

Written Testimony

of

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National Association of Housing and Redevelopment Officials (NAHRO)

regarding the discussion draft of

The Section 8 Voucher Reform Act of 2007

before

The Committee on Financial Services

Subcommittee on Housing and Community Opportunity

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Introduction

As the Subcommittee on Housing and Community Opportunity undertakes improvements to the Section 8 Housing Choice Voucher program, and certain related matters, the National Association of Housing and Redevelopment Officials (NAHRO) is pleased to submit this statement on the January 24, 2007 discussion draft of the “Section 8 Voucher reform Act of 2007” (SEVRA) for the record.

Formed in 1933, with more than 22,000 agency and individual members, NAHRO is the nation’s oldest and largest nonprofit organization representing agencies and local officials engaged in the production and operation of affordable housing programs and in community development. NAHRO advocates for the provision of adequate and affordable housing and strong, viable communities for all Americans - particularly those with low and moderate incomes.

In that NAHRO’s members are the primary delivery mechanism for Housing Choice Voucher program rental assistance to low-income families, NAHRO has a special and long-standing interest in the successful functioning of this program.

I wish to express my gratitude for this opportunity to offer testimony on behalf of NAHRO members regarding what we feel are, on the whole, pragmatic and sound legislative proposals embodied in SEVRA. We believe that this legislation will help stabilize and make constructive operational improvements to the program. This draft of SEVRA represents a welcome and important step forward, in an effort to streamline the Section 8 Housing Choice Voucher program and, to a limited extent, the public housing program. We are especially pleased with the recognition shown in this legislation that block-granting Section 8 voucher assistance is not a sound or desirable national policy. In our view, this discussion draft represents a clear improvement upon H.R. 5543, introduced in the 109th Congress.

We also appreciate the Committee’s continuing openness to constructive suggestions by affected parties. NAHRO has worked productively with the House Financial Services Committee’s Housing and Community Opportunity Subcommittee staff on a bi-partisan basis to encourage responsible measures that would streamline and render more efficient the delivery of Section 8 voucher rental assistance to low-income families, and we look forward to continuing this effort.

Comments on SEVRA Discussion Draft

No piece of draft legislation can ever be perfect, at least not in the eyes of all beholders, and SEVRA is not an exception. While NAHRO is offering a number of suggestions that we see as improvements to the discussion draft of SEVRA, there is much about the bill that is positive as written. The following comments address subject areas affected by the discussion draft in order of perceived importance:

Allocation of Renewal Funding among Housing Agencies

NAHRO has advocated enactment of a sound funding policy in authorizing legislation. Establishing funding policy in annual appropriations legislation has created instability and a lack

of predictability that has not benefited voucher-assisted low-income households. The importance this has been demonstrated, tragically, by a large decline in the number of families assisted under the so-called “snapshot” budget-based funding formula for distributing voucher assistance that has been in effect for the last three years. This approach to distributing funding has resulted in the overfunding of some agencies and underfunding of others. In other words, the distributional formula has *caused* an inefficient utilization of overall voucher program funding provided by Congress. NAHRO’s research shows that 79 percent of the nation’s housing agencies have had to serve fewer families over the last three years. Over the last three years, newspapers around the country documented not only widespread terminations of assistance to voucher-assisted households – which by our estimates approximate 150,000 families - but also actions by local agencies to rescind vouchers issued to eligible households (who had in some cases been on waiting lists for years), frozen rent increases to participating property owners, voucher support of reduced unit sizes for families, and higher housing cost burdens for voucher-assisted households, particularly with the growth of utility costs. Other effects of these funding policies have included deeper concentrations of poverty, worsening housing quality conditions, and more limited portability opportunities for low-income households.

The FY 2007 continuing resolution (P.L. 110-5) features a base distribution formula which is patterned in large measure to the voucher formula Congress enacted in FY 2003, as well as the formula included in SEVRA approved by the Committee last year. We believe that the provisions in this discussion draft of SEVRA, relating to the funding formula, make further improvements to the FY 2007 continuing resolution, and we strongly support them.

Retention and Use of Unobligated Balances

NAHRO supports SEVRA’s provisions relating to the recapture and reallocation of unused funds. NAHRO has long advocated the policy these provisions represent. In order to adjust for the change in funding formula SEVRA also contains provisions that create a transitional mechanism to allow public housing agencies, for a period of time and subject to certain limits, to retain and use their unobligated fund balances. We also support the provisions of SEVRA that accomplish this goal.

NAHRO additionally believes that a need exists for PHAs to be able to retain and use a portion of their CY 2008 funds as well as each year during the five-year period in which SEVRA will be in effect .

A suggestion we do have is the addition of language that would enable the HUD Secretary to make exceptions to the recapture of an agency’s funds based on extenuating circumstances that are beyond the agency’s control, such as a natural disaster.

