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**Outside Witness Testimony of Kris Cook, CAE  
Executive Director, National Affordable Housing Management Association  
April 24, 2013  
Subcommittee on Transportation, Housing and Urban Development and Related  
Agencies  
FY 2014 U.S. Department of Housing and Urban Development Budget**

Thank you, Chairman Latham and Ranking Member Pastor 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 2014. I will primarily focus on the importance of providing full-funding at the level of \$11.5 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 \$20 billion for the Housing Choice Voucher program *plus any additional funds necessary to ensure there are no program or contract shortfalls due to the FY 13 sequestration*. For the programs Section 202 Housing for the Elderly and Section 811 Housing for the Disabled, I will request *at least* \$400 million and \$126 million respectively, *plus any additional funds need to prevent shortfalls for project rental assistance contracts and service coordinator contracts*. I will urge the Subcommittee to provide \$30 billion in commitment authority for the General and Special Risk Insurance Fund. For HOME, I will request \$1.6 billion. The Community Development Block Grant (CDBG) should receive \$3.3 billion. Finally, I will express NAHMA's strong support for certain rental assistance reforms which will create program savings and efficiencies. These reforms will help stretch limited funds and minimize the risk of harsh cuts in assistance to needy families.

**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 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.

It is essential for Congress to provide HUD with the necessary appropriations to make full and timely contract payments to property owners. When HUD does not have sufficient appropriations to obligate funding for the entire 12-month contract terms at the time of the renewals, it "short-funds" the contracts. Prior to 2009, HUD "short-funded" its PBS8 contracts with owners so that payments would only be promised from the date of renewal through September 30 (the end of the federal fiscal year). In other words, on a 12-month contract with a January 1 renewal date, HUD would only obligate funding through September 30. Funding for the remaining three months on the contract would have to be re-processed in the new fiscal year. This practice was disruptive to properties' operations, wasted HUD's staff time, and undermined public confidence in the project-based Section 8 program. Unfortunately, HUD will resume this practice, at least temporarily, to manage the cuts required under sequestration.

The President's budget proposal for fiscal year (FY) 2014 requests approximately \$10.3 billion for the Project-Based Section 8 program. Unfortunately, the FY 2014 request is impacted by the \$1.2 billion shortfall in the program due to sequester funding levels in the FY 2013 Continuing Resolution. As a result, HUD will not be able to fund contracts for the full 12-month terms during the remainder of FY2013 and into FY 2014. If sequestration were repealed, the budget request would be sufficient to fully-fund contract renewals; however, a repeal of sequestration seems increasingly unlikely. Therefore, an estimated \$11.5 billion dollars will be necessary to fully fund the FY 14 contract renewals and to close the shortfall caused in the FY 2013 appropriations.

In FY 2014, NAHMA strongly urges the Subcommittee to provide \$11.5 billion for full funding of the 12-month contract terms of Project-Based Section 8 contracts. This level of funding is necessary because:

- The federal government must honor its contracts with property owners.
- Short-funding jeopardizes the efficient management, financial solvency, and physical health of PBS8 properties.
- FHA-insured properties could default without the contract funds to pay their mortgages.
- Properties accumulate numerous late fees to lenders and service providers as a result of having insufficient funds to make mortgage and utility bill payments.

- Property staff suffer lay-offs as a result of insufficient contract funding.
- Rehabilitation and renovation plans are put on hold when funding is erratic.
- Short-funding is a budget gimmick that does **NOT** save the government money.
- Appropriations for 11,000 contracts that will be underfunded in FY 13 due to sequestration will have to be provided in FY 14—in addition to the funds necessary for FY 14 contract renewals.
- Short-funding wastes administrative time at HUD because staff must process funding multiple times for the same property over the course of the year.
- Short-funding jeopardizes investor and owner confidence in the PBS8 program.

