222,970
	Upp Inc HHs*	381	3,450	3,831	123,734	512,787	636,521
	Total	67,854	44,095	111,949	305,045	728,976	1,032,021
California	ELI HHs*	871,967	313,112	1,185,079	1,238,632	642,913	1,878,545
	60% AMI HHs*	265,977	305,354	571,351	1,341,098	1,092,500	2,433,598
	Upp Inc HHs*	28,136	263,068	291,204	2,134,798	5,106,283	7,240,081
	Total	1,166,100	871,534	2,037,634	4,711,528	6,849,696	11,552,624
Colorado	ELI HHs*	100,581	63,444	164,025	158,657	134,018	292,675
	60% AMI HHs*	18,355	39,832	58,287	162,676	221,557	384,433
	Upp Inc HHs*	406	17,713	18,119	189,597	919,966	1,109,563
	Total	119,342	121,089	240,431	509,130	1,275,541	1,784,671
Connecticut	ELI HHs*	76,880	44,666	121,546	146,537	87,628	234,165
	60% AMI HHs*	10,602	22,117	32,719	118,649	271,188	390,907
	Upp Inc HHs*	564	14,383	14,947	136,344	648,421	783,705
	Total	88,046	81,166	169,212	401,430	893,235	1,294,665
Delaware	ELI HHs*	11,128	7,934	19,062	20,542	23,224	43,766
	60% AMI HHs*	1,731	3,780	5,511	24,699	38,096	62,795
	Upp Inc HHs*	63	1,639	1,702	30,996	158,498	189,494
	Total	12,922	13,353	26,275	76,237	219,818	296,055
District of Columbia	ELI HHs*	27,618	4,690	32,308	42,778	7,804	50,582
	60% AMI HHs*	4,675	2,775	7,450	30,658	12,568	43,226
	Upp Inc HHs*	866	2,448	3,314	89,966	82,200	142,286
	Total	33,149	9,914	43,063	133,402	102,613	235,915
Florida	ELI HHs*	366,990	257,969	624,959	522,784	539,938	1,062,722
	60% AMI HHs*	88,050	161,152	249,202	542,188	908,608	1,450,776
	Upp Inc HHs*	10,557	76,537	87,094	774,599	3,175,692	5,050,191
	Total	465,597	494,658	960,255	1,839,571	4,624,138	6,463,689
Georgia	ELI HHs*	179,484	101,400	280,884	280,133	262,926	533,059
	60% AMI HHs*	24,414	84,030	108,444	273,950	390,923	664,873
	Upp Inc HHs*	873	28,198	29,069	348,936	1,491,533	1,840,469
	Total	204,771	193,628	398,397	893,193	2,135,192	3,038,365
Hawaii	ELI HHs*	28,342	9,552	37,894	38,126	21,794	59,920
	60% AMI HHs*	7,304	6,336	13,640	42,817	35,813	78,630
	Upp Inc HHs*	1,621	5,271	6,892	75,029	178,111	253,140
	Total	35,167	21,159	56,326	155,972	295,718	392,690
Idaho	ELI HHs*	17,736	13,356	31,090	30,205	34,288	64,473
	60% AMI HHs*	4,148	8,005	12,153	43,742	69,974	113,716
	Upp Inc HHs*	698	3,131	3,829	43,276	267,294	310,569
	Total	22,581	24,491	47,072	117,222	311,556	488,148
Illinois	ELI HHs*	268,907	156,054	424,961	432,212	338,225	771,437
	60% AMI HHs*	39,700	90,005	129,705	400,152	551,222	951,374
	Upp Inc HHs*	2,802	41,181	43,983	518,096	2,263,683	2,781,778
	Total	301,409	287,220	588,629	1,350,459	3,154,130	4,504,589
Indiana	ELI HHs*	118,824	66,020	184,844	220,441	178,037	398,448
	60% AMI HHs*	12,876	29,087	41,963	182,614	346,910	529,524
	Upp Inc HHs*	198	7,493	7,691	207,820	1,157,224	1,364,744
	Total	131,900	102,600	234,500	600,675	1,682,141	2,292,716
Iowa	ELI HHs*	49,070	31,210	80,280	86,072	94,156	152,238
	60% AMI HHs*	4,408	8,748	13,156	89,298	178,329	267,587
	Upp Inc HHs*	261	3,095	3,356	62,697	576,686	639,683
	Total	53,739	43,053	96,792	280,327	849,201	1,122,628
Kansas	ELI HHs*	52,362	25,416	77,778	101,362	70,665	172,027
	60% AMI HHs*	8,236	11,851	20,087	93,984	148,968	242,953
	Upp Inc HHs*	623	2,599	3,222	106,792	503,840	610,632
	Total	61,221	39,866	101,085	302,138	723,284	1,025,402
Kentucky	ELI HHs*	73,704	55,450	129,154	141,076	163,792	304,868
	60% AMI HHs*	5,870	18,467	24,337	109,201	213,915	323,016
	Upp Inc HHs*	314	6,793	7,107	149,012	743,782	893,794
	Total	79,888	80,710	160,598	400,189	1,121,399	1,521,688
Louisiana	ELI HHs*	110,369	61,087	171,456	174,595	159,499	334,094
	60% AMI HHs*	11,087	21,674	32,761	120,086	205,714	325,780
	Upp Inc HHs*	351	8,447	8,798	167,298	743,595	916,801
	Total	121,807	91,218	213,025	461,987	1,114,718	1,576,675
Maine	ELI HHs*	18,287	15,076	33,333	41,635	38,022	79,657
	60% AMI HHs*	3,876	10,776	14,652	44,037	70,950	114,987
	Upp Inc HHs*	354	4,949	5,303	55,159	267,777	322,936
	Total	22,497	30,801	53,288	140,831	376,749	517,580
Maryland	ELI HHs*	106,037	62,068	168,123	181,654	134,634	316,188
	60% AMI HHs*	13,748	34,758	48,506	184,963	244,427	429,390
	Upp Inc HHs*	685	12,048	12,733	225,715	1,036,855	1,262,570
	Total	120,470	108,892	229,362	592,332	1,416,616	2,008,148

*ELI HHs have incomes under 30% of AMI.
60% AMI HHs have incomes between 30% and 60% of AMI.
Upp Inc HHs have incomes above 60% AMI

†HHs with severe cost burden pay more than 50% of their income on housing.


NIHIC Analysis of 2003 American Community Survey
Severe Housing Cost Burden Among ELI and 60% of AMI Households

State	Income Category	State Totals					
		HHs with Severe Cost Burden			Total Households		
		renter	owner	all	renter	owner	all
Massachusetts	ELI HHs*	157,828	81,069	248,897	307,520	181,117	498,637
	60% AMI HHs*	25,883	55,871	81,454	213,247	275,247	488,594
	Upp Inc HHs*	2,935	27,620	30,555	294,841	1,036,947	1,331,788
	Total	186,656	174,260	360,916	816,108	1,563,311	2,379,419
Michigan	ELI HHs*	185,221	145,231	330,452	337,459	360,827	698,286
	60% AMI HHs*	16,305	63,289	81,594	280,398	568,453	648,851
	Upp Inc HHs*	1,311	28,236	29,547	330,897	1,951,492	2,281,179
	Total	204,837	236,756	441,593	927,594	2,880,762	3,808,356
Minnesota	ELI HHs*	81,230	57,375	138,605	150,033	161,037	320,070
	60% AMI HHs*	10,572	31,553	42,125	155,080	281,298	436,378
	Upp Inc HHs*	916	12,972	13,888	136,268	1,094,910	1,221,178
	Total	92,418	101,900	194,318	440,381	1,537,245	1,977,526
Mississippi	ELI HHs*	52,154	38,483	90,637	86,343	94,492	180,835
	60% AMI HHs*	10,075	17,069	27,144	70,772	130,047	200,819
	Upp Inc HHs*	78	6,080	6,158	112,674	509,510	622,184
	Total	62,307	61,612	123,919	259,789	734,049	1,033,838
Missouri	ELI HHs*	111,622	63,856	175,508	208,045	184,366	392,411
	60% AMI HHs*	10,043	28,117	38,160	175,119	327,403	502,522
	Upp Inc HHs*	979	7,487	8,466	238,172	1,088,690	1,326,862
	Total	122,644	99,460	221,634	621,336	1,800,459	2,221,795
Montana	ELI HHs*	15,315	10,636	25,951	30,437	29,768	60,155
	60% AMI HHs*	1,841	6,108	7,949	33,146	49,188	82,334
	Upp Inc HHs*	179	2,809	2,988	37,172	171,467	208,639
	Total	17,335	19,553	36,881	100,755	250,413	351,128
Nebraska	ELI HHs*	32,653	18,438	51,123	86,133	53,711	119,844
	60% AMI HHs*	2,587	6,148	8,735	57,894	83,712	141,406
	Upp Inc HHs*	324	2,725	3,049	70,801	319,408	390,209
	Total	36,904	27,309	64,213	144,828	456,831	651,459
Nevada	ELI HHs*	45,403	22,637	68,040	87,828	49,183	116,812
	60% AMI HHs*	12,194	19,871	32,065	93,332	89,182	182,514
	Upp Inc HHs*	1,188	7,873	9,061	140,842	371,590	512,392
	Total	58,775	50,381	109,156	301,903	509,915	811,718
New Hampshire	ELI HHs*	25,047	17,876	42,923	44,372	36,751	81,123
	60% AMI HHs*	1,459	7,929	9,428	34,507	60,512	95,019
	Upp Inc HHs*	74	4,102	4,176	45,884	260,680	306,344
	Total	26,620	29,907	56,527	124,563	357,923	482,486
New Jersey	ELI HHs*	184,513	127,256	311,769	325,386	221,644	547,030
	60% AMI HHs*	18,530	75,765	94,295	297,394	383,808	681,202
	Upp Inc HHs*	1,721	42,552	44,273	361,800	1,494,698	1,846,468
	Total	204,764	245,572	450,336	984,570	2,070,238	3,054,808
New Mexico	ELI HHs*	38,476	25,773	64,249	63,102	62,789	125,871
	60% AMI HHs*	6,415	11,722	18,137	50,592	85,880	136,442
	Upp Inc HHs*	1,100	2,791	3,891	78,852	332,623	402,275
	Total	45,991	40,286	86,277	190,536	481,052	671,588
New York	ELI HHs*	616,085	183,468	800,553	943,608	359,819	1,303,427
	60% AMI HHs*	138,274	138,694	276,968	800,336	623,048	1,423,384
	Upp Inc HHs*	23,055	120,855	143,910	1,334,889	2,261,120	4,166,869
	Total	777,414	453,017	1,230,431	3,078,813	3,633,967	6,812,800
North Carolina	ELI HHs*	178,727	100,654	279,381	287,201	271,652	558,753
	60% AMI HHs*	18,273	50,870	69,143	279,289	435,340	714,628
	Upp Inc HHs*	1,754	19,108	20,860	345,474	1,513,913	1,869,387
	Total	198,754	170,630	369,384	911,963	2,220,805	3,132,768
North Dakota	ELI HHs*	10,682	5,532	16,214	24,608	20,891	45,699
	60% AMI HHs*	806	1,443	2,249	23,227	31,839	54,866
	Upp Inc HHs*	183	1,034	1,217	23,981	117,071	141,052
	Total	11,671	8,009	19,690	72,015	169,801	241,617
Ohio	ELI HHs*	232,913	143,050	375,963	441,666	352,115	793,784
	60% AMI HHs*	21,065	72,341	93,406	375,227	626,850	1,001,077
	Upp Inc HHs*	2,561	25,090	27,651	419,880	2,147,746	2,567,626
	Total	256,939	240,481	497,420	1,236,773	3,125,711	4,362,487
Oklahoma	ELI HHs*	73,062	42,967	116,029	113,396	102,736	216,134
	60% AMI HHs*	7,658	14,433	22,091	114,626	179,914	294,840
	Upp Inc HHs*	801	6,453	7,254	149,023	619,580	768,603
	Total	81,521	63,853	145,374	377,045	902,289	1,279,637
Oregon	ELI HHs*	107,732	42,407	150,139	169,559	95,163	264,722
	60% AMI HHs*	11,126	26,810	37,936	157,963	174,996	332,959
	Upp Inc HHs*	1,148	13,108	14,256	188,805	612,224	781,209
	Total	120,006	82,125	202,131	496,327	886,233	1,381,500
Pennsylvania	ELI HHs*	227,516	175,032	402,548	416,107	429,857	845,964
	60% AMI HHs*	25,053	78,354	103,407	382,440	694,653	1,077,093
	Upp Inc HHs*	3,873	28,245	32,118	461,038	2,302,477	2,763,515
	Total	260,442	282,631	543,073	1,261,591	3,426,927	4,686,488
Rhode Island	ELI HHs*	28,538	12,606	41,144	50,723	23,455	74,178
	60% AMI HHs*	3,307	3,728	7,035	35,599	43,981	77,520
	Upp Inc HHs*	271	3,424	3,695	55,048	193,739	248,797
	Total	32,416	25,758	58,174	142,710	258,175	400,885
South Carolina	ELI HHs*	62,896	58,958	121,854	131,556	131,391	262,947
	60% AMI HHs*	6,155	24,833	30,988	127,696	220,084	347,690
	Upp Inc HHs*	1,321	7,793	9,114	146,153	733,685	880,949
	Total	80,372	80,584	179,954	406,345	1,087,380	1,495,705
South Dakota	ELI HHs*	12,431	6,582	19,013	25,147	18,839	43,986
	60% AMI HHs*	1,380	2,946	4,326	24,428	35,426	59,854
	Upp Inc HHs*	65	1,612	1,677	28,116	152,298	180,384
	Total	13,876	11,010	24,886	77,691	206,533	284,224

*ELI HHs have incomes under 30% of AMI.
60% AMI HHs have incomes of between 30% and 60% of AMI.
Upp Inc HHs have incomes above 60% AMI

†HHs with severe cost burden pay more than 50% of their income on housing

NLHC Analysis of 2003 American Community Survey
Severe Housing Cost Burden Among ELI and 60% of AMI Households



State	Income Category	State Totals					
		HHs with Severe Cost Burden			Total Households		
		renter	owner	all	renter	owner	all
Tennessee	ELI HHs*	123,384	70,379	193,763	207,450	169,304	376,754
	60% AMI HHs*	16,566	40,237	56,803	177,818	285,130	462,746
	Upp Inc HHs*	695	13,454	14,339	254,692	1,126,354	1,382,746
	Total	140,835	124,070	264,905	638,158	1,583,088	2,222,246
Texas	ELI HHs*	441,232	230,506	671,738	688,652	563,621	1,242,673
	60% AMI HHs*	77,755	108,335	186,090	758,612	851,987	1,610,599
	Upp Inc HHs*	4,038	50,711	54,749	1,059,580	3,477,062	4,536,652
	Total	523,025	389,552	912,577	2,506,854	4,892,670	7,399,244
Utah	ELI HHs*	36,707	19,776	56,483	54,952	38,933	94,685
	60% AMI HHs*	4,572	14,132	18,704	65,508	87,879	153,387
	Upp Inc HHs*	103	5,723	5,826	69,510	418,356	487,866
	Total	41,382	39,631	81,013	189,970	546,169	736,138
Vermont	ELI HHs*	12,869	8,272	20,941	23,118	18,927	38,948
	60% AMI HHs*	1,653	5,219	6,872	18,591	36,600	55,191
	Upp Inc HHs*	60	1,377	1,437	22,574	118,484	141,058
	Total	14,382	14,868	29,250	64,284	171,911	236,197
Virginia	ELI HHs*	128,889	72,443	201,134	221,153	191,488	412,621
	60% AMI HHs*	27,016	40,283	67,299	230,322	328,467	558,789
	Upp Inc HHs*	2,628	19,284	21,912	340,535	1,398,794	1,739,329
	Total	158,333	132,012	290,345	792,010	1,918,729	2,710,739
Washington	ELI HHs*	157,764	82,868	240,632	249,259	141,508	390,867
	60% AMI HHs*	24,735	47,947	72,682	247,389	290,706	538,105
	Upp Inc HHs*	638	24,236	25,072	301,644	1,124,609	1,426,253
	Total	183,335	135,051	318,386	796,302	1,526,821	2,325,223
West Virginia	ELI HHs*	37,041	20,158	57,199	69,663	77,495	147,158
	60% AMI HHs*	1,378	6,859	8,236	36,977	111,382	150,359
	Upp Inc HHs*	276	1,096	1,382	48,765	346,123	394,886
	Total	38,695	28,112	66,797	157,403	535,000	692,403
Wisconsin	ELI HHs*	110,254	65,244	175,498	209,560	145,548	355,108
	60% AMI HHs*	10,010	42,828	52,836	196,490	289,986	486,476
	Upp Inc HHs*	385	11,997	12,382	214,666	1,051,784	1,266,450
	Total	121,149	120,067	241,216	620,718	1,486,318	2,107,034
Wyoming	ELI HHs*	6,502	4,947	11,449	14,225	15,382	29,617
	60% AMI HHs*	638	2,714	3,352	14,876	27,208	42,184
	Upp Inc HHs*	-	885	885	20,397	100,942	121,339
	Total	7,140	8,546	15,696	49,598	143,542	193,140

*ELI HHs have incomes under 30% of AMI.
60% AMI HHs have incomes of between 30% and 60% of AMI.
Upp Inc HHs have incomes above 60% AMI

†HHs with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American C. Severe Housing Cost Burden Among

State	Income Category	Comparisons Within States								
		HHs with Severe Cost Burden by Income category as a share of total HHs in state (by tenure)			HHs with severe cost burden by income category as a share of all HHs with severe cost burden in state			HHs by income category in state as a share of all HHs in state		
		renter	owner	all	renter	owner	all	renter	owner	all
Alabama	ELI HHs*	22.8%	5.7%	10.0%	94.3%	73.8%	84.2%	37.1%	13.7%	18.6%
	60% AMI HHs*	1.2%	1.4%	1.4%	5.0%	18.8%	11.7%	28.9%	19.0%	21.0%
	Upp Inc HHs*	0.2%	0.6%	0.5%	0.7%	7.6%	4.6%	36.0%	67.3%	58.4%
	Total	24.2%	7.7%	11.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Alaska	ELI HHs*	18.2%	3.8%	7.9%	91.8%	55.1%	76.3%	28.7%	10.2%	15.8%
	60% AMI HHs*	1.9%	2.3%	2.3%	8.4%	34.9%	19.5%	35.0%	18.3%	23.9%
	Upp Inc HHs*	0.0%	0.7%	0.4%	0.0%	9.9%	4.2%	38.3%	71.5%	60.3%
	Total	17.7%	6.6%	10.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Arizona	ELI HHs*	18.8%	4.4%	8.7%	82.4%	48.7%	66.2%	27.6%	9.6%	14.9%
	60% AMI HHs*	5.6%	4.5%	4.8%	22.8%	34.7%	25.1%	31.7%	19.0%	22.8%
	Upp Inc HHs*	0.3%	1.5%	1.1%	1.3%	16.9%	8.6%	40.8%	71.4%	62.3%
	Total	22.8%	8.9%	13.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Arkansas	ELI HHs*	18.8%	4.2%	8.5%	88.0%	68.7%	81.1%	30.9%	10.9%	16.7%
	60% AMI HHs*	2.2%	1.4%	1.8%	10.4%	22.5%	15.3%	28.9%	18.5%	21.8%
	Upp Inc HHs*	0.1%	0.5%	0.4%	0.6%	7.8%	3.5%	40.6%	70.5%	61.7%
	Total	20.9%	6.1%	10.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
California	ELI HHs*	18.5%	4.6%	10.3%	74.8%	35.9%	58.2%	28.2%	8.4%	16.3%
	60% AMI HHs*	5.8%	4.9%	4.9%	22.8%	33.0%	28.0%	28.9%	19.0%	21.8%
	Upp Inc HHs*	0.6%	3.7%	2.4%	2.4%	29.0%	13.8%	45.3%	74.6%	62.7%
	Total	24.7%	12.7%	17.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Colorado	ELI HHs*	18.9%	5.0%	9.2%	84.3%	52.4%	68.2%	30.6%	10.5%	16.3%
	60% AMI HHs*	3.6%	3.1%	3.3%	15.4%	33.0%	24.2%	32.0%	17.4%	21.8%
	Upp Inc HHs*	0.1%	1.4%	1.0%	0.3%	14.6%	7.5%	37.2%	72.1%	62.2%
	Total	23.4%	8.5%	13.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Connecticut	ELI HHs*	19.2%	5.0%	8.4%	87.3%	50.0%	71.8%	36.5%	9.8%	18.1%
	60% AMI HHs*	2.6%	2.5%	2.5%	12.0%	27.2%	19.3%	17.6%	11.8%	14.4%
	Upp Inc HHs*	0.1%	1.6%	1.2%	0.6%	17.7%	8.8%	33.7%	72.6%	60.8%
	Total	21.9%	8.1%	13.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Delaware	ELI HHs*	14.8%	3.0%	6.4%	86.1%	58.4%	72.5%	28.4%	11.7%	16.4%
	60% AMI HHs*	2.3%	1.7%	1.9%	13.4%	28.3%	21.0%	32.4%	17.2%	21.2%
	Upp Inc HHs*	0.1%	0.7%	0.6%	0.5%	12.3%	6.5%	40.7%	72.1%	64.0%
	Total	16.9%	6.1%	8.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
District of Columbia	ELI HHs*	20.7%	4.8%	13.7%	83.3%	47.3%	75.0%	32.1%	7.6%	21.4%
	60% AMI HHs*	3.5%	2.7%	3.2%	14.1%	28.0%	23.3%	23.9%	12.1%	18.2%
	Upp Inc HHs*	0.8%	2.4%	1.4%	2.8%	24.7%	7.7%	45.0%	80.3%	60.3%
	Total	24.8%	8.7%	18.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Florida	ELI HHs*	18.9%	6.6%	9.7%	78.9%	52.2%	65.1%	28.4%	11.7%	16.4%
	60% AMI HHs*	4.8%	3.5%	3.9%	18.9%	32.6%	26.0%	28.5%	19.6%	22.4%
	Upp Inc HHs*	0.8%	1.6%	1.3%	2.3%	15.3%	9.0%	42.1%	68.7%	61.1%
	Total	25.3%	10.7%	14.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Georgia	ELI HHs*	19.9%	6.2%	9.2%	87.1%	52.4%	70.9%	31.0%	11.3%	17.5%
	60% AMI HHs*	2.7%	3.0%	2.8%	11.9%	33.1%	22.2%	30.3%	18.3%	21.8%
	Upp Inc HHs*	0.1%	1.3%	1.0%	0.4%	14.6%	7.3%	38.7%	68.8%	60.6%
	Total	22.7%	8.1%	13.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Hawaii	ELI HHs*	14.6%	4.0%	8.1%	74.9%	45.1%	63.7%	24.4%	9.2%	15.3%
	60% AMI HHs*	4.7%	2.7%	3.5%	20.8%	29.9%	24.2%	27.3%	15.1%	20.6%
	Upp Inc HHs*	1.0%	2.2%	1.7%	4.3%	24.9%	12.1%	48.1%	75.7%	64.7%
	Total	19.3%	8.9%	14.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Idaho	ELI HHs*	15.1%	4.1%	8.1%	78.9%	54.9%	66.0%	25.8%	8.2%	13.2%
	60% AMI HHs*	3.8%	2.2%	2.5%	18.4%	32.7%	25.8%	37.3%	18.8%	23.3%
	Upp Inc HHs*	0.6%	0.8%	0.8%	3.1%	12.6%	8.1%	36.9%	71.9%	63.5%
	Total	19.3%	6.6%	9.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Illinois	ELI HHs*	18.2%	4.9%	9.2%	85.9%	54.2%	70.4%	32.0%	10.8%	17.1%
	60% AMI HHs*	2.9%	2.8%	2.6%	13.2%	31.4%	22.1%	29.6%	17.5%	21.1%
	Upp Inc HHs*	0.2%	1.3%	1.0%	0.9%	14.4%	7.5%	38.4%	71.8%	61.8%
	Total	22.3%	9.1%	13.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Indiana	ELI HHs*	19.8%	3.9%	8.1%	90.1%	64.3%	78.9%	33.4%	10.8%	16.6%
	60% AMI HHs*	2.1%	1.7%	1.8%	8.8%	28.3%	17.8%	32.1%	20.8%	23.6%
	Upp Inc HHs*	0.6%	0.4%	0.3%	0.2%	7.3%	3.3%	34.8%	68.8%	58.8%
	Total	22.6%	6.1%	10.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Iowa	ELI HHs*	17.0%	3.7%	7.1%	91.3%	72.9%	82.9%	35.6%	11.1%	17.0%
	60% AMI HHs*	1.6%	1.0%	1.2%	8.2%	20.3%	13.6%	31.8%	21.0%	23.7%
	Upp Inc HHs*	0.1%	0.4%	0.3%	0.5%	7.2%	3.5%	33.2%	67.9%	59.3%
	Total	19.2%	5.1%	8.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Kansas	ELI HHs*	17.3%	3.5%	7.6%	85.7%	63.8%	77.0%	33.5%	9.8%	16.9%
	60% AMI HHs*	2.7%	1.6%	2.0%	13.5%	28.7%	18.9%	31.1%	20.5%	23.7%
	Upp Inc HHs*	0.2%	0.4%	0.3%	0.8%	6.5%	3.1%	35.3%	68.7%	58.6%
	Total	20.2%	5.5%	9.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Kentucky	ELI HHs*	18.4%	4.6%	8.9%	92.3%	68.7%	80.4%	33.3%	14.8%	20.9%
	60% AMI HHs*	1.5%	1.6%	1.6%	7.3%	22.9%	15.2%	27.3%	19.1%	21.2%
	Upp Inc HHs*	0.1%	0.8%	0.5%	0.4%	8.4%	4.4%	37.5%	66.3%	58.7%
	Total	20.0%	7.2%	10.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Louisiana	ELI HHs*	23.9%	5.3%	10.9%	90.6%	67.0%	80.9%	37.6%	14.3%	21.2%
	60% AMI HHs*	2.4%	1.9%	2.1%	9.1%	23.8%	15.4%	26.0%	18.5%	20.7%
	Upp Inc HHs*	0.1%	0.8%	0.8%	0.3%	9.3%	4.1%	36.2%	67.2%	58.1%
	Total	26.4%	8.2%	13.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Maine	ELI HHs*	13.0%	4.0%	9.4%	81.2%	48.9%	62.9%	23.6%	10.1%	15.4%
	60% AMI HHs*	2.8%	2.9%	2.8%	17.2%	35.0%	27.9%	31.3%	18.8%	22.2%
	Upp Inc HHs*	0.3%	1.3%	1.0%	1.8%	18.1%	10.0%	38.2%	71.1%	62.4%
	Total	16.6%	8.2%	10.3%	88.0%	57.0%	73.3%	30.7%	9.8%	15.7%
Maryland	ELI HHs*	17.9%	4.4%	8.4%	86.0%	57.0%	73.3%	30.7%	9.8%	15.7%
	60% AMI HHs*	2.3%	2.5%	2.4%	11.4%	31.9%	21.1%	31.2%	17.3%	21.4%
	Upp Inc HHs*	0.1%	0.9%	0.6%	0.8%	11.1%	5.6%	38.1%	73.2%	62.9%
	Total	20.3%	7.7%	11.4%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*ELI HHs have incomes under 30% of AMI.
60% AMI HHs have incomes of between 30% and 60% of AMI.
Upp Inc HHs have incomes above 60% AMI

†HHs with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American C
Severe Housing Cost Burden Among

