



November 16, 2009

The Honorable Shaun Donovan
Secretary
U.S. Department of Housing and Urban Development
451 Seventh Street, S.W.
Washington, DC 20410

Dear Mr. Secretary:

The National Council of State Housing Agencies (NCSHA) urges you to retain the services of the 33 state Housing Finance Agencies (HFAs) that currently administer HUD's project-based Section 8 contracts, as they have produced consistently outstanding results. This state HFA partnership with HUD has reversed decades of poor Section 8 property oversight and financial management and should be continued and replicated, not sacrificed to short-sighted cost-cutting.

We understand that HUD must closely examine the performance and cost-effectiveness of all its programs, including the Performance-Based Contract Administration (PBCA) program, to ensure that each operates as productively and efficiently as possible. We believe HUD can accomplish this without rebidding most PBCA contracts by collaborating with existing high-performing PBCAs to revise the Annual Contributions Contract (ACC) and review the current fee structure.

If HUD determines it must move forward with a rebidding process, we urge you to retain the requirement that PBCAs must be public housing agencies (PHAs), establish a preference for state HFAs, and give state HFA PBCAs a priority to remain PBCAs for their states. We also recommend HUD provide additional detail on its plans and extend the comment period to give PBCAs a true opportunity to provide valuable input based on their years of experience administering the program.

State HFA PBCAs have a strong and well-established track record. Drawing upon their experience in successfully financing and managing affordable rental properties, state HFA PBCAs have provided exceptional oversight services, while producing cost savings for HUD. They have ensured that Section 8 properties are maintained in strong physical and financial condition, cut waste in assistance payments, reduced improper subsidy requests, achieved increased compliance with HUD policies and procedures, and significantly reduced HUD's costs and workload.

State HFAs bring to the role of PBCA a deep understanding of their housing markets and needs. They have knowledge of and relationships with property owners and managers operating within their states.

State HFA PBCAs are also uniquely positioned to bring together and leverage other federal and state resources they direct, such as tax-exempt bonds, HOME, and the Low Income Housing Tax Credit (Housing Credit), to address the physical and financial challenges Section 8 properties frequently confront. Successful and consistent state HFA PBCA performance has enabled HUD to focus its attention on the small minority of properties with persistent non-compliance and physical problems.

In choosing state HFAs as PBCAs, HUD receives an important additional benefit. State HFA PBCAs redirect the net revenue they earn to other affordable housing activities, including affordable housing preservation, homeless assistance, and first-time homebuyer help, further advancing the affordable housing mission they share with HUD.

Allowing qualified and experienced state HFA PBCAs to remain in their roles will also further program continuity, stability, and success. In addition, it will protect the value of the substantial investments state HFAs have made in technology, equipment, operational systems, and personnel.

NCSHA and our PBCA member HFAs are also concerned about the limited information HUD has provided on its proposed new ACC and PBCA fee structure, which has made it very difficult for us to provide helpful comments during the public review period currently underway. We recommend HUD provide additional detail and extend the comment period for at least 30 days after providing that information to give PBCAs a true opportunity to provide input.

Without more information about the proposed revised ACC and fee structure, state HFAs cannot accurately evaluate the work expected of them as PBCAs nor the costs involved. For example, the limited information HUD has provided to date suggests the fee structure could result in total fees that would not fully offset a PBCA's costs, which we hope HUD does not intend.

State HFAs look forward to continuing their long-standing and successful partnership with HUD in the administration of the PBCA program. We appreciate your consideration of our recommendations. Please do not hesitate to contact us if we can provide further information.

Sincerely,



Barbara J. Thompson
Executive Director