

Statement of

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"The Administration's Proposal to Preserve and Transform Public
and Assisted Housing: The Transforming Rental Assistance
Initiative"

Chairman Frank, Ranking Member Bachus, Chairwoman Waters, Ranking Member Capito, members of the Committee, my name is Mark Taylor. I am the Executive Director of the Charleston-Kanawha Housing Authority located in Charleston, West Virginia. I am honored to be here today to present our views regarding the administration's Transforming Rental Assistance proposal, commonly referred to as TRA. I want to begin by sincerely thanking my representative, Congresswoman Shelley Moore Capito, for the opportunity to testify before the Committee on this very important and ambitious proposal, which, from my vantage point, if authorized, would have a profound and lasting impact for housing authorities like mine. I applaud you for holding this hearing and for allowing not only myself but my fellow panelists the opportunity to present our views. I acknowledge the commendable effort that has been made by the Department to inform and gather comments on this proposal, though there remain a number of unanswered questions. I believe this hearing will begin to address some of those questions.

About the Charleston-Kanawha Housing Authority

The Charleston and Kanawha Housing Authorities officially reorganized and began operations as the Charleston-Kanawha Housing Authority in August of 2006. Individually, both authorities have provided decent, safe and sanitary housing for low- and moderate-income families for more than 70 years. Today Charleston-Kanawha Housing Authority is the largest assisted housing agency in the state of West Virginia. We provide housing assistance to more than 4,400 families within our operating jurisdiction. We offer public housing and Section 8 housing assistance for families and seniors. Under our public housing program we manage eight family communities, four high-rise communities and various scattered site developments throughout Kanawha County, which combined serve more than 2,000 residents. Under our Section 8 program, we manage over 2,900 rental assistance vouchers. There are at present over 200 on our waiting list for public housing, and some 2,000 on our waiting list for Section 8.

To begin my statement, I would like to make a few brief comments about the conversion discussion we are now having.

The Preservation Imperative

In my opinion, implementation of the administration's TRA proposal as currently presented could significantly affect the operations of my authority, the long-term preservation of my inventory, and our continuing ability to serve low-income families in our jurisdiction. With this in mind, I suggest you carefully examine this proposal given its depth, complexity and the uncertainty surrounding many of its aspects. I do agree, however, with the concerns the Secretary and many others have raised regarding the

long-term preservation of our existing affordable housing inventory. As the Secretary has said, “now is the time” to focus on the long-term financial and physical viability of our public and assisted housing inventories.

With this in mind, in my own community we are currently changing the face of public housing by redeveloping our three oldest communities, Orchard Manor, Washington Manor and Littlepage Terrace, which are all more than 50 years old. This is being done using a blend of private and public financial resources including low income housing tax credits, leveraging 1/3 of our capital funds and private loans. This is being completed in multiple phases and will result in the replacement of 500 units with a mix of public housing and project-based homes. We estimate our modernization needs for preserving our nine remaining public housing communities to be as much as \$84 million over the next 20 years.

I greatly appreciate the efforts of this Committee in making additional Capital Fund dollars available through the Recovery Act and the 2010 appropriation—dollars that have greatly assisted my authority in our efforts to preserve public housing by making them more viable in the community in which we operate. As an example, we are in the process of using our ARRA funding to convert 40 efficiency units in an elderly/disabled high-rise into more desirable and marketable one-bedroom units. I am aware, however, that this funding was made available primarily to address current difficulties in our economy and was otherwise tied to the uncertainties of the appropriations process.

Agencies like mine, whose mission it is to address the affordable housing needs of low- and very low-income families, seniors and the disabled, know that in order to effectively carry out that mission over time, it will be critical to have a variety of tools necessary to preserve our current stock and also to produce new affordable units. I believe the discussion on conversion we are now having can move us in the right direction in this regard, and for that I am grateful.

The Voluntary Nature of any Conversion Should be Maintained

The conversion of public housing should be a *voluntary option*. For over 70 years, PHAs like mine have owned and managed public housing, and this housing has become an essential element of local infrastructures. In some communities, the voluntary conversion of public housing to a different form of subsidy may represent both a practical and a promising approach. At my housing authority, I believe the conversion to project-based assistance would likely succeed for our smaller developments (50-100 units), which are less than 30 years old and have more modern design and features. At these sites, securing modest financing for modernization upgrades would be relatively simple. In other communities, I believe we need to appreciate the fact that public housing has been and should remain an effective, functional method for providing

affordable housing, and the need or desire to convert to a different form of rental assistance is simply not applicable. Again, from my experience in Charleston, larger (100 plus unit) developments that are older than 40 years, with outdated designs, are not viable without either major redevelopment or consistent modernization funding as provided through the Capital Fund Program. We have been very fortunate in our timing, and the resources available to us to have redeveloped our aging developments. This option may not, however, be available to all housing agencies as capital becomes harder to obtain and the ability to construct complex financial deals may be beyond their expertise or resources.

