



# SERC-NAHRO

Southeastern Regional Council of the National Association of Housing & Redevelopment Officials

## **AN OPEN LETTER TO CONGRESS MARCH 2010**

*The Southeastern Regional Council of the National Association of Housing and Redevelopment Officials (SERC-NAHRO) is an association of knowledgeable and dedicated housing and community development professionals. Organized more than 60 years ago, SERC-NAHRO consists of nearly 800 agency members that serve more than a half million lower income households in ten southeastern states (Alabama, Georgia, Florida, North Carolina, South Carolina, Mississippi, West Virginia, Virginia, Kentucky and Tennessee).*

*Throughout America, housing agencies have been highly successful in providing a critical housing resource through their federally funded public housing and rental voucher programs, yet many unmet needs remain. Over the years, there has been a partnership between Congress and housing authorities in an effort to meet the needs, and through this **Open Letter**, SERC-NAHRO seeks continued support. SERC-NAHRO members are unified in their efforts to house America's poor, and we urge Congress to consider actions in regards to*

•Housing Choice Voucher Program      •Public Housing Program      •Housing Production

### **THANK YOU, MEMBERS OF CONGRESS**

*SERC members are very appreciative to President Obama and the members of Congress who supported provisions of the 2010 Consolidated Appropriations Act that provided additional funding this calendar year for the Housing Choice Voucher Program and for Public Housing Operating Subsidies. After years of declining funding, approval of the spending bill for the Department of Housing and Urban Development provided some much-needed fiscal relief. While the additional funding helped meet some immediate needs of low-income families throughout the country, SERC urges Congress to closely examine continued needs in housing programs and provide the funding needed to adequately house our nation's families and appropriate for FY 2011 adequate funding for various HUD programs.*

## **PUBLIC HOUSING**

### **OPERATING SUBSIDIES**

For the first time in many years, the Administration and the Congress reversed the erosion in public housing funding through the passage of the FY 2010 appropriations bill, which funds the Operating Fund at approximately 100 percent of operating subsidy eligibility. This demonstration of a seemingly renewed commitment to preserving the public housing stock is welcome. Fully funding the Operating Fund on a continuing basis is essential to the preservation of last-resort housing for many families. For FY 2011, the President's budget proposal includes \$4.829 billion for the Public Housing Operating Fund. The Administration indicates this amount will fully fund housing authorities' estimated eligibility for operating subsidies; however, we believe a more realistic amount is \$5.08 billion to fully meet the operating needs of public housing in FY 2011. The SERC calculation takes into account the costs of both wages and benefits and uses a more accurate index to measure inflation, provisions that HUD agreed to in the 2004 negotiated rulemaking but ultimately removed from the final Operating Fund rule. **SERC urges Congress to continue its support of this key HUD program and to provide sufficient federal dollars to fully fund public housing operating subsidies.**

### **CAPITAL FUND**

While infusions of Capital Funds through the American Recovery and Reinvestment Act have certainly helped to address some of housing authorities' immediate capital needs, a huge need remains for adequate capital funds to preserve public housing as a critical affordable housing resource or to attract private equity investment into public housing. The President is proposing for FY 2011 \$2.044 billion, an amount that even HUD does not believe to be sufficient to keep pace with annual accrual needs. The amount proposed is approximately \$500 million less than the amount provided by Congress for FY 2010. In light of the estimated \$25 billion backlog of capital needs, Capital Funds received through the Recovery Act and any other supplemental funding *should not be offset* by cuts in the annual Capital Fund appropriation. **SERC urges Congress to, at the least, provide funding for the Capital Fund program at the same level allocated for FY 2010. In addition, SERC urges Congress to include a formula allocation of at least \$1 billion in Capital Funds in any future Jobs legislation.**

### **ASSET MANAGEMENT EXEMPTION**

SERC disapproves of a provision in the President's budget that seeks to strike language included in recent HUD appropriations bills providing an exemption from asset management requirements for smaller agencies. For the current fiscal year, Congress provided housing authorities that own and operate 400 or fewer units the ability to exempt themselves from any asset management requirements. **SERC urges Congress to again allow the exemption of small agencies from the asset management requirements because of the burdensome nature of asset management for agencies with few units and small staffs.** Legislation (HR 1048 and S 2836) that would permanently authorize this exemption has been introduced in both the House and Senate, and we urge our representatives to vote in favor of this legislation.