### **Other Critical HUD Multifamily Housing Programs**

NAHMA strongly urges the Subcommittee to prevent draconian cuts to affordable multifamily housing programs administered by the Department of Housing and Urban Development (HUD). In FY 2014, NAHMA strongly urges that the Subcommittee provide the necessary appropriations to ensure that all of HUD's rental assistance programs receive *full-funding for their 12-month contract terms in FY 14, and that no shortfalls result from the sequester funding levels in FY 2013 Continuing Resolution.*

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

- NAHMA urges the Subcommittee to provide the \$20 billion requested by HUD for the Housing Choice Voucher (HCV, or tenant-based Section 8) program plus any additional funding necessary to ensure there are no program or contract shortfalls due to the FY 13 sequestration.
- For Section 202 Housing for the Elderly, NAHMA requests at least \$400 million plus any additional funding necessary to ensure there are no contract shortfalls due to the FY 13 sequestration. HUD's request for this program also includes \$310 million for the renewal and amendments of Project Rental Assistance Contracts (PRACs) and \$70 million for the Service Coordinator program. NAHMA also requests at least \$20 million for new construction of apartments to serve the elderly.
- For Section 811 Housing for the Disabled, NAHMA requests at least \$126 million plus any additional funding necessary to ensure there are no contract shortfalls due to the FY 13 sequestration. HUD's request includes \$106 million for Section 811 PRACs. NAHMA also requests at least \$20 million for new construction of apartments to serve disabled persons.

- 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. NAHMA requests funding at 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 provide \$3.3 billion for the CDBG.
  - Both HOME and CDBG provide essential gap financing for development of Low Income Housing Tax Credit (LIHTC) properties.

### **Passing Comprehensive, Pragmatic Rental Assistance Reform Legislation**

NAHMA joins a broad coalition of private housing providers, public housing agencies, low-income housing advocates and other stakeholders in urging Congress to pass comprehensive rental assistance and Section 8 Housing Choice Voucher (HCV) reform legislation in 2013. The most recent proposal was the Affordable Housing and Self-Sufficiency Improvement Act (AHSSIA) developed by the House Financial Services Committee in 2012. Savings and efficiencies achieved through these reforms would help stretch limited funds and minimize the risk of harsh cuts in assistance to needy families. If these reforms are enacted, it is essential to ensure the savings achieved are used to continue funding affordable multifamily housing programs. NAHMA strongly supports measures which would:

- Streamline inspections of HCV housing units by permitting owners to make minor repairs within 30 days and permitting PHAs to allow occupancy prior to the inspection in buildings which passed an alternative inspection (HOME, LIHTC or other inspections with equally stringent standards) within the last 12 months. These changes will help voucher-holders in tight rental markets with low vacancy.
- Expand income targeting for the public housing, HCV and project-based Section 8 programs. These changes will help house more working poor families, particularly in rural areas.
- Simplify the rules for determining a family's rent and income, for example, by allowing families on fixed incomes to recertify their incomes once every three years instead of annually. This will reduce the administrative burdens on tenants, property owners, and management agents.
- Stabilize HCV funding by basing it on the previous year's leasing and cost data.

- Encourage self-sufficiency for residents.
- Streamline the use of HCVs with other federal housing programs, like the LIHTC, by extending the permitted contract period for project-based vouchers from 15 to 20 years.
- Authorize HUD's Rental Assistance Demonstration (RAD) program. RAD is intended to test strategies to leverage private funds for public housing capital needs, preserve units assisted through the Section 8 Moderate Rehabilitation program and allow properties assisted under the Rental Assistance Payment (RAP) and Rent Supplement (Rent Supp) programs to convert to project-based section 8 contracts.
- Authorize HUD to provide Limited English Proficiency (LEP) technical assistance to recipients of federal funds. This program would create a stakeholder working group to identify vital documents for translations, require HUD to translate identified documents within six months and create a HUD-administered 1-800 hotline to assist with oral interpretation needs. This program is necessary because it will offer a higher-level of quality control over the services provided to LEP persons and ensure meaningful access to HUD's housing programs for persons with LEP. It will also relieve housing operators of an unfunded obligation to provide language services that could divert 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.