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Housing and Community Opportunity Subcommittee
Financial Services Committee
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Chairwoman Waters, Ranking Member Capito, and Members of the Subcommittee, thank you for the opportunity to testify today on draft legislation to stabilize and expand the Section 8 Housing Choice Voucher program.

I am Linda Couch, Deputy Director of the National Low Income Housing Coalition (NLIHC). NLIHC is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes. Our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. The National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. NLIHC is entirely funded with private donations.

On behalf of NLIHC, I would like to thank you for the Subcommittee's tireless work to address the housing needs of the lowest income people. The draft bill Section 8 bill under discussion today is testament to the Subcommittee's commitment to the nation's housing programs.

The voucher program's goals, as stated in the 1974 Housing and Community Development Act, are "aiding lower-income families in obtaining a decent place to live and … promoting economically mixed housing." Over the years, the voucher program has worked to improve the ability of low income people to afford rental housing in the private market, improve the quality of housing that people rent, expand housing and locational choice for low income people, and increase the ability of low income people to achieve economic self-sufficiency, among other goals.

Housing Need in the United States

Currently in the United States, 9 million extremely low income (ELI) renters, households with incomes below 30% of area median, compete for only 6.2 million homes they can afford to rent (affordability is defined as paying no more than 30% of their income for their homes). The absolute shortage of 2.8 million affordable rental units for extremely low income renter households does not tell the whole story because households with higher incomes frequently reside in units affordable to extremely low income households. As a result, roughly 5.5 million ELI households lived in units affordable only to households with higher incomes in 2007.[1]

With a surplus of affordable and available units for households with incomes above 50% of area median, future efforts to expand affordable housing – either through the production of physical units or by providing income supplements to bring higher-cost units within reach – should target renters with the lowest incomes. The voucher program, which targets 75% of its assistance to extremely poor households, addresses the nation's most significant housing affordability challenges.

In the Chair's district in Los Angeles, 66% of extremely low income renter households, those with annual incomes below about $18,000, pay more than half of their incomes for housing. In the 2nd District of West Virginia, 44% of extremely low income renter households pay more than half of their incomes toward rent and this lowest income group accounts for 81% of all the renter households that do so. Indeed, more than 70% of extremely low income renter households nationally pay more than half of their incomes for rent. How much more?[2] NLIHC analysis of the latest American Community Survey data finds that half of the 9 million extremely low income renter households in the United States spent a stunning 80% or more of their income on housing in 2007.[3]

Starting in earnest in April 2004, the previous administration sought to weaken the Housing Choice Voucher program, when HUD changed the formula for distributing voucher renewal funds to voucher administrators. Even though Congress fully funded the voucher program for FY04, the administration found a way to distribute the funds in such a way that many public housing agencies and other voucher administrators were left without sufficient funding to either maintain voucher payment standards at their current levels or reissue used vouchers to the next households on their waiting lists. By 2007, the nation's voucher program had shrunk by 150,000 households at the same time housing needs were increasing dramatically.

In direct response to the actions of the Administration to undermine the voucher program, NLIHC convened a summit on the voucher program in February 2005. The summit was attended by sixty-six voucher stakeholders, including voucher holders and representatives from advocacy groups, public housing agencies and their trade groups, affordable housing developers, housing finance agencies, HUD, the Office of Management and Budget, financial institutions and congressional policy and appropriations staff from both houses and both sides of the aisle. The objective of the summit was to develop policy recommendations that would restore confidence in the

[1] NLIHC tabulations of 2007 American Community Survey Public Use Microdata Sample (PUMS) housing file.
[2] NLIHC tabulations of 2007 American Community Survey PUMS.
[3] Forthcoming, NLIHC tabulations of 2007 American Community Survey.

voucher program and increase its ability to serve the people who need vouchers the most in the most effective and efficient manner.

NLIHC is extremely pleased that the draft bill includes many of the recommendations made by the participants in our 2005 voucher summit, including provisions in the bill on income targeting, funding, inspections, portability, rent simplification, project-basing vouchers and enhanced vouchers.

