

“The Future of Housing In America: A Better Way to Increase Efficiencies for Housing Vouchers and Create Upward Economic Mobility”

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Chairman Luetkemeyer, Ranking Member Cleaver, and Members of the Housing Subcommittee, thank you for the opportunity to appear before you this morning. My name is Ailrick Young, and I am the Executive Director of the Housing Authority of the City of Laurel in Mississippi, where I have been employed for over 20 years. Although this testimony is representative of my own personal experience, I am also here representing my colleagues at public housing agencies (PHAs) across the country who have shared in my experiences.

It is also my honor to have served as past President of the Mississippi Association of Housing and Redevelopment Officials (MAHRO) and as the immediate past President of the Southeastern Regional Council of the National Association of Housing and Redevelopment Officials (SERC-NAHRO). SERC-NAHRO is the largest region in the National Association. It is comprised of 10 southeastern states, plus the territories of Puerto Rico and the Virgin Islands, and represents over 720 housing agencies and affiliates. I am also a proud member of National NAHRO, where I serve on the Board of Governors. Additionally, I am a member of the Public Housing Authorities Directors Association (PHADA). I have served on various committees within all of the aforementioned associations.

The Housing Authority of the City of Laurel provides housing to 494 low- and very low-income families and senior citizens. Our mission is “[t]o provide and create affordable housing opportunities that promote and provide safe housing, self-sufficiency and viable productive communities for individuals and families within Laurel/Jones County.” We have carried out our mission by forming a housing development non-profit that has partnered on three different Low Income Housing Tax Credit (LIHTC) projects to create more housing opportunities. We have also sought and supported self-sufficiency programs to improve families’ quality of life and eliminate dependency on assistance. The Housing Authority of the City of Laurel has been recognized on numerous occasions by the Department of Housing and Urban Development (HUD) and by various industry associations.

Through meticulous planning and execution, the Housing Authority of the City of Laurel continues to operate without a deficit while providing superior housing opportunities. The Housing Authority typically scores well under HUD’s Assessment models regarding our management and financial indicators. However, we struggle with the burdensome regulatory requirements imposed by HUD, which take away valuable staff time that could be better spent serving the needs of our residents and community.

Chairman Luetkemeyer, I want to thank you for holding this hearing and for your focus on the “Small Public Housing Agency Opportunity Act of 2016” (H.R. 4816), which can offer solutions to allow small PHAs to, among other things, increase efficiencies for Housing Choice Vouchers, create upward economic mobility, and offer substantive housing solutions for their communities. I also want to thank you for making possible the passage and signing into law of H.R. 3700. The progress made with H.R. 3700 will continue with the passage of H.R. 4816. I also want to thank Congressman Palazzo for introducing and sponsoring H.R. 4816. He and his staff have been invaluable assets to small PHAs and to the affordable housing community in general.

H.R. 4816 is designed to assure the long-term viability and effectiveness of small PHAs and the portfolios they manage. The bill encourages flexibility and enables smaller housing agencies managing fewer than 550 units of federally-assisted housing to explore innovative approaches to determining tenant rents, while reducing administrative burdens unique to smaller agencies. If adopted, H.R. 4816 would also increase HUD's efficiency through more manageable and appropriate oversight. This, I believe, would also save government dollars that are now tied to that oversight responsibility. Small PHAs face a unique level and degree of federal oversight that is currently disproportionate to the risk presented by these agencies. H.R. 4816 liberates small PHAs from unnecessary and unproductive red tape and provides these agencies with new flexibility to administer assisted housing programs effectively, efficiently, and in the best interests of low-income residents, program applicants, and taxpayers. This is especially true for rural communities, where funding is scarce and other affordable housing options are limited. Statutorily mandated budget caps for all domestic programs in Fiscal Year 2017 will mean that there will be less money next year for all domestic programs. Small PHAs, like the Housing Authority of the City of Laurel, need the flexibilities provided in H.R. 4816 in order to cope with this harsh reality and to continue to provide much-needed safe, secure, and affordable housing to their communities.