### **"INNOCENT TENANT" LEGISLATION**

Legislation introduced in Congress (HR 69) will limit the ability of public housing authorities to terminate public housing tenancy or Section 8 rental assistance to certain elderly or disabled tenants whose assistance could be terminated for certain criminal activity. Under existing law, housing authorities have the option to evict a public housing tenant or head of household for the criminal activity of a household member without specific proof that the head of household knew of or participated in the criminal activity. **SERC opposes any legislative action that would diminish the capacity of housing authorities to control crime in the public and assisted housing programs administered by them.**

### **SAFETY AND SECURITY**

The FY 2011 budget proposed by the President contains no funding for the Public Housing Drug Elimination Program (PHDEP) or any other program dedicated exclusively to addressing crime and drug activity in public housing. Despite these activities remaining eligible uses of Capital and Operating Funds, appropriated resources have proven insufficient to meet these needs. Bills have been introduced in both the House and Senate (HR 582 and S 1327) that would authorize funding for public housing safety and security needs, and **SERC urges its representatives to advocate in favor of providing separate and dedicated funding to address the safety and security needs, either through the FY 2011 budget or through separate authorization and appropriations bills.**

### **TRANSFORMING RENTAL ASSISTANCE**

Transforming Rental Assistance (TRA) is a \$350 million proposal included in the Administration's FY 2011 budget. Under the first phase of the proposed TRA, housing authorities and some private owners will be given the option of converting public and assisted housing to what HUD calls "long-term property-based rental assistance contracts" which would combine attributes of the project-based voucher and project-based rental assistance programs. However, no authorizing language has been offered, so there are many unknowns as to how this proposed program will work. **SERC supports providing housing authorities with the option to convert units to either project-based rental assistance or to project-based vouchers, but there are**

**many initial concerns with the way HUD would administer this initiative and whether it will become mandatory at some point.** SERC supports NAHRO's position that Congress should consider NAHRO's public housing conversion proposal so that housing authorities have the option, on a voluntary basis, to convert individual public housing asset management programs to programs assisted under the Section 8 project-based multifamily program, with oversight transferred to HUD's Office of Housing, and that housing authorities that do not convert their public housing to project-based rental assistance should enjoy a meaningful contractual relationship with HUD that, among other things, assures revenues adequate for long-term sustainability.

#### **HOPE VI/CHOICE NEIGHBORHOODS INITIATIVE**

The President's FY 2011 budget requests no new funding for the HOPE VI program; instead, the administration is requesting, as it did in its FY 2010 budget proposal, \$250 million for the new Choice Neighborhoods Initiative, which has not yet received Congressional authorization. **SERC encourages Congress to develop policies that ensure housing authorities continue to have access to dedicated resources that support the revitalization of severely distressed public housing units and to provide continued funding for the proven HOPE VI program. SERC recommends \$800 million be appropriated for HOPE VI in FY 2011.**

## **HOUSING CHOICE VOUCHER PROGRAM**

#### **FUNDING LEVEL**

Passage of the FY 2010 budget showed that the Administration and Congress understands the need to provide adequate Housing Assistance Payments funding for the Section 8 Housing Choice Voucher Program. The President's proposed FY 2011 budget continues this commitment. SERC appreciates the Administration's FY 2011 budget proposal that provides \$17.115 billion for Housing Assistance Payment (HAP) contract renewals, an increase of \$775.5 million over the FY 2010 enacted level. **SERC members believe, however, the Administration's request falls short of actual needs (SERC's funding recommendation for HAP contract renewals is \$17.165 billion).** *It should be noted that neither HUD's nor SERC's funding requests reflect an increased need for subsidy resulting from loss of hours and loss of jobs by families with earnings. Declining incomes of voucher-assisted households require greater funding levels in order for housing authorities to assist low-income households.*

