



400 North Columbus Street
Suite 203
Alexandria, VA 22314
(703) 683-8630
(703) 683-8634 FAX
www.nahma.org

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**Outside Witness Testimony of Kris Cook, CAE
Executive Director, National Affordable Housing Management Association
House Appropriations Committee
Subcommittee on Transportation, Housing and Urban Development and Related
Agencies
FY 2016 Budget, U.S. Department of Housing and Urban Development**

Thank you, Chairman Balart and Ranking Member Price, for the opportunity to submit this testimony on behalf of the National Affordable Housing Management Association (NAHMA). My testimony concerns the U.S. Department of Housing and Urban Development (HUD) budget request for FY 2016. I will primarily focus on the importance of providing full-funding at the level of \$12.2 billion for the 12-month contract terms under Project-Based Section 8. I will also request the Subcommittee's support for other key HUD rental assistance programs.

Specifically, I will urge the Subcommittee to support \$18.364 billion for the Housing Choice Voucher program contract renewals. For the programs Section 202 Housing for the Elderly and Section 811 Housing for the Disabled, please provide at least \$455 million and \$177 million respectively. I will urge the Subcommittee to provide \$30 billion in commitment authority for the FHA General and Special Risk Insurance Fund. HOME should receive \$1.6 billion, and the Community Development Block Grant (CDBG) should receive at least \$3.3 billion. Finally, I will express NAHMA's strong support for funding HUD's Limited English Proficiency Initiative (LEPI) technical assistance program and expanding the Rental Assistance Demonstration Program.

NAHMA strongly urges the Subcommittee to reject cuts to affordable multifamily housing programs administered by the Department of Housing and Urban Development (HUD). In FY 2016, NAHMA strongly urges the Subcommittee to provide the necessary appropriations to ensure that all of HUD's rental assistance programs receive full-funding for their 12-month contract terms.

About NAHMA

NAHMA members manage and provide quality affordable housing to more than two million Americans with very low to moderate incomes. Presidents and executives of property management companies, owners of affordable rental housing, public agencies and national organizations involved in affordable housing, and providers of supplies and services to the affordable housing industry make up the membership of NAHMA. In addition, NAHMA

serves as the national voice in Washington for 19 regional, state and local affordable housing management associations ([AHMAs](#)) nationwide.

Project-Based Section 8

In the Project-Based Section 8 Program (PBS8), HUD contracts with private apartment owners to pay the difference between the rent for the unit and 30 percent of a qualified tenant's income. The rental subsidy in the PBS8 program is tied to the property. This program provides housing to more than 1.2 million low-income households, over half of which are elderly or persons with disabilities. According to HUD, the program supports 100,000 jobs, and PBS8 properties generate \$460 million in tax receipts to local and state governments.

For PBS8, HUD requested a total of \$10.76 billion, an amount that is \$1.03 billion above the FY 2015 enacted level. Of this sum, \$10.545 billion would be used for contract renewals. The request also includes \$400 million in advanced appropriations.

In FY 2015, HUD began its transition of the PBS8 funding cycle for contract renewals to a "calendar year" schedule running from January 1 – December 31, rather than the current fiscal year funding cycle, which runs from October 1 – September 30. This transition and a corresponding funding cut in FY 2015 were contingent on the PBS8 program receiving full 12-month funding for contract renewals in FY 2016. HUD argues that this change will provide the "true cost" of the program at the beginning of the appropriations process, and lead to consistent 12 month funding for PBS8 contracts in future appropriations legislation.

However, NAHMA remains concerned that the requested \$10.54 billion for FY 2016 PBS8 renewals is insufficient to obligate full-funding for the 12-month contract terms. In FY 2014, senior HUD officials informed industry stakeholders that \$11.5 billion would be necessary in FY 2016 to obligate upfront funding for 12-month PBS8 contracts at the time of renewal and to recover the funding lost from sequestration. Later that year, Secretary Donovan testified before the Senate T-HUD Subcommittee and said that \$10.8 billion will be necessary in FY 2016 to fund contracts for 12 months under the calendar year model. As the Subcommittee knows, sequestration may return in FY 2016 unless Congress delays, replaces or repeals it. Full funding for PBS8 contracts is essential, and HUD's proposal simply leaves too much to chance. As a result, we believe the true cost of 12-month funding for each contract on the anniversary date of the contract in FY 2016 is approximately \$12.2 billion.