NAHRO additionally recommends including in the reallocation provisions language that would codify historical practice regarding new voucher awards by taking into account housing needs. It is important that vouchers be directed over time to areas where they are most needed. Historically, incremental vouchers have been awarded to PHAs and their communities based on a combination of their relative needs for low-income housing assistance, as well as their high voucher lease-up and/or budget utilization rates. HUD’s application and award process has used

existing statistics on the relative percentage of extremely low-income and very low-income unassisted households paying more than 50 percent of their income towards housing costs and/or living in substandard housing conditions. Adding a provision to this effect would ensure that this process, where need is taken into account, is followed with respect to reallocations.

Restoration of a Version of “Maximized Leasing”

NAHRO supports the provision in SEVRA that will reinstate a version of the “maximized leasing” policy that was standard practice in the voucher program until eliminated in FY 2003. Simply stated, the provision will enable agencies to serve additional families above their authorized level for a year with additional available funds, while still maintaining the voucher program’s overall connection to authorized units.

Administrative Fees

NAHRO supports the SEVRA provision that will enable agencies to receive fees based on issued vouchers, as well as the provision that will restore the a formula under which administrative fees will be based on the number of authorized units each PHA has under lease throughout the year. Following the elimination of funding provided for preliminary administrative fees which agencies previously used to meet the costs associated with initial admissions and occupancy functions, agencies spent more than 70 percent of their annual administrative fee amounts on initial admissions and occupancy functions, leaving only 30 percent of the remaining fees to pay for everything else in the first year. NAHRO is pleased to see in SEVRA the restoration of special fees PHAs earned under the program in prior years, such as “hard-to-house,” lead-based paint assessment and clearance, and audit reimbursement.

Much like the over-funding and under-funding of Housing Assistance Payments (HAP) created under the “snapshot” budget-based funding formulas for HAP, funding of administrative fees has been in effect block-granted over the last three years subject only to the application of Annual Adjustment Factors (AAF). As with HAP, administrative fees became increasingly out of synch with operational need. To provide a solid financial basis to restore leasing and services to low-income families, we recommend retaining the authorizing statute (which the present draft of SEVRA would remove). This language bases fees on the two-bedroom Fair Market Rent. We do suggest that this language be updated to move the FMR date upon which fees are based from 1993/1994 to 2008, and by applying subsequent annual inflation factors, such as HUD’s Operating Cost Adjustment Factors (OCAFs), for each successive year.

Over the last two years, HUD has consolidated the AAFs for the vast majority of PHAs around the country, from eight regions to four regions and in doing so, provided adjustments that are less applicable to each PHA’s housing market inflationary costs and even less relevant to communities salary and benefits, better captured by HUD’s OCAFs. We suggest that the language of SEVRA call for cost adjustment factors that are applicable geographically to each PHA.

NAHRO believes that it is very important to retain in statute a reference point for establishing the level of administrative fees and that this reference point call for an adequate fee level. Over

most of the life of the tenant-based Section 8 program, overall fees provided have exceeded 10 percent of appropriated HAP. This has not been the case in recent years, however. Administrative fees in FY 2007 represent just 8.78 percent of the national HAP payment funds. NAHRO recommends restoring the historic relationship in overall funding between administrative fees and HAP funds of 10 percent. While short term savings have been achieved in administrative fees, the present fee level is not sustainable in the long term.¹

Section 8 Rents in Tax Credit Developments

NAHRO strongly supports the provision in SEVRA that would clarify and confirm that Section 8 voucher rents in projects supported by Low income Housing Tax Credits are not limited to the tax credit rent. This provision is necessary to achieve accessibility to LIHTC projects by Extremely Low Income (ELI) and Very Low Income (VLI) families. This provision will resolve confusion presently existing concerning whether Section 8 rent limits are appropriate in this context.

Rent Simplicity & Household Recertifications

While intended to preserve a safety net for families, the current legislative and regulatory system of calculating family rents in Section 8 and Public Housing programs presents a number of difficulties. Over time, it has become increasingly complex, leading to errors in rental charges as well as confusion among residents. With respect to rent simplicity and reform NAHRO has adopted the following principles: 1) ensure a safety net for residents; 2) set rents as low as possible to foster affordability of housing, while maintaining the financial viability of the housing provider; 3) be administratively simple, easy to understand for both administrators and clients, and promote program integrity, and 4) include incentives for residents to increase household income toward achieving self-sufficiency as quickly as possible.

