

**Testimony of Sheila Crowley, MSW, Ph.D.
President of the National Low Income Housing Coalition
presented to the
Housing and Community Opportunity Subcommittee
Financial Services Committee
United States House of Representatives
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Chairwoman Waters, Ranking Member Biggert, and Members of the Subcommittee, thank you for the opportunity to testify today about the proposed legislation to stabilize and strengthen the Housing Choice Voucher program.

I am Sheila Crowley, President of the National Low Income Housing Coalition (NLIHC). Our members 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. The National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. NLIHC is entirely funded with private donations.

Let me begin by expressing our sincere appreciation to you and the members of your staff who have done a terrific job of drafting sound legislation for this Congress that builds on the bipartisan legislation, H.R. 5443, introduced in the 109th Congress and the considerable work done over the last two years by most of us testifying today and many others to protect and improve the Housing Choice Voucher program. The thoughtful process with which you have developed this legislation has produced a very good result.

The power of the Housing Choice Voucher program is in its ability to make available rental homes affordable to the lowest income families who otherwise are forced to spend so much of their income for their homes that they must scrimp on or do without other basic needs. The Housing Voucher Program is the single most significant way that the federal government prevents homelessness among poor families. Increased affordability is one of two core goals of the voucher program. The other is increased mobility of extremely low income households, allowing them the choice to move to communities of opportunity for better jobs and better schools.

Since the beginning of the Bush Administration, HUD has tried to change the Housing Choice Voucher program in ways that would reduce its effectiveness in meeting these core goals. Fortunately, Congress has rejected most of what HUD wanted to do. But HUD actions still precipitated a crisis in the program that left tenants, owners, PHAs, advocates, and Members of Congress on both sides of the aisle searching for ways to restore the integrity of the program.

In an attempt to bridge numerous divides and develop a consensus agenda on the future of the program, NLIHC convened a Voucher Summit in early 2005 at which 65 people

representing all stakeholders, including House and Senate staffers from both parties and top HUD and OMB officials, came together to talk through our differences and develop recommendations for legislation. Much of what this summit produced is reflected in the legislation you are about to take up.

On behalf of the two million families who are able to have stable, decent housing in communities of their choosing because they have Housing Choice Vouchers, I thank you. I thank you as well on behalf of millions more low income families who are on voucher waiting lists across the country. The changes that this legislation will make will stabilize and strengthen the Housing Choice Voucher program, so we can return to adding new vouchers each year to address the vast unmet housing needs of low income people in the United States.

Housing Need

An analysis of data from the 2005 American Community Survey shows that 71% of all extremely low income renter households in the United States pay more than half of their income for their homes. The numbers are even higher in California (77%) and Illinois (72%).¹ These are households with annual incomes under \$16,860 in Los Angeles and under \$21,720 in DuPage County, IL. In order to afford to rent a modest one bedroom home in Los Angeles, the members of the household have to earn \$38,881 a year; for a one-bedroom home in DuPage County, the annual income needed is \$28,837.²

The nationwide shortage of rental homes for extremely low income households, which are composed of elderly and disabled people on fixed incomes or people in the low wage workforce, is acute and getting worse. In the U.S., there are 9,022,000 extremely low income renter households and only 6,746,000 homes renting at prices these households can afford, paying the standard of 30% of their income for housing.³

Vouchers alone cannot solve the shortage of affordable rental housing. We need to build more affordable homes as well. Vouchers coupled with new production and preservation of the affordable stock we still have are the three components of a balanced low income housing policy. An efficient and effective Housing Choice Voucher program is essential to a functional housing market in the U.S.

What the Bill Would Do

Among the many positive attributes of this bill are the following:

- Correcting the funding crisis created by HUD's ill-conceived "snapshot" formula for distribution starting in 2004.

¹NLIHC tabulations of 2005 American Community Survey PUMS.

² Wardrip, K., Pelletiere, D., & Crowley, S. (2006). *Out of reach 2006*. Washington, DC: NLIHC.