I am aware that Congress recently approved an expansion of the Moving to Work (MTW) program to an additional 100 agencies, 50 of which must have 1,000 or less combined voucher and public housing units. Although the MTW demonstration provides necessary regulatory relief and local discretion to public housing agencies, a significant number of small PHAs will not be accepted into the demonstration. Furthermore, the expansion will take place over the span of seven years. Expanding MTW is something to be celebrated, and PHAs across the country thank Congress for their efforts in passing this important piece of legislation, however, all small PHAs need the flexibility that H.R. 4816 will provide now.

H.R. 4816 Increases Efficiency for Small PHAs and HUD

H.R. 4816 will not only increase efficiency of small PHAs, but will also reform HUD's oversight and regulatory regime. Recommendations included in the bill would also lessen resource requirements for oversight and compliance activity at the Department. A 2008 HUD report states that HUD spends too much time and money on oversight of small PHAs. According to the report, "HUD's level of effort for small PHAs is grossly disproportionate to the level of risk, total units involved, and subsidy dollar volume . . . HUD invests from half to two-thirds or more of its level of effort on 10% of its units." Some would argue that the problem lies in the number of small PHAs that exist, but this is not correct. The problem is the overly complex and burdensome rules and regulations they must follow. Small agencies have intimate knowledge of their communities, allowing them to provide for their communities in ways that larger, regional agencies cannot. This local knowledge, control, and discretion is something that should be celebrated -- it not only allows PHAs to have a better understanding of the population that they serve, but it also allows them to best meet the needs of their residents.

There is a disproportionate burden to the regulations small PHAs must follow compared to the resources they are provided by the federal government. Small agencies receive just 10 percent of overall public housing and voucher funding. They pose little risk to the federal government and taxpayers and should be regulated as such. H.R. 4816 proposes to simplify and streamline small PHA operations so that HUD can maintain effective federal accountability at a more rational and

manageable scale. This will allow small PHAs to redirect resources currently committed to managing federal reporting and compliance to activities more directly related to providing quality assisted housing (e.g., program and property management, property maintenance, resident services). H.R. 4816 would align HUD oversight to a more appropriate level that is in line with the level of risk, total units involved, and subsidy dollar volume of small agencies. H.R. 4816 would achieve this through fewer reporting requirements and simplified assessment structures. Small housing agencies could more easily tailor programs to fit local needs and preferences, providing residents and communities more satisfaction with assisted housing programs.

H.R. 4816 Streamlines Onerous Regulatory Requirements

H.R. 4816 also directly addresses language in the House Committee on Appropriations report regarding the appropriations for the Departments of Transportation, Housing and Urban Development, and related agencies for the fiscal year ending September 30, 2017, that notes “the Committee remains interested in ways to reduce onerous regulations for small public housing authorities.” There are many ways by which H.R. 4816 would reduce onerous regulations for small PHAs that would not only increase small PHA efficiency, but also HUD efficiency.

H.R. 4816 contains necessary streamlining for small PHAs which will reduce HUD regulatory requirements. This streamlining includes:

- Allowing tenants to self-certify their Community Service and Self-Sufficiency Requirement (CSSR) without third-party verification, a costly and time-consuming requirement.
- Permanently exempting PHAs that manage fewer than 400 public housing units from Asset Management, a provision that Congress has authorized in every Consolidated Appropriations Act since Asset Management was implemented.
- Exempting small PHAs from environmental reviews for projects that cost not more than \$100,000 and a streamlined environmental review process for projects that cost more than \$100,000.
- Requiring small PHAs to only submit reports, plans, or other information required by the Section 8 program, except designated housing for elderly and disabled families.

H.R. 4816 would allow small, non-troubled PHAs the option to perform physical inspections every three years, cutting back on HUD reporting for small PHAs by a third. Small PHAs lack the capacity to perform additional inspections, thus having to contract inspectors and contractors, which diverts needed funding away from housing services. As such, small PHAs would benefit from triennial inspections. This would reduce small housing agency administrative burdens while also ensuring families have access to safe, secure homes.

H.R. 4816 also provides streamlined program evaluations benefiting both HUD and small PHAs. The financial condition of a small PHA would be determined on the basis of the ratio of current assets to current liabilities. The management condition of a small PHA would be determined on the basis of the ratio of vacant unit months to eligible unit months. Evaluations for Section 8 programs for small PHAs would be determined on the basis of lease-up rates versus budget utilization rates. A lease-up rate of not less than 90 percent of voucher utilization would be deemed acceptable. This streamlined evaluation will cut back on the administrative work that must be carried out at HUD responding to more complicated program evaluation. Furthermore, this provision directly responds to language in the House report that “directs HUD to study and report back to the Committee on potential changes to

the Public Housing Assessment System for PHAs that operate 550 or fewer public housing units and Housing Choice Vouchers combined by taking into consideration physical inspections and an annual financial assessment based on current assets and liabilities.”