State	Income Category	Comparisons Within States								
		HHds with Severe Cost Burden by income category as a share of total HHds in state (By tenure) ¹			HHds with severe cost burden by income category as a share of all HHds with severe cost burden in state ²			HHds by income category in state as a share of all HHds in state ³		
		renter	owner	all	renter	owner	all	renter	owner	all
Massachusetts	ELI HHds*	19.3%	5.8%	10.6%	94.6%	52.3%	69.0%	37.7%	12.2%	21.0%
	60% AMI HHds*	3.2%	3.6%	3.4%	13.9%	31.9%	22.6%	28.1%	17.8%	20.6%
	Upp Inc HHds*	0.4%	1.8%	1.3%	1.6%	15.8%	8.6%	38.1%	70.2%	58.5%
	Total	22.9%	11.1%	15.2%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Michigan	ELI HHds*	20.0%	5.0%	8.7%	90.4%	61.3%	74.8%	36.4%	12.5%	18.3%
	60% AMI HHds*	2.0%	2.2%	2.1%	8.9%	26.7%	18.5%	30.2%	19.7%	22.3%
	Upp Inc HHds*	0.1%	1.0%	0.8%	0.6%	11.9%	6.7%	33.4%	67.7%	59.4%
	Total	22.1%	8.2%	11.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Minnesota	ELI HHds*	18.4%	3.7%	7.0%	97.9%	56.3%	71.3%	38.1%	10.5%	16.2%
	60% AMI HHds*	2.4%	2.1%	2.1%	11.4%	31.0%	21.7%	35.2%	18.3%	22.1%
	Upp Inc HHds*	0.1%	0.8%	0.7%	0.7%	12.7%	7.0%	38.7%	71.2%	61.7%
	Total	21.0%	6.6%	9.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mississippi	ELI HHds*	19.3%	5.2%	9.0%	83.7%	62.5%	73.1%	32.0%	12.9%	18.0%
	60% AMI HHds*	3.7%	2.3%	2.7%	16.2%	27.7%	21.9%	28.2%	17.7%	20.0%
	Upp Inc HHds*	0.0%	0.8%	0.6%	0.1%	9.8%	5.0%	41.8%	69.4%	62.0%
	Total	23.1%	8.4%	12.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Missouri	ELI HHds*	18.0%	4.0%	7.9%	91.0%	64.4%	79.1%	33.9%	11.5%	17.7%
	60% AMI HHds*	1.8%	1.8%	1.7%	8.2%	28.3%	17.2%	28.2%	20.5%	22.8%
	Upp Inc HHds*	0.2%	0.4%	0.4%	0.8%	12.9%	3.7%	38.3%	89.0%	59.7%
	Total	19.7%	6.2%	10.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Montana	ELI HHds*	15.2%	4.2%	7.4%	88.3%	54.3%	70.3%	30.2%	11.9%	17.1%
	60% AMI HHds*	1.8%	2.4%	2.2%	10.6%	31.3%	21.6%	32.8%	18.6%	23.4%
	Upp Inc HHds*	0.2%	1.1%	0.9%	1.0%	14.4%	8.1%	36.9%	68.5%	58.4%
	Total	17.2%	7.8%	10.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Nebraska	ELI HHds*	16.8%	4.0%	7.8%	91.8%	67.5%	81.3%	34.0%	11.8%	18.4%
	60% AMI HHds*	1.3%	1.3%	1.3%	7.3%	22.6%	13.9%	29.6%	18.3%	21.7%
	Upp Inc HHds*	0.2%	0.6%	0.6%	0.9%	10.0%	4.9%	36.6%	69.0%	59.7%
	Total	18.3%	6.0%	9.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Nevada	ELI HHds*	15.0%	4.4%	8.4%	77.2%	44.9%	62.3%	22.4%	9.6%	14.4%
	60% AMI HHds*	4.0%	3.9%	3.9%	20.7%	39.4%	28.4%	30.9%	17.5%	23.5%
	Upp Inc HHds*	0.4%	1.1%	1.1%	1.0%	19.6%	8.3%	46.7%	72.9%	63.7%
	Total	19.8%	9.9%	13.4%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New Hampshire	ELI HHds*	26.1%	5.0%	8.9%	94.1%	59.8%	75.9%	35.8%	10.3%	16.8%
	60% AMI HHds*	1.2%	2.2%	2.0%	5.6%	26.5%	16.7%	27.7%	16.9%	19.7%
	Upp Inc HHds*	0.5%	0.8%	0.8%	0.9%	13.7%	7.4%	38.7%	73.0%	63.3%
	Total	21.4%	8.4%	11.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New Jersey	ELI HHds*	18.7%	6.1%	10.2%	90.1%	51.8%	69.2%	33.0%	10.7%	17.9%
	60% AMI HHds*	1.9%	3.7%	3.1%	9.0%	30.9%	20.9%	30.2%	17.6%	21.6%
	Upp Inc HHds*	0.5%	1.4%	1.4%	0.9%	17.9%	9.8%	36.7%	70.0%	60.4%
	Total	20.8%	11.9%	14.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New Mexico	ELI HHds*	20.2%	5.4%	9.6%	83.7%	64.0%	74.5%	33.1%	13.0%	18.7%
	60% AMI HHds*	3.4%	2.4%	2.7%	13.9%	28.1%	21.0%	28.5%	17.8%	20.3%
	Upp Inc HHds*	0.6%	0.6%	0.6%	2.4%	6.9%	4.8%	40.3%	69.1%	60.9%
	Total	24.1%	8.4%	12.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New York	ELI HHds*	20.0%	6.0%	11.7%	78.2%	42.7%	65.8%	30.6%	9.4%	16.9%
	60% AMI HHds*	4.9%	3.6%	4.0%	17.8%	30.6%	22.5%	26.9%	16.3%	20.6%
	Upp Inc HHds*	1.1%	3.2%	2.1%	3.0%	25.7%	11.7%	43.4%	74.4%	60.6%
	Total	25.3%	11.8%	17.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
North Carolina	ELI HHds*	19.6%	4.6%	8.9%	89.9%	59.0%	75.6%	31.5%	12.2%	17.8%
	60% AMI HHds*	2.0%	2.3%	2.2%	9.2%	28.6%	18.7%	30.6%	19.6%	22.8%
	Upp Inc HHds*	0.3%	0.9%	0.7%	0.9%	11.2%	6.2%	37.9%	69.2%	59.4%
	Total	21.8%	7.7%	11.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
North Dakota	ELI HHds*	14.8%	3.3%	6.7%	61.5%	68.1%	82.4%	34.4%	12.3%	18.9%
	60% AMI HHds*	1.1%	0.9%	0.9%	6.9%	18.0%	11.4%	22.3%	16.7%	22.7%
	Upp Inc HHds*	0.3%	0.6%	0.6%	1.0%	12.9%	8.2%	33.3%	69.0%	59.4%
	Total	16.2%	4.7%	8.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ohio	ELI HHds*	18.8%	4.6%	8.6%	90.8%	59.5%	76.6%	35.7%	11.3%	18.2%
	60% AMI HHds*	1.7%	2.3%	2.1%	8.2%	30.1%	18.8%	30.3%	20.0%	22.0%
	Upp Inc HHds*	0.2%	0.8%	0.6%	1.0%	16.4%	8.6%	33.9%	68.7%	58.9%
	Total	20.7%	7.7%	11.4%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Oklahoma	ELI HHds*	18.4%	4.7%	9.0%	89.6%	67.1%	78.8%	30.1%	11.4%	16.9%
	60% AMI HHds*	2.0%	1.6%	1.7%	9.4%	22.7%	15.2%	30.9%	19.9%	23.0%
	Upp Inc HHds*	0.2%	0.7%	0.6%	1.0%	10.2%	6.0%	39.5%	63.7%	60.1%
	Total	21.8%	7.0%	11.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Oregon	ELI HHds*	21.7%	4.8%	10.9%	88.8%	51.6%	74.3%	34.2%	11.1%	19.4%
	60% AMI HHds*	2.2%	3.0%	2.7%	9.3%	32.4%	18.7%	31.6%	19.8%	24.1%
	Upp Inc HHds*	0.2%	1.5%	1.0%	1.0%	18.0%	7.1%	34.0%	69.2%	56.5%
	Total	24.2%	9.3%	14.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Pennsylvania	ELI HHds*	18.0%	5.1%	8.6%	87.4%	61.9%	74.1%	33.1%	12.5%	18.1%
	60% AMI HHds*	2.3%	2.3%	2.3%	11.2%	28.1%	20.0%	30.3%	20.3%	23.0%
	Upp Inc HHds*	0.3%	0.8%	0.7%	1.0%	10.0%	6.9%	36.9%	67.2%	58.0%
	Total	20.6%	8.2%	11.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rhode Island	ELI HHds*	20.2%	4.9%	10.3%	89.0%	48.9%	71.2%	35.9%	9.1%	16.5%
	60% AMI HHds*	2.3%	3.8%	3.3%	10.2%	37.8%	22.4%	25.9%	15.9%	19.4%
	Upp Inc HHds*	0.2%	1.3%	0.9%	0.8%	13.3%	6.4%	38.6%	75.0%	62.1%
	Total	22.7%	10.0%	14.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
South Carolina	ELI HHds*	20.3%	5.2%	9.4%	91.7%	63.6%	77.7%	32.2%	12.1%	17.6%
	60% AMI HHds*	1.8%	2.3%	2.1%	8.6%	27.7%	17.2%	31.2%	20.2%	23.2%
	Upp Inc HHds*	0.3%	0.7%	0.6%	1.3%	6.7%	5.1%	36.6%	67.7%	59.2%
	Total	22.1%	8.2%	12.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
South Dakota	ELI HHds*	16.0%	3.2%	6.7%	85.6%	59.5%	76.3%	32.4%	9.1%	15.9%
	60% AMI HHds*	1.8%	1.4%	1.5%	9.8%	25.8%	17.0%	31.4%	17.2%	21.1%
	Upp Inc HHds*	0.1%	0.8%	0.6%	0.5%	14.6%	6.7%	36.2%	73.7%	63.5%
	Total	17.9%	5.3%	8.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

¹HHds with severe cost burden pay more than 50% of their income on housing.

NLIHG Analysis of 2003 American C.
Severe Housing Cost Burden Among

State	Income Category	Comparisons Within States								
		HHds with Severe Cost Burden by Income category as a share of total HHds in state (by tenure)†			HHds with severe cost burden by income category as a share of all HHds with severe cost burden in state†			HHds by income category in state as a share of all HHds in state†		
		renter	owner	all	renter	owner	all	renter	owner	all
Tennessee	ELI HHds*	19.3%	4.4%	8.7%	87.6%	86.7%	73.1%	32.9%	10.7%	17.0%
	60% AMI HHds*	2.8%	2.5%	2.6%	11.8%	32.4%	21.4%	27.8%	18.0%	20.8%
	Upp Inc HHds*	0.1%	0.8%	0.6%	0.8%	10.8%	5.4%	39.8%	71.3%	62.2%
	Total	22.0%	7.8%	11.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Texas	ELI HHds*	17.8%	4.7%	9.1%	84.4%	89.2%	73.6%	27.5%	11.3%	16.8%
	60% AMI HHds*	3.1%	2.2%	2.5%	14.9%	27.8%	20.4%	30.3%	17.4%	21.8%
	Upp Inc HHds*	0.2%	1.0%	0.7%	0.8%	13.0%	6.0%	42.3%	71.2%	61.4%
	Total	20.9%	8.0%	12.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Utah	ELI HHds*	19.3%	3.6%	7.7%	88.7%	48.9%	68.7%	28.8%	7.3%	12.9%
	60% AMI HHds*	2.4%	2.6%	2.5%	11.0%	33.7%	23.1%	34.5%	16.1%	20.3%
	Upp Inc HHds*	0.1%	1.0%	0.8%	0.2%	14.4%	7.2%	38.6%	76.6%	66.3%
	Total	21.8%	7.3%	11.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Vermont	ELI HHds*	19.7%	4.8%	8.0%	88.1%	55.6%	71.8%	38.0%	8.8%	16.0%
	60% AMI HHds*	2.8%	3.8%	2.9%	11.0%	35.1%	23.3%	28.9%	21.3%	23.4%
	Upp Inc HHds*	0.1%	0.8%	0.6%	0.4%	8.3%	4.9%	35.1%	68.9%	59.7%
	Total	22.4%	8.8%	12.4%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Virginia	ELI HHds*	16.2%	3.8%	7.4%	81.3%	34.9%	68.3%	27.9%	10.0%	15.2%
	60% AMI HHds*	3.4%	2.1%	2.5%	17.1%	33.5%	23.2%	29.1%	17.1%	20.8%
	Upp Inc HHds*	0.3%	1.0%	0.8%	1.7%	14.6%	7.5%	43.0%	72.9%	64.2%
	Total	20.0%	6.9%	10.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Washington	ELI HHds*	4.1%	9.0%	9.0%	86.1%	46.6%	68.3%	31.2%	9.3%	16.8%
	60% AMI HHds*	3.1%	3.1%	3.1%	13.9%	35.9%	22.8%	31.8%	17.1%	21.9%
	Upp Inc HHds*	0.1%	1.6%	1.1%	0.8%	17.9%	7.8%	37.8%	73.7%	61.3%
	Total	23.0%	8.8%	13.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
West Virginia	ELI HHds*	23.9%	3.8%	8.3%	95.7%	71.7%	85.6%	44.3%	14.5%	21.3%
	60% AMI HHds*	0.9%	1.3%	1.2%	3.6%	24.4%	12.3%	24.8%	20.8%	21.7%
	Upp Inc HHds*	0.2%	0.2%	0.2%	0.7%	3.9%	2.0%	31.0%	64.7%	57.0%
	Total	24.8%	5.3%	9.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Wisconsin	ELI HHds*	17.8%	4.4%	8.3%	91.0%	54.3%	72.8%	33.3%	8.8%	16.0%
	60% AMI HHds*	1.6%	2.9%	2.6%	8.3%	35.7%	21.8%	31.7%	18.4%	23.0%
	Upp Inc HHds*	0.1%	0.8%	0.6%	0.7%	10.8%	5.3%	34.6%	70.8%	60.1%
	Total	19.5%	8.1%	11.4%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Wyoming	ELI HHds*	13.1%	3.4%	5.9%	81.1%	57.0%	73.0%	26.7%	10.7%	15.3%
	60% AMI HHds*	1.3%	1.9%	1.7%	8.9%	31.8%	21.4%	30.2%	19.0%	21.8%
	Upp Inc HHds*	0.0%	0.6%	0.6%	0.0%	10.4%	5.6%	41.1%	70.3%	62.8%
	Total	14.4%	6.0%	8.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

MLHC Analysis of 2003 American C
Severe Housing Cost Burden Among

State	Income Category	Comparisons to National Totals								
		HHds with severe cost burden by income category in state as a share of all HHds with severe cost burden by corresponding income and tenure categories in the U.S.†						HHds by income category in state as a share of all HHds by corresponding income and tenure categories in the U.S.†		
		renter	owner	all	renter	owner	all			
Alabama	ELI HHds*	1.5%	2.1%	1.7%	1.5%	2.2%	1.8%			
	60% AMI HHds*	0.5%	0.9%	0.8%	1.1%	1.8%	1.5%			
	Upp Inc HHds*	0.8%	0.7%	0.7%	1.1%	1.8%	1.9%			
	Total	1.3%	1.6%	1.4%	1.3%	1.7%	1.8%			
Alaska	ELI HHds*	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%			
	60% AMI HHds*	0.1%	0.2%	0.1%	0.3%	0.2%	0.2%			
	Upp Inc HHds*	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%			
	Total	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%			
Arizona	ELI HHds*	1.8%	1.8%	1.8%	1.6%	1.7%	1.6%			
	60% AMI HHds*	2.0%	2.2%	2.1%	1.9%	2.0%	2.0%			
	Upp Inc HHds*	1.6%	2.0%	2.0%	1.8%	1.9%	1.9%			
	Total	1.8%	1.9%	1.9%	1.8%	1.9%	1.9%			
Arkansas	ELI HHds*	0.9%	0.9%	0.9%	0.9%	1.0%	0.9%			
	60% AMI HHds*	0.6%	0.5%	0.5%	0.9%	1.0%	1.0%			
	Upp Inc HHds*	0.4%	0.3%	0.3%	0.8%	1.0%	1.0%			
	Total	0.9%	0.7%	0.8%	0.9%	1.0%	1.0%			
California	ELI HHds*	13.9%	9.2%	12.2%	12.9%	8.1%	10.3%			
	60% AMI HHds*	24.6%	15.5%	18.8%	13.7%	8.3%	10.6%			
	Upp Inc HHds*	26.2%	24.8%	24.9%	16.2%	10.0%	11.3%			
	Total	15.6%	13.8%	14.7%	14.2%	9.5%	11.0%			
Colorado	ELI HHds*	1.5%	1.9%	1.7%	1.5%	1.7%	1.6%			
	60% AMI HHds*	1.7%	2.0%	1.9%	1.7%	1.7%	1.7%			
	Upp Inc HHds*	0.4%	1.7%	1.6%	1.4%	1.8%	1.7%			
	Total	1.6%	1.9%	1.7%	1.5%	1.8%	1.7%			
Connecticut	ELI HHds*	1.2%	1.3%	1.3%	1.4%	1.1%	1.3%			
	60% AMI HHds*	1.0%	1.1%	1.1%	1.2%	1.2%	1.2%			
	Upp Inc HHds*	0.5%	1.4%	1.3%	1.0%	1.3%	1.2%			
	Total	1.2%	1.3%	1.2%	1.2%	1.2%	1.2%			
Delaware	ELI HHds*	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%			
	60% AMI HHds*	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%			
	Upp Inc HHds*	0.1%	0.2%	0.2%	0.2%	0.3%	0.3%			
	Total	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%			
District of Columbia	ELI HHds*	0.4%	0.1%	0.3%	0.4%	0.1%	0.3%			
	60% AMI HHds*	0.4%	0.1%	0.2%	0.3%	0.1%	0.2%			
	Upp Inc HHds*	0.3%	0.2%	0.3%	0.3%	0.2%	0.2%			
	Total	0.4%	0.2%	0.3%	0.4%	0.1%	0.2%			
Florida	ELI HHds*	5.8%	7.6%	6.4%	5.1%	6.8%	5.8%			
	60% AMI HHds*	8.2%	8.2%	8.2%	5.6%	6.9%	6.3%			
	Upp Inc HHds*	9.8%	7.4%	7.6%	5.9%	6.2%	6.2%			
	Total	6.2%	7.2%	6.9%	5.6%	6.4%	6.1%			
Georgia	ELI HHds*	2.9%	3.0%	2.9%	2.7%	3.2%	2.9%			
	60% AMI HHds*	2.3%	3.3%	2.9%	2.8%	3.0%	2.9%			
	Upp Inc HHds*	0.8%	2.8%	2.6%	2.7%	2.9%	2.9%			
	Total	2.7%	3.2%	2.9%	2.7%	3.0%	2.9%			
Hawaii	ELI HHds*	0.4%	0.3%	0.4%	0.4%	0.3%	0.3%			
	60% AMI HHds*	0.7%	0.3%	0.4%	0.4%	0.3%	0.3%			
	Upp Inc HHds*	1.4%	0.5%	0.8%	0.6%	0.4%	0.4%			
	Total	0.9%	0.3%	0.4%	0.5%	0.3%	0.4%			
Idaho	ELI HHds*	0.3%	0.4%	0.3%	0.3%	0.4%	0.4%			
	60% AMI HHds*	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%			
	Upp Inc HHds*	0.7%	0.3%	0.3%	0.3%	0.5%	0.5%			
	Total	0.3%	0.4%	0.3%	0.4%	0.5%	0.5%			
Illinois	ELI HHds*	4.1%	4.6%	4.3%	4.2%	4.3%	4.2%			
	60% AMI HHds*	3.7%	4.6%	4.3%	4.1%	4.2%	4.1%			
	Upp Inc HHds*	2.6%	4.0%	3.9%	3.9%	4.5%	4.3%			
	Total	4.0%	4.5%	4.2%	4.1%	4.4%	4.3%			
Indiana	ELI HHds*	1.9%	1.9%	1.9%	1.9%	2.2%	2.1%			
	60% AMI HHds*	1.2%	1.5%	1.4%	2.0%	2.6%	2.3%			
	Upp Inc HHds*	0.2%	0.7%	0.7%	1.6%	2.3%	2.1%			
	Total	1.8%	1.6%	1.7%	1.8%	2.3%	2.2%			
Iowa	ELI HHds*	0.8%	0.9%	0.8%	1.0%	1.2%	1.1%			
	60% AMI HHds*	0.4%	0.4%	0.4%	0.9%	1.4%	1.2%			
	Upp Inc HHds*	0.2%	0.3%	0.3%	0.7%	1.1%	1.0%			
	Total	0.7%	0.7%	0.7%	0.8%	1.2%	1.1%			
Kansas	ELI HHds*	0.8%	0.7%	0.8%	1.0%	0.9%	0.9%			
	60% AMI HHds*	0.8%	0.8%	0.7%	1.0%	1.1%	1.1%			
	Upp Inc HHds*	0.5%	0.3%	0.3%	0.8%	1.0%	1.0%			
	Total	0.8%	0.6%	0.7%	0.9%	1.0%	1.0%			
Kentucky	ELI HHds*	1.2%	1.3%	1.3%	1.4%	2.1%	1.7%			
	60% AMI HHds*	0.5%	0.9%	0.8%	1.1%	1.6%	1.4%			
	Upp Inc HHds*	0.3%	0.7%	0.6%	1.1%	1.5%	1.4%			
	Total	1.1%	1.3%	1.2%	1.2%	1.6%	1.4%			
Louisiana	ELI HHds*	1.8%	1.8%	1.8%	1.7%	2.0%	1.8%			
	60% AMI HHds*	1.0%	1.1%	1.1%	1.2%	1.6%	1.4%			
	Upp Inc HHds*	0.3%	0.8%	0.8%	1.3%	1.5%	1.4%			
	Total	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%			
Maine	ELI HHds*	0.3%	0.4%	0.3%	0.4%	0.5%	0.4%			
	60% AMI HHds*	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%			
	Upp Inc HHds*	0.3%	0.5%	0.5%	0.4%	0.5%	0.5%			
	Total	0.3%	0.5%	0.4%	0.4%	0.5%	0.5%			
Maryland	ELI HHds*	1.7%	1.8%	1.7%	1.8%	1.7%	1.7%			
	60% AMI HHds*	1.3%	1.8%	1.6%	1.9%	1.9%	1.9%			
	Upp Inc HHds*	0.8%	1.2%	1.1%	1.7%	2.0%	2.0%			
	Total	1.6%	1.7%	1.7%	1.8%	2.0%	1.9%			

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

NLHC Analysis of 2003 American C-
Severe Housing Cost Burden Among

State	Income Category	Comparisons to National Totals								
		HHs with severe cost burden by income category in state as a share of all HHs with severe cost burden by corresponding income and tenure categories in the U.S.T						HHs by income category in state as a share of all HHs by corresponding income and tenure categories in the U.S.T		
		renter	owner	all	renter	owner	all			
Massachusetts	ELI HHs*	2.6%	2.7%	2.6%	3.0%	2.4%	2.7%			
	60% AMI HHs*	2.4%	2.9%	2.7%	2.2%	2.1%	2.1%			
	Upp Inc HHs*	2.7%	2.7%	2.7%	2.2%	2.2%	2.2%			
	Total	2.6%	2.7%	2.6%	2.5%	2.2%	2.3%			
Michigan	ELI HHs*	2.9%	4.3%	3.4%	3.3%	4.6%	3.8%			
	60% AMI HHs*	1.7%	3.2%	2.7%	2.9%	4.3%	3.7%			
	Upp Inc HHs*	1.2%	2.8%	2.8%	2.4%	3.8%	3.5%			
	Total	2.7%	3.7%	3.2%	2.8%	4.0%	3.6%			
Minnesota	ELI HHs*	1.3%	1.7%	1.4%	1.5%	2.0%	1.8%			
	60% AMI HHs*	1.0%	1.8%	1.4%	1.6%	2.1%	1.9%			
	Upp Inc HHs*	0.6%	1.3%	1.2%	1.0%	2.2%	1.9%			
	Total	1.2%	1.6%	1.4%	1.3%	2.1%	1.9%			
Mississippi	ELI HHs*	0.8%	1.1%	0.9%	0.8%	1.2%	1.0%			
	60% AMI HHs*	0.9%	0.9%	0.9%	0.7%	1.0%	0.9%			
	Upp Inc HHs*	0.1%	0.8%	0.5%	0.9%	1.0%	1.0%			
	Total	0.8%	1.0%	0.9%	0.8%	1.0%	1.0%			
Missouri	ELI HHs*	1.8%	1.9%	1.8%	2.0%	2.3%	2.2%			
	60% AMI HHs*	0.9%	1.4%	1.3%	1.8%	2.5%	2.2%			
	Upp Inc HHs*	0.9%	0.7%	0.7%	1.8%	2.1%	2.1%			
	Total	1.6%	1.6%	1.6%	1.9%	2.2%	2.1%			
Montana	ELI HHs*	0.2%	0.3%	0.3%	0.3%	0.4%	0.3%			
	60% AMI HHs*	0.2%	0.3%	0.3%	0.3%	0.4%	0.3%			
	Upp Inc HHs*	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%			
	Total	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%			
Nebraska	ELI HHs*	0.8%	0.5%	0.5%	0.6%	0.7%	0.7%			
	60% AMI HHs*	0.2%	0.3%	0.3%	0.8%	0.8%	0.8%			
	Upp Inc HHs*	0.3%	0.3%	0.3%	0.5%	0.6%	0.6%			
	Total	0.5%	0.4%	0.5%	0.6%	0.6%	0.6%			
Nevada	ELI HHs*	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%			
	60% AMI HHs*	1.1%	1.0%	1.1%	1.0%	0.7%	0.8%			
	Upp Inc HHs*	1.1%	0.8%	0.8%	1.1%	0.7%	0.8%			
	Total	0.8%	0.8%	0.8%	0.9%	0.7%	0.8%			
New Hampshire	ELI HHs*	0.4%	0.5%	0.4%	0.4%	0.5%	0.4%			
	60% AMI HHs*	0.1%	0.4%	0.3%	0.4%	0.5%	0.4%			
	Upp Inc HHs*	0.1%	0.4%	0.4%	0.3%	0.5%	0.5%			
	Total	0.4%	0.5%	0.4%	0.4%	0.5%	0.5%			
New Jersey	ELI HHs*	2.9%	3.7%	3.2%	3.2%	2.8%	3.0%			
	60% AMI HHs*	1.7%	3.9%	3.1%	3.0%	2.5%	2.9%			
	Upp Inc HHs*	1.8%	4.2%	3.0%	2.8%	2.9%	2.9%			
	Total	2.7%	3.7%	3.2%	3.0%	2.9%	2.9%			
New Mexico	ELI HHs*	0.6%	0.8%	0.7%	0.6%	0.8%	0.7%			
	60% AMI HHs*	0.6%	0.8%	0.6%	0.5%	0.7%	0.6%			
	Upp Inc HHs*	1.0%	0.3%	0.3%	0.8%	0.7%	0.6%			
	Total	0.8%	0.8%	0.8%	0.6%	0.7%	0.6%			
New York	ELI HHs*	9.8%	5.7%	8.3%	9.1%	4.5%	7.1%			
	60% AMI HHs*	12.8%	7.1%	9.1%	8.2%	4.7%	6.2%			
	Upp Inc HHs*	21.5%	11.8%	12.8%	10.2%	5.6%	6.5%			
	Total	10.4%	7.1%	8.9%	9.3%	5.3%	6.8%			
North Carolina	ELI HHs*	2.8%	3.0%	2.9%	2.8%	3.4%	3.1%			
	60% AMI HHs*	1.7%	2.6%	2.3%	2.9%	3.3%	3.1%			
	Upp Inc HHs*	1.6%	1.9%	1.8%	2.6%	3.0%	2.9%			
	Total	2.7%	2.7%	2.7%	2.7%	3.1%	3.0%			
North Dakota	ELI HHs*	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%			
	60% AMI HHs*	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%			
	Upp Inc HHs*	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%			
	Total	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%			
Ohio	ELI HHs*	3.7%	4.2%	3.9%	4.3%	4.4%	4.4%			
	60% AMI HHs*	2.0%	3.7%	3.1%	3.8%	4.7%	4.4%			
	Upp Inc HHs*	2.4%	2.5%	2.5%	3.2%	4.2%	4.0%			
	Total	3.4%	3.8%	3.6%	3.7%	4.3%	4.1%			
Oklahoma	ELI HHs*	1.2%	1.2%	1.2%	1.1%	1.3%	1.2%			
	60% AMI HHs*	0.7%	0.7%	0.7%	1.2%	1.4%	1.3%			
	Upp Inc HHs*	0.7%	0.6%	0.6%	1.1%	1.2%	1.2%			
	Total	1.1%	1.0%	1.0%	1.1%	1.3%	1.2%			
Oregon	ELI HHs*	1.7%	1.2%	1.5%	1.6%	1.2%	1.5%			
	60% AMI HHs*	1.0%	1.4%	1.2%	1.6%	1.3%	1.4%			
	Upp Inc HHs*	1.1%	1.3%	1.3%	1.3%	1.2%	1.2%			
	Total	1.6%	1.3%	1.5%	1.5%	1.2%	1.3%			
Pennsylvania	ELI HHs*	3.6%	5.1%	4.1%	4.1%	5.4%	4.6%			
	60% AMI HHs*	2.7%	4.0%	3.6%	3.9%	5.3%	4.7%			
	Upp Inc HHs*	3.6%	2.8%	2.8%	3.5%	4.5%	4.3%			
	Total	3.5%	4.4%	3.9%	3.8%	4.8%	4.5%			
Rhode Island	ELI HHs*	0.5%	0.4%	0.4%	0.5%	0.3%	0.4%			
	60% AMI HHs*	0.3%	0.5%	0.4%	0.4%	0.3%	0.3%			
	Upp Inc HHs*	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%			
	Total	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%			
South Carolina	ELI HHs*	3.3%	1.7%	1.4%	1.3%	1.7%	1.4%			
	60% AMI HHs*	0.6%	1.3%	1.0%	1.3%	1.7%	1.5%			
	Upp Inc HHs*	1.2%	0.8%	0.8%	1.1%	1.4%	1.4%			
	Total	1.2%	1.4%	1.3%	1.2%	1.5%	1.4%			
South Dakota	ELI HHs*	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%			
	60% AMI HHs*	0.1%	0.1%	0.1%	0.3%	0.3%	0.3%			
	Upp Inc HHs*	0.1%	0.2%	0.1%	0.2%	0.3%	0.3%			
	Total	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%			

*ELI HHs have incomes under 30% of AMI.
60% AMI HHs have incomes of between 30% and 60% of AMI.
Upp Inc HHs have incomes above 60% AMI