Increasing the Supply of Affordable Housing

NLIHC applauds the draft bill's authorization of 150,000 new vouchers. At least this many are needed. Vouchers can prevent homelessness and allow severely cost burdened families to rebalance their lives with affordable housing. NLIHC hopes that the voucher program can be doubled in size, to serve 4 million families, over the next ten years and that the number of authorized vouchers in the bill can be increased as the legislation moves forward. Producing new homes affordable to the lowest income people, preserving the existing federally subsidized housing stock and providing new vouchers will, together, address our nation's severe housing affordability challenges in ways that best fit individual communities' needs.

NLIHC strongly supports the draft bill's Section 8 voucher funding formula. The revised formula would provide for the reliable renewal of vouchers currently in use as well as for any new, incremental vouchers. NLIHC believes the bill's provisions that allow public housing agencies to serve more than their authorized number of families and that direct HUD to allocate some unused funds to other agencies will encourage increased voucher utilization rates.

Another area where the draft bill seeks to expand the nation's affordable housing options for the lowest income households is its positive changes to the project-basing of vouchers. The bill would allow a public housing agency to project-base more of its vouchers. And, if the unit is funded by the new Housing Trust Fund or the Capital Magnet Fund, as NLIHC hopes many will be, the level of the voucher's subsidy could be decreased if both the housing agency and the owner agree to the decrease. This would allow public housing agencies to gain a higher yield of vouchers out of their budget authority and serve more families in units developed with other federal dollars.

NLIHC encourages the Subcommittee to consider expanding its support for the project-basing of vouchers and consider proposals that would allow public housing agencies to convert public housing units to project-based vouchers. Such conversion would provide some housing agencies with a mechanism to preserve their public housing units, as they would have access to private capital to rehabilitate or replace public housing units, while resident rights and protections would be maintained. NLIHC supports broadening the continuum of resources to protect residents and preserve affordable units. We also support, to the maximum extent possible, the preservation of public housing as "public," in order to maintain the units for the longest term possible and to encourage mission-driven ownership and management of these units. NLIHC looks forward to working with the Subcommittee on ways to preserve the nation's historic and significant investment in public housing.

Improving Administration of the Voucher Program

NLIHC congratulates the Subcommittee on developing a bill that simultaneously achieves several important rent-setting policy goals: assuring tenants will have affordable rents, simplifying public housing agencies' administrative burdens and encouraging increased earned income, among others.

Affordable rent is one of the voucher program's most basic benefits. Without affordable rents for each household, vouchers would quickly lose their ability to correct the significant and severe housing cost burdens faced by the nation's lowest income households lucky enough to access them. For residents and administrators alike, the current rent-setting system is cumbersome and complicated. The bill provides much needed simplicity to the system while maintaining the critical link between an individual household's income level and the rent that is paid by that household.

NLIHC applauds the bill's provisions that encourage increased earned income. These include using the prior year's income at annual income certifications, applying earned income deductions for all households by deducting 10% of the first $9,000 of earnings for employed individuals, and prohibiting interim rent increases due to increased income.

NLIHC does not support the ability provided in the draft bill that allows public housing agencies to establish alternative rent structures for public housing residents, even though the draft bill includes a provision requiring the new rent structure to not result in rents higher than a household would pay under the normal structure. It is our firm belief that any compromise that allows housing agencies to move away from the Brooke Amendment is a hollow compromise and that the innumerable benefits the Brooke amendment has brought to low income people with housing assistance should continue to be guarded with great fervor.

The alternative rent provision seems also to be counter to the bill's efforts for simplicity. Any public housing agency that establishes an alternative rent structure must still make sure the new structure results in rents no higher than a family's rent under regular rules. This sounds like double work for agencies that are asking for less paperwork.

NLIHC believes that the provision paves the way for housing agencies to return to Congress after enactment and plead for simplicity and to ask for the ability to establish alternative rent structures without the double-work of comparing the alternative rent to the normal one. The ability of HUD's housing programs to provide affordable housing, defined by the federal government as households paying no more than 30% of their incomes for housing, is critical if the programs are to remain meaningful.