³ Pelletiere, D. (2007). *American Community Survey estimate shows larger national, state affordable rental housing shortages. Research Note #07-01*. Washington, DC: NLIHC.

- Simplifying the process for determining the amount of rent each resident should pay, while also not penalizing tenants for increasing their earnings or negatively affecting elderly and disabled people with high health care costs.
- Streamlining the inspection process for property owners who operate well-maintained housing.
- Maintaining the Housing Choice Voucher program's income targeting to serve families with the most serious affordability problems, while adapting the income targeting to better meet the needs of poor, rural communities.
- Assuring that all units of public or assisted housing that are lost to demolition or opt-out are replaced by vouchers, not just those units happened to be occupied at the time they were closed down.
- Provisions for recapture of unused funds from public housing agencies that do not expend all that are allocated to them for use by agencies that can use them and to support the important portability and family self-sufficiency objectives of the Housing Choice Voucher program.
- Helping tenants with good rent payment histories establish themselves as good credit risks.
- Facilitating greater use of project-based vouchers to support the new production of rental housing, especially Low Income Housing Tax Credit units, affordable to extremely low income households.

Moving to Work

A major improvement to the legislation as is currently proposed as compared to H.R. 5443 from last year is the elimination of the provision that would expand the so-called "Moving to Work (MTW)" program. We strongly urge that you not include MTW language in the bill as you move forward.

Our friends in the public housing industry feel very strongly that they need the deregulation that an expanded MTW would allow in order to survive. No one who has been paying the slightest bit of attention can doubt that public housing, as an institution, has been under serious assault in the last six years. Systematic reduction of the funding streams that keep public housing going has left many PHAs depleted and unable to maintain basic services and do even routine maintenance. This is unacceptable. NLIHC stands side-by-side with our public housing partners to demand restoration of sufficient funding for them to be able to do their jobs. We see expanded MTW to other PHAs as an off-target response to the real problem of federal disinvestment in public housing.

Briefly, MTW is a "demonstration" program that grants waivers of almost all federal rules for the operation of public housing, including the voucher program, in order for a PHA to experiment with different program models and methods. We have no quarrel with promoting innovation. We object to the complete failure of HUD to do what the legislation intended, that is, to evaluate the experiments that MTW PHAs have undertaken. In the absence of evidence of the effectiveness of MTW, why would Congress consider expanding it?

In the very least, we urge this Subcommittee to hold a hearing specifically on MTW. Hear from PHA directors and tenants, from local officials and local housing advocates. Form your own impressions of what this policy has produced.

Further, there should be no extension of the current MTW programs unless the following conditions are met.

- There must be in place at the onset new, common data compilation and evaluation mechanisms, so that each program is first subjected to the type of evaluation promised.
- Additional protections are provided for current and potential residents, including protections from unaffordable rents. Any determination of high rent burdens for MTW households would have to be followed by changes in rent policies to keep rents affordable for each household.
- No residents should be subjected to self-sufficiency provisions tied to leases and work or other threshold screening requirements tied to housing eligibility.
- Current income targeting should be maintained with no exceptions.
- Residents must also have a seat on the PHA board, be able to establish a resident advisory board and retain grievance and termination procedures.
- Those MTW PHAs that have been the subjects of HUD Inspector General MTW audits must prove their compliance with the program rules before their MTW status can be extended.
- If it is determined during the process of evaluation that a MTW PHA is imposing policies that are harmful to low income tenants or are otherwise found to be mismanaging their portfolios, its MTW status should be terminated.
- An independent accreditation agency, separate from HUD, should be created and charged with determining whether MTW programs have met their goals.

NLIHC opposes any expansion of MTW until current programs, if extended with additional resident protections, are evaluated and the lessons learned are incorporated into the expansion program.

Moreover, NLIHC opposes any troubled or near-troubled agency ever participating in MTW. If evaluation of existing, extended demonstration sites shows overall benefits to residents and federal housing resources and the program is expanded, it should be done as a reward for excellent PHA stewardship.

Suggestions for Improvement to the Bill

NLIHC suggests the following as ways to improve upon the discussion draft of the bill.