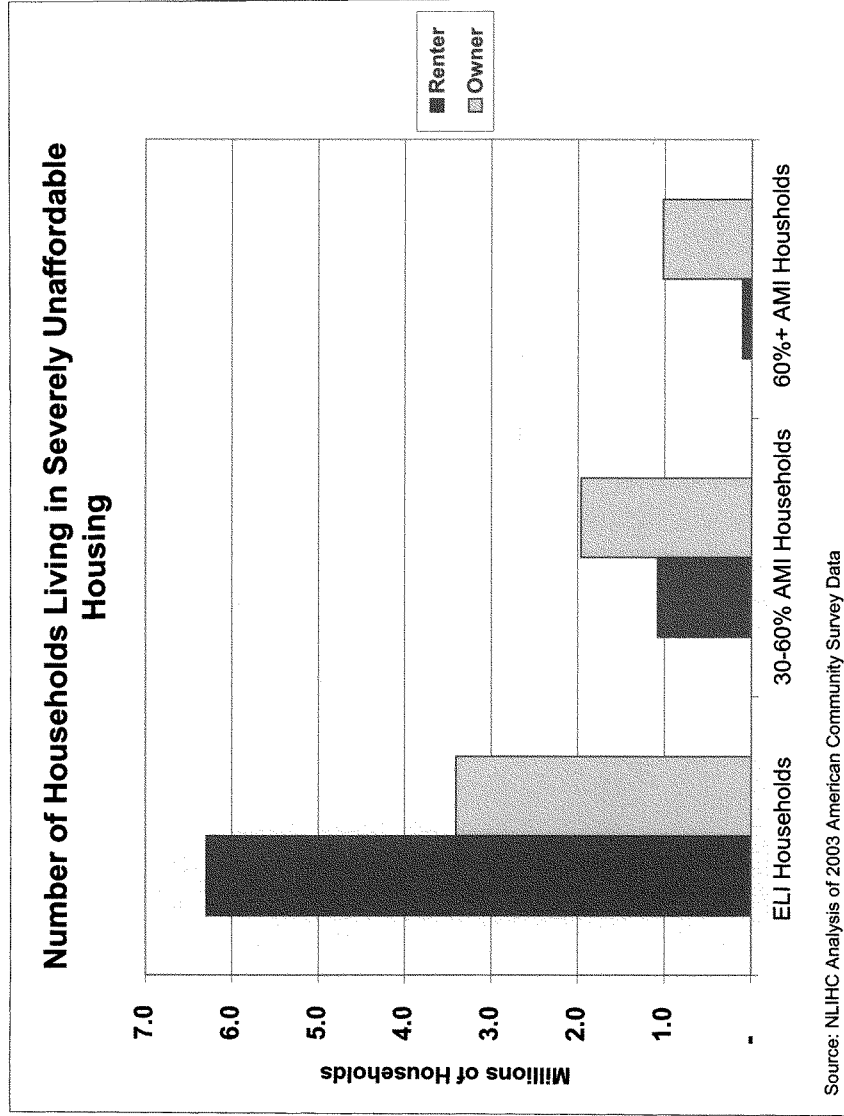
†HHs with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American C.
Severe Housing Cost Burden Among

		Comparisons to National Totals								
		HHs with severe cost burden by income category in state as a share of all HHs with severe cost burden by corresponding income and tenure categories in the U.S.†						HHs by income category in state as a share of all HHs by corresponding income and tenure categories in the U.S.†		
State	Income Category	renter	owner	all	renter	owner	all	renter	owner	all
Tennessee	ELI HHs*	2.0%	2.1%	2.0%	2.0%	2.1%	2.1%	2.0%	2.1%	2.1%
	60% AMI HHs*	1.5%	2.0%	1.9%	1.8%	2.2%	2.0%	1.8%	2.2%	2.0%
	Upp Inc HHs*	0.8%	1.3%	1.3%	1.2%	2.2%	2.2%	1.2%	2.2%	2.2%
	Total	1.9%	1.9%	1.9%	1.9%	2.2%	2.1%	1.9%	2.2%	2.1%
Texas	ELI HHs*	7.0%	6.8%	6.9%	6.7%	7.0%	6.8%	7.0%	7.0%	6.8%
	60% AMI HHs*	7.2%	5.5%	6.1%	7.8%	6.5%	7.0%	7.8%	6.5%	7.0%
	Upp Inc HHs*	3.8%	5.0%	4.9%	8.1%	6.8%	7.1%	8.8%	6.8%	7.1%
	Total	7.0%	6.1%	6.8%	7.9%	6.8%	7.0%	7.9%	6.8%	7.0%
Utah	ELI HHs*	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
	60% AMI HHs*	0.4%	0.7%	0.6%	0.7%	0.7%	0.7%	0.5%	0.8%	0.8%
	Upp Inc HHs*	0.1%	0.6%	0.5%	0.5%	0.8%	0.7%	0.5%	0.8%	0.8%
	Total	0.6%	0.6%	0.6%	0.6%	0.8%	0.7%	0.6%	0.8%	0.7%
Vermont	ELI HHs*	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
	60% AMI HHs*	0.2%	0.3%	0.2%	0.2%	0.3%	0.2%	0.2%	0.3%	0.2%
	Upp Inc HHs*	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
	Total	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Virginia	ELI HHs*	2.0%	2.1%	2.1%	2.1%	2.4%	2.3%	2.0%	2.4%	2.3%
	60% AMI HHs*	2.5%	2.0%	2.2%	2.4%	2.5%	2.4%	2.5%	2.5%	2.4%
	Upp Inc HHs*	2.5%	1.9%	1.9%	2.6%	2.8%	2.7%	2.6%	2.8%	2.7%
	Total	2.1%	2.1%	2.1%	2.4%	2.7%	2.6%	2.4%	2.7%	2.6%
Washington	ELI HHs*	2.5%	1.8%	2.3%	2.4%	1.8%	2.1%	2.5%	1.8%	2.1%
	60% AMI HHs*	2.3%	2.4%	2.4%	2.5%	2.0%	2.2%	2.3%	2.0%	2.2%
	Upp Inc HHs*	0.8%	2.4%	2.2%	2.3%	2.2%	2.2%	2.3%	2.2%	2.2%
	Total	2.5%	2.1%	2.3%	2.4%	2.1%	2.2%	2.5%	2.1%	2.2%
West Virginia	ELI HHs*	0.6%	0.6%	0.6%	0.7%	1.0%	0.8%	0.6%	1.0%	0.8%
	60% AMI HHs*	0.1%	0.3%	0.3%	0.4%	0.8%	0.7%	0.1%	0.8%	0.7%
	Upp Inc HHs*	0.3%	0.1%	0.1%	0.4%	0.7%	0.6%	0.3%	0.7%	0.6%
	Total	0.5%	0.4%	0.5%	0.5%	0.7%	0.7%	0.5%	0.7%	0.7%
Wisconsin	ELI HHs*	1.8%	1.9%	1.8%	2.0%	1.8%	1.9%	1.8%	1.8%	1.9%
	60% AMI HHs*	0.9%	2.2%	1.7%	2.0%	2.2%	2.1%	0.9%	2.2%	2.1%
	Upp Inc HHs*	0.8%	1.2%	1.1%	1.6%	2.1%	2.0%	0.8%	2.1%	2.0%
	Total	1.6%	1.9%	1.7%	1.9%	2.1%	2.0%	1.6%	2.1%	2.0%
Wyoming	ELI HHs*	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.2%
	60% AMI HHs*	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%
	Upp Inc HHs*	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.0%	0.2%	0.2%
	Total	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.2%

*ELI HHs have incomes under 30% of AMI.
60% AMI HHs have incomes of between 30% and 60% of AMI.
Upp Inc HHs have incomes above 60% AMI

†HHs with severe cost burden pay more than 50% of their income on housing.



Testimony
of
Jody Geese, Executive Director for Belmont Metropolitan Housing Authority
For a hearing regarding
H.R. 1999 – The State and Local Housing Flexibility Act of 2005
Before
The Subcommittee on Housing and Community Opportunity
Tuesday, May 17, 2005

Chairman Ney, Ranking Member Waters and members of the subcommittee, my name is Jody Geese and I am the Executive Director of the Belmont Metropolitan Housing Authority located in Martins Ferry, Ohio. Belmont Metropolitan Housing Authority owns and operates 724 units of Public Housing and has 275 authorized Housing Choice Vouchers. I also serve as an officer and the legislative chair for the Ohio Housing Authorities Conference (OHAC) which represents 76 housing authorities throughout Ohio. OHAC collectively serves approximately 135,561 families. Through the Housing Choice Voucher Program, OHAC agencies provide rental assistance to approximately 85,545 families representing approximately 214,476 individuals. Ohio's public housing programs provide 50,106 units for approximately 125,000 residents.

I am here today in my capacity as an administrator of Public Housing and Housing Choice Voucher programs. I greatly appreciate the opportunity to testify on

H.R. 1999, which proposes to replace the housing choice voucher program and amend the public housing program as established under the Housing Act of 1937. I thank you for inviting me here today.

You will hear testimony from many outstanding individuals today whose voices are louder than mine, but I speak from the frontline and live every day with the decisions that you and the Department of Housing and Urban Development make. The last couple of years have not been easy for program administrators, but my concerns go far past the impact on my staff and me. I have a deeper concern for the low-income families we serve and our participating property owners.

The “State and Local Housing Flexibility Act of 2005” has been introduced as a bill to “better assist low-income families to obtain decent, safe, and affordable housing as a means of increasing their economic and personal well-being through the conversion of the existing section 8 housing choice voucher program into a flexible voucher program, and for other purposes.”

On October 21, 1998, the Quality Housing and Work Responsibility Act, commonly referred to as QHWRA, was signed into law. QHWRA’s summary of major provisions states, “The bill removes disincentives for residents to work and become self-sufficient, provides rental protection for low-income residents, deregulates the operation of public housing authorities, authorizes the creation of mixed-finance public housing projects, and gives more power and flexibility to local governments and communities to operate housing programs.”

While the purposes of the “State and Local Housing Flexibility Act” sound strikingly similar to QHWRA, many provisions provided under the 1998 act have never been implemented by the Department of Housing and Urban Development. I along with our industry groups advocate for meaningful regulatory flexibility and streamlining of the housing choice voucher program. However, many of these goals could be obtained within HUD’s existing authority while preserving the original principles of the program. I have attached a copy of the National Association of Housing and Redevelopment Officials’ “HUD Can Act Now to Provide Housing Agencies with Program Cost Reduction, Flexibility, and Streamlining through Regulatory Reforms,” dated March 2005. QHWRA, a bi-partisan legislative action, contains reforms that provide for cost savings and greater program efficiency that HUD has yet to act upon despite the current funding environment. As an immediate step to provide relief to the voucher program, I urge you to continue to exercise your oversight authority to ensure full implementation of QHWRA.

A NAHRO study concluded that Congress authorized adequate funding for all vouchers in 2004, but the new funding formula methodology continuing to be utilized by Congress results in an unbalanced allocation of funds to housing authorities and ultimately serves fewer families. In FY 2005, Congress upheld a budget-based formula, apparently in response to HUD’s assertion that voucher program costs were “spiraling” out of control. The Center on Budget and Policy Priorities, in an article titled, “HUD Data Show Housing Voucher Costs Leveled Off Starting in 2003 as Rental Market Cooled,” dated April 18, 2005, provides a detailed analysis that the so-called “spiraling” costs of the program have in fact eased since peaking in 2003. Despite this evidence,

HUD relentlessly uses the assertion of spiraling costs as its rationale for radical change. Acting on an important budget reform enacted by Congress, HUD implemented a “real time” system in 2003 that allows that agency to more accurately predict actual monetary needs of the program and respond to those needs in a timely manner. The system works well for housing authorities and HUD.

The administration refers to the housing choice voucher program as “overly prescriptive and difficult for public housing agencies and the Secretary to administer.” While I would concede the program could and should be simplified, I would urge each of you to ask if HR 1999 is true to the integrity and intent of the program to provide decent, safe, sanitary housing. I would also ask that you consider that existing laws were enacted to reflect the desire of Congress to “**better**” assist low-income families.

While local decision making and broad flexibility are very attractive to public housing authorities, if funding is inadequate there is no “real” flexibility available. We don’t want to have to put the neediest families we serve at risk. I am also deeply concerned about the long-term future of the voucher and public housing programs.

A “unit-based” system using actual costs allows housing authorities to best utilize the housing choice vouchers that Congress authorized because it efficiently distributes limited federal resources and enables Congress to know the number and percent of extremely-low, very-low and low-income families being served, their rent burdens, length of participation and rate of self-sufficiency, etc.. While I appreciate the difficult

task this sub-committee and Congress are faced with when coupling program delivery and the allocation of scarce domestic funding, I continue to strongly advocate for a “unit-based” program reflective of actual costs for the housing choice voucher program and adequate funding for the public housing programs.

The Office of Management and Budget (OMB) gave the voucher program the highest rating of HUD’s programs. The bi-partisan Millennial Housing Commission recommended that HUD “**expand and strengthen the housing choice voucher program.**” It also stated that the voucher program “is distinctly worthy of additional funds for substantial annual increments of vouchers to address the housing problems of extremely low- and very low-income families who lack access to other housing assistance.” Its rationale for these recommendations was, “because the program is flexible, cost-effective, and successful in its mission” and that the commission believed that “housing vouchers should continue to be the linchpin of a national policy providing very low-income renters access to the privately owned housing stock.” The MHC affirmed the basic strengths of the HCV program and recommended ways in which it can be improved through streamlining with minor modifications, not through a major reform.

I will speak directly to my greatest concerns with this proposal.

TITLE I-FLEXIBLE VOUCHER PROGRAM

Allocation and Distribution of Funds-The administration's proposal suggests that each PHA, subject to appropriations, will receive funding proportionate to its annual 2005 funding for housing and administrative expenses, adjusted for inflation for an interim rule period. This perpetuates a disastrous "snapshot" funding formula into the future. The May-July "snapshot" methodology does not accurately depict housing authorities' annual leasing or Housing Assistance Payment costs in 2004 or 2005. This formula provided for temporary winners --- temporary because excess funds are recaptured --- and short falls for others, ultimately resulting in fewer families being served than could have been served with the funding provided by Congress. The interim and final distribution formulas should be based on annualized actual costs and leasing, using a larger universe than a three-month period as the basis for a pro-ration formula. Congress would then know in advance whether or not 100 percent of authorized leased households are being funded.

HR 1999's funding provisions also rely upon negotiated rulemaking, which is also a concern. It is questionable whether the final product of a negotiated rule making process will reflect the views of stakeholders in light of the recent changes to the operating fund negotiated rule.

Performance Measures- Performance measures should be spelled out in the proposal. Last year the performance measures were included as part of the proposal, but they were tied to the administration's priorities. This reduced real flexibility and local decision making. We have no guarantee this will not happen again.

Income Targeting – The administration proposes that “not fewer than 90 percent of the families issued vouchers during any one-year period shall have gross incomes that do not exceed 60% of the median of the area.” This would be seriously detrimental to the poorest of the poor, turning back the clock on the hard work of Congress to provide low-income families with rental choices.

While I agree that there are families just slightly above 30% of median income (AMI) that are unfairly impacted by the 75% income targeting, the proposed levels are extreme in that there is no safeguard for the extremely low-income families. A compromise could be that not fewer than 75% of families issued vouchers have gross incomes that do not exceed 40% of the median, as families generally go off the program when their incomes reach around fifty percent of AMI. Housing authorities, where targeting creates an undue hardship because it is not reflective of the communities they serve, could apply for a waiver.

Term Limits – An optional provision in the proposal allows PHA's to adopt term limits as long as they are not for a period less than five years. Term limits could affect the working poor, many of whom have obtained the best job or financial situation available

for them. We, as a nation, will always have folks that need assistance and must also consider the large number of children residing in these units that could be put on the streets or into substandard or overcrowded housing by term limitations. Term limitations have the potential to discourage participation of landlords that may be reluctant to take on a family nearing the end of their voucher term. HR 1999, in contrast, excludes families participating in homeownership from term limitation.

Project-Based Rental Assistance- A housing authority may continue to provide assistance for a vacant project-based unit for a period not to exceed 60 days. HUD has proposed supplemental funding for properties that typically have a vacancy provision built into their financing. However, HUD does not propose to provide this kind of subsidy for public housing and, in fact, provides for “no” operating subsidy for vacant units under the newly proposed “**non-negotiated**” rule, eliminating the long standing and modest 3% vacancy provision. No private sector real estate operator assumes they can achieve 100% occupancy.

Amount of Assistance- The Government Accounting Office, in a February 2005 report titled, “HUD RENTAL ASSISTANCE, Progress and Challenges in Measuring and Reducing Improper Rent Subsidies,” had major concerns regarding the potential impact the rent determination approaches being considered by HUD could have on resident rents and the direct impact these changes could have on over 3,000 PHA’s and 22,000 property owners that would have to retrain staff, update written procedures and administrative plans, and make costly software modifications. I welcome simplified rent calculations,

but share the concerns of the GAO that we need sufficient study to gauge the effects on both the tenants and the housing authorities before moving forward.

I would also question that if HUD finds overseeing more than 2,400 Section 8 programs difficult, how can the department effectively oversee and adopt performance standards for 2,400 different programs or oversee more than 3,000 public housing authorities by individual developments as they propose?

Minimum Rents-Many housing authorities support minimum rents. However, hardship exemptions make collecting them all but impossible. I do believe a modest minimum rent could discourage fraud among families reporting “zero” income.

Inspection of Units-The proposal requires that a PHA inspect at least 25% of their assisted properties annually. In my opinion, this is not enough. While I realize the necessity for inspections varies among agencies, inspections every four years seem inadequate from my perspective. My fear is that administrative fees will ultimately be based on the 25% requirement, putting housing authorities that cannot afford to do necessary inspections because of administrative funding constraints at risk of funding units with lead based paint issues, etc. Requiring inspections on at least 50% of assisted units annually, and every unit at least every 2 years would lessen the administrative burden while providing for quality assurance. A different approach would be to eliminate the inspection requirement for units assisted in tax-credit or other federally assisted properties that already have a mandated inspection requirement. This would provide for

an annual inspection of all assisted units, ease administrative burdens, and avoid unnecessary inspection duplication.

Administrative Fees- Administrative fees should be tied to units leased because they provide the proper incentives to PHAs to serve the greatest number of authorized families. There is no correlation between HAP subsidies and program administration. The same amount of work has to be done for a shallow subsidy as for a deep one. Based on its recent actions in regards to public housing subsidies, housing authorities are concerned that the final product will not resemble their needs. Congress should itself ensure adequate administrative fees are provided for the administration of the program.

TITLE II-PUBLIC HOUSING RENT FLEXIBILITY AND SIMPLIFICATION

The summary indicates the act would “simplify and reform the rental payment requirements.” HUD indicates “de-linking or minimizing” rent calculations from family incomes will create a fairer system that eliminates errors. The GAO report states, “HUD must weigh the degree of relief these policies provide against the administrative burden they create and the increased risk of error they generate.”

Public housing could adopt similar rent determination methods proposed for the Housing Choice Voucher Program. While the concerns for the residents of section eight are the same with public housing, housing authorities have no choice but to take into account the cost of keeping their doors open in public housing. There is no real

flexibility or tenant protection with the choices offered in public housing if funding is inadequate. Rents will have to be established in a manner that pays the bills.

Public housing income targeting requirements would remain the same, requiring annually at least 40% of newly admitted families to have incomes that do not exceed 30 % of the area median income. HUD proposes changing the voucher targeting requirements from 75% of all new admissions annually do not have incomes that exceed 30% of median, to at least 90% of all new admissions annually do not have incomes that exceed 60% of median. HUD's proposal will segregate the poorest of the poor in public housing or leave them with no where to go. Congress attempted to correct, within QHWRA, provisions that resulted in the lowest income families being targeted to public housing and the "less poor" having the greatest access to the housing choice voucher program and rental choices.

My concern is that this proposal will concentrate poverty in public housing developments, and funding shortfalls will result in the corrosion of the existing public housing stock. Having already eliminated the Public Housing Drug Elimination Program, the proposal to eliminate the HOPE VI program and the current and proposed cuts in the public housing modernization and operating funds will result in the deterioration of public housing stock, creating blight and increasing crime within public housing developments, as dollars currently used for security are no longer available and again turning back that clock.

TITLE III-MOVING TO WORK PROGRAM

The Moving to Work Demonstration study indicated that “more study” was needed to accurately measure its success. Yet HUD proposes to make this a “permanent” program, expanded to a large number of housing authorities while eliminating the permanent authorization of the voucher program with proven success, to just five years. I would suggest the opposite and leave the successful voucher program a permanent one and continue to expand, study and monitor the MTW demonstration for the next five years.

Conclusion

In conclusion, the Department of Housing and Urban Development must be held accountable for the integrity and effectiveness of the programs we operate and the families we serve. The Housing Choice Voucher Program is a highly successful program that is **not** “broken.” A funding crisis was created not by the level of funding provided by Congress in 2004 or 2005, or alleged “spiraling” program costs, but by the “snapshot” budget-based funding formula which inefficiently distributed adequate funding. This crisis does not change the need and purpose of the program. To fix a leaky faucet, you don’t need to demolish the house. Radical change requires careful review and study and I

thank this sub-committee for their commitment to do just that. We cannot balance this or any other budget on the backs of the poor.

As I indicated, I am deeply concerned about the long-term future of the voucher and public housing programs. Three years ago HUD proposed to block grant the voucher program to the states, this year it proposes the elimination of programs and the moving of the CDBG program to Commerce. It has taken the negotiated rule for public housing operating subsidy and removed many components that make it possible for a public housing authority to survive and imposed their own version, in the process cutting according to NAHRO nearly 370 million from the program **before** appropriations. I concur with a recent editorial on the crises facing public housing programs which likened it to the old saying, "When you are up to your neck in alligators, it is hard to remember your mission was to drain the swamp!"

I do not pretend to know what is best for other agencies that have very different communities, problems and challenges. As I stated previously, I would welcome "meaningful" reform and flexibility. The bottom line is "**everything**" is relevant to funding. Flexibility in an environment of adequate funding would produce significantly different results than in an environment where the decisions are made on the basis of having no other choice. Please help us to "**better**" assist our families by providing for adequate funding and a careful review of this proposal.

Again, thank you for the opportunity to present my views.



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HUD Can Act Now to Provide Housing Agencies with Program Cost Reductions, Flexibility and Streamlining through Regulatory Reforms
 March 2005

Congress passed major reforms to the Section 8 Housing Choice Voucher program (HCV) in 1998 under the Quality Housing Work and Responsibility Act (QHWRA). The act was designed to give housing agencies (HAs) the maximum feasible authority, discretion and control with appropriate accountability to residents, localities and the general public. NAHRO believes that HUD should act now, to build on the successes which followed bi-partisan legislative actions such as QHWRA. Since August 2003 and in successive years, NAHRO has requested the Department to move forward with the regulatory reforms listed below, in order to achieve cost savings and greater program efficiency under the HCV program.

The regulatory flexibility HUD provided recently under PIH Notice 2005-9, was a step in the right direction. However, given the funding shortfalls facing HAs, it is imperative that additional regulatory reforms be implemented this year, and not delayed further due to Section 8 legislative proposals for FY 2006. HAs that faced and will continue to face serving fewer families, increasing rent burdens and losing property owner participation, should not have to wait until next year, for the passage and implementation of a legislative reform proposal. No matter what financial position an agency is in this year, the regulatory reform recommendations for which NAHRO has advocated would help achieve program cost savings, program streamlining, and greater local flexibility, including but not limited to:

HUD's Program Goals	HUD Can Act Now	Program Benefit	HUD's Status
Implement simplified rent calculations - to ensure all subsidy payments are calculated accurately	HUD can streamline one of the most complex aspects of rent calculation for HAs, known as income exclusions, under its existing regulations. In fact, HUD's previous semi-annual regulatory agenda projected a proposed rule by February 2004 to amend the regulations for Section 8 and public housing programs. If implemented, the rule would have streamlined HUD's income and rent regulations, including the elimination of some income exclusions.	Program streamlining Reduce Improper Payments	Regulation withdrawn from OMB clearance
Modify annual inspection requirements - to allow agencies to achieve administrative cost savings	HAs could choose a time frame to conduct annual inspections that fit their local needs within existing statutory design including by geographic area instead of tied to lease anniversary. This would provide HAs with programmatic streamlining and ease administrative burdens. HAs are required to inspect units "annually" defined as one inspection occurrence per calendar year. Currently, HUD's PIC system requires an annual inspection date to be imputed within 90 days of the date of each voucher-assisted household's previous annual inspection, rather than once annually as is required under the regulations. The current requirement as it relates to PIC, rather than program regulations, creates a problem that moves the annual inspection requirement date further back every year.	Program streamlining Admin. Cost Saving	Not commenced
Consolidate and reduce duplicative reporting requirements to HUD	HUD was compelled under the consortium statute (Section 13(a)(2)(B) of the U.S. Housing Act) within QHWRA, to consolidate all HUD reporting requirements for agencies engaged in consortium. If completed by HUD, this would allow HAs to administer a multitude of programs in consortium and achieve significant program streamlining and administrative cost saving. Completing this requirement would provide significant benefits particularly to small agencies around the country.	Program streamlining Admin. Cost Savings	Incomplete

James M. Inglis, President; Donald J. Cameron, SPHM, Senior Vice President; Sandra Edmonds Crewe, PhD, PHM, Vice President-Professional Development; Joseph E. Gray, Jr., Vice President-Community Revitalization & Development; David J. Meachem, SPHM, Vice President-Member Services; Elizabeth C. Morris, Vice President-Housing; Marjorie C. Murphy, Vice President-Commissioners; Raymond P. Murphy, Jr., PHM, Vice President-International; Saul N. Ramirez, Jr., Executive Director

Improve evaluation system for small agencies and put the program in a market-based context	NAHRO has called for HUD to include critical market-based factors in evaluating Section 8 HCV program performance, such as vacancy rates. In addition, NAHRO has called for HUD to reform its point rating system for small HAs, which HUD's studies have demonstrated unfairly skew overall ratings for small HAs. SEMAP indicator 13 within HUD's PIC system does not account for the higher of HAs' lease-up rate or budget utilization. Instead it allows only for lease-up rates, which have fallen from 97 percent to 93 percent in 2004 as a result of a rigid budget-based renewal formula and de factor reductions in the authorized number of families agencies could serve with the funding available to them.	Program streamlining and increase its market-based elements	Incomplete. HUD listed a proposed revision to the lease-up indicator in SEMAP as part of its semi-annual regulatory agenda.
Better serve special populations (i.e. non-elderly disabled households) and increase affordable housing opportunities	Included in the FY 2000 VA, HUD and IA Appropriations bill, the Section 8 project-based voucher assistance program, if properly streamlined, holds great promise to serve special populations (non-elderly disabled households). It would also encourage deconcentration of neighborhoods, and increase affordable housing development, and reduce need for multiple waiver approvals from HUD. Current regulations enable agencies to use the Section 8 project-based assistance program for up to 20 percent of their voucher portfolio. The project-based assistance program is a housing production program, in that the commitment of federal subsidy is used as a method of financing the construction of new affordable housing units as well as substantial rehabilitation and acquisition of existing developments for preservation purposes. It costs between 50 and 75 percent less to preserve affordable housing units than to build new ones and attracts new investments to communities. NAHRO participated with other organizations and filed additional comments (Docket No. FR-4636-P-01).	Program cost savings and program streamlining	Incomplete. Proposed rule issued March 25, 2004, comments submitted in May 2004.
Downpayment Assistance using Housing Choice Voucher funds	Under Section 301 of the American Homeownership and Economic Opportunity Act of 2000, and contained in the final rule (September 12, 2000), 12-months of Housing Assistance Payments under the Section 8 Housing Choice Voucher (HCV) Payment can be offered to an eligible household for downpayment assistance towards the purchase of a home, upon which the eligible household would voluntarily withdraw from the HCV program. The final rule also authorizes use of voucher funds for downpayment assistance, but that initiative cannot become effective without an appropriation which has not been sought by HUD.	Greater local flexibility, Program cost savings	Funding not sought to implement the rule.
Avoid skipping very-low and low-income applicant households unnecessarily	During the March 5 th House hearing, Asst. Sec. Liu said, "There may be families that are at 35 percent of median, just 5 percentage points higher, and yet today they have to be put on waiting lists or they have to be overlooked." This could be prevented now if HUD properly exercised its existing statutory authority under QHWA. NAHRO recommends that HUD implement regulations from QHWA such that 75 percent of all vouchers issued would be provided to households below 30 percent of Area Median Income (AMI) rather than leased. Based on NAHRO's analysis and modeling of HUD's study, nationally, 68 percent of extremely households below 30 percent of AMI experiencing worst-case housing needs would receive approximately 79 percent of annual Section 8 rental assistance benefits, and 22 percent of households between 30 to 50 percent AMI that experience worst-case housing needs would receive approximately 21 percent of annual Section 8 rental assistance	Program streamlining Greater local flexibility	Improper interpretation of QHWA

	benefits, on average. If properly implemented, this would also provide greater administrative efficiency in the admissions and occupancy of the program where significant costs are incurred by agencies to satisfy HUD's current income targeting regulations.		
Reforming Utility Allowances	HAs should be able to use the utility allowance of a household's authorized voucher size if the bedroom size of their leased unit is greater than their authorized voucher size. In addition, HAs should be allowed to use the lower of their utility companies' "lifeline" rates or the standard commercial rate averages.	Program cost savings, Program streamlining	Incomplete
Improve inflation factor calculations - to more accurately reflect local rents.	Following the 1998 Negotiated Rulemaking Committee's deliberations, the Department was to collect two-year's worth of data to analyze more accurate inflation factor alternatives to the existing Annual Adjustment Factors (AAF). Since 1998, the rate of increases in local rents as defined by Fair Market Rent (FMRs) is greater than the rate of increases in modest AAFs, creating greater funding shortfalls and less access to housing markets in their community.	Greater local flexibility to meet local needs	Incomplete
Improving Design of Central Program Reserves - to ensure agencies would be able to serve the maximum number of authorized households	It is important that HUD maximize each source of funding in a way that provides adequate funds to each agency up to their adjusted ACC baseline number of units, and reduces recaptures of unused budget authority to the greatest extent possible. By centralizing program reserves and administering it in a more efficient and effective manner, it would enable those agencies that need it to access those funds and those agencies that do not need it would not result unobligated balances.	Program cost savings, program streamlining	HUD proposed eliminating program reserves for FY 2006 except for unforeseen exigencies
Allow Housing Agencies to implement reduced Payment Standards	<p>Within HUD's existing regulatory authority, the Department has the ability to change the current time frames required of housing agencies' to implement reduced payment standards from two years to one year upon annual recertification (CFR 982.505), which would likely reduce program costs by hundreds of millions of dollars and not impose undue hardships on low-income families and participating property owners. HUD exercised its authority with the issuance of 2005-9, but required Housing Agencies to go through a waiver process to implement shorter time frames for their lowered payment standards.</p> <p>If adopted, this measure would give participating households a reasonable time period to make informed market-based decisions about the terms of their share of rent the following year. Similarly, participating property owners would have adequate advance notice to reconsider the unit rent relative to comparable units in the private market and the benefits of the Section 8 Housing Choice Voucher program.</p>	Program cost savings	Introduced for the first time in March 2005, albeit through a cumbersome waiver process under PIH Notice 2005-9.
More accurately reflect local rents	In advance of the full implementation of the American Community Survey (ACS), a modest investment to increase the number of Random Digit Dialing (RDD) surveys, would help HUD more accurately gauge changing rental markets. HUD should resume performing at least 20 RDD surveys per year as they have done historically, and step up its initiative for more in the future.	Greater local flexibility	Resumed more RDDs in late 2004 and early 2005.
Improve portability and enforce accurate rental subsidy payments	As a result of a HUD Inspector General (IG) report, HUD was directed to implement a portability system with greater standardization in the billing and payment procedures. HUD implemented the IG's recommendations to help bring about reasonable enforcement mechanisms to enhance the existing portability system and reduce HAs' administrative problems. However, additional measures should be taken including: <ul style="list-style-type: none"> • Adding separate fields within the 52681-B form under the 	Program streamlining	Implemented Inspector General's report in 2004, however, additional measures could be taken.

