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**Outside Witness Testimony of Kris Cook, CAE
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Senate Appropriations Committee
Subcommittee on Transportation, Housing and Urban Development and Related
Agencies
FY 2015 Budget, U.S. Department of Housing and Urban Development**

Thank you, Chairwoman Murray and Ranking Member Collins 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 2015. I will primarily focus on the importance of providing full-funding at the level of \$11.9 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 \$18.457 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 \$440 million and \$160 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 \$3.03 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 2015, 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 contact 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 disabled. 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 \$9.75 billion, an amount that is \$170 million below the FY 2014 enacted level. Of this sum, \$9.54 billion would be used for contract renewals. The request also includes \$400 million in advanced appropriations.

In FY 2014, knowing that the funding level would result in partially funded contracts, Congress provided \$9.65 billion for PBS8 contract renewals. With this in mind, NAHMA is alarmed that the Department is asking for even less for FY 15. The slated \$9.54 billion for FY 2015 PBS8 renewals is insufficient to obligate full-funding for the 12-month contract terms. HUD has stated that the reason for its lower request in FY 2015 is due to the Department's desire to shift the 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. HUD argues that this proposal will minimize funding disruptions under continuing resolutions, 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 FY 2016 and beyond. The Agency also cites the Housing Choice Voucher Program as a model for using a calendar year payment cycle.

NAHMA strongly opposes the proposed cut to project-based Section 8, and we do not support moving the renewal cycle to a calendar year. NAHMA's position on funding for PBS8 contract renewals remains clear and unequivocal:

- The Federal Government must honor its contracts with property owners;
- PBS8 contracts must receive full funding for their 12 month terms; and
- PBS8 contracts must have 12 months of funding obligated upfront at the time of renewal.

HUD's request does not meet these criteria.

NAHMA is skeptical about HUD's estimates for renewals. In FY 2014, senior HUD officials informed industry stakeholders that \$11.5 billion would be necessary to obligate upfront funding for 12-month PBS8 contracts at the time of renewal and to recover the funding lost from sequestration. It is our understanding that the cost to fully fund the 12-month terms of all contracts expiring in FY 2015 is \$11.9 billion, yet HUD has requested only \$9.54 billion. Secretary Donovan has said \$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, but HUD's proposal simply leaves too much to chance by pushing costs into FY 2016. The proposal also provides no guarantee that contracts will actually receive the full 12 months of funding in the future.

HUD is basically proposing to divorce 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 proposal amounts to a budget-gimmick that will not save the government any money. 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). This proposal, 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 provide \$11.9 billion in FY 2015 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 \$18.457 billion for contract renewals in the Housing Choice Voucher Program (HCV, or tenant-based Section 8). HUD requested only \$18.01 billion for HCV contract renewals. According to the National Association of Housing

and Redevelopment Officials (NAHRO) and the Public Housing Authorities Directors Association (PHADA), \$18.457 billion will ensure the renewal of assistance for all voucher-assisted low-income households served in 2014 and also restore leasing of 42,000 vouchers that were lost in 2013.

- For Section 202 Housing for the Elderly, NAHMA requests at least \$440 million. HUD's request for this program also includes \$350 million for the renewal and amendments of Project Rental Assistance Contracts (PRACs), and \$70 million for the Service Coordinator program. Also requested is \$20 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.
- 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. Both HOME and CDBG provide essential gap financing for development of Low Income Housing Tax Credit (LIHTC) properties. NAHMA requests that the Subcommittee restore funding for this program to the FY 11 level of \$1.6 billion.
- 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.