Some argue that small PHAs face barriers to innovation and high performance because they lack sufficient scale to “to plan and implement new initiatives” and are “less likely to take advantage of options that provide additional types of housing opportunities.” It is true that small PHAs have limited capacity and time. Reducing the amount of time and effort spent on complying with excess regulations can help small PHAs focus on more substantive, housing-related issues, such as capital improvements or providing resident services. Lowering excessive regulatory barriers functions much the same way as increasing funding does because staff can use time and money currently spent fulfilling onerous and unnecessary regulations on fulfilling substantive housing needs.

H.R. 4816 Allows Small PHAs to Use Taxpayer Dollars Efficiently and Effectively

H.R. 4816 would allow small PHAs to combine Section 8, Capital Fund, and Operating Fund dollars, so long as funds are still used toward Section 8, Capital Fund, and Operating Fund eligible activities and PHAs continue to serve substantially the same number of families. HUD would provide small PHAs with their funding through current formulas, requiring no additional work for the Department. Small housing agencies receive less funding than larger housing agencies due to their size. This can make it difficult to perform necessary capital and operating projects. Although Capital Replacement Reserves authorized by H.R. 3700 help, combining funds would further assist small housing agencies accomplish necessary modernization and rehabilitation projects, while still ensuring they serve substantially the same number of families. The impact of combining these funding streams will allow small PHAs to use limited federal funding more efficiently and effectively.

H.R. 4816 would allow small PHAs to project-base 50 percent of their vouchers. This increased flexibility would provide greater access to the Low Income Housing Tax Credit program and increased leveraging capabilities for small PHAs. As small housing agencies have less units, they require a larger percentage of project-based vouchers to attract financing partners. This will further increase HUD efficiency, as small PHAs will be able to finance deals through funding mechanisms outside of the agency.

Provisions in H.R. 4816 would also help small PHAs better forecast future costs. A small PHA may elect to be paid for its utility and waste management costs under a HUD assistance formula for a period, at its discretion, of up to 20 years based on its average annual consumption during the three-year period preceding the year in which the election is made. Furthermore, minimum rents for small PHAs would be adjusted annually to reflect the percentage increases in the Consumer Price Index for all urban consumers published by the Department of Labor. This will ensure that small PHAs have a better sense of what their rental incomes will be year-to-year, resulting in less unforeseen financial concerns that impact both HUD and the agency. This will help small PHAs remain in good fiscal health, lessening the amount of oversight required from HUD.

Importantly, H.R. 4816 establishes a rental reform demonstration. The bill establishes rent-setting mechanisms for a small PHA demonstration based on: (1) a tiered system for initial rents for extremely low-income families, very low-income families, and low-income families; (2) a certain range of gross income percentages; or (3) the existing method for establishing rents. This rental reform demonstration will not only have significant impacts on small PHAs, but may also benefit all

PHAs down the line, bringing increased efficiency to both HUD and PHAs, while still ensuring that low-income families have access to safe, secure, and affordable housing. The rental reform demonstration proposed in H.R. 4816 will allow small PHAs to create work incentives and possibly save the federal government taxpayer money in the long run. If successful, this rental reform could significantly impact HUD's rental structure bringing increased efficiencies and could help ensure the fiscal health of PHAs across the nation, especially in light of recent cuts to the program.

Regionalization Must Not Be Forced on Any PHA

I understand that the Committee is also looking at regionalization of the Housing Choice Voucher Program. I believe that mandatory consolidation of PHAs (i.e., the mandatory merger of PHAs) is a bad idea. Voluntary programs where PHAs can choose to work together and where they receive regulatory flexibilities that make this cooperation easier and more feasible is, on the other hand, a laudable goal. The purpose of these programs should not be to reduce the number of PHAs, but rather to give PHAs the regulatory flexibility to work together—if it makes sense to do so depending on their local circumstances. The programs must, however, be voluntary because small PHAs are in the best position to decide if working with other PHAs makes sense for them and their local communities.