	<p>Voucher Management System (VMS) specifically for portability billings and the HAs to which they apply, so that initial agencies can request and receive both HAP and administrative fees applicable to the receiving agency's jurisdiction;</p> <ul style="list-style-type: none"> • Within the confines established under QHWRA, give initial housing agencies a greater measure of control concerning the time-frames voucher holders have to search for a unit after exercising the portability option; • Under the existing portability regulations, agencies performing the admissions and occupancy determinations, have no control over their lease-up or utilization rates, and no ability to reasonably predict how their portability vouchers will be absorbed or billed in the future. Agencies need more advanced notice of when absorptions and billings will occur. Revise regulations such that an agency that is 98 percent leased or greater with portability billings (i.e. billings to an initial agency) must absorb 25 percent of their turnover vouchers for billings under lease for 1 year or more. Portability billings would be absorbed, starting with oldest billings first; and • Unused funds recaptured from agencies with "chronic" underutilization (i.e. below 90 percent and not leased back up to 95 percent or higher), would have the remaining funding and vouchers reallocated to pay for new vouchers. These new vouchers would be reallocated first within the MSA, then State and then within the Nation. The eligibility for these vouchers would be the same as incremental "Fair Share" vouchers with one additional preference for those agencies with portability billings still on their books. 		
<p>Correct Lease-up Rate Calculation Method for Project-Basing of Tenant-Based Vouchers</p>	<p>HAs that want to take advantage of the Section 8 Project-Based Assistance (PBA) Program find themselves between a proverbial "rock and a hard place." HAs want to designate a portion of their Section 8 ACC (up to 20 percent) in order to have enough units to attract or leverage private investment and LIHTC under their local Qualified Allocation Plan. If they do so, however, it takes time for the Section 8 PBA construction or substantial rehabilitation to take place. This, in turn, adversely affects the HA's voucher lease-up rates because the vouchers being designated for Section 8 PBA construction or substantial rehabilitation are currently counted by HUD against their voucher lease-up rates during that time period.</p> <p>HUD should give HAs a grace period on counting units that have designated Section 8 PBA vouchers for construction or substantial rehab. This grace period should be provided as long as there is a well-defined construction plan in place with specific time frames, that is documented and submitted to HUD in a reasonable fashion determined by the Secretary.</p>	<p>Program Streamlining</p> <p>Maximizing resources to serve the greatest number of households</p>	<p>Incomplete</p>
<p>Improve income verification and integrity - to ensure all subsidy payments reflect households' income</p>	<p>Required in FY 2004, HUD's use of the "New Hires" database with employment information on all recently-hired employees across the country would ease HAs' efforts on income and rent verification. Such disclosures would enhance HAs' income and rent verification efforts. HUD's implementation of the "New Hires" database is making progress and expected to be secure for the Housing Choice Voucher program in FY 2005 or FY 2006.</p>	<p>Program streamlining</p>	<p>In progress</p>

To maximize scarce funding to support programmatic goals and program efficiencies, NAHRO reiterates its call for HUD to act now on meaningful regulatory flexibility and streamlining of the HCV program, within its existing authority. In doing so, NAHRO advocates for preserving the original principles of the HCV program that does not disenfranchise low-income families, housing agencies or the communities they serve.

**Testimony of Renée Lewis Glover,
President and CEO of The Housing Authority of the City of Atlanta, Georgia
(AHA), Before the House Subcommittee on Housing and Community Opportunity**

May 17, 2005

Good Afternoon Chairman Ney, Ranking Member Waters, and members of the Subcommittee.

Thank you for the opportunity to speak today about a recent legislative proposal to modify the public housing and Section 8 voucher programs, H.R. 1999, the "State and Local Housing Flexibility Act". I would like to offer my thoughts as a Reform-minded practitioner on this proposal based on the lessons I have learned at the Atlanta Housing Authority since 1994.

However, I would like to begin my testimony by addressing two basic misconceptions that have colored the current debate over public housing and voucher reform.

The first misconception is that public housing agencies ("PHAs") are seeking legislative cover to abandon their fundamental mission— providing affordable housing to low-income families. This is not true. For decades, PHAs have served low and very low-income families. Housing authorities have continued to serve low and very low-income families over the past ten years as they have adopted innovative strategies to deconcentrate poverty and help families achieve self-sufficiency. This will not change. Over the past decade, AHA has committed itself to creating environments where Atlanta's residents, regardless of current income status, can thrive and achieve the American dream. AHA believes that every person has unlimited potential and promise, but the quality of his or her living environment dictates the outcome. AHA's vision is "Healthy Mixed-Income Communities."

The second misconception is that there can be a trade off between regulatory flexibility and funding. The linkage that has been made between these two critical issues is unfortunate and counterproductive. Along with my fellow housing professionals, I feel uniquely qualified to say that this is a false choice. We need the flexibility to tailor our programs to meet local needs and priorities, but we also need full funding. We are all aware of the budgetary problems facing Congress and the nation. However, in my view, funding for decent, affordable housing is the foundation for providing opportunity for all of our citizens and must be a national priority.

Reform Framework

First of all let me say that I agree 100% that legislative reform is necessary. As wealthy a nation as the United States is, too many American citizens are ill-housed, under-educated and ill-nourished. Too often the debate around these very complicated issues is framed before the problem that is seeking to be addressed is fully understood.

Too many of our American citizens continue to live in poverty. The question that confronts us is whether through thoughtful policy and strategic investment, we, as policy makers and practitioners, can make a difference. In my humble opinion, we can make a difference but only if we are intentional about understanding the problem and solving it. I offer the following thoughts and framing principles that I believe must govern any thoughtful discussion of public housing and housing choice legislative reform:

1. There is no question that the public housing and housing choice voucher programs need to be reformed. The programs are overly complex, too prescriptive and the regulations are often contradictory in their spirit and intent with too many unintended consequences and unfunded mandates. There is no clear articulation of the outcomes to be accomplished.
2. The problem sought to be addressed and the scope of the need must be clearly articulated before defining outcomes, approaches or how much it will cost. Currently, the public housing and housing choice voucher programs serve—low income seniors, in most cases, on fixed incomes; the disabled—physically disabled, learning disabled and persons with mental disabilities, often on fixed incomes; and able-bodied persons who have too few resources to pay for housing in the private marketplace. I would submit that each of these groups has different needs and the policymakers should approach these groups based on their needs and agreed solutions and outcomes. The public housing and voucher programs have in many ways not served these groups with the appropriate level of services because the focus has been on numbers and not outcomes to be achieved.
3. We must agree on the outcomes we desire to achieve as a result of the United States government making this investment. For example, we should ask the question what types of supportive services are needed for the mentally disabled so that they can function in the community. We have all failed the mentally disabled because the states have been getting out of this business and the mentally disabled have been left to fend for themselves often ending up homeless or in jail or in public housing originally designed for seniors resulting in neither the seniors nor the mentally disabled being well served. We should also ask the question: “Is it a realistic expectation that if families who are capable of caring for themselves but who have too few resources to pay for private housing should be able to graduate from the subsidy within a prescribed period of time, if the environment is decent and services are available and required to be used for that purpose?” Should we as a nation provide a permanent housing subsidy for seniors and disabled persons, who live on fixed incomes and who cannot take care of themselves?
4. All real estate is local and therefore the approaches to address housing for the various types of needs must be locally crafted and implemented. The real estate markets, including availability, cost and conditions, are vastly different across the country—New York versus California versus Massachusetts versus Georgia.
5. The public policy resulting in the concentration of poverty yields terrible outcomes and has had the unfortunate consequences of (a) institutionalizing poverty; (b) creating environments of crime, drugs and hopelessness; destroying neighborhood based schools; adversely impacting neighborhoods and the value of

the real estate. In Atlanta, we have been able to successfully address these problems through our mixed use, mixed income, mixed finance development by leveraging HUD development funds, engaging private sector developers and private investors, using market principles and creating market rate communities with a seamless affordable component. As a consequence, neighborhoods are being returned to healthy mixed income communities with great neighborhood schools and great quality of life amenities. The outcomes have been outstanding—dramatically higher work force participation, dramatically lower rates of crime, increasing real estate values, dramatically improved school performance and healthier communities. Environment matters.

6. HUD must re-engineer its regulatory scheme, monitoring and oversight and its systems and re-train its personnel as part of any comprehensive reform.

H.R. 1999

I am pleased that HUD, in its legislative proposal, acknowledges the successes of the last decade in public housing, and I welcome a thoughtful discussion of reform that seeks to enhance the ability of local housing agencies to tailor local solutions to meet local needs. AHA is effectively utilizing the flexibility provided under the Moving to Work program and has experienced some early successes, and I am encouraged that HUD has proposed to extend and expand it, as well as simplifying the cumbersome laws and regulations that govern rent calculations and allowing term limits in the voucher program. The rent changes would reduce errors in income calculations and reporting; lessen the administrative burden on PHAs and HUD; lessen the intrusion in residents' lives; and provide incentives for work and increased income. The term limits, which would not be applicable to the elderly and the disabled, would encourage self-sufficiency. The MTW provisions give PHAs and HUD the flexibility to develop approaches for providing and administering housing assistance that achieves greater cost effectiveness in federal expenditures; reduces administrative burdens on PHAs in providing housing assistance; gives incentives to families to become self-sufficient; increases housing opportunities of low-income families; and allows federal resources to be more effectively utilized at the local level.

However, I am very concerned that the bill fails to address the most pressing problem facing housing authorities and assisted families, which is a renewal formula for the Section 8 voucher funding.

The Section 8 Housing Choice Voucher Program (HCV) has successfully served millions of low-income families for more than 30 years, and has become a key part of the federal government's efforts to address an ongoing national housing crisis through the private housing market. The Office of Management and Budget (OMB) has given the HCV program the highest rating of HUD's programs, similar to the rating given to the popular HOME program.

Yet, despite three years of turmoil caused by constant funding formula changes, the HUD bill does not adequately provide a rational and stable allocation formula that housing

agencies, and perhaps equally as important, the private sector, can count on from year to year.

H.R. 1999 would maintain the current inequitable funding system for a minimum of two years; it defers decision-making on any future funding policy to a Negotiated Rulemaking process with the HUD. In short, the Section 8 funding issue, left unaddressed, severely threatens the ability of local agencies to continue to assist families in need.

The Road Ahead

I believe that consideration should be given to all thoughtful proposals calling for public housing and housing choice reform. One such proposal is "Building Better Communities Act", or "BBC", which has been developed by the Council of Large Public Housing Authorities. This proposal permanently reauthorizes MTW while offering the right combination of safeguards, local decision making, and accountability. BBC, unlike HR 1999, requires full funding of all PHA programs. It gives housing authorities the opportunity to build on the successes of the last ten years, to tailor their programs to meet local needs, to help residents achieve the American Dream and to build healthy mixed-income communities across the country.

Atlanta does not want to go back to the old ways of micromanagement and over regulation, and housing authorities across the nation are eager to use these new tools to serve their residents. On behalf of Atlanta residents, and the millions across the country, I support the permanent institutionalization of these changes.

In the end, the outcomes should be the most important benchmark for success. When more men and women in public housing have experiences like one of our resident, Derashay, then we will know that public housing is on the right track. Derashay, who had been living in one of Atlanta's most isolated, destitute communities, was relocated as part of our larger program. With encouragement from the network of supportive services that AHA offers including a scholarship from AHA's Atlanta Community Scholars Program which provides scholarships for post secondary education, Derashay enrolled in a degree program at Devry Institute. She is now a much-prized employee of T-Mobile, and, through her work, her family has had the opportunity to travel and live in Europe.

MTW extension and expansion will allow more residents to have experiences like Derashay's.

In closing, I thank the Subcommittee for this opportunity to testify and I look forward to working with you to address the important challenges we face together.



Congress of the United States

House of Representatives

Subcommittee on Housing and Community Opportunity

Bob Ney, Chairman

Testimony of

Jon Gutzmann

Executive Director

Saint Paul Public Housing Agency

The State and Local Housing Flexibility Act of 2005

Thank you Mr. Chairman and Subcommittee members for holding this hearing on this important reform bill. My name is Jon Gutzmann. I am the Executive Director of the Saint Paul Public Housing Agency (PHA), a position I have held for the last 18 years. Previous to this, I was the Director of Public Housing for the Minneapolis Public Housing Authority for seven years. My testimony is given on behalf of the Saint Paul PHA and the 20,000 low-income households we serve. I speak both as a provider of affordable housing and as an advocate who has worked directly with and for the residents of public housing and the voucher program for the past 25 years.

We own and operate 4,300 public housing units and administer 4000 housing choice vouchers, providing safe, affordable, quality housing to over 20,000 people. We have been rated a public housing high performer (under PHAS) for 14 consecutive years and a voucher program high performer (under SEMAP) for four years. Our scores are often 100% for each program. We carefully screen applicants for admission into public housing, collect 99.5% of all rent charged, perform 35,000 work orders per year in an average of 2 days per work order, have been at 99% occupied for seven consecutive years in public housing and full utilization of Section 8 vouchers for four years, we have had zero financial audit findings for nine consecutive years, we fully expend capital funds over one year ahead of the HUD requirements, and much more.

I point to these accomplishments out of pride of course, but also to say that they are representative of most Public Housing Authorities in the nation. PHA's have been integral partners with the federal government in providing housing assistance for decades.

These authorities sponsor public housing, housing choice voucher programs or both that, in total, serve over 3 million low-income households. Owning over 13,000 apartment complexes, including over 1.2 million units, authorities house almost 3 million children, more than 500,000 seniors, and almost 2 million individuals with disabilities.

Public housing developments in particular are integral parts of most communities in America. A pharmacy in my hometown of Benson Minnesota sells post cards with a picture of their public housing senior hi-rise on it. Public housing hi-rises in Saint Paul have on-site management, live-in maintenance caretakers, visiting public health nurses, visiting case managers, buses to grocery stores and shopping malls, pharmacy delivery service, on-site church services, County-funded meals programs, and more. The notion that these are “warehouses for the poor” is as insulting as it is uninformed.

This bill (H.R. 1999) is the most important public and assisted housing legislation that has been considered since the enactment of the Quality Housing and Work Responsibility Act of 1998 (QHWRA). I agree with one of my colleagues who said it is virtually impossible to adopt an “all or nothing” position on legislation of this magnitude. Indeed, in any broad reform bill such as this, there are going to be provisions that one supports and other provisions that you do not. A simple conclusion that this bill is all bad or all good is premature to say the least.

The three industry groups are just beginning to discuss the bill in detail with their members. I support the general statement PHADA, CLPHA, NAHRO issued on May 11, 2005 relative to this bill, which supported the concept of housing reform, but had serious concerns about some of the solutions proposed by this legislation. I plan to spend a lot of time working with these groups seeking consensus on amendments or, if necessary, a new bill that preserves affordability and other safeguards for residents, enhances local decision-making, and ensures adequate and predictable funding. I hope you are open to considering ways we can work together to accomplish these goals, even if that takes several months.

I mention the funding issue in particular because this bill cannot be considered in isolation. Through PHADA, CLPHA, NAHRO, residents, advocates, property owners, lenders and other valuable partners, PHA's have consistently sought full funding for public housing, housing choice vouchers, the capital fund, Hope VI and other HUD programs. We have spoken with one voice in opposition to HUD's budget proposals over the past four years, budgets which have resulted in the loss of billions of dollars in funding for these programs. We have and will continue to fight to preserve and restore full funding. We have and will continue to press HUD to reinvigorate, not dismantle these crucial programs. The details of these funding requests are in the public record.

Yet, as affordable housing providers we are forced to be realists. Despite our concerted and collective efforts, our budget recommendations and requests have not had much success in Congress in recent years. Despite our best efforts, we lost funding for the very

successful drug elimination program several years ago and Congress has not restored it. Despite our best efforts, the voucher program has already been transformed through the Congressional appropriation process and HUD rule-making into a dollar-based versus unit-based program. Despite our best efforts, PHA's have been forced to eliminate programs and services and lay off staff because of the reduced funding for HUD. And as a nation, despite our best efforts, public housing and the housing choice voucher program, which together account for only 2% of all the housing units in America, still only serve about one out of four who qualify. I stand solidly with those working to preserve and increase the supply of affordable housing in America. I must also stand with my colleagues who are working hard to preserve our nation's 3200 PHA's because our continued existence is jeopardized by these profound and sustained funding cuts.

Because of the deep funding cuts to Saint Paul's public housing, capital, and voucher programs over the last three years, I have been forced to eliminate 10% of our staff, reduce voucher payments to owners by 7%, and scrimp on necessary capital improvements such as life safety systems in senior hi-rises. We have already sold off excess public housing land to Habitat for Humanity, borrowed against reserves to pay operating expenses, and significantly reduced housing assistance payments to voucher landlords. This is not a financial operating strategy that can be sustained by even the most creative or high performing Executive Director or PHA.

And for the record, I absolutely reject the Administration's contention that PHA's are to blame or just need to work harder to overcome these fundamental funding shortfalls. There is no data that even comes close to supporting those wholesale generalizations.

On the contrary, our PHA essentially "invented" our solution to last year's voucher funding crisis where we initially faced a \$3 million funding shortfall (about 10% of our voucher HAP budget). We had to stretch the limits of allowable actions under existing HUD rules to deal with the loss of funds. We did so without canceling one voucher, but the inflexible program rules required us to shelve many vouchers to meet the reduced funding level. We were unable to issue a single voucher to a household on the waiting list throughout all of 2004 because of this crisis. This much-heralded, private sector modeled, voucher program is not nimble enough to allow PHA's to appropriately respond to the ups and downs of the private sector rental housing market. In that general context, I agree with HUD that some voucher program reform is necessary although I disagree with many of their specific remedies.

I also disagree with "blame the tenant" sentiments expressed before this body. We have 20 years of data at the Saint Paul PHA that confirm that residents in our public housing and voucher programs stay in this assisted housing on average six years. We agree with members of this committee that most if not all families are working hard to move up and out. And we agree that most elderly and individuals with disabilities need a permanent affordable place to call home. Even so, the elderly and individuals with disabilities "group" also stays with us an average of six years, generally due to hospitalization,

nursing home placement or death. I don't think HUD has specific data to back the assertion that public housing and/or voucher tenures are increasing across the nation from what they were a few years ago. There is data that demonstrate that the number of poor people in America has grown in the last few years and that more people are severely rent burdened (paying more than 50% of their income for rent) than a few years ago.

But most importantly, we all should remember that the "bargain" struck between Congress/HUD and PHA's under the terms of the Housing Act of 1937 (and subsequent amendments) is that PHA's will house low and very low income households, Congress/HUD will provide annual operating subsidies to make this housing affordable to tenants, and (this is the part folks keep forgetting) Congress/HUD will provide sufficient annual operating subsidies to make PHA's whole. There is no magic involved here. Deeply affordable housing is only possible if Congress provides deep subsidies to PHA's or directly to tenants.

At the Saint Paul PHA, the average cost to operate a public housing unit is approximately \$600 per month. Rents average about \$200 per month (based on the 30% of income formula, which translates into rents that are at about 20% of our Area Median Income). Our PHA must receive \$400 per month, per unit from HUD (\$200 per month, per unit in operating subsidy and \$200 per month, per unit capital funding subsidy) to remain viable. Congress and HUD do not keep their end of the bargain when this subsidy level is reduced, especially when Congress prevents PHA's from doing anything on the income side. Don't get me wrong. Our PHA prefers to keep the historical bargain and operate

the program for the benefit of the lowest income households in Saint Paul. But Congress and HUD must do a better job of providing adequate, predictable (and deeply subsidized) funding for this to “pencil out” for the PHA.

If you want “Progressive” rules, then provide “Progressive” funding. If we have to live with “Conservative” money, then let’s work together to reform some of the rules. We can do this while preserving affordability and removing barriers or disincentives to employment, as MTW sites such as Keene New Hampshire and elsewhere have demonstrated.

It seems that some advocates are prepared to wage all-out battle against anyone who supports even reasonable program reform. This is apparently based on the theory that if the money is insufficient, it is better for PHA’s to sell off public housing units and cancel vouchers in order to survive than to agree (even after local stakeholder consent) to even modest increases in tenant contributions; that this “selling off and canceling” approach will somehow create a critical mass of suffering and outcry; that this will then lead to a change in the administration (or at least a change of heart); and that this will lead to the restoration of the funding and units PHA’s had to sell in order to survive.

The proposition described above is unacceptable to me as a housing provider and advocate. I am in the business of keeping people in affordable housing. And to my knowledge, the last time new public housing units were added to the nation’s supply was in 1986. Since then, through Democratic or Republican administrations, no new public

housing has been produced. And I believe that no “incremental” or new vouchers have been added to the supply since the late 1990’s.

I also agree with Sheila Crowley of the National Low Income Housing Coalition that the public housing and voucher programs are not broken, that costs have not spiraled out of control, and that this nation “can afford” to keep this safety net program intact and deeply affordable if we wanted to, rather than, for instance, enacting another \$109 billion in tax cuts.

But we don’t seem to want to do that as a Congress or a nation. And at the end of the day, my PHA colleagues and I still have to balance the books and try our best to fulfill our missions. The Saint Paul PHA’s mission is to help families and individuals with low incomes achieve greater stability and self-reliance by providing safe, affordable, quality housing and links to community services.

To reiterate, the public housing and voucher funding is insufficient today despite the best collective efforts of our leaders, residents, advocates, other stakeholders, and many supportive and caring members of Congress. What is on the horizon looks even worse. Other federal government actions underway that threaten the existence of PHA’s include the unilateral OMB-sponsored changes to the operating fund rule which the industry groups and HUD negotiated in good faith a year or so ago. Those changes would result in some PHA’s losing 40% to 50% of their annual operating subsidy in one year, as the “stop loss” provision was unilaterally removed from the agreement.

Also, HUD's proposals on project-based accounting and project-based management will usher in a host of new regulations and financial burden to PHA's while purporting to emulate "private sector" asset management principles. However, because the law prevents any adjustments by PHA's to the "income side" of the ledger, this model is of course completely inconsistent with the real world of private sector asset management (a crucial point lost on the authors of the Harvard Cost Study).

These disturbing funding realities have already forced PHA's to make difficult choices. If additional tough decisions are required because of continued "bad" money and negative regulatory trends, shouldn't those tough decisions be made at the local PHA level and not in Washington DC? Shouldn't a painful decision about how to cope with a 40% to 50% loss in operating funds at a particular New York state PHA, for instance, be made by that New York state PHA in conjunction with its stakeholders? And if one of the locally determined options involved consideration of the need to raise minimum rents, and residents at that PHA agreed this was necessary to preserve the public housing or voucher program and the viability of the PHA, shouldn't that be allowed to occur? If you say "no" then please be logically consistent and send that PHA a check. Or agree to house the families that PHA will be forced to displace because the federal government says the revenue side of the ledger is "off limits" to local officials.

If PHA's are not allowed to improve the income portion of the equation, then Congress surely must. That's the historical agreement. If Congress cannot do anything to increase

funding because supportive members don't have the votes, and if supportive members cannot allow themselves to do anything on the "rent burden" side of the ledger because of admirable principles, then the debate must turn to proposals to keep PHA's solvent. Advocates and supportive members of Congress must be willing to help craft specific PHA survival strategies if the difficult discussions about reform and rent burden are off the table. Will they? Ignoring that aspect of this debate would not be intellectually honest or fair.

Some argue that passing this reform bill will result in the loss of significant amounts of affordable housing for low-income households. PHA's worry about that too and will be at the table with members of Congress, residents, and advocates to kill or amend those harmful provisions.

But PHA's are forced to worry right now that a "world" without program reform coupled with a "world" of inadequate funding will likewise lead to the loss of affordable housing for low-income households. This will happen if under-funded PHA's are forced out of business. We need and ask for your help in addressing that problem too.

With that said, my comments on the three main titles of the bill are as follows:

1. Title I. I think it makes a lot of sense to give PHA's more latitude in how they set individual rent subsidies in the housing choice voucher program. Although I understand that owners may object to the lack of uniformity this would create, allowing locally

determined voucher payment standards would be one important way in which PHA's can adjust voucher program costs in fluctuating private markets.

Other provisions in this Title that have some appeal, but require closer scrutiny include: less frequent inspections (but allow even more flexibility – the Saint Paul PHA could utilize our City's Certificate of Occupancy inspections more fully); less frequent eligibility reviews; making FSS an option, not a requirement; the real estate ownership prohibition; keep Section 8 in the Agency Plan; allow, don't require, Section 8 participant on PHA Boards; and don't give "voucher-movers" from project-based-assistance sites first priority for all available vouchers, allow local flexibility.

In my opinion, the following proposals should be eliminated from the reform bill or substantially re-worked with stakeholder involvement: creation of term limits, curtailing enhanced vouchers, revised income targeting provisions, and restrictions on portability.

Another overriding flaw in this section of the bill is the lack of a clear funding formula for both Housing Assistance Payments and a PHA's administrative fee. As PHADA says, "HUD basically punted on this component, temporarily funding PHA's using a current 'snapshot,' leaving future decisions completely up to negotiated rulemaking. As we have learned all too well in recent weeks, negotiated rulemaking may not be the best way to make such important decisions. It is essential for PHA's to have predictability to run their voucher programs effectively. Accordingly, PHADA believes an equitable and transparent funding formula must be included in the statute."

A final flaw of this Title is that the bill silent on what the voucher performance assessment system would look like. This should be corrected in the statute after close consultation with the three industry groups.

2. Title II includes many of the housing industry's recommendations to simplify and reform the existing rent system. I hope these will become law. The bill would give PHA's four options (for both the public housing and housing choice voucher programs): keeping the existing "Brooke" methodology, allowing for the establishment of flat rents, allowing PHA's to use a percent of gross income methodology, and allowing for the creation of a flat tiered rent system similar to that found in tax credit projects. I especially support the use a percent of gross income methodology, and allowing for the creation of a flat, tiered rent system, as these provisions would help remove the work disincentives in the current law while making it easier for PHA's to calculate rents. Also, these provisions would make the rent system more equitable for all assisted housing residents. Brooke rents, percent of gross income rents, and the flat, tiered rent system also ensure that affordability is maintained. The "flat rent" provision should be removed as it could produce outcomes that are not affordable.

3. Title III would expand the successful Moving to Work (MTW) program by exempting more PHA's from various federal housing laws and regulations. Many PHA's support as much devolution to local agencies as possible. However, HUD does not have

the capacity to deal what could be up to 1000 new MTW agreements. I recommend that this provision be scaled back to an additional 100 to 200 PHA's becoming eligible for MTW status. I recommend that the bill keep the "High Performer" requirement and minimum program sizes as proposed by HUD. The bill should allow for HUD pre-approved templates for MTW sites as the Urban Institute and PHADA recommended. Guidance is needed on the MTW performance evaluation system.

Thank you for your time and consideration.

Jon Gutzmann

May 17, 2005

Hocking Metropolitan Housing Authority
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Testimony of Tarrah J. Leach

Section 8 Housing Choice Voucher Participant

On behalf of the

Hocking Metropolitan Housing Authority

Before the

House Committee on Financial Services

Subcommittee on Housing and Community Opportunity

May 17, 2005

Mr. Chairman:

My name is Tarrah J. Leach. I am a divorced mother of 3 children. I have been a participant in the Section 8 Housing Choice Program since 1998. I am here to testify on H.R. 1999.

I have recently received my LPN from Hocking College. It has taken me a lot to get where I am today. I have come a long way. I am very proud of my accomplishments, and of myself but let me tell you how I got here.

I lived with my grandparents most of my life because my mother had her own difficulties. At the age of 16, I went to stay with my sister in Lancaster, Ohio for the summer. I met a man named James. Of course at 16 I thought I was in love. My sister moved back to Columbus, Ohio before the summer was over. I decided to stay. My Mother still did not seem to have interest in me. So at the age of 16, I was by myself with my boyfriend. We stayed with various people that we could.

I found out that I was pregnant and I quit school. We ended up in a homeless shelter in Lancaster, Ohio. We had to stay in separate buildings. We got up every morning and left the night shelter and went to the day shelter. We ate breakfast and lunch at the day shelter then walked across town to the night shelter for dinner and for the night. The worst part of it all was that James was abusive to me. But me being 16, I was "young and dumb" as they say. I didn't know the law or what love was. I thought it would get better. We got married when I was 17. I had given birth to my 1st daughter 3 months earlier.