Accordingly, NAHRO supports, with minor technical suggestions, the provisions of SEVRA that would simplify the allowances, deductions and disregards, assuming that these changes are budget neutral. NAHRO also supports the provision that provides incentives to households to increase their earned income each year, as well as the provision providing reasonable thresholds to reduce the number of required interim household recertifications, and lessening the number of annual recertifications needed where households have 90 percent or more of their annual income

¹ Over the last several years, agencies with administrative fee reserves have reported that they have negative cash flows in administering their voucher programs. Some have had to take drastic measures. A NAHRO survey in July 2004 found that as a result of agencies' per unit administrative fee which were reduced by 6.2% that year: 1) 20% of the responders stated that they had to lay off staff; 2) 41% reported increases in their staff's workloads; 3) 42% stated that the uncertainty surrounding the administrative fee rate for increased authorized leased units since August 1, 2003, created a financial disincentive to strive for 100 percent leasing. and 4) 36% stated that, due to HUD's pending pro-rata payment for agencies' audit costs rather than reimbursing agencies' in full for audit costs, their ability to pay for an Independent Public Accountant (IPA) to ensure the financial accountability of Section 8 HCV program would be compromised.

Moreover, while fees have decreased, administrative requirements have continued to increase with the implementation of the Enterprise Income Verification (EIV) system as well as HUD's more aggressive monitoring with "consolidated reviews." While these actions have been useful in improving the level of improper payments in the program they do have an administrative cost.

from fixed income sources, such as the Social Security Administration. We also support the provision giving PHAs a reasonable de minimis or “safe harbor” margin of rent calculation errors under HUD’s RHIIP and RIM reviews.

Since the rent simplification provisions apply both to the voucher program and to public housing, and these programs may have significantly different tenant characteristics, we do suggest that prior to enactment the changes relating to rent calculation be separately scored for these two programs. It is particularly important that rent simplification not be revenue negative in the public housing program, which continues to face severe shortages in operating funding.

NAHRO recognizes that the provisions of the bill relate to rent “simplification” rather than rent “reform” as those terms are broadly understood. NAHRO does not suggest rent reform in the context of this bill. However, we see it as potentially appropriate subject matter in connection with public housing program reforms, depending on the course such reforms might take.

Housing Quality Inspections of Dwelling Units

NAHRO strongly supports the provision in SEVRA which will allow PHAs to complete 100 percent of annual inspections every two years. Among other things, this provision will compel HUD to restore implementation of a key component of existing law, by enabling HAs to perform annual inspections on a geographic basis rather than tying them to each household’s lease anniversary. (HUD’s PIC system presently requires annual Housing Quality Standards (HQS) inspections to be completed within a specified time period before each voucher-assisted households’ annual recertification date.)

NAHRO also supports the provision in SEVRA enabling PHAs at their discretion to approve a dwelling unit under the voucher program in lieu of its own HQS inspection, if it passes HQS or state/local code inspections with requirements meeting or exceeding HQS, when the inspection is performed by other governmental entities (e.g., LIHTC inspections).

NAHRO additionally supports the provision in SEVRA for new units that allows a PHA, in its discretion, to allow an eligible voucher household to move into a unit and sign a lease with the property owner, and the PHA to enter into a HAP contract with the property owner and tender an initial HAP payment, so long as an HQS inspection reveals no health and safety violations are present. If necessary repairs cited in the initial inspection are not completed within 30 days, PHAs would have the discretion to withhold and abate HAP payments until such violations were corrected. The PHA could then commence HAP contract termination with 30 days’ notice for 90 days of extended non-compliance. This provision of SEVRA should help low-income voucher holders access a greater number and range of units that in the past have been rented to unassisted households with respect to whom inspections are not required.

Effective Date

We recommend the entire funding policy of the bill take effect on January 1, 2008, assuming that HUD’s implementation of the 2007 funding formula is timely. Implementing funding policy changes as well as other programmatic changes such as rent calculations in the middle of the

program year could have some unintended disruptive effects on the voucher program and agencies' leasing rates. We recommend this because PHAs who have received inadequate funds during the last three years will need CY 2007 to stabilize their leasing before any reallocation should take effect. We are concerned, however, about HUD's failure to acknowledge PL 110-5 in two funding notices sent to agencies after it was signed into law by the President on February 15, 2007. Further delays by the Department, which to date has only provided funding notices to PHAs based on the funding levels appropriated by Congress for both HAP and administrative fees at FY 2006 funding levels and FY 2006 distribution formulas is inhibiting agencies from fully ramping up their leasing and budget utilization rates. If this continues, we would recommend the reallocation provision of SEVRA take effect on January 1, 2009.

Comments on Matters Not Included in SEVRA Discussion Draft

We understand that the discussion draft to which these comments are directed is a work in process and that language may be added addressing other matters such as the Moving to Work Demonstration program. With the potential that additional subject matter might be added to SEVRA, NAHRO offers the following suggestions for consideration by the Committee:

Section 8 Voucher Program – Additional Reform Proposals

NAHRO has created a working document known as the "Framework to Restructure the Housing Choice Voucher Program" that contains a wide range of legislative and regulatory suggestions relating to the voucher program. Some of these are technical; others are more fundamental. NAHRO wishes to submit for the Committee's consideration certain provisions drawn from the Framework document. These are set forth on the attachment to this testimony entitled "Excerpts from NAHRO's Framework for Restructuring HCV Program."