Mr. Chairman, I am concerned about a proposal, however well intentioned, that contemplates the phased elimination of the existing public housing program as we know it. Housing authorities must continue to have access to multiple options for the preservation and recapitalization of their existing public housing projects. However, I also believe that we must be able to ensure a fully funded public housing program, strong implementation of the Capital Fund programs, and a streamlined regulatory environment (particularly for smaller agencies) where PHAs do not voluntarily choose to convert.

Flexibility to Meet Local Needs and Circumstances

In terms of your efforts to create a feasible conversion tool, I believe housing authorities should have a range of options to allow us to address the specific needs and priorities of our communities. The Secretary has talked about the inherent problems of having as many as 13 different rental assistance programs, including public housing, and the problems that having 13 different sets of program requirements inevitably bring about. While I can't necessarily argue against the merits of program uniformity and consolidation as a practical matter, at the local level I want to be able to make decisions and use appropriate resources that best meet needs in the three counties that I represent.

While I have only limited information regarding the proposed 8(n) program, I am concerned about the receptivity of the marketplace, most especially the lending community, to this new form of assistance, especially given a number of secondary policy objectives 8(n) would impose. Imposing Section 3 requirements upon converted developments is a good example of an overlapping policy goal that could otherwise jeopardize TRA's potential for success. Mr. Chairman, I suspect that agencies interested in converting public housing will be primarily motivated by a desire to move into a regulatory environment that more closely resembles the existing privately-owned multifamily regulatory environment. In my own case, relief from the cost of managing and monitoring Section 3 and community service requirements would be incentive to convert my public housing units. Likewise, in our redevelopment efforts working with

lenders, the restrictions placed upon us as a public entity, such as having to follow prevailing wage requirements, represent a constraint that private owners largely do not face.

With these general thoughts in mind, I would like to discuss a few specific issues that jump out at me in my reading of the administration's proposal and the legislative language accompanying that proposal, which you now have before you.

Mobility/Choice

First let me turn to the "Resident Choice" feature proposed in HUD's draft legislative language. As I understand it, residents living in the converted 8(n) properties, and potentially *all* public housing and rental assistance properties, could access a Housing Choice Voucher after 24 months of residency. PHAs that convert would be required to set aside every third turnover voucher to serve those households that may choose to exercise this option.

My immediate concern is that this feature essentially allows those clients who are already receiving housing assistance to jump the voucher waiting list and receive 1 out of every 3 vouchers that become available, which in our housing authority's case would be approximately 150 vouchers annually. In my area our voucher waiting list currently has 2,000 families waiting for assistance, with the average wait being 12-18 months. Unfortunately, under this proposal 150 fewer unassisted families per year would receive assistance.

Besides questions of fairness, I believe the "choice" feature is unnecessary for residents of our community. Public housing residents of the Charleston-Kanawha Housing Authority most certainly have choice. Approximately 25 percent of our residents choose to leave their units annually. They also have a right to receive public housing assistance while maintaining a place on the voucher waiting list and can elect to receive a voucher when their names come to the top of the list. In FY 2010, for example, about 66 of our public housing residents were provided the opportunity to receive a voucher. Additionally, we offer families living in public housing the opportunity to be better served in a different location through transfers to other public housing sites. As such, residents of our public housing are no more constrained in their housing choices than are other low-income families, and they certainly have significantly more choices than those families who are eligible for assistance but are not yet receiving it.

In my opinion, the "Resident Choice" feature could potentially add confusion to the already challenging task of managing the housing choice voucher waiting list. In addition, it could also intensify turnover pressures on developments subject to the "Resident Choice" requirements. For Charleston-Kanawha Housing Authority, the "choice" feature is a solution in search of a problem that does not exist, and could

unravel a system that I believe serves the low-income residents of our community very well.

Regionalization

As I have followed the administration's proposal, I have noted the continued emphasis on the regionalization of the Housing Choice Voucher program. While the voluntary consolidation of HCV programs and consortia or the adoption of multi-agency portability agreements would not be *required* under the most current TRA proposal, regional configurations would still be given priority in evaluating conversion applications. By using this as grounds for qualification, I am concerned that this will eventually become a requirement for participation. I believe the decision to enter into a regional agreement should be left to local authorities based on local considerations. I think that PHAs—including my own—would be more likely to enter into cooperative agreements with other agencies if the Department implemented statutory language that increased flexibility through regulatory and administrative measures. To emphasize a point I made earlier, I believe that participation in any conversion program should be voluntary and based on the preservation needs of the property.