If the alternative rent provision remains in the bill as it moves forward, NLIHC recommends that all public housing agencies should be required to minimally submit alternative rent structure plans to HUD for review as part of an annual Public Housing Agency Plan. In 2008, Congress enacted reforms that exempt 75% of the nation's public housing agencies from submitting annual Public Housing Agency Plans to HUD, plans that include housing agencies' rent determination policies. These 75% of public housing agencies now exempt from submitting annual plans administer 21% of the nation's public housing units. [4]

The local flexibilities authorized by the alternative rent structure seem to be the exact reason Congress established Public Housing Agency Plans in the 1998 Quality Housing and Work Responsibility Act. NLIHC maintains that HUD should collect data on all alternative rent structure plans from information provided in the Public Housing Agency Plans, including how the plans are impacting resident rents as well as rental income to the housing agency. HUD should then be required to make these data public, evaluate the alternative rent structures and make recommendations to Congress as to the viability of continuing any ability for agencies to set alternative rent structures.

In addition, to protect families on waiting lists and those served by agencies that do not adopt the alternative rent policies from being harmed by this policy change, it is important to include two additional provisions in the amendment. First, a proviso that public housing agencies adopting alternative rent policies are not eligible to receive additional public housing operating subsidies due to a reduction in rent revenues or increased subsidy costs that results from such rent policy changes (so that these policy changes do not result in a drain on scarce federal resources). Second, a requirement that PHAs may not reduce the number of people served in order to offset the cost of alternative rent policies.

Improving the Ability to Participate and Remain In the Voucher Program

In addition to increasing affordability, increasing mobility is one of the program's main goals. NLIHC commends the several provisions of the draft bill that expand the ability of voucher holders to live in neighborhoods of their choosing. The bill would also provide protections for tenants in other federally-assisted housing programs, improve the inspection process for voucher units and encourage expansion of the Family Self-Sufficiency program.

The draft bill would improve Fair Market Rents by requiring HUD to set FMRs for smaller geographic areas. The bill's changes to how FMRs are set will allow vouchers to be used in a wider range of communities, including in more low-poverty communities. The draft bill would also direct HUD to develop new portability regulations that minimize billing and administrative barriers to portability, provide public housing agencies and HUD with

[4] NLIHC tabulations of HUD data.

tools to address excessive rent burdens as well as concentrations of vouchers in higher poverty areas by adjusting payment standards, and allow for increased payment standards as a reasonable accommodation for persons with disabilities. All of these provisions will improve people's access to their neighborhoods of choice.

NLIHC also supports the bill's provision to direct the Government Accountability Office to analyze the use of vouchers in housing funded by the HOME and low income housing tax credit programs. The report would determine whether any provisions of the voucher program or other federally subsidized housing programs, or policies and practices of housing owners or public housing agencies may have the effect of making occupancy by voucher holders in federally subsidized housing projects more difficult to obtain than occupancy by non-voucher holders. Each federal housing program should be doing all that it can to better address the housing affordability needs of extremely low income households, the population targeted in the voucher program.

The bill also provides protections for tenants in privately-owned, federally assisted housing, who face displacement and unaffordable housing when the owners of their homes leave the federal subsidy program. The bill ensures that families eligible for enhanced vouchers are not required to be rescreened under the public housing agency's selection criteria. Also related to the screening of voucher applicants is the bill's provision limiting an agency's screening criteria to those that directly relate to the applicant's ability to fulfill the obligations of their lease. Housing agencies would also have to consider mitigating circumstances. NLIHC supports these provisions because they would allow people better access to the many benefits of the voucher program.

The bill would clarify that private owners of federally-subsidized housing that has transitioned out of the subsidy program are obligated to accept enhanced vouchers and that they can evict tenants only for good cause. The bill would also guarantee that all impacted tenants receive vouchers by clarifying that public housing agencies cannot rescreen these tenants under their selection criteria. It would also protect "empty nesters" and large families facing displacement due to family/unit size mismatches by allowing such families to stay in their homes with enhanced vouchers until an appropriately sized unit become available at the property. These provisions would protect tenants facing conversion of their properties to market-rate housing.

Another of the bill's important provisions is to provide tenant protection vouchers for every federally-assisted housing unit that is lost through demolition or conversion to market-rate housing. Such replacement vouchers will ensure that communities will not suffer an overall reduction in affordable housing resources when properties leave the federally subsidized inventory.