We applied for housing assistance with Fairfield Metropolitan Housing. After being on the waiting list for one year, we got on Section 8 Housing Choice Voucher Program in Lancaster, Ohio. We got a little apartment in Lancaster, so I thought things would get better. I was wrong, the abuse got worse, and I had another daughter at the age of 18. I finally got the courage to leave him and went to stay at a domestic violence shelter for women. I got divorced.

I met another man shortly thereafter. You could say I jumped out of one frying pan into another. David and I moved to Logan, Ohio into a little apartment. I got my drivers license at age 18. That was no small accomplishment. I got pregnant again at an age 20. I got married to David when I was five months pregnant. He lost his job so we decide to apply for Section 8 Housing Program in Hocking County, Ohio.

I decided when I was pregnant with my 3rd daughter that I wanted to get my GED. I didn't want my kids to be able to say that I never graduated from high school. So, my 3rd daughter was born in October 2001 and my GED was issued December 12, 2001. That was a very big accomplishment.

David and I moved to a 3-bedroom trailer in Logan, Ohio. We had various problems throughout our relationship. He would not keep a job. So I worked.

Well, after having 3 kids, I never thought I would go to college, but my GED teacher at the Volunteers of America had told me that I scored very high on my GED and that I should go to college. So I got the courage up and I decided I had always liked helping people so I would go to school to become a nurse. So in June of 2002, at the age of 21, after not being in school since I was 16, I stepped foot in college.

My husband was not behind me to say the least. We ended up divorcing. But after starting college, I was not going to let anything hold me back anymore.

I went though 2 years of nursing school, raised 3 kids by myself and worked a part-time job at Wal-Mart to accomplish my goals. Yes, I did have to sacrifice time away from my kids by working and going to school, but it was all for them.

Throughout my 2 years in nursing school, I maintained a 3.8 GPA, made the Dean's list every quarter, made the President's list in January 2003, Superior Academic achievement award in 2003. My name is published in the National Dean's list. I have been Vice President of the National Honor Society, Phi Theta Kappa, since I started. I graduated 4th in my class with honors. I accomplished this while raising my 3 children and working.

The Section 8 Housing Assistance has helped me achieve so many of my goals. If it had not been for the Housing Assistance, I as a single mother, would not have been able to put a roof over my children's heads. I wouldn't have had the time to devote to school to better my education for myself and my children.

My children would have suffered because I would have had to work all of the time just to make ends meet to pay rent and utilities.

I know I am not the only single mother out there with children that has goals and sees them slowly fade away because of the struggles that we go through to survive. Facing issues like not receiving child support to having to work all the time, or to have the government to want to take programs away, are the barriers that challenge our ability to attain those goals.

I am living proof that one person can make a difference and make their life better when given the support and opportunity to succeed.

After listening to what I have went through before I have received help, to how I bettered myself while I received help, how can you take that away?

The government teaches us to better ourselves and get off welfare and HUD. But how can you better yourself to get off of these programs, if you take them away before giving the people the chance to try and succeed as I have.

When I got my new job, I reported my changes to Hocking Metropolitan Housing Authority. I now earn \$15.50 an hour and work 30 hours per week. I gross \$465 per week. With this income, with a four-person household, I am still within the income range for eligibility for the Section 8 program. The Housing Authority has told me that I am at 46% of the area median income for Hocking County. But the Fair Market Rent for our area is low, I will be no longer be receiving any housing assistance.

I rent a 3-bedroom manufactured home for \$430 a month plus utilities. With my new income amounts I will be paying all my own rent beginning July 1, 2005. I am looking forward to being self-sufficient after my long struggles.

My success did not happen overnight. It has taken me over 7 years to achieve some of my goals. I am a very motivated person, but someone a little less sure of their goals would take a lot longer to get to the place that I

am today. I would like to see others be able to fulfill their goals even if it takes a long time.

While I am grateful for the assistance, I am worried that others will not have the opportunity to improve their life with the same support I received. It is my understanding that when I go off the voucher program, the voucher will not be reissued because of budget cuts in the Section 8 program.

I feel this is unfair to those that have waited so long to get housing assistance.

I ask that you consider my story before creating any time limits to the program, changing any of the income targeting for benefits and providing adequate funding for the program as it exists.

Honorable Members of the Committee,

I am Rudolf Montiel, the Executive Director of the Housing Authority of the City of Los Angeles (HACLA). I assumed that position in November 2004. Prior to that time I was the President and CEO of the Housing Authority of the City of El Paso. During our three year tenure in El Paso, our authority was consistently one of the highest rated large housing authorities in the nation in both the PHAS and SEMAP indicators.

It is an honor to provide testimony regarding the State and Local Housing Flexibility Act of 2005.

I am happy to report that HACLA is making great progress in fiscal stewardship, operational efficiency, and in bringing a culture of "transparency and compliance" to our organization. I would like to recognize the support of our congressional delegation, HUD, Los Angeles city leadership, and the HACLA Chairperson and Board of Commissioners for working together to avoid receivership for HACLA in early 2004.

Today, I would like to frame my remarks in the situation we live in Los Angeles, the nation's second largest city. I think it would be helpful to provide you a brief history of where we have been over the past few years.

First, HACLA significantly overleased units in the Section 8 voucher program in 2004. At the height of the crisis we were nearly 6,000 units overleased. I am pleased to report that HACLA has taken the management steps necessary to reverse that situation, and today is no longer overleased.

Second, gang actions and high rates of criminal activity have plagued HACLA developments over the past few years. The explosive growth of gang membership in Los Angeles is a problem that affects the community as a whole but most particularly the areas in and around our public housing developments. Our housing developments have the dubious claim of being the birthplace of some of the most notorious gangs that now have franchises in many of the nation's largest cities.

Third, despite wonderful redevelopment success in the Pico-Aliso public housing communities, HACLA has experienced a net loss of nearly 1,000 public housing units due to demolition. Moreover, in Los Angeles, some of the largest and most distressed public housing communities in the nation have yet to be redeveloped.

Fourth, little progress has been made to significantly decrease the waiting lists for Section 8 (90,000 +) and public housing (24,000 +).

Given these facts it is with great interest that we at HACLA analyzed the different facets included in this legislative proposal. As with any sweeping legislation there are good aspects to the bill; similarly, there are not so good aspects. If the bill goes forward, I would support excepting elderly and disabled families from several of the proposed

provisions that otherwise might affect the poorest of these families adversely (income targeting, term limits, etc.)

I would like to highlight several aspects of the bill that in my humble opinion are most relevant in the community I serve:

Reduced Administrative Requirements for Rent Calculation, Inspections and Re-certification:

This is definitely a positive aspect to the bill, given that it will reduce the administrative cost of program, potentially resulting in more funding available to directly assist families. Simplification of rent calculations, including limits for assets and ownership of real property; reduction in the inspection requirements; and extending the period for required re-certification are all good.

Income Targeting

I do not concur with the structural shift in the income targeting provisions of this bill. Simply put I think it will undoubtedly hurt the most needy of families for the income targeting to move from serving 75% of families at 30% AMI to 90% of families served at 60% AMI. Moreover, in Los Angeles as in many large urban centers, the targeting provisions have allowed families from Watts (in south Los Angeles) and Boyle Heights (in east Los Angeles) to move to more middle-class areas such as the San Fernando Valley. While I understand that numerically more overall families could be served, I think that it will hurt our community and push even more families into severely substandard housing or homelessness.

Funding for Public Housing:

I am very concerned about the level of funding proposed to be provided by the associated appropriation request. The flexibility and reduced administrative requirements will not offset the significant decrease in operating subsidy and capital fund. Although the move to project-based management for public housing is a very good initiative, I strongly believe that public housing regulatory requirements drive a much higher management costs than those in the LIHTC or market-rate properties.

Public Housing Capital Fund:

There is clearly a major disparity between the deferred capital needs of the public housing stock in Los Angeles and the amounts being funded through the appropriation request for 2006. Unless Congress appropriates funds to adequately provide for capital needs of the real estate portfolios of public housing authorities (PHAs), the deterioration of these assets will accelerate dramatically in the next few years and the related costs will increase exponentially, not linearly.

It is in this context that fungibility allowed by this legislative proposal can enable additional investment of capital dollars into our public housing stock especially in redevelopment initiatives. I think this is a good aspect of the legislation and I support this provision of the bill. It is of vital importance to make productive use of the underlying real estate value of public housing assets.

Recommendations for Added Provisions in the SLHFA Proposal:

In my opinion there are two general areas that if addressed in a more extensive manner, could provide a great benefit to HUD and PHAs and result in meeting Congress' mandate to reduce fraud and waste in the Section 8 voucher and Public Housing programs.

Strengthening of Penalties and Permanent Debarment for Fraud Violations of Participants and Landlords:

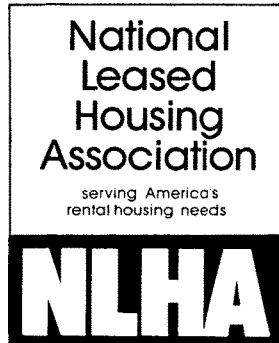
The legislation needs to provide effective barriers to fraud and abuse by landlords, tenants and employees of PHAs. The penalties should be significant enough to serve as a deterrent. Among the penalties I would suggest are permanent debarment for those parties that engage in fraud. To this end, the HUD regulations need to be modified to more clearly define prohibited conflicts of interest and familial prohibitions.

Various steps could be taken to support this effort. For example, I believe that a national database of debarred individuals and entities needs to be made available to PHAs to prevent participants being terminated in one jurisdiction from moving to another jurisdiction to receive assistance.

Income Verification:

Third party income verification is one of the most difficult aspects to administering public housing and Section 8 vouchers. I believe implementation of a database of electronic federal (IRS and Social Security) and state income and assistance records would be of great benefit. An automated system could greatly increase the accuracy of assistance determinations.

I hope that my testimony will be helpful to you as you make very difficult decisions concerning these badly needed programs. I look forward to maintaining an excellent working relationship with HUD and implementing changes adopted by the Congress through this legislation.



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Testimony of Denise B. Muha

On behalf of the

NATIONAL LEASED HOUSING ASSOCIATION

Before the

House Committee on Financial Services

Subcommittee on Housing and Community Opportunity

May 17, 2005

Testimony of the National Leased Housing Association
Presented by Denise B. Muha
Hearing on H.R. 1999– May 17, 2005
Committee on Financial Services
Subcommittee on Housing & Community Opportunity

The National Leased Housing Association (NLHA) is pleased to submit our views relating to HUD's flexible voucher proposal introduced as H.R. 1999. For the past thirty years, NLHA has represented the interests of housing agencies, developers, lenders, housing managers, and others involved in providing federally assisted rental housing. Our members are primarily involved in the Section 8 housing programs – both project-based and tenant-based. NLHA's members provide or administer housing for over three million families.

We have reviewed H.R. 1999 and are distressed that HUD would propose such a drastic reinvention of a program that we believe is the cornerstone of federal housing policy in an attempt to rationalize future funding cuts. NLHA opposes any attempt to block grant the voucher program in 2005 as we opposed such initiatives in 2004 and 2003. "The State and Local Housing Flexibility Act" is a thinly veiled block grant proposal.

Success of the Voucher Program

The Section 8 tenant based programs were created as an alternative to project-based subsidies by providing the housing subsidy directly to the eligible family instead of attaching the subsidy to a particular building. The families rent units in market rate housing – choosing where they wish to live. The first tenant-based program was introduced in 1974 as the Section 8 "Certificate" or "Existing" program with the "Voucher" program being added in 1983. The programs were merged in 1998 to become today's "Housing Choice Voucher Program." To date, Congress has authorized over 2 million vouchers.

NLHA believes the program has been successful in achieving its goal of assuring safe, decent and affordable rental housing for low income families/elderly and **does not need major reform**. The program improvements made by QWRHA in 1998 enabled PHAs to more accurately address market conditions, eliminated several barriers to landlord participation and as a result increased voucher success and utilization rates.

THE PROGRAM WORKS – the fundamental issue that needs attention is the lack of a stable funding formula. A number of minor program improvements may be desirable, some of them proposed in H.R. 1999, which we will address in our testimony, but NLHA does not support program changes that will justify deep funding cuts. Any legislation

contemplated by this committee should result in a permanent and reliable funding methodology that will ensure the program's future.

A Stable Funding Formula Needs to be Implemented

In recent years, to respond to the increasing costs of the voucher program, Congress has changed the way the voucher program is funded -moving from a formula that was based on the number of units that the PHA has under contract with HUD at their current per unit cost to a dollar-based formula established by the number of units under lease on a given date adjusted by an inflation factor.

Each year for the past three years, PHAs have been forced to adapt to a different approach to funding (often retroactively) which has resulted in unanticipated shortfalls and inadequate reserves that have negatively impacted applicants, tenants, landlords, lenders and development entities.

This formula enacted in FY05 does not provide sufficient flexibility for voucher administrators to address cost increases associated with factors beyond their control, and has resulted in fewer families being served. The program was at 96 percent utilization in 2002 and has dropped to 93 percent under the current funding scenario.

Regrettably, H.R. 1999 does not provide a methodology for distributing voucher monies and defers action on a funding formula for two years to provide for a "negotiated rulemaking" process. Two years is too long.

All stakeholders (landlords, owners, residents, lenders and agencies) need to know how funding appropriated will be distributed from HUD to PHAs, and from PHAs to landlords. That is, the formula must be understandable to all parties and not needlessly complicated. Stakeholders also need to know how the amount and distribution of funding will affect voucher holders (e.g., the effect on the number of households that will be supported). Funds allocated to an area that are not needed should be reallocated to areas of need rather than rescinded. A system of reserves, including adequate reserves for PHAs and a HUD central fund, is paramount in order to deal with unforeseeable changes in market conditions, family incomes, appropriations and administration, and to allow leasing of additional authorized vouchers by individual PHAs.

We urge the committee to devote its attention to developing a formula for the allocation of voucher funds that is fair, flexible and maximizes the amount of dollars provided by the appropriations process.

Tenant Rents

At present the formula to calculate a tenant's rent under the voucher program and other subsidy programs is incredibly complex resulting in both overpayment and underpayment of subsidies. Our members support steps being taken to simplify the tenant rent setting process, however, some uniformity among PHAs is important to all landlords/owners who operate in multiple jurisdictions. We also believe that any change in the calculation

of tenant rents should not cause current voucher holders to pay proportionately more for rent than they are paying today.

An important change would be to amend the requirement that tenants' certify their income every year. This is a burdensome process, and often unnecessary, particularly for elderly and disabled tenants that are on a fixed income. NLHA recommends that re-certifications be required every other year for families and every three years for elderly and disabled residents. Cost of living adjustments can be applied in the years that a re-certification is not done. Such a change should be applied to vouchers, project-based Section 8 and public housing. Tenants would retain the option to ask for an interim re-certification should their income decline. This change would eliminate a large administrative burden for administrators and would be less intrusive to residents.

Inspection Standards

Under current law, each apartment/home that is intended to be rented by a voucher holder must be inspected by the PHA. Clearly, the intent of the law is to ensure that the voucher recipients lease decent, safe and sanitary units. However, over the years, one of the biggest complaints from landlords about the voucher program is the length of time it takes for vacant units to be inspected by housing agencies before the unit is approved for lease-up to a voucher holder.

We propose that PHAs be provided discretion to inspect not less than 25 percent of their voucher units each year (assuming that each unit passed inspection at initial lease-up) to allow agencies to better focus their resources on housing units that need more frequent inspections- mom and pop rentals vs. professionally managed properties that are consistently well maintained.

HUD could without legislation, in order to provide recipients quicker access to apartments, exempt units from HQS inspections if they have already passed inspections conducted by HUD's Real Estate Assessment Center. In addition, HUD should amend its inspection criteria to allow the PHAs to lease-up a unit that has minor defects that have no impact on the health, safety or livability of the unit prior to the landlord making the repairs. Minor legislative changes could enable other units inspected (and approved) by tax credit allocating agencies or other local entities to count as a valid inspection for purposes of renting to voucher holders.

Portability

Currently, vouchers are "portable" in that voucher recipients have the ability to move to another approved voucher unit anywhere in the country. Proponents of nationwide portability claim that it allows families to move to new jobs or to be with other family members in other parts of the country without losing their assistance. Opponents argue that nationwide portability results in increased administrative burden to housing agencies that is worsened by recent funding shortfalls.

Our PHA members do not oppose the concept of portability, but recommend that if it is required, that HUD provide a mechanism to reimburse PHAs for funding disparities caused by the current system.

Enhanced Vouchers

Nearly 10 years ago, Congress provided for “enhanced” vouchers to ensure that low income families/elderly would not face displacement, physical or economic, as a result of the prepayment of a HUD insured loan that provided for affordable rents (e.g. Section 236 and Section 221(d)(3) BMIR). This provision in the law was expanded several years later to include residents living in Section 8 project-based units in which the Housing Assistance Payment (HAP) contract was expiring and was not going to be renewed by the owner. These vouchers have been critical in protecting low income families from such displacement. Further, the ability of preservation entities to purchase properties that might otherwise be converted to conventional use has been strengthened by the availability of enhanced vouchers, resulting in significant recapitalization of older properties while keeping the tenants in place. Such tenant protection vouchers must continue to be provided to further the goals of preservation. NLHA strongly opposes HUD’s proposal to limit the enhancement of such vouchers to one-year.

Further, we recommend that the funding for enhanced vouchers be paid out of a separate pot of money. In other words, the first year of enhanced voucher funds is appropriated under a “tenant protection” account. In the second year, such funding is rolled into a PHAs normal funding formula. As a practical matter, this approach has caused difficulties in administration of the enhanced vouchers as the determination of the payment standard is different. It may be beneficial to keep this funding separate and when a tenant no longer needs the enhanced voucher, it should return to the tenant protection account. In other words, Congress may want to consider a revolving type of approach for enhanced vouchers.

Thank you for the opportunity to express our views. We stand ready to work with the Committee on this and other critical affordable housing issues.

WRITTEN TESTIMONY

Daniel Nackerman
Executive Director, Housing Authority of the County of San Bernardino, California

STATE AND LOCAL HOUSING FLEXIBILITY ACT OF 2005
U.S. House of Representatives – Committee on Financial Services

H.R. 1999

5/17/05

Chairperson Ney, Vice Chairperson Miller, Ranking Member Waters, and Subcommittee Members:

My name is Daniel Nackerman. I am the Executive Director of the Housing Authority of the County of San Bernardino (HACSB). For the past 16 years, I have worked in senior and executive management positions at four large public housing agencies in California. The HACSB has a long-standing record for being a HUD designated high performance agency. As such, we pride ourselves in taking progressive approaches in areas such as the development of additional housing, creating first-time homebuyer opportunities, and providing supportive services to help families transition from assisted housing to self-sufficiency.

In working at these four urban agencies, I have come to the following conclusions:

- Housing Authority personnel understand the plight and struggle of the seniors, families and disabled individuals they serve.
- The programs we administer are complex and prescriptive.
- Presently, the key elements of these programs include disincentives to employment.
- HUD's past approach of a one-size-fits-all does not work in many individual communities.
- The HUD programs of Public Housing and Section 8 have demonstrated overall success in recent years as evidenced by a record number of people assisted, a record high for homeownership, and the elimination of severely distressed properties.
- There is a huge common ground of agreement on how to reform these programs. We are now engaged in the finer points of how to do this.

This bill is the culmination of three years of efforts by HUD and housing agencies to significantly change two major housing programs: Section 8 and Public Housing. This bill proposes to allow local design of programs by simplifying rent structures, standardizing income requirements, matching tax credit & HOME programs, reducing required inspections, providing homeownership incentives, expanding the 'Moving to Work' program, and reducing administrative burdens that result in high costs. Most of these changes would be optional based on new locally adopted policies. If adopted, the person(s) served in both programs would continue to pay only 30-40 % of their adjusted gross income (AGI) for rent.

The following is a brief summary of proposals and issues identified in San Bernardino County, California:

Budget: As noted by three reputable public housing organizations, the bill does not prescribe a distinct allocation formula or permanent authorization for budgets (which might be clarified before final passage or perhaps it doesn't belong in the bill.) However, it is very clear that these successful programs require stable funding.

Income Targeting - Section 8: This bill proposes to minimally change the income levels of persons served by targeting 90% of vouchers to households below 60% of Area Median Income (AMI) in lieu of the current 75% at 30% AMI. Note that the 75% at 30% has only been a requirement since 1998 and most agencies in our area serve even lower incomes regardless. By changing these income levels some agencies may save significant funding because less HUD subsidy would be required since the average tenant rent might be slightly higher (e.g. 30% rent of a sample average household income of \$11,000 times 10,000 units (a mid-large agency) equals \$33 million whereas 30% of \$11,500 income equals \$34.5 million for an annual savings to that agency (and HUD) of \$1.5 million.

Note that the margins are small but the total savings are large and some agencies may need this route to savings in order to continue to administer the program viably. Generally, the new targeting would continue to serve the bottom third income levels of the entire American population just as the previous program did.

The proposed standardization would match tax credit and HOME programs thereby simplifying requirements for developers, banks, tenants, and landlords yet continuing to serve much lower income levels than many other housing programs which serve 80-120% of AMI households.

Rent & Income Simplification: If adopted, the bill would allow local agencies to implement simpler rent structures and income verification processes. This would eliminate disincentives to employment and create significant savings to program costs as subsidies slow while employment income grows. This will also provide an opportunity to serve more families, as the average participation time in the programs will be reduced. While the variation from one local agency to another may cause additional tracking requirements, the simplification of all systems should actually save overall administration efforts.

Rents Paid: Authorities could abandon old HUD systems and pay realistic rents at the appropriate level for each sub-market. This would allow fair and reasonable rents to always be paid and help low-income families to live in better communities. Additionally, property owners who may not otherwise participate or rent to voucher holders would have an incentive to do so. The confusing and inaccurate systems of 'utility reimbursements' might also be eliminated.

New Affordable Homes: Eligible families could designate down payment and mortgage commitments funded through Section 8 *before* construction begins which may help to finance new affordable houses. Also, up to \$10,000 in down payment assistance for each family could now come from Section 8.

Expansion of 'Moving to Work': For over five years HUD has allowed a miniature version of these reforms called 'Moving to Work' by naming 32 agencies (1% of the nation) as pilot sites. The efforts, which included incentives to gain employment, mixing of fund sources, relief from obsolete regulatory requirements, and effective use of funding for development and homeownership, have gained recognition as a very successful pilot even though the results were hard to measure since they varied according to each local design. This program would be dramatically expanded under the new bill.

Time Limits: Under the new bill, time limits *could* be added to a local program wherein a Section 8 household (non-disabled, non-senior) could only participate in the program for a set maximum time of at least five years. (This should be handled very carefully and with great assistance from the agency.) Time limits could also help to serve a much larger number of households and relieve the hopelessness of the extensive waiting lists that exist in many regions.

Project Based Vouchers: Housing Authorities could give up to 20% of the total vouchers allocated to the region to a developer/builder for a period of 10 years plus extensions. While similar to existing regulations, HUD is strongly encouraging production of additional housing through the stimulus provided by Project Based support.

Enhanced Vouchers: The bill attempts to migrate the use of enhanced vouchers into regular vouchers over a course of time. This could limit the choices of existing participants and have a negative financial effect on the relatively few owners who were granted these in the past.

Although not directly related to this bill, the lump-sum funding remains an issue that receives much discussion. Lump-sum funding, often called block granting, is HUD's way of funding *overall budgets* to each Authority instead of reimbursing Authorities at year-end for a *set number of units* authorized to be leased. The old system, which has already been changed by HUD, was very unpredictable and expensive. As an example, one agency in a hot market might rent its set allocation of number of units at rates 20% higher than the previous year, yet HUD was forced to make up the difference between 30% of tenants income and the new higher rent at year end. This has recently caused unprecedented and unpredicted costs that have been viewed as irresponsible even though the spiraling real estate markets were the cause. Under lump-sum funding, the same agency would be given a budget at the beginning of the year and they would have to design a streamlined local program that would work to fit the budget. This is a more responsible way of managing budgets both locally and nationally. Many see this change as a way for HUD to cut future budgets without getting the direct blame – yet the old system of reimbursing costs at year-end was simply out of control.

Note also that the term 'Block Granting' was floated by HUD last year as a way for State's to take over Section 8 and many are confusing the new proposal with the old battle over State vs. local – this is not the proposal under this bill.

Conclusion:

The reform aspects of the bill are long overdue and have been formulated through years of work. Except for funding/appropriation issues that may not be adequately addressed (or appropriately not part of the bill) these overhauls will result in the following:

- Financially stable programs
- Higher employment levels
- Simplification on a national level offsetting local variances
- Significant administrative efficiencies/cost savings
- Full rents paid in every market
- Higher level of home sales (first time buyers)

This bill fills critical needs of the 3.2 million residents housed and helps guarantee the success of each local program.

Thank you for your time.

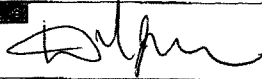
Attachments:

Truth in Testimony Disclosure Form
Overview of the Housing Authority of the County of San Bernardino
Biography, Daniel Nackerman

United States House of Representatives
Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

<p>1. Name: DANIEL HACKERMAN</p>	<p>2. Organization or organizations you are representing: HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO, CA</p>
<p>3. Business Address and telephone number: 715 E. BRIER DRIVE (909) 890-0644 SAN BERNARDINO, CA 92406</p>	
<p>4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2004 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2004 related to the subject on which you have been invited to testify? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>6. If you answered "yes" to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets. AS AN AGENCY THE HOUSING AUTHORITY RECEIVES APPROXIMATELY \$1,500,000 IN HUD GRANTS EACH YEAR; APPROXIMATELY \$40,000,000 HAS BEEN RECEIVED SINCE OCTOBER 1, 2004.</p>	
<p></p>	

Please attach a copy of this form to your written testimony.

Housing Authority of the County of San Bernardino (HACSB)

MAJOR PROGRAMS MANAGED

2005

Authority – General

- Largest County in U.S.
- 140 Employees
- \$90,000,000 Annual Budget
- Most Funding Through HUD
- Arms Length From County
- Rated 'High Performer' By HUD
- Innovative Development and Ownership Programs
- Also Operates a Major Non-Profit (Housing Partners I)
- House over 30,000 people directly and indirectly

Housing Choice Vouchers (Section 8)

- 9,000 Units in San Bernardino County
- Tenants Pay 30-40% of Income, HACSB Pays Remainder
- Pay \$54,000,000 Per Year To Private SB County Landlords
- Units "Mixed" Into Neighborhoods
- Many Related Self-Sufficiency & Crime Prevention Programs

Public Housing (Conventional)

- 1,702 Units Owned & Managed By HACSB & HUD
- Tenants Pay 30% Of Income, HUD Pays HACSB Remainder
- \$10,300,000 Revenue and Expenditures (Each) Per Year
- Many Related Self-Sufficiency & Crime Prevention Programs

Non-HUD Developments (Enterprise)

- 846 Units Owned
- Major Revenue Source For Authority
- Managed Through Private Company

Capital Fund (Modernization)

- Major Annual Grant From HUD - \$4,000,000 Per Year
- Utilized To Modernize Public Housing, Improve Agency Management and Develop Resident Self-Sufficiency

Development

- Building and Purchasing of Additional Rental Units
- Performed Through Non-Profit 501(c)3
- Bond Issues Related

Home Ownership

- Build, Buy and Sell Homes
- Assist Potential Buyers With Services, Loans & Grants
- Turns Renters Into Buyers
- 60 + Homes To Date

DANIEL NACKERMAN
San Bernardino, CA
nacker@aol.com

PROFESSIONAL EXPERIENCE:

2004 – Present:

Executive Director, County of San Bernardino Housing Authority, San Bernardino, CA

1999-2004:

Executive Director, Richmond Housing Authority, Richmond, CA

1998-1999:

Deputy Executive Director, County of Contra Costa Housing Authority, Martinez, CA

1995-1998:

Deputy Director, Richmond Housing Authority, Richmond, CA

1990-1995:

Senior Project Manager, Oakland Housing Authority, Oakland, CA

1983-1990:

Development Director and Senior Project Manager, The Princeton Group, San Francisco, CA

1982-1983:

Department Director and Project Administrator, PIA Inc., Alameda, CA

1981-1982:

Staff Designer, Bills & Childs and Associates, West Bloomfield, MI

1979-1980:

Planning Technician, Waterford Planning Department, Waterford, MI

1981:

Teaching Assistant, Michigan State University, East Lansing, MI

EDUCATION:

Michigan State University, East Lansing, MI

Bachelor of Landscape Architecture Degree, 1981 (Multi-discipline Architecture/Planning)

Western Michigan University, Kalamazoo, MI

Two years of environmental studies and construction management.

University of California, Berkeley, CA

Completed extension classes to qualify for the California Real Estate License Examination.

Georgia Tech Research Institute, Atlanta, GA

Completed full lead-based paint training program.

MEMBERSHIPS AND BOARDS

Workforce Investment Board (WIB)

National Association of Housing and Redevelopment Officials (NAHRO)

Housing Partners I (Non-profit developer)

RNHS (Past – non-profit developer)

Police Athletic League (Past)

School Board (Past)

Building Industry Association

American Institute of Architects (AIA)

American Society of Landscape Architects (ASLA)

National Leased Housing Association (NLHA)

Council of Large Public Housing Authorities (CLPHA)



TESTIMONY OF CHRISTOPHER P. REILLY

EQUITY RESIDENTIAL

ON BEHALF OF THE

NATIONAL MULTI HOUSING COUNCIL/

NATIONAL APARTMENT ASSOCIATION

JOINT LEGISLATIVE PROGRAM

BEFORE THE

HOUSE COMMITTEE ON FINANCIAL SERVICES

SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

May 17, 2005

The American apartment industry...working together for quality, accessible, affordable housing.