Proposals for Report Language

Monthly Voucher Management System Data to Improve Funding Allocation and Projections

NAHRO suggests that Congress further direct HUD to implement a previous congressional directive to require monthly submission and auditing of Voucher Management System (VMS) data, rather than performing these functions quarterly. Moving to a monthly VMS system would help provide greater refinement in HUD's estimates to Congress of voucher funding needs, as well as aiding in timely implementation of voucher funding distributions. As we understand it, Congress established the VMS system to maximize the use of limited federal resources across diverse housing markets according to need, and to provide a more accurate projection of future program needs.

Regulatory matters

NAHRO also suggests that, without statutory reforms, HUD could on its own initiative undertake a number of regulatory and administrative reforms to improve voucher program operation. A memorandum describing some of these reforms is attached to this testimony.

Matters involving Public Housing

NAHRO understands that the final SEVRA legislation may likely include additional provisions that may affect public housing or public housing agencies. Among these are provisions relating to the Moving to Work (MtW) Demonstration Program or the MtW concept. Having not yet seen the provisions that might be included, NAHRO nonetheless would offer the following:

Moving to Work

NAHRO is aware that several alternatives relating to the MtW concept are being advanced. NAHRO urges that, whatever course the committee decides to take, it should make the MtW program permanent and expand it. Some previous proposals have called for reapplications at relatively short intervals. NAHRO strongly urges that any legislation authorizing this program reflect that predictability and certainty are necessary to the success of the program. Winding down an agency's MtW program is not easy, and agencies participating in the MtW programs should not face the uncertainty of program termination or frequent (perhaps, *any*) reapplication, provided they are not in default under their agreements.

Public Housing Pilot Program

NAHRO has advanced a legislative proposal to convert 100 public housing projects to project-based assistance under Section 8(b) of the housing Act. Oversight of these projects would be transferred from HUD's Office of Public and Indian Housing to HUD's office of Housing where the assistance would be administered, and the projects would be overseen in the same manner as other multifamily projects under the responsibility of the Office of Housing. All public housing subsidy would be discontinued and rents would be set as they are for section 8 project-based multifamily renewals, except that in setting rents HUD would take into account the need to establish replacement reserves. Rents would be adjusted annually using HUD's Operating Cost Adjustment Factors (OCAFs). As with existing multifamily projects the PHA would have the option of establishing budget based rents subject to HUD approval. Additionally, these projects would be transferable to entities that would permit them to become eligible for Low Income Housing Tax Credits as a means of meeting their capital needs.

Ultimately, the approach taken in this pilot program could provide a means to stabilize public housing and attract the capital necessary to meet is accrued capital needs. Materials providing more detailed information, including a description of the proposed pilot program, legislative language and brief justifications are attached to this testimony.

Public Housing Reform Generally

NAHRO understands that, while it may affect public housing in certain respects, SEVRA is not intended to be a primary vehicle to achieve public housing program reform. Nor is it a housing production bill. SEVRA is most certainly beneficial in its own right. However, as the Committee considers it, we urge that SEVRA be viewed as one piece of a larger effort at housing program reform. NAHRO believes that public housing program reform is also of critical

importance. It is particularly critical in our view that a higher level of predictability attend the funding of the public housing program and that a means be found in the reasonably short term to address the increasing, unmet capital needs of the public housing inventory. NAHRO is developing proposals for public housing reform that we will wish to offer for the Committee's consideration in a context other than SEVRA.

Affordable Housing Production

HUD's most recent report on national housing needs of very-low income households states, "Housing assistance from various sources plays a substantial role in reducing worst case housing needs." Since FY 2003 no new incremental vouchers have been funded to help meet the nation's "worst case needs." NAHRO's analysis shows that since the implementation of budget-based funding formulas, the number of voucher assisted households significantly declined. In addition, although some public housing units have been constructed under HOPE VI the number is less than those demolished, and the nation has not had a conventional public housing development program since the mid-1990s.

We are not making progress against the need. For the first time since such records have been kept, fewer very-low-income households are being served under federal housing assistance programs than in the preceding years. From 1978, in each successive American Housing Survey (AHS) data set, the number of very-low-income households being served under federal housing assistance programs increased - until 2003. However, in 2003 for the first time, a HUD report based the AHS shows a 1 percent drop (of 68,000 households) in the number of very-low-income households being served under federal housing assistance programs.

The National Low-Income Housing Coalition's analysis of the 2005 American Community Survey (ACS) found that there existed statistically significant increases in the numbers of severely cost-burdened ELI and VLI households between 2004 and 2005. Overall, the number of all severely cost-burdened renter households increased by 8 percent, composed of 6 percent and 13 percent increases among ELI and VLI renter households, respectively.

