CLPHA
making public housing work in your community

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Testimony of
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Committee on Financial Services

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Madam Chair, Ranking Member and Members of the Subcommittee, my name is Sunia Zaterman and I am the Executive Director of the Council of Large Public Housing Authorities (CLPHA). As you know, CLPHA is a national non-profit public interest organization dedicated to preserving, improving and expanding housing opportunities for low-income families, elderly and disabled. CLPHA's 60 members represent virtually every major metropolitan area in the country; on any given day, they are serving more than one million households. Together they manage almost half of the nation's multi-billion dollar public housing stock, and administer 30 percent of the Section 8 housing assistance program; they are in the vanguard of housing providers and community developers.

I want to thank you for the opportunity today to present CLPHA's views on the Section 8 Voucher Reform Act of 2007 (SEVRA). We believe SEVRA marks a significant step forward in simplifying the administration and funding of the Section 8 Housing Choice Voucher program. We applaud the Subcommittee for taking the initiative to reform and improve this much needed program which provides housing assistance to over two million low-income families.

Before I begin my remarks on the specific provisions of SEVRA, I would first like to thank the Subcommittee for holding these hearings. We welcome this new Congress and your renewed emphasis on the central importance of preserving, protecting and expanding affordable housing opportunities. This is evident by your ambitious legislative agenda, and the early start with which your Subcommittee has begun to work. We look forward to working together with you as partners.

I want to frame my remarks in the context of the budget and program challenges facing public housing authorities (PHAs) today. Over the past six years we have lived with the implementation of Administration policies designed to cripple and dismantle public housing as we know it: from cruel budget cuts, to evisceration and elimination of programs—such as the drug elimination program and HOPE VI—to confusing, conflicting and misguided directives from the Department of Housing and Urban Development (HUD). These Administration policies, like pulling at threads until the whole cloth is unraveled, have forced housing authorities to struggle daily with how to keep their doors open and serve those in need in their communities.

The primary issue confronting public housing is the issue of inadequate resources. For the past several years—even as we watched tax cuts for those who have the most and the cost of two wars spiral out of control—housing authorities have been faced with "death by a thousand cuts." We turn to this new Congress with the hope that we can rely on reasonable federal policies coupled with adequate and predictable funding so that housing authorities can serve their residents efficiently, effectively and compassionately in their local markets. Our housing authorities as public entities are a part of the public trust. And, we take that trust seriously.

Tenants, advocates and housing authorities all have the same goal. We want to create and maintain affordable, livable communities. Our approach and our methods may differ, but our desired outcome is the same. However, to achieve that desired outcome, we need a balanced approach between supply side and demand side programs. While the tenant based voucher program has been very successful in addressing affordability issues for low income households, there is still an urgent need to preserve and increase the supply of affordable housing, particularly in many major metropolitan markets. We urge Congress to provide the resources and tools that enable PHAs to preserve the public housing stock and increase the supply of affordable housing serving very low income households.

Despite a very difficult budget and regulatory environment over the past several years, PHAs have utilized tools like HOPE VI and the Moving to Work program to greatly improve their public housing infrastructure and the delivery and administration of their local programs. This is reflected in the success stories of several PHAs, such as Atlanta, Boston, Chicago, and the District of Columbia.

Program Simplification

We are pleased that the Subcommittee has sought our input on changes to SEVRA. Program simplification and the easing of regulations will make the administration of the public housing and voucher programs easier. In the area of inspections, the bill makes changes that will ease the administration of this important activity. By requiring inspections every two years, the bill will relieve housing authorities of a sometimes redundant administrative burden, while still ensuring that families are housed in safe and decent housing. Also, allowing housing authorities to rely on inspections from governmental agencies further simplifies a complicated inspection process and allows localities to rely on one standard for guaranteeing the suitability and safety of area housing.

Rent simplification is an extremely important issue to our members. Rent setting and income determination decide subsidy levels, which in turn determine the amount of funding housing authorities require from HUD. Administrative changes to make this time-consuming and complicated process easier without impacting funding levels are welcomed by CLPHA and its members. CLPHA remains committed to working with the Subcommittee to realize rent simplification without exacerbating the chronic underfunding of public housing operations. The Congressional Budget Office had estimated that the rent reform and other provisions in last year's SEVRA bill would cost $1.2 billion over five years. Given that public housing is currently operating at an historic low of 83% of operating need, CLPHA has been concerned that these rent reform provisions could lead to further reductions in subsidy and have the unintended effect of resulting in fewer families housed. We appreciate that these concerns have been taken into account and that the bill's costs are significantly lower. We look forward to working with the Subcommittee on establishing rent simplification provisions that do not place public housing operations at risk.

Voucher Reform

We believe that changes to the voucher funding formula implemented in 2004 have been the primary cause of instability and inefficiency in the voucher program. This “snapshot” formula, and this formula alone, has caused the loss of over 150,000 vouchers. We thank the Subcommittee for introducing a bill that will change how the voucher program is funded, so that these lost vouchers may be restored. We especially support the improvement the Subcommittee has incorporated into the bill that will remove a two-year lag in funding. If this provision had remained in place, the voucher program would have remained unpredictable and unstable to both housing authorities and the families they serve. We are pleased that the Subcommittee has introduced a formula that will be more accurate because it is based on leasing and cost data from the preceding calendar year.