SUITE 540 • 1850 M STREET, NW • WASHINGTON, DC 20036 • (202) 974-2300 • FAX (202) 775-0112 • WEB SITE: WWW.NMHC.ORG

Chairman Ney, Ranking Member Waters and distinguished members of this Subcommittee, my name is Christopher P. Reilly and I am an Area Vice President with Equity Residential, one of the largest apartment firms in the country. Today I am representing the National Multi Housing Council and the National Apartment Association (NMHC/NAA), whose combined memberships represent the nation's leading firms participating in the multifamily rental housing industry. Our memberships are engaged in all aspects of the apartment industry, including ownership, development, management, and finance. The NMHC represents the principal officers of the apartment industry's largest and most prominent firms, and NAA is the largest national federation of state and local apartment associations, with 171 affiliates representing nearly 33,000 professionals who own and manage more than five million apartments.

NMHC and NAA commend you, Chairman Ney, for your leadership, and we thank the Members of the Subcommittee for your valuable work addressing the important issue of affordable rental housing in America. In particular we want to commend you, Chairman Ney, for convening the recent Roundtable discussions on the issue of housing vouchers. We appreciate your dedication to the issue.

We also commend the Administration for its effort to improve the Section 8 Housing Choice Voucher Program. We agree that the nation must meet the housing needs of low- and moderate-income families, and we believe that improving the Section 8 program is a key way to do that. However, NMHC/NAA urge Congress and HUD to enact reforms to the existing Section 8 program instead of re-creating the program. H.R. 1999, the State and Local Housing Flexibility Act of 2005, does not address the significant problems that now limit the success of the Section 8 program. Instead, the proposed legislation could create new obstacles to apartment owner participation without alleviating existing burdens. The net result would be fewer apartments available to voucher residents.

NMHC/NAA believe more apartment owners would participate in the Section 8 program if the costs of renting to voucher residents were more comparable to the costs of serving unsubsidized residents. In other words, the program must be more "transparent" to the market. NMHC/NAA propose the following recommendations to achieve that goal:

A Stable Funding Formula Needs to be Implemented

In recent years Congress has substantially changed the way the voucher program is funded in order to respond to the increasing costs of the voucher program.

Traditionally, funding had been determined using a unit-based system. Communities were authorized to issue a certain number of vouchers, and HUD funding was based on the actual cost of each voucher. Last year, however, Congress converted the program to a dollar-based system like other discretionary programs. In practical terms, this means that instead of funding each voucher based on the actual cost of the apartment unit, each voucher is now funded at a specific dollar level regardless of the actual unit cost. The Administration's FY 2006 budget proposal would lock in this inadequate funding system by providing communities with a pro-rated, inflation adjusted amount of funding based on the amount they received in 2005. This is a back-door attempt to block grant the program that fails to consider the impact of the change on the program's goals.

To be successful, the voucher program's stakeholders (owners, residents, lenders and agencies) need to know how much funding will be appropriated and how that funding will be distributed from HUD to Public Housing Authorities (PHAs), and from PHAs to apartment owners. That is, the funding mechanism should not be needlessly complicated and should be easily understandable to all parties. Most importantly, stakeholders need to know how Congressional funding decisions will affect the number of households that can be supported.

In addition, because our housing needs are so great, instead of rescinding unused funds, Congress should allocate them to areas where they are needed. It is also paramount that PHAs have adequate reserves and that HUD have a central fund in order to deal with unforeseeable changes in market conditions, family incomes, appropriations and program administration costs, and to allow PHAs to utilize all authorized vouchers.

Inspections

Before a Section 8 voucher holder can rent a specific apartment, the administering PHA must inspect that unit to confirm that it complies with HUD-prescribed Housing Quality Standards (HQS). Unfortunately, these unit-by-unit inspections cause intolerable leasing delays and do not necessarily satisfy HUD's objective of protecting residents.

Even if the PHA conducts its inspection within the required time frame, some apartment owners still report that it can take 30 days or more to be approved. While this approval is pending, the apartment unit remains empty, when the owner could otherwise be collecting rent on it. The apartment industry relies on seamless turnover to meet its overhead costs, and the financial implications of such delays are enough to deter many owners from participating in the program.

NMHC/NAA strongly support provisions in H.R. 1999 that make important reforms to the unit inspection process. We also urge you to address a redundancy that currently exists in federal inspection requirements. At present, units that receive Low-Income Housing Tax Credits (LIHTC) or are FHA-insured properties are already inspected as a condition of participation in those programs. Therefore, we recommend that those units that have already passed inspections be exempt from a duplicative Section 8 inspection process. In addition, we encourage HUD to allow the PHAs to lease a unit that has minor defects (i.e., non-life threatening problems) instead of forcing the landlord to make the repairs before the lease can be signed.

Payment System

PHAs are supposed to make prompt subsidy payments to apartment owners. Too often, however, subsidy payments are untimely. Just as owners would not regularly accept late rental payments from conventional residents, they should not be forced to accept late subsidy payments. While HUD's regulations allow PHAs to be sanctioned for untimely payments, those sanctions are nominal because they must be paid for from a PHA's limited administrative fees. As a result, they do not serve as an adequate incentive to PHAs to make prompt payments.

NMHC/NAA propose that all PHAs have the ability to make automated electronic fund transfers, thereby assuring timely subsidy payments. Some PHAs already use automated funds transfer systems, but not all PHAs have the capacity to do so. HUD should provide the technical assis-

tance, funding, and other support needed to make it possible for all PHAs to make automated payments. HUD should establish stronger incentives for PHAs to make timely payments.

Enhanced Vouchers

Under the proposed changes to the enhanced voucher program in H.R. 1999, entities that seek to purchase or to invest additional capital for property improvements into properties with tenants holding enhanced vouchers, or to restructure or refinance existing debt, are likely to find added financial burdens related to the implementation of the program at the property level. The additional burdens take the form of capital reserve requirements, higher interest rates and the inability to secure needed financing due to an unstable occupancy forecast resulting from the bill's proposal that the subsidy enhancement on such tenant protection vouchers be limited to one year.

NMHC/NAA recommend that the proposed modification to H.R. 1999 be removed to permit an owner to make a reasonable transition and to provide capital providers with a greater assurance that the necessary income stream from rental income (both subsidy and tenant portions) will be both reliable and durable for a reasonable period. This is especially critical when additional government investment in a property in the form of loan guarantees is needed to ensure that the project sponsor is in a position to make the needed reimbursement over the long term.

Rental Payment Structure

Since the Section 8 program was created, the rents paid to landlords have been based on Fair Market Rents (FMRs) set annually by HUD for each metropolitan area. The FMR itself is only a benchmark and does not represent the actual ceiling of apartment rents.

Under the voucher program, the housing provider sets the rent based on the local market, and then the PHA determines if it is "reasonable" based on rents for similar units in the same geographic area. The FMR is actually used to calculate the subsidy that is paid on behalf of the voucher holder. PHAs may set the payment standard anywhere between 90 and 110 percent of the area FMR. The subsidy paid is the difference between 30 percent of the family's adjusted income and that payment standard. If the apartment rent is above the payment standard, the families pay the difference. However, new voucher families may not pay more than 40 percent of their income for rent.

NMHC/NAA acknowledge that the FMRs have not always been accurate because of the age of the data and the large areas that they cover. However, we are adamantly opposed to provisions in H.R. 1999 (Rental Payments for Public Housing Families and Rent Structure) that would disconnect Section 8 voucher rents from FMRs and instead allow rents to be set by the more than 2,500 PHAs across the country. This change would put property owners, lenders and other housing providers that operate in many states and jurisdictions in the unmanageable position of trying to keep track of potentially 2,500 individual programs.

We encourage Congress to continue to have Section 8 voucher rents based on comparable market rents and that the rent setting formulas be uniform among all voucher administrators.

Housing/Homeownership

NMHC/NAA's top priority is bringing more balance to our national housing policy in order to meet all of America's critical housing needs. Home ownership is a worthy goal, but a housing policy that encourages all Americans to own a house, as ours currently does, is seriously flawed—both economically and socially. We need to recognize that we have serious housing needs that cannot be met strictly through home ownership.

America needs a more balanced housing policy that also recognizes the importance of rental housing. We need apartments for the 78 million Echo Boomers who have started graduating from college and are looking for housing. We need them for the nearly 9 million immigrants who will come to this country in the next decade looking for a place to start their new lives. And we need them to help house the nation's nearly 78 million Baby Boomers as they age and no longer want to maintain a house.

Not only do we need apartments, but a growing number of Americans choose apartments. For generations, America's housing was determined by families with children who sought a single-family house in the suburbs. But today those families make up less than 25 percent of American households—and that's projected to drop to 20 percent within 20 years.

Meanwhile, Foreclosures.com reports that the number of foreclosed residential properties listed for sale in the U.S. increased 50 percent between February and April. There were a total of 80,757 foreclosed properties for sale during the month of March, and new foreclosure inventory rose in 47 states during the month. Texas had the most foreclosed properties, at 9,996, followed by Ohio (7,518), Michigan (6,480) and Georgia (6,465). The report attributes the increase in foreclosures to rising interest rates and notes that foreclosures are most prevalent where house values are not increasing.

NMHC/NAA recognize that the proposed legislation calls for a Homeownership Assistance Program and we are pleased to see that the participants are encouraged to attend homeownership counseling prior to receiving the assistance.

Leases

One of the deterrents to private owner participation in the Section 8 program is a requirement that Section 8 leases include a standard HUD addendum that preempts industry-wide model lease language developed by NAA and may even conflict with local landlord-tenant (NMHC/NAA prefer "owner-resident") laws. Such conflict puts owners in a very untenable situation. When the HUD addendum conflicts with another lease provision, the addendum preempts the lease. Importantly, this inconsistency causes difficulties for owners who must comply with one set of lease requirements for voucher residents and another for conventional residents residing within the same property.

Differences between the Section 8 lease and standard leases require owners to specially train their staffs to administer Section 8 leases. This is particularly difficult in an industry where on-site annual employee turnover averages near 50 percent. Apartment owners routinely report that the lease addendum creates obstacles that discourage their participation in the program.

Moreover, stigmatizing voucher holders with different rules, as the HUD lease addendum does, is precisely what the Section 8 program intended to avoid.

NMHC/NAA support the addendum's intended purpose to protect Section 8 residents, however, residents are already protected by existing local laws that cover all apartment owners and people who lease apartment homes. The addendum does not add anything to these protections; it only adds costly burdens to owners, which, in turn, discourages their participation in the program.

NMHC/NAA propose that the HUD lease addendum be eliminated or significantly modified to reflect existing local standards for conventional leases. This change would reduce the administrative burdens and operational costs for owners who accept vouchers. Alternatively, NMHC/NAA propose establishing regional pilot programs to test alternative, less conflicting and less burdensome lease addendums based on the NAA model lease.

Conclusion

In summary, NMHC/NAA support the Section 8 program and encourage rental housing providers to participate in the program. However, widespread participation is not economically feasible in the absence of meaningful program reforms that reduce the significant costs and burdens it imposes on apartment owners. I thank you for the opportunity to testify on behalf of the National Multi Housing Council and the National Apartment Association, and wish to offer our assistance to the Subcommittee as you continue your important work to create a more effective and efficient program.

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PRRAC

Poverty & Race Research Action Council

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www.prrac.org

TESTIMONY

OF

PHILIP TEGELER

EXECUTIVE DIRECTOR,

POVERTY AND RACE RESEARCH ACTION COUNCIL

ON

THE "STATE AND LOCAL HOUSING FLEXIBILITY ACT OF 2005," H.R. 1999

BEFORE

HOUSING AND COMMUNITY OPPORTUNITY SUBCOMMITTEE

OF THE HOUSE OF REPRESENTATIVES

COMMITTEE ON FINANCIAL SERVICES

MAY 17, 2005

Good afternoon. My name is Philip Tegeler, and I am currently the Executive Director of Poverty and Race Research Action Council, a national civil rights policy organization based in Washington, DC. I am grateful to the members of the committee, particularly Chairman Ney and Ranking Member Waters, for this opportunity to testify.

I am here to testify on our serious civil rights concerns around the proposed housing bill, The "State And Local Housing Flexibility Act Of 2005," H.R. 1999. We have previously summarized some of these concerns in a letter to the House Financial Services Committee dated May 10, 2005 from the Lawyers Committee for Civil Rights, the Poverty & Race Research Action Council, the National Fair Housing Alliance, and the National Housing Law Project. This letter was entered into the record at last week's hearing and is appended to my testimony today.

Our most serious concerns are with the proposed "Flexible Voucher Program," Title I of the bill. This proposal would place new obstacles in the path of low income families seeking to move to lower poverty communities, by restricting their long-standing right to "portability" across city and town lines, and cutting back on the rent supports needed to make those moves. The bill would also disadvantage Black and Latino applicants for Section 8, by eliminating the current system of "income targeting" of vouchers towards the most needy families. If local PHAs drop their current income targeting systems, which they will have strong incentives to do, our analysis is that hundreds of thousands of new vouchers could be shifted from poor Black and Latino families to poor white families over the next 5-10 years, because of the way that Blacks and Latinos are overrepresented in the poorest income brackets.

I have two overarching points I'd like to make before I get to the specifics. First, one of the stated purposes of this bill is to delegate decisionmaking to local housing agencies, whom the Secretary believes are capable of making better quality housing policy decisions, better suited to local needs, than Congress or HUD. Whatever the merits of this point of view, it is important to remember that there is at least one area where local discretion is an especially bad idea – and that is in the area of civil rights. One of the reasons we have federal civil rights laws is the inability of local agencies, and local majorities, to police themselves. We've seen this played out in numerous civil rights lawsuits and HUD investigations over the past 30 years. There are good people working in local housing agencies, I've gotten to know many of them, but they are also subject to a lot of local political pressure, and they need guidance, protection and enforcement from HUD to keep our larger civil rights goals in focus. This is why Congress, in 1968, and again in 1988, made it clear that state and local housing agencies have an enforceable obligation to avoid policies that discriminate on the basis of race, and that is why Congress imposed the duty on HUD to "affirmatively further fair housing,"¹ to take steps to promote integrated housing opportunities in all HUD programs, and to demand that local housing agencies do the same. These requirements are represented in regulations that are woven throughout the programs covered by this bill.

¹ 42 U.S.C. § 3608. This duty was reaffirmed in Executive Order 12892 (January 17, 1994).

A second point relates to the other major stated goal of the bill – to save money. I want to suggest here that to the extent this bill tries to save money by forcing families into poorer and poorer neighborhoods, we are not saving money at all. The right of families to move to lower poverty, less segregated neighborhoods and better school systems should not be held hostage to budget concerns. Most families may choose to stay in higher poverty neighborhoods, but many families who choose to move experience positive improvement in their lives², and the entire society benefits from having more diverse and representative communities. Families who choose to move out of poverty are not the cause of HUD's budget problems – but it is these families who are hurt the most by this bill. They deserve the opportunity to seek out better opportunities for themselves and for their children. It can't be our national housing policy to deny them that choice.

Background: Recent HUD Actions Restricting Choice

The new "Flexible Voucher" proposal is the latest in a series of actions and proposals by HUD that would restrict housing choice, harm minority families, and lead to increased segregation in our largest assisted housing program. HUD began restricting housing choice in the fall of 2003 by cutting back on the use of Section 8 "exception payment standards," which permit families to move to lower-poverty areas that have higher rents, and requiring that all requests go through the HUD headquarters. Previously, requests for payment standard increases could be submitted to the regional HUD office with a simple demographic analysis to justify higher rents in all or part of the Public Housing Agency (PHA) jurisdiction area.

In the same way, HUD's decision in April of 2004 to retroactively cut voucher funding in PIH Notice 2004-7 increased incentives for PHAs to adopt policies that discourage or prohibit families from moving to higher-rent areas, including across the board reductions in payment standards that restrict the choice of available neighborhoods. This was followed by changes in Fair Market Rents that lowered allowable rents in many parts of the country.

HUD further restricted mobility in a guidance issued in July of 2004 that would permit PHAs to restrict voucher holders' portability rights, where PHAs make a showing of financial hardship.³ In spite of evidence that these restrictions were taking choice away from families,⁴ HUD reissued this guidance in early 2005.

² See, for example, Margery Turner and Delores Acevedo-Garcia, "Why Housing Mobility? The Research Evidence Today," *Poverty & Race* (Jan./Feb. 2005).

³ In August 2004, several civil rights and housing policy organizations, including the National Council of La Raza, the Center on Budget & Policy Priorities, the Lawyers Committee for Civil Rights, Massachusetts Law Reform Institute and PRRAC, sent a letter to Secretary Jackson challenging this new policy on fair housing grounds and demanding that HUD be the funder of last resort for families who seek to move to lower poverty neighborhoods (see www.prrac.org/policy.php).

⁴ Initial surveys by NAHRO and the Center on Budget & Policy Priorities showed that, because of these new restrictions, PHAs around the country were denying families the right to move.

At the same time, HUD has chosen not to seek funding for renewal of contracts for many small agencies doing “mobility counselling,” which is the hard work of finding housing for poor families in lower poverty neighborhoods.

The Proposed Bill: Restricting Housing Choice and Mobility

In House Bill 1999, HUD would be taking the next step in stripping away some of the features that make the Section 8 voucher program a vehicle for opportunity for families. The bill as currently drafted would restrict the ability of families to move to communities of their choice and would impede their ability to move to lower-poverty (and higher-rent) neighborhoods, in two ways.

First, the bill would continue a version of the new voucher budgeting system (begun in the 2004 fiscal year) that limits Public Housing Agencies (PHAs) to a fixed sum of funds for the year, based on the prior year’s housing voucher budget, with no right to receive extra funds when costs for individual vouchers increase.⁵ This funding system, which replaced a system that paid agencies for the actual cost of vouchers in use, creates a financial conflict on the local level between the number and the quality of housing placements. In other words, since apartments in higher poverty neighborhoods are more likely to have lower rents, an agency will face pressure to serve more families by approving tenancies in those areas rather than paying the higher cost of subsidies for families to move to housing located in higher opportunity areas. This system has already led to reductions in allowable rents across the country, and denials of family moves to higher cost areas, and it will lead inevitably to more segregation. HUD knows that the problem could be ameliorated with a special reserve fund for moves to lower poverty areas, but such a reserve fund does not appear in the bill.

Second, the bill appears to restrict the long-standing right of Section 8 families to use their vouchers across jurisdictional lines (for example, moving from city to suburb). The language of the bill suggests that city and suburban housing authorities must “agree” on a system for transferring vouchers (“portability”) before families can move. If this interpretation of the bill is correct, it would give suburban government officials (or city officials) the authority to simply say “no” to additional city families seeking to rent private apartments in suburban towns. The fair housing consequences of such a rule would be very serious and could lead to extensive local litigation.

Finally, by removing the program’s current focus on the poorest city residents, the proposal to eliminate income targeting would steer new vouchers away from the most deeply segregated and poverty concentrated neighborhoods, undermining the voucher program’s core goal to deconcentrate poverty. Architects of the successful “*Gautreaux*” and “Moving to Opportunity” housing mobility programs have called for a much stronger targeting of vouchers to these severely segregated neighborhoods. Yet HUD’s proposal would lead us in exactly the opposite direction, taking away an important opportunity for families in our poorest, most opportunity deprived neighborhoods.

⁵ The new bill would base funding on each PHA’s share of national voucher funding in the 2005 fiscal year.

Eliminating the Current Income Targeting System Could Lead to Loss of Vouchers for Black and Latino Families

Currently, the Section 8 program requires that PHAs distribute at least 75 percent of their vouchers in each fiscal year to "extremely low-income families" (earning 30 percent or less of the area median income). This income-targeting requirement has meant that Black and Latino families, who are disproportionately concentrated in the extremely low-income bracket,⁶ have been successful in receiving the majority of vouchers.⁷

The proposed bill, S. 771, would alter drastically the "income targeting" of vouchers to the most needy families in the Section 8 program, a step which, if adopted by Congress and implemented by local PHAs, could result in a huge loss of vouchers for Black and Latino families.

According to the proposed legislation, at least 90 percent of vouchers could go to families with incomes up to 60 percent of Area Median Income.⁸ This change would give housing authorities the incentive and the ability to distribute vouchers to higher-income poor households rather than lower-income (largely minority) households, as the former require fewer subsidy dollars and thus enable a limited pool of funds to reach a larger number of families.

Based on data from the 2000 Census and Area Median Income data maintained by the National Low Income Housing Coalition, we can anticipate the racial impact of these proposed changes. Currently, an average of 40.9% of all vouchers in the United States go to non-Hispanic Blacks, and 16.3% go to Hispanics.⁹ Assuming a turnover of approximately 230,000 vouchers annually, we would expect about 94,000 Black and 37,000 Latino families to receive new vouchers annually under the current targeted system.¹⁰ However, if income targeting were altered as proposed in the forthcoming HUD bill, and if local PHAs eliminate the current system of income targeting, then we would expect only about 65,000 Black and Latino families to receive vouchers next year—a loss of about 65,000 vouchers. Over the next 5-10 years these policies could shift over 300,000 vouchers away from very low income Black and Latino families.¹¹

⁶ Nationally, 30 percent of median income is \$16,950 for a family of four, which is roughly equivalent to the poverty threshold. See: Center on Budget and Policy Priorities, "Introduction to the Housing Voucher Program" (Washington, DC: 2003), p. 3. In 1999, Black and Hispanic households were three times more likely to live below the poverty line than White households. See: Joseph Dalakar and Bernadette D. Proctor, *Poverty in the United States: 1999* (United States Census Bureau, Washington, DC: September 2000), p. v.

⁷ See: Deborah J. Devine, et. al, *Housing Choice Voucher Location Patterns: Implications for Participants and Neighborhood Welfare* (Washington, DC: January 2003), esp. p. 91, Table A-3.

⁸ The remaining 10 percent of vouchers could be available to any families that meet the eligibility standard for the program (incomes not exceeding 80 percent of area median income).

⁹ Devine et al., *Housing Choice Voucher Location Patterns*, 91.

¹⁰ This also assumes that turnover is similar throughout the country and that distribution of vouchers mimics distribution of population.

¹¹ The analysis set out in this paragraph is summarized in detail in "Civil Rights Implications of the 2005 Flexible Voucher Proposal," available on PRRAC's website, at www.prrac.org/policy.php

Other Civil Rights Implications of the Bill

The other sections of the proposed bill also have important civil rights implications, which are addressed in our letter to the Committee last week along with the Lawyers Committee for Civil Rights (appended to this testimony). First, we are troubled by both the potential for PHAs under the bill to transfer their Section 8 funds to help subsidize their public housing stock. This would give housing agencies the “flexibility” to take away the only funds available for free choice throughout the city and region and transfer them to units that are often located in the most segregated urban neighborhoods. Congress should not give PHAs this flexibility. Second, the Moving to Work proposal (Title III of the bill) could permit waivers of the crucial site and neighborhood standards, which prevent PHAs from clustering their units in low-income neighborhoods. These regulations were adopted pursuant to the Fair Housing Act in response to early litigation challenging the siting of public housing in already segregated neighborhoods, and local agencies need these regulations to help resist the enormous political pressure they face to choose the path of least resistance in siting assisted housing. It is important to clearly exempt such fair housing-based regulations from the Moving to Work program.

Conclusion: HUD’s duty

We understand that this proposed bill was originally drafted by HUD, and yet HUD is under a clear mandate from Congress to be the lead agency on fair housing, and to promote fair housing, housing integration and housing choice in all of its programs. Congress should hold HUD accountable to this mandate and reject the proposed bill.



**LAWYERS' COMMITTEE FOR
CIVIL RIGHTS
UNDER LAW**

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SENT VIA U.S. MAIL AND FACSIMILE

May 10, 2005

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Dear Chairman Oxley and Ranking Member Frank:

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We write on behalf of Lawyers' Committee for Civil Rights Under Law, the Poverty and Race Research Action Council, the National Fair Housing Alliance, and the National Housing Law Project to urge you to oppose the "State and Local Housing Flexibility Act of 2005," S.771, H.R.1999, which would place new obstacles in the path of low-income and minority families seeking housing opportunities. Not only is this bill bad housing policy, but it is also detrimental to fair housing and civil rights goals. Our concerns with the bill are threefold:

- (1) the proposed "Flexible Voucher Program" provisions will disadvantage minority families who make up the majority of extremely low-income households and eliminate much of the Section 8 program's potential to help poor families move out of high poverty neighborhoods;
- (2) the elimination of affordability requirements for voucher holders and public housing tenants will remove essential federal controls; and
- (3) the expanded "Moving to Work Program" could result in increased concentrations of poverty in minority neighborhoods.

I. The Flexible Voucher Program

Restricting the right of housing choice. The bill would restrict the ability of families to move to communities of their choice and impede their ability to move to lower-poverty (and higher-rent) neighborhoods in two ways. First, the bill would limit Public Housing Authorities (PHAs) to a fixed sum of funds for the year, based on the agency's 2005 budget, with no right to receive extra funds when costs for individual vouchers increase. This funding scheme creates a financial conflict on the local level between the number and the quality of housing placements. This system has already led to reductions in allowable rents across the country, and denials of family moves to higher cost areas. This type of conflict is bad for fair housing, deprives poor families of choice, and will inevitably increase segregation. HUD knows that the problem could be ameliorated with a special reserve fund for moves to lower poverty areas, but such a reserve fund does not appear in the bill.

LAWYERS' COMMITTEE FOR CIVIL RIGHTS UNDER LAW

Second, the bill appears to restrict the long-standing right of Section 8 families to use their vouchers across jurisdictional lines (for example, moving from city to suburb). The bill appears to say that city and suburban housing authorities must “agree” on a system for transferring vouchers (“portability”) before families can move. If that is the intent, the bill would give suburban PHAs the authority to simply say “no” to additional city families seeking to move to opportunity. The fair housing consequences of such a rule are severe, and undermine a central purpose of the program – allowing families the choice of where to live.

Eliminating the current income targeting system could lead to loss of vouchers for Black and Latino families. The bill would dramatically alter the Section 8 voucher program by eliminating the requirement that the majority of vouchers be reserved for extremely low-income families. Under the current program, 75 percent of vouchers must be reserved for families earning up to 30 percent of the median income. However, the proposed “flexible voucher program” would require only that 90 percent of vouchers each year to go to families with incomes below 60 percent of area median income (AMI), and the remaining ten percent could be allocated among families with incomes up to 80 percent of AMI. African Americans currently make up the majority of extremely low-income households; likewise, Hispanics are disproportionately represented in that category. If the proposal becomes law, and local housing agencies eliminate income targeting, even using conservative estimates of turnover and redistribution of Section 8 vouchers, hundreds of thousands of vouchers could be shifted away from extremely poor Black and Hispanic households over the next five to ten years.¹

Reducing income targeting will undermine efforts to deconcentrate poverty. By removing the program’s current focus on the poorest city residents, the proposal to eliminate income targeting would steer new vouchers away from extremely low-income households in the most deeply segregated and poverty concentrated neighborhoods and shift the vouchers to higher income neighborhoods. This change undermines the voucher program’s core goal to deconcentrate poverty, as envisioned by the architects of the successful “Gautreaux” and “Moving to Opportunity” housing mobility programs and reinforces patterns of housing isolation and neglect in impoverished neighborhoods.²

II. Eliminating Affordability Requirements for Voucher Holders and Public Housing Residents

Allowing housing authorities to set rents without regard to income could eliminate housing affordability. This bill would allow local housing agencies to determine how much voucher recipients and public housing residents would have to pay in rent without regard to income. Under current law, families are required to make rental payments based on 30 percent of their adjusted income. If the proposal becomes law, PHAs would have broad discretion to establish minimum rents or “flat” rents of any amount.

¹ Poverty and Race Research Action Council, Civil Rights Implications of the 2005 “Flexible Voucher” Proposal (April 26, 2005). See www.prrac.org/policy.php.

² The signatories to this letter are also concerned by other provisions in the bill that would adversely affect persons with disabilities. We understand that these fair housing issues will be addressed in a separate letter from other groups.

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Likewise, PHAs would have the same ability to designate public housing rents at any level, rather than proportional to household income. This change would effectively repeal the "Brooke Amendment" guarantee of affordable housing by removing federal rent protections for America's poorest families. Eliminating the current rental policies that preserve housing affordability would place the lowest income families in an even more precarious financial position and disproportionately impact minorities, who are overrepresented in the lowest-income tiers of voucher holders and public housing residents.

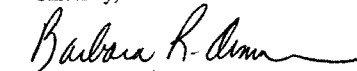
III. Dramatic Expansion of Waivers Available Under the Moving to Work Program

The "Moving to Work" (MTW) proposal is potentially the most far-reaching of all the components of the bill. Agencies allowed to participate in a revamped MTW program could waive important statutory protections that have fair housing consequences. Currently, participation in the MTW demonstration is limited to 32 agencies, and these agencies are required to serve substantially the same number of families as they would without their special status. This bill would permit agencies to reduce or eliminate tenant-based vouchers and to use voucher funds to operate public housing under the MTW program. Indeed, the proposal encourages this reallocation if it is less costly for the housing agency involved. Such a change would undermine fair housing goals, since vouchers are often the only vehicle by which minority and low income families can move to lower poverty neighborhoods.


The proposal also appears to allow HUD to waive fair housing provisions that promote deconcentration of voucher locations and desegregated siting of public housing. These requirements, particularly the HUD "site and neighborhood standards," are a central obligation imposed by the Fair Housing Act on all federal housing programs. They are critical to ensuring that the programs cannot be used by local housing authorities to increase segregation or limit housing opportunities only to poor neighborhoods.

For these reasons, the bill would diminish fair housing opportunities for low-income Black and Latino households, while at the same time exacerbating concentrated poverty and segregation. We strongly urge you to reject this bill.