Since 2003 – the latest period covered by HUD's most recent "worst-case" needs report, the U.S. Census Bureau released its 2005 Income & Poverty Report, showing an increase of U.S. families living in "severe poverty." Forty-three percent of the poor earned less than half of the poverty limit, the highest percentage recorded since the government started keeping track of those numbers in 1975.

Our nation continues to wrestle with a basic truth: there are simply not enough units of affordable housing available. NAHRO has long supported creation of a new program for the production of affordable housing that is formula-driven and provides local communities direct access to federal funds with minimal federal regulations. We favor a new production program that serves those families earning less than 50 percent of area median income (AMI). High-cost areas should be permitted to serve those earning up to 80 percent of AMI. Mixed-income developments should be a requirement of the program, with a rent structure that includes an economic rent similar to the HOME and LIHTC programs. NAHRO believes this new program should be formula-based, with 60 percent of funds allocated directly to local communities and 40 percent of funds distributed among the states. NAHRO remains committed to working with the

Congress to provide state and local housing agencies and redevelopment authorities with what they have long needed: a new and dedicated source of funding for the production of affordable housing.

Oversight

NAHRO members are anxious to restore their number of leased families lost over the last several years, or to maintain and increase their high leasing levels. In this regard, these agencies are anxious to receive their CY 2007 annual budget authority amounts under P.L. 110-5. Some would like to have the opportunity to apply for some portion of the \$100 million adjustment fund. It is necessary that HUD implement the 2007 funding cycle for the voucher program in a timely and accurate manner. The correct functioning of the 2007 distributional formula for the voucher program depends on timely notification of budget authority so that agencies may plan and obligate their funding as appropriate. We suggest that the committee conduct such oversight as is necessary to ensure such timeliness.

The assisted housing industry also continues to await release of the FY 2007 income limit data. This data is used in many programs and is necessary for optimal functioning of the HUD programs.



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HUD Can Act Now to Provide Housing Agencies with Program Cost Reductions, Flexibility and Streamlining through Regulatory and Administrative Reforms

March 2007

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. These regulatory and administrative reforms do not require any new legislation or additional appropriations.

House report language for FY 2006 T-THUD appropriations bill, directed HUD to provide Congress with a list of administrative and regulatory changes that can be put in place in time to benefit HAs for 2006. House Report 109-153 states, “...**the Committee directs the Department to take whatever regulatory and administrative actions it can to increase flexibility, reduce administrative burden and streamline program implementation. The Committee directs the Department to provide a full report on the regulatory and administrative actions available to the Department by September 1, 2005.**” To date nothing has been implemented by HUD. NAHRO agency members appreciate the initiative and oversight of Congress to ensure implementation of outstanding regulatory and administrative reforms in a timely manner.

In 2005, HUD made progress on regulatory and administrative reforms including a final rule for the Section 8 Project-Based Voucher Assistance program, implementing the New Hires database income verification systems, and automating a portability voucher expense system. The regulatory flexibility HUD provided under PIH Notice 2005-9, was also a step in the right direction. However, it is imperative that additional regulatory reforms be implemented this year, and not delayed further due to Section 8 legislative proposals. HAs that face serving fewer families, increasing rent burdens and losing property owner participation, should not have to wait for regulatory and administrative reforms any longer. The regulatory and administrative relief for which NAHRO has advocated, would help achieve program cost savings, program streamlining, and greater local flexibility. These reforms include but are not limited to those shown in the attached matrix.

HUD's Program Goals	HUD Can Act Now	Program Benefit	HUD's Status
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
Improve performance assessments for small HAs and put the program in a market-based context	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. Small agencies are assessed under the Section Eight Management Assessment Program (SEMAP) on only 7 of the 13 indicators available. As a result, the total number of possible points in the denominator of their overall score is less than medium and large-sized agencies. Therefore, deductions in points for any of the 7 indicators in the numerator of their overall score, has a greater disproportionate impact on their SEMAP score than medium or large-sized agencies. NAHRO has also called for HUD to include critical market-based factors in evaluating Section 8 HCV program performance, such as vacancy rates.	Program streamlining, More equitable program performance assessments, Increased market-based elements	Incomplete
Reforming Utility Allowances	HUD should provide HAs with the utility data it gathers from the annual Fair Market Rent (FMR) calculations, rather than every HA having to undertake their own utility studies which can be time consuming and an additional expense. 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. Finally, HAs should be able to use simplified utility allowance schedules by bedroom size only, without additional allowances by all building types (i.e. high rise, garden & row, etc.)	Program cost savings, Program streamlining	Incomplete
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"> • an enforcement mechanism for receiving agencies to enable them to enter voucher-assisted household into the PIC system, in those instances when an issuing agency has not entered the household's "end of participation" code into the PIC system within a reasonable time frame. • Adding separate fields within the 52681-B form under the Voucher Management System (VMS) specifically 	Program streamlining	Implemented Inspector General's report in 2004, however, additional measures could be taken.

