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**Testimony of the National Leased Housing Association
Presented by Denise B. Muha
Hearing on H.R. 1999– May 17, 2005
Committee on Financial Services
Subcommittee on Housing & Community Opportunity**

The National Leased Housing Association (NLHA) is pleased to submit our views relating to HUD’s flexible voucher proposal introduced as H.R. 1999. For the past thirty years, NLHA has represented the interests of housing agencies, developers, lenders, housing managers, and others involved in providing federally assisted rental housing. Our members are primarily involved in the Section 8 housing programs – both project-based and tenant-based. NLHA’s members provide or administer housing for over three million families.

We have reviewed H.R. 1999 and are distressed that HUD would propose such a drastic reinvention of a program that we believe is the cornerstone of federal housing policy in an attempt to rationalize future funding cuts. NLHA opposes any attempt to block grant the voucher program in 2005 as we opposed such initiatives in 2004 and 2003. “The State and Local Housing Flexibility Act” is a thinly veiled block grant proposal.

Success of the Voucher Program

The Section 8 tenant based programs were created as an alternative to project-based subsidies by providing the housing subsidy directly to the eligible family instead of attaching the subsidy to a particular building. The families rent units in market rate housing – choosing where they wish to live. The first tenant-based program was introduced in 1974 as the Section 8 “Certificate” or “Existing” program with the “Voucher” program being added in 1983. The programs were merged in 1998 to become today’s “Housing Choice Voucher Program.” To date, Congress has authorized over 2 million vouchers.

NLHA believes the program has been successful in achieving its goal of assuring safe, decent and affordable rental housing for low income families/elderly and **does not need major reform**. The program improvements made by QWRHA in 1998 enabled PHAs to more accurately address market conditions, eliminated several barriers to landlord participation and as a result increased voucher success and utilization rates.

THE PROGRAM WORKS – the fundamental issue that needs attention is the lack of a stable funding formula. A number of minor program improvements may be desirable, some of them proposed in H.R. 1999, which we will address in our testimony, but NLHA does not support program changes that will justify deep funding cuts. Any legislation contemplated by this committee should result in a permanent and reliable funding methodology that will ensure the program’s future.

A Stable Funding Formula Needs to be Implemented

In recent years, to respond to the increasing costs of the voucher program, Congress has changed the way the voucher program is funded -moving from a formula that was based on the number of units that the PHA has under contract with HUD at their current per unit cost to a dollar-based formula established by the number of units under lease on a given date adjusted by an inflation factor.

Each year for the past three years, PHAs have been forced to adapt to a different approach to funding (often retroactively) which has resulted in unanticipated shortfalls and inadequate reserves that have negatively impacted applicants, tenants, landlords, lenders and development entities.

This formula enacted in FY05 does not provide sufficient flexibility for voucher administrators to address cost increases associated with factors beyond their control, and has resulted in fewer families being served. The program was at 96 percent utilization in 2002 and has dropped to 93 percent under the current funding scenario.

Regrettably, H.R. 1999 does not provide a methodology for distributing voucher monies and defers action on a funding formula for two years to provide for a “negotiated rulemaking” process. Two years is too long.

All stakeholders (landlords, owners, residents, lenders and agencies) need to know how funding appropriated will be distributed from HUD to PHAs, and from PHAs to landlords. That is, the formula must be understandable to all parties and not needlessly complicated. Stakeholders also need to know how the amount and distribution of funding will affect voucher holders (e.g., the effect on the number of households that will be supported). Funds allocated to an area that are not needed should be reallocated to areas of need rather than rescinded. A system of reserves, including adequate reserves for PHAs and a HUD central fund, is paramount in order to deal with unforeseeable changes in market conditions, family incomes, appropriations and administration, and to allow leasing of additional authorized vouchers by individual PHAs.

We urge the committee to devote its attention to developing a formula for the allocation of voucher funds that is fair, flexible and maximizes the amount of dollars provided by the appropriations process.