Sincerely,


Barbara Arnwine, Executive Director
Lawyers' Committee for Civil Rights
Under Law

Shanna Smith, President and CEO
National Fair Housing Alliance


Philip Tegeler, Executive Director
Poverty and Race Research Action
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Gideon Anders, Executive Director
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PRESERVING THE STRENGTHS OF THE HOUSING CHOICE VOUCHER PROGRAM

Statement before the
Subcommittee on Housing and Community Opportunity
Committee on Financial Services
United States House of Representatives

May 17, 2005

Margery Austin Turner
The Urban Institute

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The Housing Choice Voucher program plays a critical role in our nation's housing policy. Today, vouchers supplement rent payments for 1.7 million low-income families and individuals, making it the nation's largest housing assistance program. Recipients choose a house or apartment available in the private market and contribute about 30 percent of their incomes toward rent, while the federal government pays the difference—up to a locally defined “payment standard.” Families with vouchers can move to any jurisdiction that administers a voucher program. Compared with unassisted households at comparable income levels, voucher recipients are far less likely to be paying unaffordable housing cost burdens and more likely to be living in decent quality housing (HUD 2000). And because the voucher program relies on the existing housing stock, it is less costly than programs that build new projects for occupancy by the poor (HUD 2000).

One of the greatest strengths of the voucher program is that it allows families to choose the type of housing and neighborhood that best meets their needs. Historically, many low-income housing programs have exacerbated the geographic concentration of poor families, especially minorities, in high-poverty neighborhoods. For example, 37 percent of public housing residents live in neighborhoods where the poverty rate exceeds 40 percent (Newman and Schnare 1997), and most African American residents of public housing live in neighborhoods that are majority black (Goering, Kamely, and Richardson 1994). Even more recent housing production programs, such as the Low Income Housing Tax Credit and the HOME program, have placed a disproportionate share of assisted units in poor and minority neighborhoods. For example, almost half of LIHTC units are located in neighborhoods that are predominantly black (Buron et al. 2000).

In contrast, vouchers have generally allowed assisted families to disperse more widely and to live in lower-poverty, less-segregated neighborhoods. In fact, the latest research finds at least some voucher recipients living in 8 out of 10 neighborhoods in large metropolitan areas. Specifically, Devine et al. (2003) analyze the spatial distribution of voucher recipients in the nation's 50 largest metropolitan areas and conclude that nearly every census tract in these areas contains some housing at rent levels accessible to voucher recipients; voucher recipients are currently living in 83 percent of these census tracts. As a consequence, 59 percent of voucher recipients live in neighborhoods that are less than 20 percent poor, and only 22 percent live in neighborhoods with poverty rates in excess of 30 percent.

Why Choice Matters

Social science research clearly shows that living in a distressed, high-poverty neighborhood undermines the well-being of families and the long-term life chances of children. There is ample evidence that residents of poor, inner-city neighborhoods are less likely to complete high school and go on to college, more likely to be involved in crime (either as victims or as perpetrators), more likely to be teenage parents, and less likely to hold decent-paying jobs (Coulton et al. 1995; Ricketts and Sawhill 1988). Actually quantifying the independent effect of neighborhood conditions on outcomes for individual residents is more challenging. But in general, well-designed empirical research that controls statistically for individual and family attributes finds that neighborhood environment has a significant influence on important life outcomes for both children and adults (Ellen and Turner 1997).

Infants and Young Children. Several studies have found that having more affluent neighbors is associated with higher IQ for preschool children, and elementary school performance is linked to neighborhood social and economic status.

Adolescents. Young people from high-poverty and distressed neighborhoods are less successful in school than their counterparts from more affluent communities; they earn lower grades, are more likely to drop out, and are less likely to go on to college. Studies have also documented that neighborhood environment influences teens' sexual activity and the likelihood that girls will become pregnant during their teen years. And finally, young people who live in high-crime areas have been found to be more likely to commit crimes themselves.

Adults. Considerable research has found evidence that distance from jobs reduces employment rates, particularly among lower-skilled adults (Ihlanfeldt and Sjoquist 1998). Additionally, research suggests that living in disadvantaged neighborhoods increases the risk of mortality and disease, other things being equal. (Acevedo-Garcia et al. 2004).

When families are able to escape from distressed neighborhoods and move to healthier communities, their lives improve measurably. Research on families who have moved through the

Gautreaux demonstration, the Moving to Opportunity (MTO) demonstration, and the HOPE VI program provides evidence of significant benefits for both parents and children.¹

Greater Safety and Security. Research on participants in the Moving to Opportunity (MTO) demonstration finds that moving to low-poverty neighborhoods produced a 30 percentage point increase in perceptions of safety (Orr et al. 2003). We see similar gains among HOPE VI relocatees (Buron 2004). From the perspective of families, this means moving from a gang and drug infested neighborhood where shooting is the norm to a neighborhood where children can go outside to play (Popkin et al. 2002).

Better Schools. Gautreaux research found striking benefits for children whose families moved to suburban neighborhoods. They were substantially more likely to complete high school, take college-track courses, attend college, and enter the workforce than children from similar families who moved to neighborhoods within Chicago (Rosenbaum 1995). MTO families have moved to neighborhoods with better schools, but—unlike Gautreaux movers—relatively few have left central-city school districts. Moreover, some MTO children continue to attend the same schools, despite the fact that their families have moved. So far, there is no evidence that MTO moves have led to better educational outcomes, possibly because so few children are attending significantly better schools or because it may be too soon to see benefits (Orr et al. 2003). HOPE VI relocatees who have moved with vouchers report improvements in the schools their children attend. They see the schools as safer and better quality, and they also report that their kids are having fewer problems at school, including trouble with teachers, disobedience at school and at home, and problems getting along with other children (Popkin, Eiseman, and Cove 2004).

Better Outcomes for Teenage Girls. Some of the early research on MTO families in individual sites suggested that young people whose families moved to low-poverty neighborhoods were engaging in less risky behavior and committing fewer crimes (Ludwig, Duncan, and Ladd 2003). More recent and comprehensive data for all sites suggest that

¹ The Gautreaux demonstration provided special-purpose vouchers and counseling to African American families who moved from poor, predominantly black neighborhoods in Chicago to racially integrated communities in the city and its suburbs. The MTO demonstration is a carefully controlled experiment to test the impacts of helping families move from high-poverty assisted housing projects to low-poverty neighborhoods.

moving to a lower-poverty environment is indeed improving the behavior of teen-age girls, but not boys.²

Improved Health. The MTO demonstration has shown dramatic improvements in the health of the families who moved to lower-poverty neighborhoods. In particular, the most recent evidence shows a substantial reduction in adult obesity. MTO and adolescent girls also showed significant improvements in mental health, including reductions in psychological distress and depression (Orr et al. 2003).

Employment and Earnings. Long-term research on Gautreaux families has found significant increases in employment and reductions in welfare receipt (Rosenbaum and Deluca 2000). To date, no statistically significant employment or earnings gains have been found across the total sample of MTO families or among HOPE VI relocatees. However, analysis of individual MTO sites finds significant gains in employment and earnings among MTO families in New York and Los Angeles, and exploratory analysis suggests that families who moved to the healthiest neighborhoods have experienced significant increases in earnings.

The Administration Proposal Would Limit Choice

The proposed State and Local Housing Flexibility Act of 2005 takes the voucher program in the wrong direction. The bill threatens to severely restrict mobility and housing choice. Specifically, families would not be permitted to use their housing vouchers to move from one jurisdiction to another unless the administering housing agencies had a standing agreement. In other words, suburban jurisdictions could simply refuse to accept voucher holders seeking to move out of distressed city neighborhoods in order to be closer to job opportunities or to give their children the advantages of attending safe, high-performing public schools.

Moves within a jurisdiction—for example, from higher-poverty neighborhoods to lower-poverty neighborhoods within a city or town—could be restricted as well. The proposed bill allows housing agencies to set payment standards (which determine subsidy levels) without considering data on actual rent levels. Already facing severe funding constraints, housing agencies may feel

² Research is currently underway to better understand what is happening to the boys and why they do not seem to be enjoying the same benefits from mobility as girls. One possible explanation is that black and Hispanic boys moving to integrated or predominantly white neighborhoods are not engaging in criminal behavior more often, but are being arrested more due to racial profiling.

pressured to set their payment standards lower in order to serve more families. But ultimately, lower payment standards will make vouchers less competitive in the rental market and could severely limit neighborhood choice. Moreover, "exception rents," a provision that allows for higher payment standards in high-cost areas, would likely be discontinued under the Administration's proposal. In effect, local housing agencies would be left to choose between serving more families in higher-poverty neighborhoods or fewer families in opportunity-rich neighborhoods. Finally, the performance measurement system HUD currently uses to monitor housing agency success in helping families move to better neighborhoods is likely to be discontinued and replaced by new (not yet specified) performance indicators for assessing the performance of local voucher programs. This will eliminate existing incentives for PHAs to help families move to neighborhoods of choice and opportunity.

The Administration's proposal also creates strong financial pressures on local housing agencies to use scarce voucher resources to serve more families at higher income levels, rather than targeting assistance to extremely low income families, who require deeper subsidies in order to pay for housing in the private market. Because vouchers have the advantage of dispersing assisted families geographically (rather than clustering them in subsidized developments), they provide a particularly valuable tool for addressing the severe housing needs of the lowest income levels. In other words, project-based housing subsidy resources need to be spread across a wider range of income levels in order to create healthy, mixed-income communities, but vouchers can promote income mixing even when they are targeted to the lowest income levels. Ideally, housing subsidies of all types would be available for low- and moderate-income families, but in an era of increasingly scarce resources, shifting vouchers away from the most needy families will only exacerbate housing hardship and distress.

Targeting assistance to very low income families yields benefits that go beyond housing per se, contributing to the larger policy goals of work and self-sufficiency. Specifically, families with unaffordable housing cost burdens are financially insecure, vulnerable to unexpected increases in other costs, and more likely to have to move frequently. This insecurity can make it more difficult for them to get and keep jobs, work extra hours, or advance to higher wages. In addition, the extra income freed up by a housing subsidy may enable families to pay for reliable child care, transportation to a better job, additional training, or professional clothing—all investments that can enhance employment success (Sard and Lubell 2000). In fact, several recent studies have found that people who receive housing assistance are more likely to benefit from workforce or welfare-to-

work programs than people without assistance, after controlling for other household differences (Turner and Kaye 2005).

Finally, the Administration's proposal would allow local housing agencies to experiment with alternative subsidy formulas and even impose time limits on housing assistance. Some have argued that the current subsidy formula (in which families pay about 30 percent of their income toward rent and the voucher makes up the difference) discourages work, because earning more income automatically results in increased rent payments. HUD's Moving to Work demonstration includes several housing agencies that are experimenting with variations in voucher program rules, including fixed subsidy levels, minimum tenant contributions, and time limits. However, the impacts of these alternative approaches are not being rigorously evaluated, because Moving to Work was not designed for this purpose (Abravanel et al. 2000). Therefore, there is no firm evidence to guide local housing agencies in designing new formulas that encourage work without sacrificing access to affordable housing in safe and opportunity-rich neighborhoods.

Opportunities to Strengthen the Voucher Program

The existing voucher program does not work perfectly and could be strengthened. Some families who receive vouchers are unable to find qualifying homes or apartments where they can actually use their assistance, especially in low-poverty neighborhoods that offer access to social and economic opportunities. But the Administration's proposal does not provide the tools or incentives for local housing agencies to improve the program's performance.

The most recent national study of success rates among voucher recipients (Finkel and Buron 2001) finds that about 69 percent of households who receive a voucher are successful in using it, down from 81 percent in the late 1980s. In some communities, moderately priced rental housing (affordable with a voucher) is in short supply, particularly in good neighborhoods (Burchell et al 1994; Orfield 1997). Moreover, during the late 1990s and early 2000s, rental markets in many metropolitan areas were very tight, vacancy rates were low, and rents were rising rapidly. These hot market conditions make it difficult for voucher recipients to find vacant units in healthy neighborhoods at rent levels they can afford.

Even when suitable rental units are available, landlords may be unwilling to participate in the voucher program. When demand for rental housing is reasonably strong, landlords do not need the voucher program to lease the units they own. And they may prefer not to participate because of concerns about whether the low-income households who receive vouchers will be good tenants,

and whether program regulations will prevent them from rejecting unqualified applicants or evicting problem tenants. In some jurisdictions, the fears of rental property owners about participating in the voucher program have been fueled by the poor reputation of the local housing agency. A housing agency known for delays in conducting inspections and approving leases, unreliability in making subsidy payments, and lack of responsiveness to landlord inquiries or complaints is likely to have serious problems convincing local landlords to participate in the voucher program (Turner, Popkin, and Cunningham 2000).

Racial discrimination and segregated housing markets exacerbate the challenges that minority recipients face when they try to find housing in which to use their vouchers. Although discrimination against African-American renters has declined over the last decade, minority homeseekers still face high levels of adverse treatment in urban housing markets (Turner et al. 2002). In addition, some communities have resisted the influx of voucher recipients from other jurisdictions, due to prejudice and fear about racial and economic change and about the crime and social service needs that these new residents are expected to bring (Churchill et al. 2001). As a consequence, the current housing voucher program has produced better locational outcomes for white recipients than for minorities. HUD's recent analysis of voucher locations in the 50 largest metropolitan areas nationwide illustrates that minority and central-city recipients are not gaining access to the same opportunities as white and suburban residents (Devine et al. 2003).

A growing body of experience points to three promising strategies for addressing these problems:

Mobility counseling and assistance can help voucher recipients understand the locational options available, identify housing opportunities, and negotiate effectively with landlords. Evidence from assisted housing mobility programs across the country indicates that this kind of supplemental assistance can significantly improve locational outcomes for voucher recipients, resulting in greater mobility to low-poverty and racially mixed neighborhoods for families who might otherwise find it difficult to move out of distressed, inner-city neighborhoods (Goering, Tebbins, and Siewert 1995; Turner and Williams 1998; Orr et al. 2003; Cunningham and Sawyer 2005).

Aggressive landlord outreach, service, and incentives, though sometimes viewed as a component of mobility counseling, actually involve very different activities. Housing agencies can significantly expand the options available to voucher recipients and improve recipients' success in finding suitable housing by continuously recruiting new landlords to participate in the program, listening to landlord concerns about how the program operates,

addressing red tape and other disincentives to landlord participation, and—in some cases—offering financial incentives to landlords to accept voucher recipients. Moreover, clear and consistent program rules and procedures (across all jurisdictions in a metropolitan housing market) can enhance landlord confidence and increase participation.

Regional collaboration and/or regional administration of the voucher program can potentially help address the administrative barriers to portability across jurisdictions and make the program more transparent to both landlords and participants. Almost no urban regions in the United States are served by a single regional housing agency, but in a few, the jurisdiction of the central-city PHA has expanded to encompass all or much of the metropolitan region (Feins et al 1997). In addition, housing authorities in some metropolitan areas have entered into formal agreements that facilitate the movement of voucher recipients across jurisdictional boundaries. All of these examples illustrate the potential for greater regional coordination as a mechanism for strengthening voucher program performance (Katz and Turner 2001).

Although it is possible that some local housing agencies might use the flexibility offered under the Administration's proposal to implement one or more of these promising strategies, this seems unlikely absent explicit program mandates and incentives. Instead, the bill's emphasis on cost containment and local autonomy create the opposite incentive. The Administration's proposal promises performance standards, but provides no indication of what outputs and outcomes would be rewarded or how performance would be assessed. A serious commitment to improving the performance of the voucher program would begin with a clear statement of desired outcomes, well-defined indicators for measuring performance, and explicit incentives for local housing agencies to achieve the program's goals.

Conclusion

Eliminating the features that promote "choice" in the Housing Choice Voucher program undermines the inherent power of this vital policy tool. Housing and neighborhood choice under the voucher program offer families the chance to move to neighborhoods that meet their needs—relocating to be closer to a new job or to find an apartment in a community with high-performing schools. These opportunities can help families break the cycle of poverty, enhancing their safety and health and providing access to better schools and well-paying job opportunities.

We know what it would take to strengthen the Housing Choice Voucher program. The Administration's proposal actually discourages local housing authorities from implementing these proven strategies, and instead creates incentives for cost-cutting measures that would shift assistance away from families with the greatest needs and reduce the purchasing power of a housing voucher. And allowing individual PHAs to implement their own payment standards and subsidy formulas is likely to result in a patchwork of program rules and procedures that could undermine landlords' willingness to participate. The State and Local Housing Flexibility Act of 2005 would move federal housing policy in the wrong direction, trapping families in neighborhoods that are poor and distressed and perpetuating concentrated poverty and isolation from economic opportunities.

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Testimony of Carlos Jackson, Executive Director, Los Angeles County
Community Development Commission and Housing Authority of the County of
Los Angeles, sent to the House Financial Services Subcommittee on Housing
and Community Opportunity

May 16, 2005

Thank you for the opportunity to submit written testimony to your Subcommittee on H.R. 1999, the State and Local Housing Flexibility Act of 2005, introduced by the Honorable Gary Miller of the 42nd Congressional District.

The Housing Authority of the County of Los Angeles (HACoLA) is the fifth largest administrator of Section 8 rental assistance in the country. On behalf of the County of Los Angeles, HACoLA:

- Administers over 20,000 Section 8 vouchers;
- Manages vouchers on behalf of the unincorporated areas of Los Angeles County and 68 of the County's 88 cities;
- Works in partnership with over 10,000 property owners; and
- Manages over 3,600 units of conventional and non-conventional Public Housing at 71 sites throughout Los Angeles County.

In Southern California, we are faced with a real estate market that is distinguished by high rents and low vacancy rates. The average monthly rent for a two-bedroom unit is \$1,323, the vacancy rate is a low four percent, and only 17 percent of families in Los Angeles County are able to afford the median price of a home which has increased to over \$460,000¹. However, given all this, we have been able to achieve a 99 percent lease-up rate in our Section 8 program.

We are serving Los Angeles' neediest residents with 74 percent of our Section 8 participants and 91 percent of our Public Housing residents earning at or below 30 percent of the Area Median Income (AMI) and 23 percent of our Section 8 participants, and only six percent of our Public Housing residents earning between 30 to 50 percent of AMI.

Over the last few years, Public Housing Authorities (PHAs) such as HACoLA have seen sharp reductions in administrative fees, which are used to support our Section 8 program operations. In the last two years we've received approximately seven percent less in administrative fees from the U.S. Department of Housing and Urban Development (HUD) to operate our program. As a result of these funding reductions, it is necessary that HUD implement measures aimed at reducing the cost of administering the Section 8 program.

Given the nature of the real estate market in Los Angeles County, reductions in administrative fees hamper our concerted efforts to attract and retain property

¹ California Association of Realtors, May 2005.

owners, as we have to compete with the private market to attract and retain these owners. Also, HUD has reduced our administrative fees at a time when we were expanding our outreach efforts to attract and retain property owners.

Earlier this year, the Los Angeles County Board of Supervisors adopted changes to the Section 8 program in order to realize cost savings necessary to meet an approximate \$3.7 million reduction in funding from HUD. The Board of Supervisors made changes to HACoLA's Section 8 program, which reduced payments to landlords, modified occupancy standards, suspended admissions to the Family Self-Sufficiency program, restricted portability to higher cost areas, modified the method by which tenant income increases are processed and required single-parent households to register with the Child Support Services Department to obtain child support. These changes were necessary to accommodate reductions in Section 8 Housing Assistance Payments (HAP) and administrative fees.

Flexible Voucher Act

The Flexible Voucher Act eliminates vast regulations associated with the current Section 8 Housing Choice Voucher Program and proposes a simpler plan for PHAs to administer a housing assistance program. The Section 8 program has undergone recent changes to the funding methodology from one that is cost-based to budget-based. The Act proposes that the funding be in the form of a block grant. While HACoLA understands the necessity of containing costs, it must be said that it is extremely difficult to administer a housing assistance program that is block granted, as block grants assume that costs remain constant and they do not keep up with rising costs such as housing. Having said that, we would like to comment on a few specific areas of the Act – several which we favor and some areas where we have concerns. I will also address two critical issues that we would strongly urge be addressed in the Act.

There are several areas in the Act that HACoLA would like to see implemented because we believe they would have a positive impact on the program by reducing unnecessary administrative burdens and helping to streamline the lease-up and management processes. I am going to highlight six of those areas in the Act, which are:

- Use of gross income in calculations;
- Reduction of PHAs obligation to inspect 100 percent of units;
- Reduction of PHAs annual obligation to perform income recertifications;
- Flexibility to establish appropriate rent structures;
- Simplification of performance standards; and
- Restriction of Portability.

Gross Income

The first area is using gross income in calculations, and doing away with deductions and exclusions, of which there are currently 39 income exclusions and four deductions allowed under the Section 8 program. This proposed change in the Act will save substantial time by reducing third-party verifications which are time consuming and costly, and the change will minimize rent miscalculations.

Inspections

With reduced administrative fees, the Act's provisions, which allow PHAs the option to inspect 25 percent of the units, would enable PHAs to focus on other priority areas that fluctuate due to general market conditions. These positive program changes will save both time and administrative fees. Also, it would not subject property owners, especially those that have traditionally been in compliance, to annual inspections.

Recertifications

Another area in the Act is reducing PHAs annual obligation to perform income recertifications and inspections. This would provide maximum program efficiency in these areas because social security and supplemental security incomes change very little and the process of collecting the information is burdensome for the participants and time consuming for PHAs.

Rent Structures

A very welcome and necessary component of the Act is giving PHAs the flexibility to establish appropriate rent structures for their housing market area. As already mentioned, housing is a "what the market will bear" commodity. Without the ability to establish rents based on the amount of funding, some families may lose assistance as housing costs rise. Flexibility in this area is a must to ensure that PHAs can adjust quickly to changes in the local real estate market.

Performance Standards

Another welcome change in the Act is simplification of the performance standards used to monitor the program. The current Section Eight Management Assessment Program (SEMAP) does not capture the proper environment the program operates within. For example, when we perform an annual recertification for a family, the system does not capture the number of attempts made, or the number of times different family members turn in pieces of information. The process may take more than two months in working with the family, but SEMAP will only show that the deadline was missed, even if it was only by a day. As a result, we would receive zero credit for that recertification and that zero is rolled into the overall score. Many of the indicators are tracked in this fashion, failing to capture the true picture of PHAs actual work. SEMAP also fails to incorporate the human element into the measurement system.

Currently, deadlines are imposed without consideration of client population, requirements of property owners, or geographic pressures.

HACoLA would like Congress to ensure that the measured standards are reality-based. For example, the real estate market and vacancy factors need to be taken into account when looking at lease-up and homeownership rates. The Act uses the number of families that have achieved homeownership as a measuring standard, and proposes bonuses to PHAs that achieve high homeownership rates. The measure is an unfair measurement of a PHA's performance of duties. In Southern California, in particular Los Angeles County, the median price of a home is over \$460,000 and only 17 percent of those living in Los Angeles can afford to purchase a home. In order for us to make a home affordable to families participating in our homeownership programs, after land is donated for development purposes, we provide approximately \$100,000 in subsidies to the family. HACoLA should not be expected to measure up to homeownership rates in less expensive parts of the State or country. HACoLA would like to see a system in which program effectiveness takes into account the environment in which the PHA is located. It is critical that HUD provides more information on what the performance standards would be before Congress passes this Act.

Portability

The Act's provisions to restrict portability are a most welcome change. The portability issue has become overly burdensome to track and bill. HACoLA supports HUD restricting portability, but cautions Congress about any attempts by HUD to do a one-time transfer of the existing ported vouchers. Careful consideration is necessary to transition the existing ported vouchers.

I have shared many of the positive aspects of this Act with you. Now I would like to discuss a few of the Act's provisions that HACoLA has significant concerns with and we would like to work with the Committee to remedy. I am going to highlight four of those areas, which are:

- Elimination of the requirement for PHAs to perform criminal background checks;
- Proposed negotiated rulemaking method;
- Absorption of enhanced vouchers after one year; and
- Termination clauses.

Criminal Background Checks

The Act proposes the elimination of requiring PHAs to perform criminal background checks. The Act gives the authority to property owners to determine if the tenants have performed any prohibited activities. The criminal background checks are important in maintaining program integrity. HACoLA does not believe that owners will make such determinations, or follow the full criminal background check process. The result will be convicted felons, including registered lifetime sex offenders, receiving federal housing assistance without a case-by-case

review, which is the current practice. HACoLA recommends that the criminal background checks continue to be required and also that HUD provide funding for them in order to maintain program integrity and efficient use of federal funds. Conducting criminal background checks of applicants lends credibility to our program and it is a major factor for property owners who are contemplating participating in the Section 8 program. We firmly believe that Section 8 and Public Housing should not be seen as housing of last resort and that it should be for those families that are in good standing. By conducting criminal background checks, we have helped to discredit the negative stigma that many have against Section 8 and Public Housing residents.

Negotiated Rulemaking

A critical concern for HACoLA is the Act's proposed negotiated rulemaking method to determine continued funding for the program, both in HAP and administrative fees. This process was recently used with Public Housing and there is much ongoing controversy with HUD on this process. HACoLA realizes that actual costs are not getting funded, and we ask that Congress impose some ground rule requirements on HUD while funding methods are being considered.

Enhanced Vouchers

The Act also proposes to fund enhanced vouchers for a period of one year and then require PHAs, without additional resources, to absorb the costs thereafter. This would place additional burdens on PHAs limited existing resources. A PHA may not have a sufficient number of turnover vouchers available to be able to absorb any enhanced vouchers. If HUD requires PHAs to take on the enhanced vouchers, it is essential that funding continue to be provided for them.

Termination Clauses

A provision in the Act states that "during the term of a lease" an owner may only terminate for good cause. HUD must define if this means during the first year of the lease, or if this also means that it applies month-to-month after the first year. If it applies after the first year, it creates a perpetual lease and HACoLA would be strongly against that. Mandating that owners may only terminate for good cause will greatly reduce the number of owners willing to rent to voucher holders, making it more and more difficult for families to find housing as time goes on. We do not want to burden property owners with automatic renewals. This would be a disincentive for participation in the Section 8 program. In the Public Housing program, leases are not renewed automatically – they are annual leases. The term of leases should be consistent amongst these two programs. Also, it is important that we not interfere with property owner/tenant legal agreements by imposing additional restrictions on property owners.

Lastly, I wish to address two critical issues: 1) assistance to non-citizens without proper documentation; 2) and fraud prevention. The Act is silent on both of these, and HACoLA cannot wait 18 months for HUD to issue a final rule on these matters.

Non-citizens

Current law specifies that non-citizens without proper Immigration and Naturalization Services (INS) documentation are not provided housing assistance under the Section 8 program. HACoLA prorates assistance for families that fall into this category. However, the proposed bill does not address the ineligibility of non-citizens without proper documentation. This must be addressed otherwise HACoLA may be forced to pay the full assistance, which would significantly increase our HAP.

Fraud Prevention

Under current regulations, HACoLA is permitted to retain some of the funds recovered from the fraud recovery process. The proposed bill does not address fraud prevention and it should be addressed as well, either in statute or in accompanying report language, in order for us to continue to operate a fraud prevention program.

Public Housing Rent Flexibility and Simplification Act

The Operating Fund for Public Housing has been drastically reduced over the last few years. Since we can no longer support Public Housing with Section 8 reserves, some of the changes proposed in the bill will help us to administer the program.

There are a few changes that HACoLA supports and we will be highlighting two of those changes, which are:

- Reduction of PHAs annual obligation to perform income recertifications; and
- Elimination of income exclusions.

Income Recertifications

The changes proposed by the Act with regards to income recertifications for Public Housing residents, especially for senior and disabled families would lift a significant administrative burden from local PHAs. As proposed, family income would be reviewed not less than once every three years for elderly and disabled Public Housing residents, many of whom receive benefits from the Social Security Administration. Under current HUD regulations, this process must begin 120 days before the residents' anniversary date. The repeal of annual recertifications for elderly and disabled residents will allow for more effective use of staff resources by eliminating time-consuming processes like verifying third-party documentation.

Income Exclusions

The Act's provisions, which repeal income exclusions and the Earned Income Disallowance, are a welcome change for Public Housing as it shifts to an asset-

based management system. Applying these provisions in the determination of a family's Total Tenant Payment is a time-consuming process that often results in rent miscalculations.

I have shared two areas of the Act regarding Public Housing that I support and I want to discuss another area on rent structures that I believe has some merit.

Rent Structures

The Act includes changes to the rent structure for the Public Housing program. We believe that the flexibility proposed by the different rent structures has some merit. However, careful consideration must be given so that the flexibility of the rent structure does not result in an added rent burden to Public Housing residents. There is the potential of burdening Public Housing residents with higher rents as a means to cover the difference resulting from decreased funding for the program.

Care must be given so that "rent flexibility" will not be used as a means to fill the funding gap caused by a decade of decreased funding for the program under the guise of flexibility and asset management.

Lastly, there are two issues, termination of assistance for registered sex offenders and repeal of annual inspections, that are being proposed for the Section 8 program that we would like to see extended to the Public Housing program.

Sex Offenders & Inspections

Section 202 is a small portion of the overall bill, which predominately addresses changes to the Section 8 program. In particular, PHAs will benefit from the enhanced provision for termination of assistance for persons subject to a lifetime registration requirement under a State sex offender registration program and the repeal of 100 percent annual unit inspections. These two provisions are proposed for the Section 8 program, but were not extended to the Public Housing program. Additionally, the bill, in its current form, could better strengthen the Public Housing program in its efforts to provide greater "flexibility" and enhanced tools to keep Public Housing free of crime.

Conclusion

On behalf of Los Angeles County, I thank you for the opportunity to provide comments. We encourage further discussions to seek ways that the Section 8 and Public Housing programs can remain a viable source for building better lives and better neighborhoods for low-income families, and the elderly and disabled.



National Association of Housing and Redevelopment Officials

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**Statement on a Hearing Regarding HR 1999,
the State and Local Housing Flexibility Act
by
The National Association of Housing and Redevelopment
Officials (NAHRO)**

The National Association of Housing and Redevelopment Officials (NAHRO), established in 1933, is a membership organization of 21,000 housing and community development agencies and professionals throughout the United States whose mission is to create affordable housing and safe, viable communities that enhance the quality of life for all Americans, especially those of low- and moderate-income. NAHRO's membership administers more than 3 million housing units for 7.6 million people.