	<p>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>Improve monitoring and oversight of housing agencies with demonstrated program performance where they are truly at-risk of going into “troubled” status.</p>	<p>The Department has internal risk-assessment databases to use when targeting on-site audits, yet Housing Agencies which administer 80 percent of all vouchers nationwide, that have received multiple HUD audits over the last several years are subject to additional pending “consolidated reviews” in 2006.</p> <p>HUD’s pending “consolidated reviews” will take place with Housing Agencies that have received multiple HUD audits and program reviews over the last several years, without ever having received the results of those reviews. Greater measures are needed, to make sure that agencies are not subject to a multiplicity of on-site visits for duplicative purposes. The description of the audits, in the documents we have seen is unacceptably vague. To date, no protocol or transparent set of standards for those audits have been provided.</p> <p>The administration of the Section 8 voucher program is already reviewed through Rental Housing Integrity Improvement Program (RHIP)/Rental Integrity Monitoring (RIM) on-site reviews, SEMAP confirmatory on-site reviews, independent audits, and checks in the Financial Management Center, and MTCS. All of these reviews require additional Housing Agency staff time in what is already a staff intensive program operating with continuing reductions in administrative fee support. While we acknowledge that the</p>	<p>More efficient and effective targeting of limited resources for monitoring and oversight</p>	<p>“Consolidated reviews” began in 2006</p>

	<p>Department has the right (and obligation) to conduct reasonable oversight activities, as well as a mandate to ensure that its data systems contain accurate data, we believe that it also has the obligation to conduct those activities in an efficient manner that avoids redundancy and causes the least disruption of HA activities. Its obligation in this respect is all the more acute at a time when there are fewer resources available to serve Section 8 families.</p>		
<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 or committed Section 8 vouchers under the PBV program for new 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, which are documented and submitted to HUD in a reasonable fashion determined by the Secretary.</p> <p>In the past, some agencies were required by their local HUD field offices to not re-issue turnover vouchers to eligible applicant or lease them up under the program until such time that they had a sufficient number of unused vouchers to project-based.</p>	<p>Program Streamlining</p> <p>Maximizing resources to serve the greatest number of households</p>	<p>Incomplete</p>
<p>Improve verification of household status in formerly federally assisted housing programs to ensure the integrity of affordable housing programs and serve eligible applicant households in need</p>	<p>Provide all Housing Agencies with access to HUD’s PIC viewer data system, in order to determine whether applicants left previously any federal housing program (i.e. Section 8 tenant-based, Section 8 project-based, Public Housing, etc.) owing monies or having their participation in federally-assisted housing program terminated in bad standing.</p>	<p>Program integrity</p> <p>Program cost savings</p>	<p>Incomplete</p>

Brief Outline of Proposal to Convert Public Housing

Projects to Section 8 Projects

- 1) Start with pilot program of 100 projects, with a range of characteristics (including size, age, location, neighborhood quality, physical condition, building type, and tenant population). Projects to be selected from among those proposed for conversion by PHAs.
- 2) Treat the conversion of public housing projects to Section 8 projects in the same manner as expiring contracts on Section 8 projects are renewed.
- 3) Establish rents and rent adjustments in accordance with section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, with some modifications.
 - At the option of the owner, rent would be at comparable market rent for the area, or determined by the Secretary on a budget basis taking into account the need to provide for sufficient replacement reserves to replace capital subsidy funds.
 - Market rent would be redetermined every five years.
 - Rents would be adjusted each year by an OCAF (which cannot be negative) or at the request of the owner on a budget-basis.
- 4) Term of the initial Housing Assistance Payment (HAP) contract between the owner and HUD (or a contract administrator) would be the longer of 20 years or the remaining affordability term under the public housing program, subject to annual appropriations.
- 5) At the time of conversion, Secretary would be required to release the project from the ACC, deed of trust, and any other encumbrance in favor of the federal government, and property would no longer be subject to any federal law or requirement applicable solely to public housing.
- 6) At time of conversion, Secretary would be required to transfer permanent administrative oversight responsibility for converted projects to HUD Office of Housing. Office of Housing would administer the pilot program.
- 7) A converted project could be transferred to a for-profit limited partnership, as such term is used in the Section 202 program, with the PHA or a nonprofit entity affiliated with the PHA serving as the sole general partner of the limited partnership. This structure will permit the use of the low-income housing tax credit to pay for a substantial portion of any needed rehabilitation.

PILOT PROGRAM FOR CONVERSION OF PUBLIC HOUSING TO PROJECT-BASED ASSISTANCE

SEC. _____. (a) The Secretary of Housing and Urban Development (“Secretary”) shall carry out a pilot program to convert 100 public housing projects to projects receiving assistance pursuant to section 8(b)(2) of the United States Housing Act of 1937, as in effect prior to October 1, 1983, except as modified by this section. The projects converted shall be selected from among those proposed for conversion in applications submitted by PHAs and shall be of varying characteristics (including size, age, location, neighborhood quality, physical condition, building type and tenant population).