Under the calendar year model, HUD is essentially divorcing the contract anniversary date (which will still fall during any of the 12 months in the calendar year for the 17,400 existing contracts) from the contract funding date (which HUD proposes as a single day on January 1). NAHMA is concerned this transition amounts to a budget-gimmick that will not save the government any money. It simply accelerates an accruing shortfall in the account, now estimated at about \$1.4 billion, by bifurcating payments over two fiscal years. The necessary funding will still fall over two different fiscal years, as it does now when HUD "short funds" contracts (from the anniversary date to the end of the federal fiscal year). The calendar year model, however, leaves HUD absolutely no room for contingencies if Congress does not provide the necessary funding for 12 months of

renewals in future fiscal years. Without full funding for renewals in later fiscal years, HUD would either have to prorate funding or stop making contract payments.

There are very real consequences to underfunding PBS8 renewals. Specifically, insufficient contract funding:

- Places taxpayers at risk of draws on FHA insurance if a property defaults on its FHA mortgage;
- Jeopardizes the efficient management, financial solvency, and physical health of PBS8 properties;
- Jeopardizes investor and owner confidence in the PBS8 program;
- Increases operating costs because properties accumulate numerous late fees to lenders and service providers as a result of having insufficient funds to make mortgage and utility bill payments; and
- Leads to postponed or cancelled rehabilitation and renovation plans.

For these reasons, NAHMA strongly urges the Subcommittee to reject the calendar year funding model and provide \$12.2 billion in FY 2016 for full funding of the 12-month contract terms of Project-Based Section 8 contracts.

Other Critical HUD Multifamily Housing Programs

In addition to Project-Based Section 8, NAHMA is concerned about funding levels for the following programs:

- NAHMA urges the Subcommittee to provide \$18.364 billion for contract renewals in the Housing Choice Voucher Program (HCV, or tenant-based Section 8). This request will ensure the renewal of assistance for all voucher-assisted low-income households served in 2015 and will also restore leasing of 67,000 vouchers that were lost in 2013 due to sequestration. The requested amount does not assume the adoption of the Administration's proposed change to the medical/disability expense deduction threshold for elderly and disabled households up from 3 percent to 10 percent of their gross income.
- For Section 202 Housing for the Elderly, NAHMA requests at least \$455 million. HUD's request for this program also includes \$365 million for the renewal and amendments of Project Rental Assistance Contracts (PRACs), and \$77 million for the Service Coordinator program. Also requested is \$10 million for Elderly Project Rental Assistance (PRA) that will be used to support the funding of new affordable housing with services models for very low-income elderly to age in place. Ideally, NAHMA would also like to see funding for new construction of senior apartments restored.

- For Section 811 Housing for the Disabled, NAHMA supports HUD's request of at least \$177 million. This request includes \$150 million for Section 811 Project Rental Assistance Contract (PRAC) renewals and \$25 million for Project Rental Assistance (PRA) awards that will support the development of approximately 700 new units.
- The General and Special Risk Insurance Fund programs provide mortgage insurance for financing the development or rehabilitation of multifamily housing, nursing homes and hospitals. NAHMA supports HUD's request of \$30 billion in commitment authority.
- The HOME Investment Partnerships (HOME) program is the largest federal block grant to state and local governments designed exclusively to produce affordable housing for low-income families. HOME provides essential gap financing for development of Low Income Housing Tax Credit (LIHTC) properties. NAHMA requests that the Subcommittee restore funding for the HOME program to the FY 11 level of \$1.6 billion.
- The Community Development Block Grant (CDBG) offers block grants to local communities for community development purposes, including the development of affordable housing. NAHMA urges the Subcommittee to reject cuts to this program and instead provide \$3.3 billion for the CDBG in FY 2016 which would restore funding to the preferred level last requested in 2014.
- NAHMA supports HUD's proposal to expand preservation options under the Rental Assistance Demonstration (RAD) program by offering properties with Section 8 Moderate Rehabilitation (Mod Rehab), Rental Assistance Payment (RAP) and Rent Supplement (Rent Supp) contracts an option to convert to Project-Based Section 8 contracts. Currently, such owners are able to convert the tenant protection voucher assistance that is triggered at contract expiration or termination to Project Based Voucher (PBV) assistance.
- NAHMA supports HUD's request of \$300,000 for the Limited English Proficiency Initiative (LEPI). NAHMA applauds HUD's work in translating many of its official documents into foreign languages spoken by many assisted residents. This small amount of funding has helped relieve property owners of an obligation to provide translation services that could have diverted funds from repairs and maintenance of the properties.

Conclusion

Thank you again for the opportunity to submit this testimony. I look forward to working with the Subcommittee to ensure essential HUD rental assistance programs are fully funded and properly administered.