

Testimony

of

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Regarding the Section Eight Voucher Reform Act (SEVRA)

before

The House Subcommittee on Housing and Community Opportunity

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Introduction

Chairwoman Waters, Ranking Member Capito and members of the Subcommittee on Housing and Community Development, my name is Tony Bazzie, the Executive Director of the Raleigh County Housing Authority in Beckley, West Virginia. My agency assists nearly 1,300 families in a six-county area in southern and central West Virginia. I also serve in a leadership position with the West Virginia Association of Housing Agencies, a group of 34 public housing authorities that assist approximately 15,000 families in our state through the Housing Choice Voucher Program. I am very pleased to be here today to offer my thoughts, and the collective thoughts of a number of other administrators of the Housing Choice Voucher Program at various West Virginia housing authorities, about the Section Eight Voucher Reform Act (SEVRA) being considered by this subcommittee. For the most part, the housing authorities in my state are small and medium-sized and all are hopeful for reforms and program changes that will ensure the continued viability of the voucher program in their communities.

Needed Change that will Reduce Burdens and Bring Stability

I thank the members of the subcommittee for the work that has been done thus far in the draft legislation as it seeks to bring about changes that will make the Housing Choice Voucher Program more inviting to landlords, ease the administrative burden on housing authority staff, and better assist low-income families in their quest for decent, safe and affordable housing. The emphasis on local discretion in a number of SEVRA provisions provide much needed flexibility for housing authorities across the country that serve families in varied geographic and economic conditions. Other provisions of the bill

seek to provide a consistent subsidy and fee structure will bring stability to a program that has been extremely difficult to manage over the past decade due to the uncertainty of annual funding for housing assistance payments and administrative fees. While not everything in the draft legislation is ideal for every housing authority, the proposed changes will, I believe, make the Housing Choice Voucher Program more effective and efficient in providing decent, safe and sanitary housing to low-income families. I intend to focus most of my comments on those changes that I believe will most affect the day-to-day operation of the program.

Housing Quality Standards Inspections

Presently, housing authority staffs advise Voucher Holders not to move into a rental unit until it passes an initial inspection by a housing authority inspector. Otherwise, the family could be held responsible for paying the rent until the unit meets all Housing Quality Standards (HQS). I and others in West Virginia support the proposed change that would allow HUD-funded rental assistance to begin from the date of the initial inspection as long as there are no life-threatening HQS violations and the rent is deemed to be reasonable. This would prove beneficial to both the assisted family and the landlord in getting them into a unit and starting the rent assistance much sooner. One agency in West Virginia -- the Charleston-Kanawha Housing Authority, which is in your district, Ranking Member Capito -- determined that on average, 18 days elapsed between the initial failing inspection and the date the unit met HQS. I believe removing this obstacle -- delaying a housing authority's ability to start paying rent due to minor inspection violations -- would provide an incentive for more landlords to participate in the program, besides getting a family into needed safe and adequate shelter much sooner.

Likewise, while it may not be the most practical in all areas, I support the biennial inspection option as a change that would be cost-efficient for many housing authorities. In West Virginia, a number of housing authorities administer the voucher program in multiple counties. The average agency serves three counties with a total area of 1,200 square miles. My agency administers the HCV Program in six counties with more than 3,350 square miles to cover -- a geographic area larger than the states of Rhode Island and Delaware combined. The annual inspection process is a major program expense from staff salaries to vehicle maintenance to postage for mailing notifications and inspection results. However, a large part of the housing stock in my jurisdiction, and throughout the state, is between fifty and seventy years old. In many rural areas such as those served by my agency, houses and manufactured homes are not subject to municipal building codes, thus HQS is the only standard enforced. I think the discretion the legislation provides is critical in this area because, in my opinion, most agencies in West Virginia will continue to inspect their units annually. In some regions, where Low-Income Tax Credit or other multi-family properties are inspected by other government agencies, housing authorities may be able to reduce the number of inspections they perform annually. However, due to the age of the housing stock, many areas will require more regular attention than once every two years. It is good, however, to have the option as provided in the draft legislation.

As a result of an older housing stock and the marginal quality of some units, failed inspections are a common problem. That, in turn, places greater demands on families to relocate and is an administrative burden on housing agency staff. I support the use of abated funds to be used to cover relocation expenses for families who must

move after the abatement period. While these funds may not cover all the costs associated with moving, it will certainly provide relief for many families. I would point out, however, that as currently written, the language in the bill does appear to limit the amount of assistance to two months of HAP, and I believe that should be better defined. Additionally, this would create a new administrative task on housing authorities, so perhaps this subcommittee will consider adding a provision that would include an add-on fee to pay for the administrative expenses associated with relocation assistance.

While I support the goal of trying to keep low-income families from having to relocate as much as possible due to HQS violations, I am unable to support the provision whereby a housing authority would use abated funds to make repairs or hire contractors to correct violations. Most agencies are ill-equipped to administer such a program and, in my opinion, could have the negative consequence of driving landlords from participating in the HCV Program as they would see this as an intrusion into their private property -- the "long arm of the government," so to speak, making decisions affecting the property without even requiring owner approval.