The answer is not a top-down, one-size-fit-all reorganization of cities, towns, counties and their PHAs, but rather the reorganization and streamlining of HUD's regulations and HUD's implementation of those programs. Many small PHAs have organically sought out new efficiencies through MOUs, purchasing agreements and voluntary consortia as allowed by law. Local communities, rather than the federal government, must determine when, if and how PHAs join together to implement programs.

Regionalization is already occurring organically in a variety of different markets. In those instances, where local governments consolidate, local housing program administrators routinely follow suit in relatively short order. These types of consolidations enjoy significant public support and the support of public officials. Some PHAs have voluntarily chosen to collaborate on joint administration, while maintaining separate (and separately appointed) boards. Finally, some PHAs have regionalized certain activities under an affiliate non-profit. These types of regional activities make more sense because they are not top-down mandated consolidations, but are rather functions of local communities deciding which approach best serves their needs.

Mandatory consolidation of PHAs to achieve regionalization goals does not work for several reasons. First, there is already a statutory, regulatory and administrative approach to voucher administration on a state, regional and national basis: portability. HUD's implementation of portability is more complicated and burdensome than it needs to be, in order to accomplish the same portability outcomes. The Department should figure out how to streamline portability administration and facilitate choice amongst voucher holders. Second, if voucher administration is regionalized in a manner where local PHAs are mandated to consolidate involuntarily, it may result in expanding the costliest subsidies in the region throughout the region. In this way, regionalization may actually risk increasing program subsidy costs, which make up approximately 90 percent of appropriated funds. Small PHAs receive only 10 percent of the overall public housing and voucher money allocated. Therefore, they pose very little risk to the federal government. Considering the small amount of funding they receive, consolidation would result in marginal cost-savings. Additionally, removing locality based voucher administration risks reducing local political support for the Housing Choice Voucher program.

I would also like to discuss the role that local housing agencies play in ensuring that the needs of both the residents and local community are met from my experience as the Executive Director of a small housing agency. Although the Housing Authority of the City of Laurel is a small, public housing-only agency that focuses on serving our local community, our jurisdiction is also included in a larger, regional voucher program. Being local, the residents of the community of Laurel can easily access the housing authority's services. This is critical for eligible families who are looking to receive housing assistance. Many of our residents have children, are trying to hold down a job, are elderly, or do not have access to their own transportation. That these individuals can easily access our agency significantly increases their ability to apply for housing, interview for a unit, or interact with staff at the agency.

This is not the case for members of our community that are looking to enter the voucher program. Often, these individuals have to drive upwards of 45 minutes to get to the regional office to apply for assistance, interview for a unit, or interact with staff. This is incredibly challenging for the individuals we serve. Furthermore, applicants often experience a longer wait time for assistance than at the Housing Authority of the City of Laurel as the regional voucher program covers a much larger jurisdiction. Although our regional voucher program does an incredible job providing safe, secure housing to those in need, they are unable to remain as connected to the communities they serve as the Housing Authority of the City of Laurel is to Laurel due to the size of their jurisdiction. While these issues may not be covered in academic journals, they are critical to our residents.

This is true for many of my colleagues. In Idaho, the Idaho Housing Finance Association administers vouchers in 34 of Idaho's 44 counties. The Housing Authority of Pocatello, Idaho noted:

One of the challenges that residents who are served by the state housing and finance agencies face is the travel distance to the office to have face to face interaction with staff (be this at intake, annual exam, or any other housing "crisis" they may have). In some situations, the office is over two hours away. The cost burden for travel on the participant prohibits regular interaction and face to face interaction. Furthermore, the distance makes it difficult for an inspector to simply "drive by" and check on a unit if a report has been received of fraud, neglect, or damage.

Additionally, local PHAs can benefit residents in a variety of ways and play critical roles in communities. The Housing Authority of Pocatello has close ties to the local city government of Pocatello:

At [the Housing Authority of Pocatello], our mayor and city council have a personal relationship with and knowledge of the agency. We are a part of the city's five year consolidated plan. We work with the city to create our strategic plan to make their goals our goals to address poverty in the city. This partnership would be lacking if the agency were not local. We have worked with the city to improve the rental property stock. This is a benefit to our program participants.

The Nampa Housing Authority in Idaho runs a literacy program to give children living in its properties access to books.

