



**Testimony on the Section 8 Voucher Reform Act of 2007**  
**Submitted to the**  
**House Committee on Financial Services**  
**Subcommittee on Housing and Community Opportunity**  
**by Richard Godfrey, Executive Director, Rhode Island Housing,**  
**on behalf of the National Council of State Housing Agencies**

**March 9, 2007**

Chairwoman Waters, Ranking Member Biggert, and members of the Subcommittee, I am Richard Godfrey, Executive Director of Rhode Island Housing and immediate past president of the National Council of State Housing Agencies (NCSHA). Thank you for this opportunity to testify on voucher reform on behalf of NCSHA.

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 administer the Section 8 Housing Choice Voucher program in 21 states. Some HFAs administer vouchers statewide. Others operate the program in rural areas of their states in which there are no local public housing authorities (PHA) to administer it.

All HFAs recognize the crucial role vouchers play in housing our most needy families. In addition to providing a housing safety net for some of our lowest income families, vouchers make it possible for Housing Credit, Bond, and HOME properties to house lower income families than they otherwise could. The financial viability of some Housing Credit, Bond, and HOME developments depends on vouchers.

At Rhode Island Housing, we administer 1,500 vouchers. These vouchers play a key role in enabling us to address critical affordable housing needs throughout the state. The program has been a great help to many low-income families in Rhode Island and throughout the country, but we believe it can be made even better.

## **NCSHA Supports Voucher Reform**

NCSHA supports strengthening the voucher program. Three years ago, I established within NCSHA a Voucher Reform Focus Group of HFA executive directors and staff to consider the need for voucher reform; analyze Administration, congressional, and industry proposals; and provide input to NCSHA's board of directors and staff on voucher reform policy. The Focus Group's work informs our testimony today.

NCSHA recommends Congress provide and HUD fairly distribute funding adequate to renew all authorized vouchers, provide new vouchers, and support their administration. NCSHA also suggests streamlining voucher program rules and providing PHAs increased administrative flexibility. In summary, we propose:

- Increasing voucher program funding;
- Improving the voucher funding allocation formula;
- Simplifying and providing PHAs greater flexibility in their administration of income determination, rent calculation, and other program rules;
- Making project-based vouchers a more useful rental production and preservation tool;
- Creating a state-administered project-based rental assistance demonstration; and
- Authorizing HUD to admit more PHAs into the Moving to Work program with appropriate income targeting safeguards and improved monitoring.

The discussion draft the Subcommittee sent NCSHA recently addresses many of these issues. Our testimony comments on the discussion draft proposals and offers additional proposals we recommend the Subcommittee include in the voucher reform legislation it finally advances.

### **Fully Fund All Authorized Vouchers and Authorize New Incremental Units**

NCSHA calls on Congress to fully fund all authorized vouchers. In addition, we urge Congress to provide for new incremental vouchers so we can help some of the millions of families who qualify for voucher assistance, but do not receive it.

According to the Joint Center for Housing Studies of Harvard University, more than 7 million low-income renters pay more than 50 percent of their income for housing. Three-quarters of all families eligible for housing assistance do not receive any. Yet, Congress has not funded any new incremental vouchers since 2002.

In fact, Congress has not provided enough funding in recent years even to renew those vouchers already assisting families. To make matters worse, HUD has distributed the voucher funding Congress has provided to PHAs under a formula based on limited and outdated utilization data from 2004. Under this so called "three-month snapshot" formula, some PHAs have received too little funding to renew all vouchers in use, and others have received more than they are authorized to use.

According to the Center on Budget and Policy Priorities, this funding shortage and misallocation has caused the number of families served since February 2004 to drop significantly. Over this period, HUD has provided vouchers to 150,000 fewer families than it would have if all authorized vouchers had been fully funded.

### **Make Permanent a Fair Funding Allocation Formula**

NCSHA urges Congress to make permanent the voucher funding allocation formula provisions it established in the FY 2007 joint funding resolution. The resolution directs HUD to base PHA voucher funding allocations on the most recent verifiable and complete 12-month voucher leasing and cost data available. It also requires HUD to count vouchers held by PHAs in reserve for project-based commitments as utilized when determining funding allocations.

NCSHA also supports the additional formula improvements included in the discussion draft. These include allowing PHAs to protect up to one month's worth of funding in their program reserves, directing HUD to reallocate voucher funding beyond the one-month reserve to high voucher utilization PHAs, and permitting PHAs to access up to 2 percent of their expected annual voucher funding allocation as an advance to achieve full voucher utilization.

### **Simplify Program Rules and Increase Flexibility**

NCSHA supports the discussion draft's income and rent calculation simplification provisions, as the current mechanism for making these determinations is extraordinarily complicated and imposes significant burdens on PHAs and tenants. We also endorse the discussion draft's property inspection provisions.

While these provisions are an important first step, NCSHA supports even greater administrative flexibility for PHAs. We believe PHAs should be empowered to design rent and income policies appropriate to their communities' housing needs and priorities, while maintaining income-based rents and ensuring tenants pay no more than 30 percent of their income for rent. PHAs should be permitted to establish clear, understandable policies that make sense to tenants and do not require excessive documentation, yet protect against fraud and abuse.