#### **HCV ADMINISTRATIVE FEES**

Cuts to administrative fees hurt agencies and families. The President's proposed FY 2011 budget appears to increase the appropriation for ongoing administrative fees by 14 percent over FY 2010; however, such is not the case. Housing authorities will receive only a prorated portion of the fees to which they otherwise may be eligible to earn for each household assisted under the program if the proposed amount is left unchanged by Congress. *By HUD's own estimate, housing authorities will receive approximately 90 percent of eligibility.* Increasing costs and stagnate fees are leaving many housing authorities in financial peril as they work to administer the HCV Program in an efficient and effective manner. Thus, while a proposed increase in federal funding for administrative fees would seemingly provide sufficient funding, the fact is that the increase in the amount requested is due to the increase in the number of vouchers being renewed that will require administrative fees. **SERC urges Congress to look closely at this situation and make much-needed adjustments to provide housing authorities with sufficient funding.**

One way to solve the problem would be to deny HUD's request to transfer from the HCV contract renewal account \$195.5 million in FY 2011 into information technology (\$100 million was approved for this last year) and to apply this amount towards administrative fees, thus providing housing authorities with a 100 percent proration of their ongoing administrative fees for the first time since FY 2003. Another way would be to restore housing authorities with categorical funding -- HAP and administrative fees -- and enable agencies to

use a portion of their HAP funds to earn an administrative fee once they have successfully helped a family lease under the HCV program. Also, SERC encourages Congress to address the current requirement that payment of administrative fees are only made for units under lease as of the first day of a month. **SERC proposes that a prorated administrative fee be provided based on the actual number of days a HAP contract becomes effective.**

#### **TIMELY NOTIFICATION**

The President's FY 2011 budget contains a provision requiring HUD to inform each housing authority within 60 days of enactment of the amount that will be made available to each agency for FY 2011. **SERC is in favor of this provision; housing authorities will know early how many families they will be able to assist with available HAP dollars each month to avoid over- or under-spending of HAP funding.**

#### **MAXIMUM USE OF AVAILABLE FUNDS**

**SERC supports, and urges Congress's support of, a proposal contained in the FY 2011 budget that eliminates language prohibiting housing authorities from leasing more than 100% of their unit months available under their annual contributions contracts.** We believe that if a housing authority has sufficient funds, it should be able to assist as many families as possible without the restriction of a baseline number, which the budget summary terms "unnecessary caps." We do feel, however, that with this authorization to lease more than 100 percent of baseline, administrative fees should be paid to housing authorities for each family they serve above their baseline number of vouchers.

#### **SECTION 8 VOUCHER REFORM ACT (SEVRA)**

SERC continues to advocate for the implementation of legislative and regulatory changes that will improve the functionality of, and efficient use of, resources in the Housing Choice Voucher Program. In this regard, **SERC supports the central thrust of the current House version of the Section 8 Voucher Reform Act (SEVRA) of 2009.** Many needed changes in the Housing Choice Voucher Program can come about with the passage of SEVRA and SERC urges the House of Representatives and the Senate to work closely together to pass this important legislation.