Many Unanswered Questions

Mr. Chairman, as important as this discussion on conversion has become over the last several weeks, and although there have been noteworthy efforts by the Department to solicit input from stakeholders on TRA, there are still many unanswered questions. Authorities like mine will need more information on the practicality, cost and financial feasibility surrounding this proposal if it becomes law—information that we would need to take to our Boards of Commissioners and others before making the decision to convert. I would like to raise a few of those questions now for the Committee's consideration:

First, it is my understanding that the Department's proposal will be phased in over the next several years. Assuming this remains a voluntary program, what can those who do not convert expect? For example, will the Department continue to request Capital Fund resources sufficient to address the ongoing modernization needs for those who do not convert? I must say that the \$500 million cut in the Capital Fund in the Department's FY 2011 budget, coupled with a \$350 million request for TRA, does give me pause and raises a concern about how remaining public housing units will actually fare—especially those more costly to convert above the Department's per unit estimate or those in the situations where it may be very difficult to secure private financing.

Second, with regard to the "Resident Choice" feature, who will administer the set aside pool of "Resident Choice" vouchers? For housing authorities that do not administer housing choice vouchers but are required to exercise the "Resident Choice" option,

where will they obtain exit vouchers? Will the vouchers that serve my community be reduced in order to accommodate communities without vouchers or communities that have longer waiting lists due to the “choice” option? The draft bill unfortunately does not answer these critical questions.

Third, given our housing authority's current redevelopment efforts, there seems to be no consideration for those housing authorities who have currently obligated their capital funds for preservation efforts under the Capital Fund Financing Program. At present the Charleston-Kanawha Housing Authority, for example, has committed over \$600,000 annually for the next twenty years to finance our redevelopment activities. What plans are there to address the needs of housing authorities in my position?

Fourth, the bill requires one-for-one replacement of units, which would make many mixed-finance deals in our community impossible. I believe this requirement could severely restrict our financial options to preserve and revitalize our outdated housing stock, though our intent is to maintain our baseline of approximately 1,500 public housing units over the multiple phases of redevelopment. Under our current redevelopment plan, it was our understanding that we would receive replacement housing factor funds; will these funds be available in the future under TRA?

Fifth, I wonder how the lenders will respond to a new and untested program such as TRA. For example, what might the underwriting criteria be? Commercial real estate in general is difficult to finance today, and I would assume a TRA-type loan product would most likely hit some market resistance unless a type of credit enhancement structure is part of the transaction. I would also expect underwriting criteria to be very project-driven and would most likely require higher vacancy factors and turnover costs based on the proposed structure of the TRA model. The depth of the market, i.e. market feasibility, location, strength of management, attractiveness of the product relative to the competition, and other factors, will all be crucial to the long-term preservation of the housing.

Conclusion

Mr. Chairman, this Committee has been engaged in difficult, but much needed, work necessary to preserve our nation's affordable housing inventory. My colleague, Fred Purnell from Wilmington, Delaware, was given the opportunity just a few weeks ago to discuss the One for One Replacement and Tenant Protection Act of 2010 and the Public Housing Preservation Act of 2010 that both Chairwoman Waters and you have authored. Today it has been my pleasure to discuss with you the administration's PETRA legislation. Members of this committee are to be complimented for having raised the importance of maintaining our existing inventory of public and assisted housing to a new and rather unprecedented level of review. We are now living through

times that have intensified pressures on the federal budget and our economy as a whole. There is a temptation in times like these to be bold and to try new approaches. In the world of public housing, TRA is an ambitious attempt to sustain our nation's public housing inventory and, like this Committee, the administration is to be applauded for being bold—particularly when we are aware that the existing order needs fresh thinking.

The revised TRA proposal, although in many ways a positive step forward from the initial proposal, does not provide details or clarification on key elements that authorities like mine need to know in order to make rational judgments as to the utility of this approach in their areas of jurisdiction. I have highlighted several issues and concerns that are of immediate importance to us in Charleston. There are other issues that time does not permit me to cover—most importantly the issue of financing, including the adequacy of proposed rent levels, the cost to address unmet modernization needs, and the ability to leverage sufficient private capital.

Mr. Chairman, I would ask this committee to take a careful approach to advancing legislation of this magnitude and complexity. To the maximum extent possible, I would rely on proven programs to underpin this effort rather than wade into uncharted waters. I know the public housing program and I know the Section 8 project based rental assistance program. Lenders and other key groups in my community are also familiar with these programs. I feel at this point in our conversion discussion, that it would be far more prudent to rely on what we know and what has been tested in the market.

Finally, should you choose to advance conversion legislation in this Congress, I would suggest a limited approach in the nature of a “pilot” that can be assessed and modified later based on hands-on administration in a variety of markets. In addition to enabling at a later point a more all-encompassing approach based on real time experience and analysis, a “pilot” approach would be less costly now in these otherwise difficult days of constrained budgets.

This concludes my statement. I am happy to answer any questions you may have of me, and I, along with my staff in Charleston, stand ready to assist the members of this committee in any way you deem appropriate. Thank you for your time and attention.