

Honorable Members of the Committee,

I am Rudolf Montiel, the Executive Director of the Housing Authority of the City of Los Angeles (HACLA). I assumed that position in November 2004. Prior to that time I was the President and CEO of the Housing Authority of the City of El Paso. During our three year tenure in El Paso, our authority was consistently one of the highest rated large housing authorities in the nation in both the PHAS and SEMAP indicators.

It is an honor to provide testimony regarding the State and Local Housing Flexibility Act of 2005.

I am happy to report that HACLA is making great progress in fiscal stewardship, operational efficiency, and in bringing a culture of “transparency and compliance” to our organization. I would like to recognize the support of our congressional delegation, HUD, Los Angeles city leadership, and the HACLA Chairperson and Board of Commissioners for working together to avoid receivership for HACLA in early 2004.

Today, I would like to frame my remarks in the situation we live in Los Angeles, the nation’s second largest city. I think it would be helpful to provide you a brief history of where we have been over the past few years.

First, HACLA significantly overleased units in the Section 8 voucher program in 2004. At the height of the crisis we were nearly 6,000 units overleased. I am pleased to report that HACLA has taken the management steps necessary to reverse that situation, and today is no longer overleased.

Second, gang actions and high rates of criminal activity have plagued HACLA developments over the past few years. The explosive growth of gang membership in Los Angeles is a problem that affects the community as a whole but most particularly the areas in and around our public housing developments. Our housing developments have the dubious claim of being the birthplace of some of the most notorious gangs that now have franchises in many of the nation’s largest cities.

Third, despite wonderful redevelopment success in the Pico-Aliso public housing communities, HACLA has experienced a net loss of nearly 1,000 public housing units due to demolition. Moreover, in Los Angeles, some of the largest and most distressed public housing communities in the nation have yet to be redeveloped.

Fourth, little progress has been made to significantly decrease the waiting lists for Section 8 (90,000 +) and public housing (24,000 +).

Given these facts it is with great interest that we at HACLA analyzed the different facets included in this legislative proposal. As with any sweeping legislation there are good aspects to the bill; similarly, there are not so good aspects. If the bill goes forward, I would support excepting elderly and disabled families from several of the proposed

provisions that otherwise might affect the poorest of these families adversely (income targeting, term limits, etc.)

I would like to highlight several aspects of the bill that in my humble opinion are most relevant in the community I serve:

Reduced Administrative Requirements for Rent Calculation, Inspections and Re-certification:

This is definitely a positive aspect to the bill, given that it will reduce the administrative cost of program, potentially resulting in more funding available to directly assist families. Simplification of rent calculations, including limits for assets and ownership of real property; reduction in the inspection requirements; and extending the period for required re-certification are all good.

Income Targeting

I do not concur with the structural shift in the income targeting provisions of this bill. Simply put I think it will undoubtedly hurt the most needy of families for the income targeting to move from serving 75% of families at 30% AMI to 90% of families served at 60% AMI. Moreover, in Los Angeles as in many large urban centers, the targeting provisions have allowed families from Watts (in south Los Angeles) and Boyle Heights (in east Los Angeles) to move to more middle-class areas such as the San Fernando Valley. While I understand that numerically more overall families could be served, I think that it will hurt our community and push even more families into severely substandard housing or homelessness.

Funding for Public Housing:

I am very concerned about the level of funding proposed to be provided by the associated appropriation request. The flexibility and reduced administrative requirements will not offset the significant decrease in operating subsidy and capital fund. Although the move to project-based management for public housing is a very good initiative, I strongly believe that public housing regulatory requirements drive a much higher management costs than those in the LIHTC or market-rate properties.

Public Housing Capital Fund:

There is clearly a major disparity between the deferred capital needs of the public housing stock in Los Angeles and the amounts being funded through the appropriation request for 2006. Unless Congress appropriates funds to adequately provide for capital needs of the real estate portfolios of public housing authorities (PHAs), the deterioration of these assets will accelerate dramatically in the next few years and the related costs will increase exponentially, not linearly.

It is in this context that fungibility allowed by this legislative proposal can enable additional investment of capital dollars into our public housing stock especially in redevelopment initiatives. I think this is a good aspect of the legislation and I support this provision of the bill. It is of vital importance to make productive use of the underlying real estate value of public housing assets.

Recommendations for Added Provisions in the SLHFA Proposal:

In my opinion there are two general areas that if addressed in a more extensive manner, could provide a great benefit to HUD and PHAs and result in meeting Congress' mandate to reduce fraud and waste in the Section 8 voucher and Public Housing programs.

Strengthening of Penalties and Permanent Debarment for Fraud Violations of Participants and Landlords:

The legislation needs to provide effective barriers to fraud and abuse by landlords, tenants and employees of PHAs. The penalties should be significant enough to serve as a deterrent. Among the penalties I would suggest are permanent debarment for those parties that engage in fraud. To this end, the HUD regulations need to be modified to more clearly define prohibited conflicts of interest and familial prohibitions.

Various steps could be taken to support this effort. For example, I believe that a national database of debarred individuals and entities needs to be made available to PHAs to prevent participants being terminated in one jurisdiction from moving to another jurisdiction to receive assistance.

Income Verification:

Third party income verification is one of the most difficult aspects to administering public housing and Section 8 vouchers. I believe implementation of a database of electronic federal (IRS and Social Security) and state income and assistance records would be of great benefit. An automated system could greatly increase the accuracy of assistance determinations.

I hope that my testimony will be helpful to you as you make very difficult decisions concerning these badly needed programs. I look forward to maintaining an excellent working relationship with HUD and implementing changes adopted by the Congress through this legislation.