February **DATE**, 2015

Senator Susan M. Collins

Chairwoman, Appropriations Subcommittee on Transportation, Housing and Urban Development and Related Agencies

SD-142 Dirksen Senate Office Building

Washington, DC 20510

Senator John F. “Jack” Reed

Ranking Member, Appropriations Subcommittee on Transportation, Housing and Urban Development and Related Agencies

SD-142 Dirksen Senate Office Building

Washington, DC 20510

Dear Chairwoman Collins and Ranking Member Reed:

The National Affordable Housing Management Association (NAHMA) is a leading voice for multifamily property managers and owners. Since 1990, our membership has grown to include the most distinguished leaders in the multifamily housing industry. Currently, NAHMA members manage and provide housing for over two million Americans with low and moderate incomes.

As you are aware, the President’s FY 2016 budget request for the Department of Housing and Urban Development (HUD) Project-Based Rental Assistance (PBRA) program provides a $1.03 billion increase over the FY 2015 enacted level. This proposal recognizes that fact that HUD shifted away from their previous policy of funding contract renewals at the expiration date for a 12 month term to a transition funding method based on the calendar year, or the 12 month payment to be made on January 1, 2016. This allowed HUD to shorten or reset a portion of the 12 month renewals dates to January in order to achieve a one-time saving, or over $1 billion dollars. These savings, or to use another term, the FY 2015 funding shortfall, are shifted in order to be absorbed within the total renewal costs within the FY 2016 appropriation.

We welcome and commend the Administration’s efforts to address this budget shortfall but are concerned on two points. First, the shift to a calendar year funding cycle is an untested method that simply pushes a portion of the total annual contractual cost into the next fiscal year. Second, we are concerned with the discrepancy and accuracy of HUD estimates that provide for the total cost necessary to fund all expiring contacts for a full 12 month period, regardless if it is funded throughout the year (previous method) or on the new calendar year basis.

As you work to assemble the FY 2016 appropriations bills, we are writing to seek your assistance in adequately funding the PBRA program. We would like to respectfully suggest two options to meet the funding requirements in FY 2016. The first option is based on the cost to cover the expiring contracts on a 12 month term throughout the fiscal year and the second option is based on the renewal cost based on the calendar year funding cycle.

Our first and preferred option would include an appropriation level of $12,415,000,000. The $12.415 billion level provides $10.8 billion for contract renewals and amendments, $1.4 billion to fill the budget shortfall that will be left over from FY 2015 and up to $215 million for performance-based contract administrators. To be clear, the $1.4 billion shortfall is derived from the savings obtained in FY 2015 from reducing the original 12 month renewal term to a shorter term ending on December 31, 2015. This level, $12,415,000,000, will cover the full cost of renewing PBRA contracts as they expire throughout FY 2016 (not based on the calendar year model) for a full 12 month term and make up for the reduction in FY 2015.

Should the Committee continue to fund the PBRA under the calendar year method as proposed by HUD, NAHMA respectfully request the second option of providing an appropriation of $11,015,000,000. The $11,015,000,000 level provides $10.8 billion for contract renewals and amendments and up to $215 million for performance-based contract administrators, a level necessary to continue the funding realignment with the calendar year method to cover the full cost of renewing expiring PBRA contracts beginning on January 1, 2016 for a 12 month period.

The contract renewal figure we propose for both funding methods is $10.8 billion, or $255 million dollars above the President’s budget request, for renewal costs of $10.54 billion. This figure is based on previous testimony and comments from senior HUD officials, including former Secretary Donavan. NAHMA, as an industry representative, can only rely on the information provided by HUD to accurately provide the true renewal costs that will occur in FY 2016.

For several years, HUD has delayed payments, shortened the contract terms and reduced the Housing Assistance Payments (HAP) to owners in order to push a portion of the total annual costs into the next fiscal year. The impact of these actions has required owners to draw from their replacement reserve accounts, scale back critical tenant services, delay tax and other payments for vital services- actions that subsequently reduced the confidence of private investors. Currently, the portfolio is leveraging approximately $16 billion in Federal Housing Administration insurance and more than $17 billion in private financing and equity. Providing a stable and predictable stream of income based on the contractual obligations between HUD and the private owners will preserve and protect the government’s investment in this vital portfolio.

We recognize the tight budgetary climate that currently exists and the fiscal limitations that the Committee must face as you assemble your FY 2016 appropriations bills. As you are aware, the PBRA program provides critical rental subsidies through approximately 17,300 private contracts to support affordable and safe rental housing for 2.11 million low-income residents, of which 80% are elderly (47%) or persons with disabilities (33%).

We are hopeful that the Committee can adequately fund this account and once and for all eliminate the disruptions and hardships on tenants and owners. Plainly speaking, HUD has failed to meet the contractual obligations within the existing HUD contracts with property owners and managers. We appreciate the Administration and Committee’s efforts to address this shortfall and sustain this successful public-private partnership. We look forward to working with Congress and HUD as we move forward to address this issue and provide stability to this critical housing portfolio.

Thank you in advance for any assistance that you may provide. If you need any additional assistance, please contact me directly.