NLIHC also believes the draft bill's inspection provisions will expand housing options for voucher holders while giving public housing agencies new flexibilities regarding when units are inspected and what actions can be taken after inspections.

NLIHC also supports the bill's Family Self-Sufficiency program provisions, which would make funding for FSS coordinators a part of the voucher funding formula rather than through the current practice of an annual competition and require an outcome-based evaluation of the FSS program. We hope that these provisions will result in an expanded FSS program.

Moving to Work

NLIHC understands that the Subcommittee is considering including provisions to extend or expand HUD's Moving to Work (MTW) demonstration program in the bill as it moves forward. NLIHC is very concerned about any extension of current MTW demonstration agreements or any expansion of the MTW program and we urge the Subcommittee not to include MTW extensions and expansion in the bill.

There is no doubt that public housing agencies are underfunded. NLIHC advocates each year to support the highest possible funding for public housing's operating and capital funds. We do not believe the correct counter balance to insufficient funds is flexibility, however. The draft SEVRA bill provides significant efficiencies for the voucher and public housing programs without compromising on which income groups are served or how deep their subsidies are. For that, the Subcommittee should be congratulated. We urge you to approach deliberations on extending and expanding MTW with extreme caution. We are certain that some agencies have used MTW flexibilities to provide more housing to more people in more communities. We are equally certain that some agencies have done quite the opposite. Federal housing policy should not gamble on most agencies doing the right thing. It is the responsibility of federal housing policy to ensure, to the greatest extent practical, that federal housing programs will do the right thing. Without such assurances, NLIHC worries that future funding for vouchers and public housing will be jeopardized.

MTW is a demonstration program, begun in 1996, that has never been evaluated, nor can it be evaluated. The HUD Inspector General found, in 2005, that HUD did not design the MTW program to collect any data. Instead, HUD relied on its existing systems to collect data. But, the report says, "the existing system could not accept tenant information and was not adapted in time to support the interim evaluation and, as a result, HUD was not able to collect tenant information needed to measure interim program impact on costs, family self-sufficiency, and housing choices as planned."[5]

The report further found that, "HUD's evaluation could not cite (1) statistics showing MTW demonstration activities could be considered models for reducing costs and achieving greater cost-effectiveness, promoting resident employment and self-sufficiency, and increasing choice for low income households, and (2) comparative

[5] *Design and Implementation of Public Housing / Section 8 MTW Demonstration Program* http://www.hud.gov/offices/oig/reports/internal/ig500001.pdf).

analyses intended to show the impact of program activities and importance of individual policy changes…We recommend the Office of Public Housing Investments develop a means to collect performance information needed to evaluate Public Housing/Section 8 Moving to Work Demonstration housing authority accomplishments and determine whether any replicable models exist."[6] Given the lack of proof that the program is accomplishing any of its goals, expansion of the program seems ill-considered.

Several other HUD Inspector General reports have also been extremely critical of MTW implementation by specific public housing agencies:

- The Housing Authority of the City of Baltimore was found to have received MTW status even though it applied 31 months after the deadline with an incomplete application that lacked the required public comment period and public hearing. Further, in granting the application, HUD disregarded Baltimore's status as a troubled agency from 2001 to 2003 and, under the Section 8 Management Assessment Program (SEMAP), in 2004. [7]
- The Housing Authority of the City of Pittsburgh was found to have stockpiled more than $81.4 million of HUD funding during the first four years of its MTW status, all completely legally under MTW rules. Meanwhile, the Pittsburgh housing agency did nothing to modernize its 6700 public housing units and it failed to serve 3,000 families waiting for vouchers. According to the HUD Inspector General, "The relaxation of requirements under Moving to Work allowed the Authority to plan and execute a minimal modernization plan without penalty." Pittsburg Real Estate Assessment Center (REAC) scores were extremely low: in 2003, 16 of 44 developments (36%) had physical inspection scores below 70 (out of 100).[8]
- In Philadelphia, the housing authority's participation in MTW was criticized because HUD accepted this agency into the MTW program without carefully evaluating the agency's past poor performance in utilizing housing vouchers*. A previous HUD Inspector General report on the Philadelp*hia Housing Authority found very low voucher utilization rates there: in 1999 the agency had a 87.2% utilization rate and it declined from there with a 84.6% rate in 2000; a 77.8% rate in 2001 and a 76.8% rate in 2002. The PHA submitted its application for MTW in 2000 and it was approved in 2002. Despite PHA's poor performance, no restrictions were placed on it in the MTW agreement.[9]