Simplified Income and Rent Determinations

The rent reform and simplified reporting provisions in SEVRA are a welcome change that should encourage work on the part of assisted households, reduce burdensome reporting requirements placed on families and relieve housing authority staff of many verification and processing tasks. For example, in 2008, one agency in West Virginia -- again, Charleston-Kanawha Housing Authority -- reported conducting 1,200 interim reviews in addition to over 2,400 annual re-examinations. Undoubtedly, many of

these interim adjustments would be eliminated through the provision that would no longer require requiring interim examinations for increases in earned income. Also, the provision that allows for three-year recertifications for fixed-income households, with the application of an annual adjustment factor to their income, will provide relief to those participants who struggle to attend meetings due to physical limitation or simply do not have reliable transportation in areas where there is no public transit system. However, please know that in terms of potential administrative relief under this provision, housing agencies will still be required to perform annual income and rent calculations.

I support other simplification provisions included in the bill, such as the elimination of the requirement to verify and maintain records of excluded income and the use of prior year's earned income to determine future income, but with a stipulation that adjustments may be made to accurately reflect current income. In addition, permitting the use of other government agency income determinations will assist in relieving some administrative burden.

In addition to reducing the reporting and processing responsibility on low-income households and PHA staff, the rent reform changes in SEVRA have the potential of promoting work among assisted families without them feeling the immediate burden of having to pay higher rent. The elimination of the interim reporting requirement for earned income, along with the exclusion of the first ten percent of earned income up to \$9,000, should provide greater incentive for some working households. Those households with children also get the benefit of an increase in the dependent allowance, though I would recommend reducing the proposed threshold for un-reimbursed child care

expenses from 10% of gross income to 5%. This still represents an increase over the current 3% threshold of gross income.

Stable Funding and Fee Structure

In recent years, the uncertainty of the renewal funding process has made the management and operation of the voucher program a difficult challenge. The goal of any housing authority is to maximize its leasing up to its baseline total in order to assist as many families as possible and to earn all allowable administrative fees. Unfortunately, with constant formula changes and delays in the annual budget process, many agencies have been hesitant to issue vouchers to either keep from over committing their dollars or from leasing beyond their baseline.

The provision in SEVRA that bases funding on the actual leasing and voucher costs for the prior calendar year and the five-year authorization for renewing leased vouchers may provide the needed stability to properly manage the program. The authorization for annual leasing up to 103% of baseline is a welcome change and the retention of 5% of annual funding in Net Restricted Assets will make this possible. However, annual funding should not be offset by the amount in the Net Restricted Asset account.

Conclusion

In closing, Madame Chairwoman, let me thank the Committee again for their work to improve the Housing Choice Voucher Program through SEVRA. I believe the changes proposed in this legislation will assure the voucher program remains one of the

most effective and efficient means of providing housing for millions of low-income Americans.

However, I would caution that a number of the proposed changes -- disregard of increases in earned income; the earned income disregard; increases in deductions for elderly and disabled families; an increase in dependent deductions; increases in child care and health care deductions; applying HAP dollars towards relocation costs, and the like -- while good on paper and certainly a benefit to the families served -- will have a consequence of increasing overall HAP costs. As I'm sure all of you are aware, there is a serious situation currently facing a large number of housing authorities in that Net Restricted Assets, which can be used to cover increasing HAP costs, are dwindling and will disappear altogether prior to the end of this calendar year. As a result, my agency and hundreds of others will have no choice but to reduce the number of families it serves because our HAP expenses exceed the amount of HAP dollars provided monthly by HUD. For example, I've estimated that beginning next month, we will need to reduce the number of families receiving assistance by 26 per month for every month for the next six months just to have enough HAP money to cover payments on behalf of low-income families to participating landlords. This, in effect, reduces our baseline of 1,300 vouchers by 156 families this year alone. The fact that the voucher renewal funding formula then requires HUD to use the new leasing numbers to determine how much we'll receive in HAP funding the following year results in a continually downward spiraling of families that can be served.

Overall, I am confident that many of the proposed changes to the program, including changes in the inspection process to permit timelier leasing and issuance of

initial payments, will make the program more attractive to private property owners and increase the available housing stock. I believe reducing reporting burdens and providing incentives for work will make the program more accommodating to low-income families who may otherwise become frustrated with over complicated requirements. I also trust the provisions related to administrative simplification will produce more efficient, customer-oriented agencies that have greater discretion to manage the program in consideration of local needs. And, finally, the implementation of a stable, consistent HAP funding and fee structure will enable housing authorities across the country to make timely decisions on how to serve the most people in their communities. One provision I especially like, as it relates to administrative fees, is that the legislation authorizes the Secretary to include in the administrative fee an amount for the cost of issuing a new voucher. A considerable amount of time and costs are associated with issuing a voucher, however, unless the family is successful in actually utilizing the voucher, the housing authority receives no fees. I believe an appropriate apportionment to pay housing authorities for issuance of a voucher would be a substantial percentage of the fee to help pay for eligibility determinations and briefings, etc., and the remaining percentage at lease-up.

Unaddressed Matters

One area not touched on in the draft SEVRA legislation is in regards to utility allowances. Currently, each housing authority must devise a utility schedule for their jurisdiction. The data is many times imprecise and changes constantly. For an agency with a large geographic area, such as the agency I head, the task is arduous. There are

more than 100 different utility companies, when you consider all the small public service districts that must be contacted for rates and consumption. I would suggest that since HUD's Office of Policy Development and Research calculates and includes utilities within the annual Fair Market Rents, SEVRA should include a provision to have HUD share these utility costs and allow housing authorities, if they so desire, to utilize these estimated utility costs as standard allowances.

Thank you for the opportunity to come before you and express my opinions of the legislation and offer my support for reforming the voucher program.