#### **PHA REGIONALIZATION PROPOSAL**

The Administration's FY 2011 budget requests up to \$50 million to fund a Voluntary PHA Regionalization Proposal. According to HUD, the "numerous programs and administrative entities present many barriers to eligible low-income families seeking an effective and accessible rental assistance program." To overcome these barriers, HUD is putting forth a PHA Regionalization Proposal. We believe many of the same goals can be attained through portability reform. The \$50 million request is part of HUD's larger proposed Transforming Rental Assistance Initiative, under which approximately 300,000 units of public and assistance housing would be voluntarily converted to a modified form of project-based voucher assistance. SERC does not feel this regionalization concept has been adequately studied and certainly not proven and believes this \$50 million could otherwise provide more equitable administrative fees. **SERC asks that Congress closely examine HUD's proposal and request definitive findings before approving a \$50 million request for funding for this proposal in FY 2011 and to direct the requested amount into Housing Choice Voucher Program administrative fees, which are slated to be prorated at 90 percent.**

#### **PORTABILITY**

While HUD has implemented some changes to the practice of portability, SERC believes additional measures should be taken to improve the portability feature of the Housing Choice Voucher Program. Present administrative requirements relating to portability are overly burdensome for housing authorities, particularly with respect to inter-agency billing. **SERC members encourage Congress to devise appropriate legislative and regulatory actions that would preserve the right to port for participating families but eliminate inter-agency billing and preserve the ability of agencies with high rates of in-porting vouchers to serve their waiting lists. We ask that Congress and HUD work closely with NAHRO,**

which has studied this issue in-depth and which has recommendations that would enhance the portability feature while reducing administrative and financial hardships imposed on housing agencies.

## HOUSING PRODUCTION

Congress has not funded a program for the construction of public housing units since 1995. The number of households needing assistance has increased over time yet the number of available affordable housing units has remained basically unchanged or has decreased. SERC members urge Congress to take steps to ensure an adequate supply of affordable housing.

### **HOUSING TRUST FUND**

The Housing Trust Fund is one method of spurring housing production. **SERC urges Congress to support the Administration's proposal to provide \$1 billion in funding in FY 2011 for the Housing Trust Fund.** The Housing Trust Fund was authorized under the Housing and Economic Recovery Act of 2008, however, this is the first time an Administration has requested appropriations for the new program, which will provide formula-based allocations to states to finance the development, rehabilitation and preservation of affordable rental and homeowner housing. *One important change SERC would like to have implemented is one that would allow housing authorities to be eligible to apply for Housing Trust Fund money to increase its affordable housing stock.*

### **McKINNEY-VENTO HOMELESS ASSISTANCE GRANTS**

**SERC-NAHRO supports the request in the FY 2011 budget proposal for \$2.2 billion for HUD's McKinney-Vento homeless assistance grant program, a significant increase over the FY 2010 enacted level of \$1.86 billion.** HUD is working to implement the Homeless Emergency Assistance and Rapid Transition to Housing Act (HEARTH), which was signed into law by President Obama last year. HEARTH would restructure HUD's homeless assistance programs by combining the Shelter Plus Care, Supportive Housing and Section 8 Moderate Rehabilitation Single-Room Occupancy into a single competitive Continuum of Care program. HEARTH also creates a new Rural Housing Stability Assistance program, which would provide funding to combat homelessness in rural areas. As part of the proposed consolidation effort, SERC encourages an increase in the administrative fees housing authorities participating in these programs can receive to make it economically feasible for many smaller agencies to participate.

### **HOME PROGRAM**

One program being shortchanged in the proposed FY 2011 budget is the HOME Program. The administration's budget request of \$1.65 billion for the HOME Program is a reduction of \$175 million -- nearly 10 percent -- compared to the FY 2010 enacted level. **SERC urges Congress to provide \$2 billion for the HOME formula program in FY 2011.**

### **COMMUNITY DEVELOPMENT BLOCK GRANTS**

The Administration's FY 2011 budget proposes \$3.99 billion in funding for the Community Development Block Grant (CDBG) formula program, which is the same amount provided under the FY 2010 appropriations bill. **SERC believes \$4.5 billion is needed to fully fund the CDBG formula program and urges Congress to increase the amount being proposed by President Obama.** The CDBG Program is one of the most effective forms of federal assistance available to local governments because of its flexibility and local determination of community needs. It is, in essence, the cornerstone of community revitalization efforts and should be fully funded.