The voucher formula presented in this new version of SEVRA is a good first step in providing housing authorities with the tools they will need to remain in the business of housing families. CLPHA further believes that in order for housing authorities to better meet local needs, several issues should first be resolved.

Delay Recapture

The bill indicates that unspent voucher funds will be recaptured on December 31, 2007. CLPHA is concerned that the timeline for recapturing any remaining unspent funds will pose problems for PHAs just ramping up leasing operations. With the twelve-month funding formula that will be implemented in FY 2007, PHAs will have an opportunity to begin spending these dollars to serve families on their waiting lists and to make up losses in funding eligibility.

However, HUD has yet to tell PHAs how much money they will receive under the new twelve-month formula and PHAs are very concerned about implementing aggressive lease up plans without knowing how much money will be available to cover new voucher obligations. With the recapture looming at the end of the year, housing authorities are running out of time to adjust to the formula and to begin housing additional families before these funds are recaptured. These funds are critical to the success of the new funding formula and PHAs need time to reestablish their leasing programs before they are deprived of these dollars.

CLPHA recommends delaying the recapture of unspent voucher funds until the end of Calendar Year 2008. A one year delay would give PHAs enough time to increase leasing, spend down fund balances, and to align their programs to the new formula. Such a delay will allow housing authorities to stabilize their voucher programs and ultimately serve more low-income families.

Limited Recapture Exceptions

Even with a delay in the recapture, CLPHA recognizes that there may be situations in which a PHA needs a higher level of funding than may be available through reallocation. The Subcommittee should provide limited exceptions for recapture for PHAs that need a higher level of funding in order to lease-up vouchers.

Given the level of unspent funds in the program, some PHAs have taken steps to increase their leasing levels. These PHAs have made commitments in their communities that they will increase leasing by a certain percentage or house a certain number of families. A recapture could derail such plans, even if the PHA is making progress towards meeting its goal. The Subcommittee should establish exceptions for PHAs that have defined plans to increase leasing so that they may follow through on their commitments. Funding available from reallocation may not be useful for these housing authorities because there is no guarantee that they will receive adequate funding to implement their leasing plan.

Reallocation – Clear and Fair Guidance

The reallocation will be a critical source for many housing authorities to lease up new vouchers. However, housing authorities need clear guidance about how they can receive these funds and this guidance must ensure that all housing authorities have fair access to this vital resource. CLPHA thanks the Subcommittee for removing the 99 percent spending threshold for eligibility for recaptured funds. This level would have been difficult for PHAs in tight rental markets to obtain. The bill would give priority for voucher funding to PHAs "based on the extent to which an agency has utilized the amount allocated… to serve families." CLPHA urges the Subcommittee to establish a realistic and transparent standard that provides fair access to this critical funding source for all PHAs.

Reserves

Most importantly, CLPHA strongly endorses the Subcommittee's inclusion of a one-month reserve for the first year of the formula. The one-month reserve level is necessary for prudent financial stewardship of the voucher program. Essentially, an adequate and stable reserve allows housing authorities to protect against risk in a program fraught with risk. Large housing authorities serving large metropolitan areas must often deal with fluctuations in the number of landlords, the cost of rent, and other market factors beyond their control.

A one-month reserve helps housing authorities to mitigate this risk. Ready access to a limited, yet sufficient cache of funds allows housing authorities to protect the families they serve from market fluctuations and permanent cost increases. In addition, the one-month level is crucial because, in the event HUD fails to make timely payments to housing authorities, they can still cover one month's Housing Assistance Payment to landlords. In short, a one-month reserve is important for financial management, landlord relations, and the overall success of the voucher program. CLPHA strongly encourages the Subcommittee to allow PHAs to maintain a one-month reserve during each year of the program.

Moving to Work

While the bill does not yet include a section on the Moving to Work (MTW) program, we are hopeful the final version of the bill will include provisions to permanently authorize and expand the program. MTW was conceived from a simple premise, what would happen if a public housing authority could develop locally driven housing plans in concert with their residents and community stakeholders that responded to local housing needs?

The current MTW agencies administer over 130,000 public housing and 230,000 Section 8 units, or more than 10% of the current housing stock. Examples across the country in cities like Seattle, Cambridge, and Portland show how these local plans are better able to respond to local housing needs. A review of the current MTW PHAs shows that they have raised the standard of housing services, used program flexibility to create jobs, added affordable housing stock, served more households, and helped families build savings. They have also shown how to operate and manage in way that is accountable to their residents and local communities without needless and time-consuming HUD bureaucratic measures that add costs but no value. MTW is a laboratory for local innovation and more housing authorities should have access to these tools.

We believe that MTW can be authorized and expanded while ensuring that there are no reductions in the number of very low income households served. We also believe that an expansion of MTW will enable more PHAs to be innovative in preserving, protecting and increasing the supply of affordable housing. Furthermore, current locally-approved MTW agreements should be protected to avoid disruption, honor existing commitments and promote consistency. Concerns regarding tenant protections, targeting, and rigorous evaluation should be addressed. That is why we have submitted comments and suggested changes modifying the original SEVRA bill to address these concerns. We also suggest a name change from MTW to the "Public Housing Community Opportunity Program," in order to more accurately reflect the purpose and objectives of the program.

We appreciate the Subcommittee's dedication and hard work to reform the voucher program and for the initiatives in the revised SEVRA. We look forward to further working with you on these and other issues. We again thank you for this opportunity to testify.