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The following statement is submitted by the National Association of Housing and Redevelopment Officials (NAHRO).

NAHRO's members administer HUD programs including Section 8, Public Housing, HOME and the Community Development Block Grant (CDBG) program. NAHRO's membership includes more than 18,000 individual members and associates, and nearly 3,300 agency members, including housing agencies, community development departments, and redevelopment agencies. For over 70 years, NAHRO has been a leading housing and community development advocate and has fought for the provision of adequate and affordable housing and strong viable communities for all Americans--particularly those of low and moderate income.

NAHRO members have practical, hands-on experience in the administration of the Section 8 Housing Choice Voucher and Public Housing programs, and work closely with property owners, lenders, developers, social service agencies and other stakeholders to ensure that the affordable housing needs of the families, seniors and disabled who depend on this program are met in a responsible, cost-effective manner. We commend the Subcommittee on Housing and Community Opportunity for holding today's hearing and for its willingness to examine pragmatic improvements to this otherwise successful program.

TOWARD RESPONSIBLE REFORM

The Section 8 Housing Choice Voucher (HCV) program has successfully served millions of low-income families for more than 30 years, and has become a key part of the federal government's efforts to address an ongoing national housing crisis through the private housing market. The Office of Management and Budget (OMB) gave the HCV program the highest rating of HUD's programs, akin to the rating received by the popular HOME program.

Given the program's success, one might ask why Congress is investigating the need for changes. We believe there are two reasons. First, as successful as the HCV program has been, NAHRO believes that there are measures that can be taken to encourage greater efficiencies in program administration and cost savings during this period of budgetary restraint. NAHRO has long advocated for and supported the need to provide housing agencies with a greater degree of local discretion in the administration of this program. We believe that housing authorities, *if provided with adequate resources to meet the task*, are well positioned to carry out local decision making in a manner that is responsible to federal stakeholders and consistent with their long-standing mission to address the needs of low- and moderate-income families in their communities. "The State and Local Housing Flexibility Act of 2005" (HR 1999) provides us with a baseline for discussion concerning the utility and effectiveness of providing local housing agencies with a greater degree of local autonomy and discretion.

As strongly as we believe in local decision making, we also believe that local discretion is not a silver bullet that can make up for a retrenchment in the federal government's commitment to affordable housing.

Since April 2004, the federal government has taken actions that have effectively altered the fundamental arrangement between the federal government and those administering the voucher

program upon which the present structure of the program is based. Under the currently authorized structure of the program, the federal government agrees to make up the difference between what it actually costs a family to rent a modest home on the private market and what the family can afford to pay toward rent, as defined by statute. Unfortunately, the conversion towards a capped or “budget-based” funding system set in motion through the appropriations process in FY 2004 and FY 2005 suddenly altered the federal government’s contribution toward family rents.

As a result, housing agencies’ ability to comply with existing authorizing statutes has been significantly strained over these two years. NAHRO has strongly advocated for a return to an actual cost funding system because it accurately and efficiently distributes funds according to need and to meet existing requirements.

With these factors in mind, we welcome the introduction of HR 1999 as a starting point for comprehensive discussion of the future of the Section 8 program. As the program has been roiled by the appropriations process, NAHRO has strongly advocated for any changes in the program to be considered in a comprehensive fashion by the authorizing committee. We are pleased that the administration, Mr. Miller, and his cosponsors have chosen to introduce the bill in this committee. We stand ready to work with Congress, the administration, and other stakeholders to work to shape the future of the Section 8 program.

To further this discussion, we offer the following comments on HR 1999 as proposed. We offer these comments to further the positive concepts embodied in this bill, to shape those ideas that need modification, and suggest alternatives to those aspects of this bill that we think are, in some cases, dangerously flawed.

UNDERSTANDING THE COST OF THE SECTION 8 PROGRAM

Before getting into the specifics of HR 1999, NAHRO believes it is important to point out that much of the current debate over reform of the housing choice voucher program stems from a concern articulated often by the administration that the cost of the Section 8 program is spiraling out of control. NAHRO believes that program costs increased in the past not because of inefficiencies, but primarily because of program changes and local market economic and demographic conditions, including serving more extremely low-income households and changes in federal housing policy direction.

The underlying predicate for HR 1999, as we understand it, is to give local housing agencies greater flexibility and control over program decision making in an overall effort to more effectively use limited dollars determined and allocated based upon a dollar based methodology rather than upon an actual cost basis. NAHRO believes that any reform of this program must be based on an accurate understanding of the program’s history and the underlying causes of its current difficulties. With this in mind, we believe it is important to set the record straight regarding the matter of the cost of the Section 8 program.

- It has been stated often over the past year that costs in the Section 8 Housing Choice Voucher program have increased while the number of families served has not. This is incorrect. Between FY 1999 and FY 2005, the conversion of 266,181 project-based assisted units to tenant-based vouchers, and the addition of 207,000 incremental

vouchers, resulted in assistance for 473,181 families under the tenant-based program. Housing Agencies (HAs) were also able to lease an additional 100,000 families with existing authorized vouchers, resulting in over 500,000 families leasing under Housing Choice Voucher program since FY 1997.

- The rate of increase in voucher costs is not spiraling out of control. NAHRO's analysis of the rate of increase between FY 2004 annual average per unit housing assistance payment (HAP) costs and FY 2005 HAP costs shows a modest increase in each state compared with corresponding housing market cost increases. Furthermore, these increases are projected to be within inflation.
- Expressed in terms of budget outlays, the Congressional Budget Office (CBO) has projected that per voucher costs will rise by an annual rate of 3 percent from FY 2004 through FY 2006, and 2.8 percent per year for the period from FY 2006 through FY 2010.
- It has also been asserted that funding for the HCV program is consuming funding for HUD's other programs. However, HUD's total FY 2006 budget request proposed a decrease of \$3.38 billion, or almost 11 percent, compared to the FY 2005 funding level. This is more than four times the \$735 million increase in funding the department requested for the HCV program. It is unclear how the comparatively modest increase for the HCV program accounts for the significant trimming of funds from other programs.
- Finally, we are concerned about HUD's proposed \$2.5 billion rescission under the Section 8 Housing Certificate Fund. To date, neither HUD nor the Office of Management and Budget (OMB) has been able to identify the source of funding or whether sufficient sums of unspent funds exist to rescind. The existence of \$2.5 billion in unspent funds would belie the department's claims that costs have skyrocketed. Finding answers to questions regarding the rescission are critical and necessary to inform FY 2006 appropriations and authorizing decisions.

We believe that an understanding of the cost trends in the program, and a full accounting of program resources, is critical to understanding its needs for the future. We urge members of Congress to keep these facts in mind in considering the range of possible and necessary reforms to be enacted.

THINGS HUD CAN DO NOW

Before undertaking discussion on HR 1999, NAHRO believes it is important for members of the subcommittee to first realize that there are now (and have been for some time), steps HUD has the authority to implement to promote greater program efficiency, greater local discretion, and cost savings. The passage of the Quality Housing and Work Responsibility Act (QHWRA) in 1998 created a blueprint for Section 8 reform that has not been fully realized. There are regulatory changes which, if enacted by HUD today, could go a long way toward generating cost savings. For example:

- HUD has the ability to and should immediately issue an interim or final rule on project-basing of vouchers (outstanding since January 2001);

- HUD has the ability to and should consolidate duplicative reporting requirements for agencies engaged in consortia (required under QHWRA);
- HUD has the ability to and should modify annual inspection requirements to allow agencies to achieve administrative cost savings;
- HUD has the ability to and should improve inflation factor calculations to more accurately reflect local rents (outstanding since 2000);
- HUD has the ability to and should improve evaluation system for small agencies;
- HUD has the ability to and should streamline one of the most complex aspects of rent calculation for HAs, known as income exclusions, under its existing regulations. HUD's semi-annual regulatory agenda projected a proposed rule to amend the regulations by February 2004, for both Section 8 and public housing programs.

Attached to this statement is a complete catalog of items HUD can implement within its existing statutory authority. NAHRO believes that expeditious implementation of these items would generate responsible cost savings and would promote and improve program efficiency. Given the challenging FY 2005 funding environment, we call upon HUD to act now to implement these important changes.

NAHRO's REVIEW OF HR 1999

A number of items in HR 1999 would provide greater local discretion, including: the expansion of the Moving-to-Work (MtW) demonstration program; rent simplification in both Section 8 HCV and public housing; increased local discretion in focusing housing quality enforcement measures on properties; and less-frequent household recertifications.

These proposed changes represent positive reforms that NAHRO could support, albeit with some modification. For example, NAHRO supports expansion and study of the current MTW demonstration. While HR 1999 also supports this objective, it would require housing agencies to provide a local match in housing resources and to eliminate barriers to affordable housing production. In many cases, these prerequisites may be beyond the direct control of local agencies and may therefore preclude agencies from participating in the demonstration. We urge that these potential obstacles to program participation be the subject of further discussion and debate.

The SLHFA also contains provisions that, while controversial, also advance important policy areas for future exploration and debate by Congress and program stakeholders. Such provisions include: full rent reform in both HCV and public housing programs; HCV income targeting; and simplified household-level reporting systems. NAHRO is currently working with its members to develop pragmatic and responsible recommendations on these subjects and we would be happy to offer our views at the conclusion of our review.

Unfortunately, there are also provisions in SLHFA which are deeply flawed. These include: an inaccurate funding allocation formula in FY 2006; an unarticulated funding allocation formula in future years; inaccurate annual inflation factors; elimination of the HCV program's permanent authorization; undefined housing agency performance standards (see below); and a lack of reasonable protections for elderly and disabled households. In addition, NAHRO opposes any

system that would result in agencies with initial losses in portability losing much-needed funding for their communities or having to wait for a future reallocation of unspent funds.

NAHRO's most notable concern with the bill is that it does not respond to the chaos agencies have undergone during the past two years because of the "snapshot" budget-based funding distribution formula. Under the budget-based funding formulas implemented under PIH Notices 2004-7 and 2005-1, many problems have arisen nationwide, unprecedented in their scope and scale. These include, but are not limited to:

- Fewer families being served overall and fewer extremely low-income households served in favor of higher income households;
- Termination of vouchers for currently-assisted families;
- Recall of vouchers from families searching for housing with recently promised housing vouchers;
- Banning re-issuance of turnover vouchers (vouchers returned to an agency once a family has left assistance);
- Increasing households' rents, effectively pricing families out of the communities of opportunity for which the program was designed;
- Declines in the number of voucher-assisted households who are successful in leasing with lowered payment standards;
- Curtailed or terminated Section 8 Homeownership or Section 8 Project-Based Voucher Assistance programs

Also, changes in the calculation and distribution of administrative fee funding in the previous two years have also undermined the ability of local agencies to respond to local needs in an effective manner. Compared with their "post-QHWRA" administrative fees earned in FY 2003, agencies' per unit administrative fees have been reduced by an average of 12 percent over the last two years. As a result, there have been housing agency staff layoffs, increased staff workloads, reductions in services, financial disincentives to full-leasing, and compromised financial integrity for the program.

A RESPONSIBLE FUNDING DISTRIBUTION METHODOLOGY IS CRITICAL

NAHRO believes that any legislation which seeks to improve the current HCV program must include an effective funding distribution methodology. This is critical to the future success of the voucher program. Indeed, many of the shortfalls experienced by local agencies in the past two years stemmed not from spiraling costs or insufficient appropriations, but from an ineffective method of distributing available dollars.

According to our estimates, the total amount of funding available to housing agencies in FY 2004 and FY 2005 should have been sufficient to cover all authorized leased vouchers at actual cost. However, the budget-based renewal formula employed by the department did not accurately reflect agencies' annual leased units or costs, leading to a situation in which some agencies were underfunded while others were overfunded compared with need.

Therefore, NAHRO believes HR 1999 is essentially flawed due to the absence of a stable and responsive funding methodology. The bill would retain the current "snap-shot" funding methodology which has over the period of the past two years imprecisely allocated funds to local agencies based upon cost estimates from a fixed point in time (May – July 2004) plus a modest inflation factor. Through the funding shortfalls it has created, this approach has hobbled local agencies' ability to sustain compliance with basic program requirements regarding portability, tenants' initial rent burdens, and the overall affordability of their rent burdens.

For example, as a result of funding shortfalls implemented through PIH Notices 2004-7 and 2005-1, agencies have changed their payment standards in ways that have undermined their ability to meet the program's affordability standard. Under the affordability standard, no more than 40 percent of assisted families (occupying units of any size) would pay more than 30 percent of their adjusted income for rent. Only 27 percent of agencies responding to a recent NAHRO survey said they will be able to meet the program's affordability standard.

Not only does the language contained in the SLHFA lock in the funding inequities created over the last two years, but, if enacted, HR 1999 would defer decision making on any future funding policy to a negotiated rulemaking process with the Department of Housing and Urban Development (HUD).

NAHRO has supported a unit-based, actual-cost methodology for the renewal of existing Section 8 vouchers under lease and for those that could reasonably be leased in the following year. We believe this is the most accurate method for estimating and ultimately funding vouchers in disparate markets which are constantly changing due to discrete market forces. Continuation of the "snapshot" budget-based funding approach may respond to federal budgetary constraints and concerns regarding the cost of the Section 8 program, but it is an essentially flawed, imprecise and inaccurate approach to meeting local funding needs for a market-driven program.

We urge that future consideration of HR 1999 take into account this over-arching need to provide a rational and stable funding policy. We are concerned that many of the changes proposed in the bill which offer flexibility to local agencies will become necessary simply to counter limited funding which has been imprecisely distributed.

HR 1999 LACKS ADEQUATE PERFORMANCE MEASURES

NAHRO also is concerned that HR 1999 does not contain language which would establish goals and objectives to appropriately define and measure performance under this program. An articulation of performance measures is essential to not only to judge our success in meeting the documented national need for affordable housing, but also to measure our success in using

limited federal dollars to meet that need. We also believe that it is critical to establish these benchmarks to inform the congressional appropriations process. It is NAHRO's strongly held opinion that appropriations for the voucher program must not be detached from national indicators of need.

To assist Congress in evaluating the efficacy of the HCV program and the resources it provides to that program, HUD should report annually to its authorizing and appropriations subcommittees regarding a number of critical need factors. These include: 1) number, size and types of households served by the HCV program; 2) average depth of subsidy as a percentage of FMR; 3) income profiles of assisted families as they compare with income profiles of the general population in the area served; 4) rent burdens of assisted families as a percentage of gross income as they compare with rent burdens of the general population of the area served; 5) demand-side need for affordable housing; and 6) changes in the rates of annual inflation factors relative to changes in FMR amounts (with utilities as a separate line item).

SUMMARY

We thank the members of the subcommittee for the opportunity to express our views. We welcome the opportunity to work with you and the opportunity to discuss our recommendations for responsible reform of this important program.

Local housing agencies are on the front lines in the fight for decent affordable housing in their communities. They are responsible stewards of federal dollars and their mission-driven track record of accomplishment is well documented. With so much at stake in terms of the on-going ability to meet local needs through the HCV program, we hope that you will be able to find a responsible balance in the views of all stakeholders and interested parties should you decide to proceed with legislation this year. Reform of this program is complicated but achievable. We hope you will take into account the points raised in this paper in reaching any conclusions concerning future legislation.



Testimony on the State and Local Housing Flexibility Act of 2005, H.R. 1999

Submitted to the

House Financial Services

Subcommittee on Housing and Community Opportunity

by the

National Council of State Housing Agencies

Chairman Ney, Ranking Member Waters, and members of the Subcommittee, thank you for this opportunity to submit testimony on the State and Local Housing Flexibility Act of 2005, H.R. 1999, on behalf of the National Council of State Housing Agencies (NCSHA). And, thank you for your commitment to affordable housing. NCSHA welcomes this opportunity to work with you to make improvements to the voucher program.

NCSHA represents the Housing Finance Agencies (HFAs) of the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. State HFAs allocate the Low Income Housing Tax Credit (Housing Credit) and issue tax-exempt private activity bonds (Bonds) to finance apartments for low-income renters and low-cost mortgages for lower-income first-time home buyers in nearly every state. They administer HOME Investment Partnerships (HOME) funding in 42 states to provide both homeownership and rental housing opportunities for low-income families.

State HFAs also administer the Section 8 Housing Choice Voucher program in 21 states. Some of those agencies administer the program statewide, while others make voucher assistance available in rural areas of their states in which there are no local public housing authorities (PHA) to administer it.

Even those HFAs that do not directly operate the voucher program recognize the crucial role vouchers play in housing some of our most needy families. With vouchers, the Housing Credit, Bond, and HOME programs can reach lower income families than those programs can on their own. Furthermore, the financial viability of some Housing Credit, Bond, and HOME developments depends on vouchers.

NCSHA appreciates the Administration's efforts to streamline program rules and provide PHAs increased administrative flexibility. We support several of the key provisions of the Flexible Voucher Program (FVP), including the discretion to set rent policies and determine payment standards independent from HUD's fair market rents.

However, we fear this bill leaves the voucher program vulnerable to funding cuts in future years. Additionally, we are concerned about the substantial shift in income targeting away from those most in need.

Full Funding of the Voucher Program Is Essential

While this Subcommittee does not have jurisdiction over voucher funding, the decisions you make regarding the voucher program's authorization will undoubtedly influence congressional appropriators. Congress' continued commitment to providing sufficient funding for all authorized vouchers in use is essential. Without adequate funding, PHAs would be forced to serve fewer families, cut off assistance to those most in need, or require tenants to pay an excessive amount of their income for rent.

Unfortunately, this bill does not include a mechanism for ensuring that funding keeps pace with changes in rental housing costs and household incomes. We strongly urge you to establish a funding framework that ensures voucher-assisted families with the greatest need will continue to receive assistance and takes into consideration reasonable cost increases inherent in a market-driven program.

The lack of a funding framework could also jeopardize PHAs' efforts to use vouchers for homeownership. A bank may be less likely to lend to households who will use vouchers to meet part of their monthly mortgage payment, if the bank is not confident that voucher funding is secure.

If funding is inadequate, PHAs would be forced to use the authority provided to them in this legislation to serve higher-income families at the expense of extremely low-income families. Even now, resources are not available to serve all extremely low-income households. In fact, three-quarters of households eligible for housing assistance do not receive it. Inadequate funding, coupled with the proposed targeting changes, would exacerbate this problem.

We've seen what happens when voucher resources are insufficient to renew vouchers in use. State voucher administrators have reported to NCSHA that insufficient FY 2005 funding has forced them to close waiting lists; stop issuing vouchers upon turnover; lower payment standards, which would limit housing choice and contribute to concentration of poverty; and terminate assistance to some families.

Insufficient voucher resources are also causing the private sector to lose confidence in the voucher program and could have negative consequences for Housing Credit, HOME, and Bond-financed properties that house voucher holders.

We are also concerned that some aspects of FVP, while well intentioned, may lead to insufficient funding for program administration. For example, while we support the flexibility to inspect units less frequently than currently allowed, HFAs have told us they are likely to continue annual inspections, unless a risk analysis confirms a particular property does not require yearly inspection. Moreover, PHAs will need to use administrative funding to conduct risk analyses. We are concerned appropriators will not consider more frequent inspections than the legislation requires or the cost of risk analyses when determining administrative funding for the program.

In addition, we are concerned that FVP does not provide PHAs with reserve funding. We urge you to require adequate funding of PHAs' reserves, so that they are able to respond to unexpected changes in their rental markets.

The Voucher Program Should Continue to Serve Those Most in Need

America's affordable housing crisis extends from the very poor to the solidly middle class. Yet, indisputably, those families hardest hit are those with the least income. According to data from the American Community Survey, 84 percent of severely cost burdened renter households—those paying 50 percent or more of their income for rent—are extremely low-income households earning 30 percent of area median income (AMI) or less.

NCSHA is particularly concerned about the proposal to change voucher targeting so the program no longer focuses on those most in need, but instead could be used for families earning up to 80 percent of AMI. In this time of scarce resources, it is imperative that we not overlook the needs of extremely low-income families. Doing so would exacerbate the affordable housing crisis and increase homelessness. FVP would also impair the Administration's efforts to end chronic homelessness, as vouchers are the single greatest mainstream resource states can use to provide operating assistance in supportive housing for this population.

We urge you to continue to focus voucher assistance on the most vulnerable populations—predominantly very low- and extremely low-income households. However, we believe additional flexibility to serve higher-income households is needed in extremely low-income areas, especially in areas in which low-income households may earn more than 30 percent of AMI but are still below the federal poverty line.

The voucher program is essentially the only mainstream program that serves extremely low-income households without excessive rent burden. Other programs exist to serve low-income households who are not the poorest of the poor. While Housing Credits and HOME serve very low- and extremely low-income households, they do so most successfully when paired with vouchers; and these programs effectively serve households earning between 50 and 60 percent of AMI without vouchers. Households earning between 60 and 80 percent of AMI are often good candidates for affordable homeownership programs such as the Mortgage Revenue Bond program. Even public housing is available to households earning up to 80 percent of AMI.

Choice Is a Hallmark of the Voucher Program and Should Be Preserved

NCSHA supports the portability of vouchers. Voucher holders should have the opportunity to move to areas that offer better jobs, higher quality schools, and lower crime rates. However, Congress should minimize portability's administrative and financial burden on PHAs.

The budget-based funding system enacted in the FY 2004 and FY 2005 HUD spending bills has caused significant problems for PHAs in lower cost areas when voucher holders move to more expensive areas. Because PHAs no longer receive funding according to their vouchers' actual costs, they are unable to cover the increased cost of these vouchers without reducing their ability to serve families within their jurisdictions. Moreover, the system of receiving PHAs billing originating PHAs for vouchers that port from one area to another is overly complex and administratively burdensome.

One way of preserving tenants' housing choice, while minimizing the burden on PHAs, would be to establish a HUD-administered central fund that could be used to cover additional costs associated with portability when a voucher holder moves to a higher-cost area.

Under FVP, portability would only be permitted within states and HUD-approved multi-state regions, so long as the PHAs in question have an agreement with one another. Not only would this restrict choice, it would also cause administrative burdens for PHAs, especially state voucher administrators, because they would need to forge agreements with potentially hundreds of local PHAs within their states or region.

Simplification of Some Rules Would Improve the Program

FVP would provide much needed flexibility to voucher administrators. Program changes, such as allowing PHAs greater flexibility to set rent limits, determine subsidy payments, and set property inspection schedules, would make the program more effective and efficient for PHAs, owners, and voucher holders.

The current system for determining tenants' contributions towards rent is extraordinarily complicated. It is administratively burdensome for PHAs and confusing and invasive for tenants. According to a February 2005 Government Accountability Office (GAO) report, in FY 2003, administrator errors in determining tenant rent payments caused HUD to overpay rent subsidies by \$896 million. Such errors also resulted in some tenants paying more than they should have—a total of \$519 million in subsidy underpayments.

FVP would provide PHAs the flexibility to design rent policies that best meet their unique needs and goals. PHAs would be able to create transparent rent policies that make sense to tenants, do not require excessive documentation, and significantly reduce overpayments and underpayments.

With this flexibility, it is incumbent upon PHAs to ensure tenants do not pay excessive rents. We urge you to consider appropriate safeguards to make certain tenants are protected and do not pay an excessive amount of their income for rent.

FVP would also provide greater flexibility regarding the frequency of property inspections. NCSHA agrees PHAs should be allowed the flexibility to inspect units less frequently than under current law. Many PHAs, however, may want to continue annual inspections unless a risk analysis indicates annual inspections are unnecessary. PHAs must be paid administrative fees that take this into account. Furthermore, if a unit is financed by HOME, the Housing Credit, or another affordable housing program, PHAs should be permitted to accept the inspection done to satisfy compliance with that program in lieu of an inspection for the voucher program.

NCSHA also supports the discretion provided by this legislation to set time limits on assistance for non-elderly, non-disabled households. However, we recognize that some households, especially those with barriers to work, may never earn enough to afford housing without rental assistance. PHAs should have broad latitude to provide safe harbors for such families.

Provide State-Administered Project-Based Assistance to Enable Rental Production

As part of voucher reform, we strongly urge you to provide project-based rental assistance to states to make possible the development of Housing Credit, Bond, and other properties that serve extremely low-income households. Such assistance would extend the reach

of these programs to more extremely low-income households, especially homeless households and those with special needs and help alleviate the shortage of affordable housing for extremely low-income households.

PHAs can already project-base up to 20 percent of their voucher funding. However, many PHAs have opted not to use their authority to project-base assistance, even in areas where project-based assistance would make possible the production of housing affordable to extremely low-income households. We believe PHAs are even less likely to project-base vouchers as resources become more and more scarce.

States already administer three successful programs that produce affordable rental housing—the Housing Credit, HOME, and Bonds. While these programs are successful, they were not designed to meet the needs of households at the bottom of the income spectrum. Linking project-based assistance to existing production programs would allow more extremely low-income families to benefit from programs like Housing Credits, HOME, and Bonds without paying excessive portions of their incomes for rent.

States consistently target their Housing Credit, HOME, and Bond resources to households with incomes far below the programs' statutory income limits. Yet, it is difficult—and sometimes impossible—to reach these households at a rent level they can afford without additional subsidies.

Project-based assistance would be cost-effective because it would draw on existing resources to fund much or all of the upfront capital costs of production. States would be able to contain the ongoing cost of new rental assistance because of their control over the amount of capital subsidy properties receive. States would ensure properties receive just enough capital and operating assistance to make developments financially viable.

State-administered project-based assistance would also simplify the process of developing affordable housing because states would be a “one-stop-shop” for both operating and capital subsidies. Developers would not need to first secure project-based assistance from a PHA and then secure Housing Credit, HOME, or Bond financing from the state agency.

It is not necessary to project-base rental assistance in all areas of every state. However, project-based rental assistance is critical in areas where it is difficult to finance affordable housing under the current system. States would be able to use this limited resource strategically in the areas where it is needed most, such as very low-income areas where rents do not support developments and tight housing markets with access to jobs, quality schools, and lower crime rates.

We recognize this is a time of very scarce resources. However, if Congress could at least test this concept with even a small amount of money on a limited basis, we believe the results would be significant. Because funding constraints make it improbable that funds will be available for a comprehensive approach to increasing the availability of affordable housing for extremely low-income families, a targeted approach like the one we propose makes sense.

Thank you for the opportunity to testify. We appreciate your support of federal housing programs and look forward to working with you on voucher reform.

April 28, 2005

The Honorable Robert W. Ney
Chairman
Subcommittee on Housing & Community Opportunity
Washington, DC 20515

Dear Chairman Ney:

The undersigned groups have reviewed S. 771, the "State and Local Housing Flexibility Act of 2005" which was formulated by the U.S. Department of Housing and Urban Development. We are concerned that HUD's proposal lacks specificity with regard to the amount and manner of funding for the voucher program. Further, the bill's treatment of enhanced vouchers raises serious questions about ongoing preservation transactions, not to mention the ability of landlords, lenders and other housing providers that operate in many states and jurisdictions to be able to keep track of potentially 2000 individual programs.

We strongly believe that the current Housing Choice Voucher Program is successful in providing housing opportunities for eligible families. The major barrier to its continued success is the instability created by changing funding formulas enacted in recent years. This instability leaves current voucher holders vulnerable; minimizes the ability of PHAs to utilize the vouchers authorized by Congress; alienates landlords; exacerbates concerns that it is not prudent to lend or invest private capital in affordable housing; reduces housing choice for voucher holders; and inhibits new construction and rehabilitation of additional low income units. We agree that while some flexibility may improve the program, including more effective use of the inspection process, simplifying a uniform standard for the calculation of tenant rents and additional administrative efficiencies, the most urgent concern is to restore stability and predictability to the amount and manner of funding the program. The allocation process, moreover, should ensure that the appropriated funds are used to the fullest extent to meet funding needs. In recent years, appropriated funds for vouchers have been rescinded while program needs have been unmet.

As previously stated, recent and current uncertainty and instability in program funding is a critical problem, seriously undermining the program's ability to achieve its goals. We recommend that the following principles and policy directions should guide further discussion and decision making on Section 8 voucher funding:

- Congress and all other voucher program stakeholders need to know accurately what it would cost to fully fund the program on an annual basis. Full funding means funding sufficient to assist at current levels all voucher households under lease, and to fund all other commitments (e.g. tenant protection vouchers, project-based vouchers, litigation vouchers).

- All stakeholders need to know how funding appropriated will be distributed from HUD to PHAs, and from PHAs to landlords. That is, the formula must be understandable to all parties and not needlessly complicated. Stakeholders also need to know how the amount and distribution of funding will affect voucher holders (e.g., the effect on the number of households that will be supported). Funds allocated to an area that are not needed should be reallocated to areas of need rather than rescinded.
- A system of reserves, including adequate reserves for PHAs and a HUD central fund, is paramount in order to deal with unforeseeable changes in market conditions, family incomes, appropriations and administration, and to allow leasing of additional authorized vouchers by individual PHAs.

We stand ready to work with you to achieve the objectives outlined in this letter. Please contact Denise B. Muha at NLHA with any questions (202/785-8888 or dmuha@hudnlha.com)

Sincerely,

American Association of Homes and Services for the Aging (AAHSA)
Council for Affordable and Rural Housing (CARH)
Institute for Real Estate Management (IREM)
Institute for Responsible Housing Preservation (IRHP)
National Apartment Association (NAA)
National Affordable Housing Management Association (NAHMA)
National Association of Affordable Housing Lenders (NAAHL)
National Association of Homebuilders (NAHB)
National Housing Conference (NHC)
National Leased Housing Association (NLHA)
National Multi Housing Council (NMHC)