(b) The initial rent for a unit shall be determined, at the option of the public housing agency (1) at the comparable market rent for the area or (2) on a budget basis. In approving a budget-based rent, the Secretary shall take into account the need to provide for sufficient replacement reserves to offset a reduction or elimination of capital subsidy funds for a project. Annual rent adjustments shall be made by the Secretary in accordance with the policy contained in section 524(c) of the Multifamily Assisted Housing Reform and Affordability Act of 1997.

(c) The term of any contract for assistance payments pursuant to this section shall be the longer of 20 years or the remaining period during which the project would have been required to be operated as public housing immediately prior to the conversion, subject to the availability of sufficient amounts in appropriation Acts.

(d) At the time of conversion, the Secretary shall release the project from any applicable annual contributions contract, release and cancel of record all deeds of trust and other instruments encumbering the project in favor of the federal government, and transfer administrative oversight responsibility for the project to the Office of Housing. Upon conversion, a project shall no longer be subject to federal laws and requirements applicable solely to public housing projects.

(e) Ownership of a project converted under this section may be transferred to a for-profit limited partnership, as such term is defined in section 202(k)(4) of the Housing Act of 1959, and the public housing agency or a nonprofit entity affiliated with the public housing agency shall be the sole general partner of the limited partnership.

NAHRO Public Housing Conversion - Pilot Proposal

The attached pilot proposal would require the HUD Secretary to convert up to 100 public housing projects (AMPs) to project-based section 8 assisted projects supervised by HUD's Office of Housing. These projects would be of varying characteristics and would be selected from among projects proposed for such conversion by public housing agencies (PHAs).

This proposal is offered within the context of:

1) an ongoing debate between HUD and PHAs concerning the comparability of public housing projects supervised by HUD's Office of Public and Indian Housing to FHA multifamily projects as this bears on the prospective shift to asset-based management of public housing. HUD has insisted that the administrative environments are substantially comparable and has structured its implementation guidance for asset management on this assumption. PHAs have questioned this and have argued (during the negotiated rulemaking and at all times subsequent to it) that a public housing regulatory and oversight environment comparable to that of FHA multifamily projects is essential for asset management as it is presently being implemented by HUD to succeed.

2) the persistent inability of the federal government to provide adequate financial resources to meet the capital needs of public housing.

The pilot proposal would:

▶ test HUD assumptions of regulatory and oversight comparability between FHA multifamily projects and public housing projects. The pilot would, with respect to the converted projects, eliminate all areas of present contention surrounding appropriate management fees and the conjoined issues relating to the comparability of FHA multifamily projects and public housing.

▶ require no new programs. The pilot would merely transfer public housing projects into the existing renewal process under the Multifamily Assisted Housing Reform and Affordability Act of 1997, with statutory adjustment to allow this process.

▶ posture the properties to have better access to public and private financing to meet accrued capital needs that are critical to maintaining the viability of these assets. This would be accomplished in two principal ways:

-- stabilizing and rendering predictable the income of the converted projects and placing them in a regulatory environment that would allow them to more readily access private sector financing for meeting accrued, unmet capital needs.

-- allowing PHAs to transfer the affected public housing projects to entities that could seek and receive equity in the form of Low Income Housing Tax Credits.

▶ require little or no incremental cost to the federal government.

Excerpts from NAHRO's Framework for Restructuring HCV Program	
Appropriations Benchmarking	<p>To provide a benchmark for use in the annual appropriations process, Congress would declare national HCV program goals (which could include a Congressional “affordability standard” in each agency’s service area). The goals would provide a reference to Congress in determining how well the voucher program meets the nation’s affordable housing needs and would supply a reference point for determining the amount of annual appropriations.</p> <p>The Secretary would report annually to the congressional authorizing and appropriations subcommittees of jurisdiction on the effectiveness of the HCV program in achieving the established national goals for the program and the adequacy of then current level of funding for such purposes.</p> <p>If the level of funding proposed, is determined to be insufficient for achieving the national goals, the Secretary would make recommendations to Congress concerning the appropriate level of funding. To assist Congress in evaluating the efficacy of the newly authorized HCV program under its appropriated amounts, HUD’s periodic reports would also include information relating to the HCV program’s performance benchmarked against the national goals in previous years.</p> <p>To aid the appropriations process, HUD would report annually to the authorizing and appropriations subcommittees of jurisdiction, for each Metropolitan Statistical Area and Non-metropolitan Statistical Area, for the following: 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 FMRs amounts (with utilities as a separate line item).</p>
Truth in Budgeting	<p>HUD must notify Congress in advance of their action on annual budget caps and appropriations bills, of the pro-ration in the voucher program, based on the Department’s budget request funding levels as distributed through existing authorizing law.</p>
Eligibility & Preferences & Waiting List Management	<p>Agencies would also be able to establish separate waiting lists by bedroom sizes.</p>
Self Sufficiency / Other Adjunct Programs	<ul style="list-style-type: none"> • Requested \$72 million for FSS in FY 2006 and supports adequate funding for program in future years. • Programs must be authorized and funded separately; appropriations for rental/homeownership assistance used only for HAP and administration of program • HUD self-sufficiency programs to be appropriated within HUD rather than other federal agencies • HUD services should be augmented by services through other related federal programs/agencies; re-establish an interagency council to coordinate efforts <p>NAHRO proposes retaining other “special purpose” programs. Over its history, the HCV program has provided critical housing support to assist families who volunteer to strive to become economically independent from government services within a</p>