NCSHA supports the reduction in frequency of PHA property inspections from every year to every two years. However, we suggest the Subcommittee allow PHAs the discretion to inspect some properties more frequently if they determine more inspections are necessary to ensure the properties are properly maintained.

We also support permitting PHAs to accept inspections completed for other federal programs, such as HOME and the Housing Credit, in lieu of a voucher program inspection. This would reduce PHAs' administrative burden and inspector visits to properties, while meeting the intent of the inspection requirement.

### **Promote Portability With Adequate Funding**

NCSHA recommends the Subcommittee authorize a central portability fund and require HUD to use these funds to cover the increased costs PHAs sometimes confront when voucher holders move from their jurisdictions to higher-cost jurisdictions. One of the voucher program's major advantages is tenant mobility. Voucher holders should not be discouraged from moving to areas that offer better jobs, higher quality schools, and lower crime rates.

The discussion draft directs the Secretary to prioritize these portability-related costs when allocating voucher funding to PHAs. We are concerned, however, that merely directing the Secretary to prioritize these costs will not result in the necessary payments to PHAs to support tenant moves.

### **Provide for Fair Allocation of Adequate Administrative Fees**

We urge you to provide funding sufficient for PHAs to administer the voucher program and to direct HUD to fairly allocate it among PHAs. NCSHA supports making permanent the FY 2007 joint funding resolution requirement that HUD base PHA administrative fees on the number of vouchers in use. The previous system, established in the FY 2004 HUD Appropriations Act, allocated administrative fees on the basis of outdated utilization data, shortchanging many PHAs.

### **Improve the Project-Based Voucher Program**

NCSHA encourages the Subcommittee to include in its voucher reform legislation improvements to the project-based voucher program put forward by a coalition of housing groups, which includes us. These recommendations include: changing the maximum initial project-based voucher contract term from 10 to 15 years to ensure longer-term affordability and improve coordination with the Housing Credit; allowing PHAs to project base 25 percent of voucher funds, with an additional five percent for permanent supportive housing for the homeless; allowing the greater of 25 or 25 percent of all apartments within a development to receive project-based vouchers; and converting expiring project-based certificate contracts to project-based voucher contracts to preserve at-risk affordable apartments.

While supportive of the coalition's recommendations, NCSHA urges the Subcommittee to consider increasing PHA flexibility further by removing the caps on the percentage of vouchers a PHA can project-base and the percentage of a development's apartments that can receive project-based vouchers. This additional flexibility will support PHA efforts to build new apartments, preserve at-risk housing, and replace converted or demolished buildings, especially in tight housing markets.

NCSHA also supports allowing PHAs to set project-based voucher rents at the voucher payment standard in Housing Credit apartments, even when the payment standard exceeds the Credit rent, to make Credit development feasible in areas where it otherwise would not be. It is also critical to permit PHAs to maintain the initial voucher payment standard for project-based

voucher units when the payment standard drops, to ensure rental income adequate to support the properties.

In Rhode Island, project-based vouchers are playing a critical role in helping us revitalize a densely built and deteriorating public housing development in Newport, without losing affordable units. Tonomy Hill was once an unattractive, barracks-style development of almost 500 units. Today, the community, re-christened Newport Heights, is a mixed-income development of attractive, energy-efficient apartments served by a new child care center and nearby community college.

This transformation, which will eventually include 325 apartments and 100 homes, 313 of which will be affordable, was made possible with a HOPE VI grant and a Rhode Island Housing investment of over \$35 million in Housing Credits, targeted loans, and other resources. In addition, we worked with the Newport Housing Authority to commit 185 project-based vouchers to create affordable apartments in and around Newport to replace those lost at Newport Heights. Together these resources have allowed us to improve the lives of the residents of Tonomy Hill and revitalize the neighborhood without losing affordable units which are so critically needed in Rhode Island today.

### **Authorize State-Administered Project-Based Rental Assistance**

NCSHA urges the Subcommittee to allocate new project-based rental assistance to state HFAs to combine with state-administered Housing Credit, Housing Bond, HOME, and other production resources. Allowing state HFAs more direct access to project-based assistance would enable them to extend the reach of these programs to more very low-income households.

States consistently target their Housing Credit, Bond, and HOME resources to households with incomes 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 rental 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.

Allocating such assistance to state HFAs would simplify the affordable housing development process because they 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.

## **Expand the Moving to Work Demonstration**

NCSHA urges the Subcommittee to allow more PHAs to participate in the Moving to Work (MTW) demonstration program. MTW allows PHAs to modify the voucher program's rent-setting, income calculation, and income targeting rules to promote work and self-sufficiency.

If the Subcommittee expands MTW, we recommend it also include appropriate income targeting safeguards to ensure scarce resources are prioritized for those with the greatest needs. NCSHA also supports improved HUD oversight, monitoring, and reporting of MTW agencies, while not compromising the program's intent to provide maximum flexibility to participants.

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.