Tenant Rents

At present the formula to calculate a tenant's rent under the voucher program and other subsidy programs is incredibly complex resulting in both overpayment and underpayment of subsidies. Our members support steps being taken to simplify the tenant rent setting process, however, some uniformity among PHAs is important to all landlords/owners who operate in multiple jurisdictions. We also believe that any change in the calculation of tenant rents should not cause current voucher holders to pay proportionately more for rent than they are paying today.

An important change would be to amend the requirement that tenants' certify their income every year. This is a burdensome process, and often unnecessary, particularly for elderly and disabled tenants that are on a fixed income. NLHA recommends that re-certifications be required every other year for families and every three years for elderly and disabled residents. Cost of living adjustments can be applied in the years that a re-certification is not done. Such a change should be applied to vouchers, project-based Section 8 and public housing. Tenants would retain the option to ask for an interim re-certification should their income decline. This change would eliminate a large administrative burden for administrators and would be less intrusive to residents.

Inspection Standards

Under current law, each apartment/home that is intended to be rented by a voucher holder must be inspected by the PHA. Clearly, the intent of the law is to ensure that the voucher recipients lease decent, safe and sanitary units. However, over the years, one of the biggest complaints from landlords about the voucher program is the length of time it takes for vacant units to be inspected by housing agencies before the unit is approved for lease-up to a voucher holder.

We propose that PHAs be provided discretion to inspect not less than 25 percent of their voucher units each year (assuming that each unit passed inspection at initial lease-up) to allow agencies to better focus their resources on housing units that need more frequent inspections- mom and pop rentals vs. professionally managed properties that are consistently well maintained.

HUD could without legislation, in order to provide recipients quicker access to apartments, exempt units from HQS inspections if they have already passed inspections conducted by HUD's Real Estate Assessment Center. In addition, HUD should amend its inspection criteria to allow the PHAs to lease-up a unit that has minor defects that have no impact on the health, safety or livability of the unit prior to the landlord making the repairs. Minor legislative changes could enable other units inspected (and approved) by

tax credit allocating agencies or other local entities to count as a valid inspection for purposes of renting to voucher holders.

Portability

Currently, vouchers are “portable” in that voucher recipients have the ability to move to another approved voucher unit anywhere in the country. Proponents of nationwide portability claim that it allows families to move to new jobs or to be with other family members in other parts of the country without losing their assistance. Opponents argue that nationwide portability results in increased administrative burden to housing agencies that is worsened by recent funding shortfalls.

Our PHA members do not oppose the concept of portability, but recommend that if it is required, that HUD provide a mechanism to reimburse PHAs for funding disparities caused by the current system.

Enhanced Vouchers

Nearly 10 years ago, Congress provided for “enhanced” vouchers to ensure that low income families/elderly would not face displacement, physical or economic, as a result of the prepayment of a HUD insured loan that provided for affordable rents (e.g. Section 236 and Section 221(d)(3) BMIR). This provision in the law was expanded several years later to include residents living in Section 8 project-based units in which the Housing Assistance Payment (HAP) contract was expiring and was not going to be renewed by the owner. These vouchers have been critical in protecting low income families from such displacement. Further, the ability of preservation entities to purchase properties that might otherwise be converted to conventional use has been strengthened by the availability of enhanced vouchers, resulting in significant recapitalization of older properties while keeping the tenants in place. Such tenant protection vouchers must continue to be provided to further the goals of preservation. NLHA strongly opposes HUD’s proposal to limit the enhancement of such vouchers to one-year.

Further, we recommend that the funding for enhanced vouchers be paid out of a separate pot of money. In other words, the first year of enhanced voucher funds is appropriated under a “tenant protection” account. In the second year, such funding is rolled into a PHAs normal funding formula. As a practical matter, this approach has caused difficulties in administration of the enhanced vouchers as the determination of the payment standard is different. It may be beneficial to keep this funding separate and when a tenant no longer needs the enhanced voucher, it should return to the tenant protection account. In other words, Congress may want to consider a revolving type of approach for enhanced vouchers.

Thank you for the opportunity to express our views. We stand ready to work with the Committee on this and other critical affordable housing issues.