1. ***End Unaffordable Rent Burdens for Some Voucher Holders.*** PHAs are permitted to set payment standards for vouchers between 90 and 110% of the local Fair Market Rent. With funding shortfalls and uncertainties in recent years, PHAs have reduced or restrained payment standards, resulting in some families having to pay more than 30% of their income for rent. Current law allows a voucher holder to choose to pay up to 40% of income at the initial lease, but provides no protections for these tenants after the first year. However, HUD is supposed to monitor these increases. Current law allows, but

does not require, HUD to direct a PHA to increase its payment standards if a significant number of families, defined in current regulations as 40% of all the PHA's voucher holders, are paying more than 30% of their income for rent. HUD should be required to monitor these increases and to require PHAs to ensure that timely and relevant information concerning rent burdens is provided to stakeholders. Further:

- PHAs should be required to adjust payment standards within the “basic range” in the amount needed, in the judgment of the PHA, to bring rent burdens below the “significant” level (as defined by current regulations) within a one-year time period, to the extent that the PHA has funds available to make the change. Lacking sufficient funds, PHAs should be required to develop and implement a plan to accomplish this goal in a reasonable time frame without terminating assistance to participating families.
- HUD should be required to approve a PHA's request to increase the payment standards above 110% of FMR in such circumstances if such an increase is needed to enable the PHA to meet the statutory standard.

Consider the absurdity of families who are receiving federal housing assistance through the voucher program and are still paying more half of their income for their housing. They show up in some HUD reports on number of households served, at the same time they show up in other HUD reports of low income families with worst case housing needs, in need of housing assistance.

2. ***Permit use of vouchers in manufactured housing.*** The Quality Housing and Work Responsibility Act of 1998 (QHWRA) limited voucher payments to subsidies for the land rental costs only; HUD limited these payments to 40% of the FMRs. An amendment offered by Congressman Bernie Sanders and included in H.R. 5443 in the last Congress proposed a pilot program to deal with the limitation placed on the voucher program in rural areas where mobile homes are the only affordable housing available for many families. We suggest permitting vouchers to be used for mobile homes by using the gross housing costs as the definition of rent, and then determining the amount of the voucher payment similar to other cases. The gross housing costs would include the monthly cost of purchasing a manufactured home, required insurance, monthly utilities and rent charged on the property including monthly maintenance and management fees if any.
3. ***Enhance mobility of voucher holders.*** We strongly support efforts that improve the portability of vouchers and support simplification of the current complex billing system that reduces cost burdens for PHAs, assures tenants the ability to use their vouchers to move to communities of their choice, compensates the receiving PHA for the ported-in voucher, and leaves the sending PHA whole. Taken together these changes should eliminate a great deal of the disincentive that has kept PHAs from supporting portability in the past.
4. ***Enhance project-based vouchers in the following ways.***

- Improve coordination with the Low Income Housing Tax Credit program and ensure longer-term affordability by changing the maximum initial contract term from 10 years to 15 years and clarifying that PHAs and owners may commit in advance to offered extensions of the initial contract term.
- Allow PHAs to project-base 25% of voucher funds, plus an additional 5% for units reserved for individuals and families that fall under the McKinney homelessness definition.
- Alter the measure of income-mixing from “building” to “project,” and add exceptions for small projects (with 25 units or fewer) and projects in areas where vouchers are difficult to use to the general requirement that no more than 25% of units have project-based assistance.
- Allow project-based vouchers to be used in co-ops and elevator buildings.
- Convert expiring project-based certificate contracts.
- Streamline subsidy layering and environmental reviews.
- Prohibit HUD from requiring the use of a form Housing Assistance Payment contract.
- Permit owner-managed, site-based waiting lists, subject to PHA oversight and responsibility, and protect tenants displaced by rehabilitation.
- Authorize project-based voucher assistance for purposes of preservation instead of enhanced voucher assistance.

We look forward to working with the Subcommittee as you develop this bill for introduction and to supporting the bill’s sponsors to help the bill move through the House and Senate.

Thank you for your consideration of our comments.