Last year [the Nampa Housing Authority] kicked off a literacy program for [its] residents that was funded in large part by the Nampa Kiwanis club. That happened because [the Executive Director of the Nampa Housing Authority is] a member of the Nampa Kiwanis club, and wouldn't have happened if someone at a state level would have asked. It speaks volumes about relationships at the local level. As a result of this funding, every child that lives at [the Nampa Housing Authority] or moves into [the Nampa Housing Authority] is given an age-appropriate book to take home. [Frequently,] that is the only book in the house.

Although consolidation (the mandatory merger of PHAs) and consortia (voluntary groupings of PHAs which are given additional regulatory flexibilities) have different goals than H.R. 4816, the latter can help address some of the same problems that the former aim to solve, especially with respect to the time spent on excessive regulatory requirements. H.R. 4816 may be the superior vehicle to address these excessive regulatory issues because consortia may not make sense everywhere (especially in some rural regions). The streamlined regulatory requirements in H.R. 4816 would apply equally in both metropolitan and rural locations and benefit all small PHAs immediately

H.R. 4816 Offers Better Solutions to Excessive Regulatory Oversight than Consolidation or Consortia

In response to the argument that HUD spends too much time and money on oversight of small PHAs and that consolidation or consortia would be a solution to this, it is important to note that H.R. 4816 offers a better solution. The Department's Office of Inspector General has stated that although small PHAs receive only a small percentage of overall public housing and voucher funding, the Department is forced to spend too much time on oversight and that this "imbalance created oversight burdens and costs for both the Federal Government and housing agencies that were disproportionate to the number of families the housing agencies served." The Department's excessive burden on overseeing small PHAs is a legitimate problem.

There is an argument that smaller agencies have a higher cost per voucher to administer than large agencies. However, this does not necessarily mean that consortia will have a lower cost per voucher than a large agency. Collaboration has a cost and requires effort as well. While the administrative fee study may show that large agencies are more efficient in administering vouchers, this does not necessarily mean that consortia will be more efficient than small agencies in administering vouchers. Additionally, large agencies may not have the intimate knowledge of local housing markets the way that small agencies do.

H.R. 4816 would create a more appropriate and manageable oversight regime for both small agencies *and* for HUD. Burden reduction would be made possible because there would be fewer reporting requirements and simplified assessment structures.

H.R. 4816 would allow Small PHAs to Best Serve Their Local Communities

Some argue that "[small agency] staff may be unfamiliar with housing opportunities outside of their jurisdiction and unlikely to encourage families to make such moves." Some may also be displeased that "housing agencies give first priority to their local residents." However, this is a strength of small agencies. They have intimate knowledge of their communities. The agencies not only provide housing for people, but they actively work to better their communities. This is not a weakness. Additionally,

PHAs should give priority to local residents. They are not only finding housing for people, but are building their communities. They should do everything they can to house their local residents.

Extra care should be granted to small and rural housing agencies. Rural communities typically have fewer resources to meet the growing demand for affordable housing, especially for aging populations. These communities have been severely hurt by funding cuts and costly HUD reporting requirements. Consortia and consolidation efforts could speed up the loss of vouchers and entire voucher programs in these communities.

Mobility Demonstration Program

Finally, I understand that the Committee is also looking at the Mobility Demonstration Program. This program is worth supporting because it is a voluntary program that gives PHAs regulatory flexibility to adapt their mobility programs to local circumstances to promote mobility. There is also a research component that will evaluate the impact of the mobility changes that PHAs will enact. The research will provide evidence about whether there will be greater efficiencies, but we suspect that this will be greatly dependent on local circumstances. These programs make more sense in some areas than others.

Mr. Chairman, I appreciate and support the “Small Public Housing Agency Opportunity Act of 2016” (H.R. 4816) legislation. The bill strives to find the appropriate balance between responsible government oversight and additional flexibility to make sure that PHAs are able to responsibly provide safe and decent housing. I hope that you will note the reasons mentioned above and consider the adoption of this legislation in the next Congress. I stand ready, with my affordable housing peers, and NAHRO and PHADA, to assist you as best as we can, and thank you for your work to help us serve our residents better.

Chairman Luetkemeyer, Ranking Member Cleaver, let’s do what we can together to move forward. I am happy to answer any questions you may have.