	<p>five- to seven-year period; help families make the transition from welfare to work; enable families currently residing in low poverty census tracts; help families struggling to stay together and avoid placement of children in foster homes; help prevent displacement of low-income households when private property owners opt-out of their project-based contracts, help provide independent living and assisted living opportunities for low-income elderly, help provide independent and supportive housing opportunities for disabled households, and help veterans suffering from chronic mental illness live independently. Vouchers for the above programs were awarded based on each population’s severe housing needs in their communities as well as the capabilities of housing agencies and service providers in those communities. NAHRO does not believe that HAs should be faced with the political burdens of having to remove scarce resources from low-income special populations with worst housing needs amongst those with “worst-case” housing needs.</p>
<p>Household Level Reporting Systems</p>	<p>HAs’ Voucher Management System (VMS) should be retained.</p> <p>PIC requires HAs to report monthly on a wide range of activity including move-ins, move-outs, vacancy rates, annual re-certifications and interim re-certifications. HAs now report almost every resident action to HUD using an eleven-page form that populates a database allowing HUD to know more about residents and housing authorities today than ever in the past. Each affected agency must submit information to assist HUD in managing and monitoring HUD assisted housing programs, to protect the Government’s interest and to verify the accuracy of the information received. HUD will use the information to: (1) monitor program participants’ compliance with requirements, (2) provide demographic information describing tenants’ characteristics, (3) participate in income matching, to detect fraud, and (4) plan for future use of the housing inventory with emphasis on the housing needs of special groups. This collection is authorized by the U.S. Housing Act of 1937.</p> <p>HAs spend a disproportionate amount of staff time correcting PIC problems in order to avoid the sanctions associated with reporting under 95%. HUD Form 50058 and the information reporting requirements associated with it would be simplified and allow for multiple rent models. Specifically, NAHRO recommends moving towards a collection system something like the <u>Form HUD-50058 MTW Family Report and Guidance for MtW Sites on Removing Records from the Form 50058 Module and Initially Populating the MtW Module</u> (April 2006). HUD estimates that public reporting burden for the MtW 50058 form collection of information is estimated to average 30 minutes per response in the first year, and 15 minutes per response in subsequent years. HUD’s estimate includes the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.</p> <p>NAHRO will request line-item funding to assist HAs in offsetting software costs associated with new tenant rent calculation systems and other implementation features of the proposal.</p> <p>NAHRO’s governing body endorsed new legislation to relieve paperwork burdens on small PHAs on May 11, 2006. Senator John Sununu (R-N.H.) introduced the Small Public Housing Authority Paperwork Reduction Act (<u>S 2707</u>) in the Senate May 3. The bill waives the PHA plan requirement for non-troubled agencies with 500 or fewer units of public housing or any number of Section 8 vouchers. In lieu of a plan, the bill requires PHAs to conduct an annual hearing to review changes to the “goals, objectives and policies” of the agencies and invite public comment. PHAs would continue to consult with Resident Advisory Boards prior to the annual hearing and provide 45 days notice of the hearing.</p>
<p>Utilities</p>	<ul style="list-style-type: none"> • HA does not report on utilities use or cost to HUD. Instead, HUD will continue to calculate utilities as a separate component of FMRs and report

	them separately from rents.
Payment Standards & Rent Reasonableness	<p>NAHRO's framework contemplates funding to accommodate payment standards at 100 percent of national FMR in FY 2006 and beyond using an actual cost distribution formula (with pro-ration formulas if necessary based on appropriation). With those funds, HAs can set their payment standards up to 120%, or higher with HUD approval. HA discretion to adjust for:</p> <ul style="list-style-type: none"> ○ Size of unit ○ Location ○ Quality and condition ○ Different standards for project-based developments ○ Other <ul style="list-style-type: none"> ● Can be changed by HA with at least 90 days' notice <p>Modified / simplified rent reasonableness requirement based on unit bedroom size, location and overall condition/amenities rating.</p>