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[6] ibid

[7] *The U.S. Department of Housing and Urban Development Improperly Admitted the Housing Authority of Baltimore City, Baltimore, MD, into the Moving to Work Demonstration Program*, www.hud.gov/offices/oig/reports/internal/ig630002.pdf. The agency's public housing score was below 80, and thus "troubled," when it requested entry into the MTW program.

[8] (*Housing Authority of the City of Pittsburgh, PA, Did Not Effectively Implement Its Moving to Work Demonstration Program* http://www.hud.gov/offices/oig/reports/files/ig531008.pdf

[9] (*HUD's Oversight of the Philadelphia Housing Authority's MTW Program* http://www.hud.gov/offices/oig/reports/internal/ig430003.pdf)

In a June 2004 report on the MTW program prepared for HUD, the Urban Institute concludes that three key aspects of the design and implementation of MTW to date limit its ability to inform public housing policy going forward. One, the MTW framework put limitations on what could be deregulated and for how long. Two, MTW was not designed as a rigorous research demonstration. Three, due to HUD's systems, critical data on the characteristics of public housing residents and Section 8 households have not been collected in a consistent and uniform fashion from the demonstration sites [10] This leaves much of what we know about MTW's impacts to anecdotes and piecemeal information gathering.

The Urban Institute report authors found that there is no way to determine with certainty whether individual programs have achieved the goal of work and self-sufficiency. And, while some housing agencies have expanded housing options for low income people, others restricted it. There has been no mechanism in MTW's history to move forward with what has worked within MTW to improve affordable housing options for the lowest income households and improve the physical and financial health of the housing agency and, critically, leave behind what in MTW agreements has harmed residents and housing agencies.[11]

NLIHC's concerns are focused on the ability of the voucher and pubic housing programs to continue to address the housing needs of their targeted populations in ways that are affordable to each household and that continue to provide residents choice. NLIHC does not believe that work requirements, self-sufficiency contracts and time limits should be allowed in federal housing safety net programs. Rent policies that increase rents beyond a household's affordability level are tantamount to time limits.

MTW should not be expanded to include other housing agencies and current MTW agreements should not be extended unless the following conditions are met:

- There must be full enforceability of residents' rights as provided by the U.S. Housing Act and HUD regulations.
- There must be no waiver of full portability rights for all households.
- There must be no waiver of any fair housing related requirements.
- There must be in place at the onset new, common data compilation and evaluation mechanisms, so that each program is subjected to the type of evaluation promised.
- Additional protections are provided for current and potential residents, including protections from unaffordable rents. Any determination of high rent burdens for MTW households would have to be followed by changes in rent policies to keep rents affordable for each household.

[10] Abravanel, M., Smith, R., Turner, M., Cove, E., Harris, L., & Manjarrez, C.. 2004. *Housing Agency Responses to Federal Deregulation; An Assessment of HUD's "Moving to Work" Demonstration*. Washington, D.C.. The Urban Institute.
[11] ibid

- No residents should be subjected to self-sufficiency provisions tied to leases and work or other threshold screening requirements tied to housing eligibility.
- Current income targeting should be maintained with no exceptions.
- Residents must also have a seat on each PHA board, be able to establish a resident advisory board and retain grievance and termination procedures.
- The PHA must continue to assist substantially the same number of families under the program as assisted in the year prior to MTW selection and continue to assist a comparable mix of families by family size.
- Those MTW PHAs that have been the subjects of HUD Inspector General MTW audits must prove their compliance with the program rules before their MTW status can be extended.
- If it is determined during the process of evaluation that a MTW PHA is imposing policies that are harmful to low income tenants or are otherwise found to be mismanaging its portfolios, its MTW status should be terminated. The MTW program must have room to be recalibrated regularly to address its impacts on residents and the future health of the housing agency.

Thank you for considering our views on these issues. We look forward to working with you to improve and expand HUD's affordable housing programs.