

“The Future of Housing in America: Federal Housing Reforms that Create Housing Opportunity”

Wednesday, Oct. 21, 2015

Testimony of Stephen W. Merritt

Executive Director, Norwood Housing Authority (Norwood, Mass.)
President, National Association of Housing and Redevelopment Officials

Chairman Luetkemeyer, Ranking Member Cleaver, and Members of the Housing Subcommittee, thank you for the opportunity to appear before you this afternoon. My name is Steve Merritt and I am the Executive Director of the Norwood Housing Authority in Norwood, Massachusetts.

The Norwood Housing Authority provides decent, safe and affordable housing to over 800 low- and very low-income families and senior citizens assisted under the Section 8 voucher program, the Public Housing program and similar programs funded by the Commonwealth of Massachusetts. Norwood is like many towns and small cities around the country. With a population of about 27,000 people, it struggles with an ever-decreasing supply of affordable housing for families, seniors and persons with disabilities. While the NHA strives to provide such housing, there are people on our wait lists that we will never be able to assist.

It is also my honor to serve as the President of the National Association of Housing and Redevelopment Authorities (NAHRO). We represent housing authorities and redevelopment agencies across the country whose mission it is to provide quality, affordable housing for our nation’s most vulnerable citizens.

Chairman Luetkemeyer, I want to thank you for moving forward aggressively with the Housing Opportunity Through Modernization Act of 2015 (HR 3700). The legislation contains responsible and pragmatic recommendations that I believe will enable housing authorities across this country to work more efficiently to maximize the impact of limited federal dollars. This bill is an important step forward on issues we have debated for years, discussions that have resulted in many well-intended pieces of legislation that unfortunately have never been enacted.

In my testimony, I will explain the budget constraints that make this bill so critical, highlight the portions of the legislation that are particularly helpful to myself and colleagues, and make any recommendations I think are necessary to strengthen the intent of the bill.

The Housing Opportunity Through Modernization Act is needed now more than ever. Recent budget cuts and sequestration have had a significant impact on the Norwood Housing Authority and my ability to serve my residents. My NAHRO colleagues from across the country have had similar experiences.

HUD’s Public Housing program is a critical resource for low-income families, the elderly, and persons with disabilities. Public Housing has seen drastic cuts in both the Operating and Capital Fund. In 2015, PHAs received only 86 cents per dollar needed to meet funding eligibility. The Public Housing Capital Fund has only provided enough funding to cover 50 percent of annual

modernization and maintenance costs. As a result of this budget reality, PHAs have been required to attempt to do more with less, just to maintain a modicum of proper management principles. The Housing Opportunity Through Modernization Act would provide much-needed administrative relief that would help ensure PHAs can continue to meet the needs of their local community.

HUD's Section 8 rental assistance programs are also essential to the nation's commitment to providing low-income American families with access to affordable housing options. The largest of these programs, the Section 8 Housing Choice Voucher (HCV) program, provides assistance that allows nearly 2.2 million low-income families to rent privately-owned units in the location of their choosing. The flexibility of the program is a key element to its success in helping vulnerable and low-income populations – families, seniors, persons with disabilities, households displaced by disasters, homeless veterans, and children aging out of the foster care system – to live stable and independent lives.

Funding for the HCV program is appropriated through two accounts. In addition to the pass-through grants that PHAs send to landlords on behalf of program participants, Congress also funds an account for administrative fees to support the operations of the program, intended to reimburse PHAs for the costs of administering the program for each family under lease. While Congress has provided largely adequate funding for the vouchers themselves in recent years (with notable exception of the FY 2013 sequestration), funding to support administration of the program has fallen to dangerously inadequate levels. Between 2003 and 2014, the proration for administrative fees has fallen to 67 percent, while the regulatory and administrative demands of PHAs have continued to rise.

These cuts have forced PHAs to lay off staff, enact hiring freezes and impose furloughs, resulting in increased caseload sizes and straining PHAs' ability to remain in compliance with HUD's myriad regulations. These cuts also have consequences for the low-income families the voucher program serves, including a reduction in the level of services provided to participants. In worst-case scenarios, these cuts have forced many agencies to end their participation in the voucher program.

In response to the uncertainty around the HCV program, at my authority we adjusted our allowable rent levels from 110 percent down to 100 percent of HUD-issued Fair Market Rents (FMRs) to avoid the potential need to terminate families from the program. While this was effective then, what is happening today is that families that are now receiving the opportunity to receive a voucher are not able to find apartments that meet the FMR levels in our area. This results in a great administrative hardship, since approximately one of every three families that we prepare for lease up are able to do so.

The situation is dire for many housing authorities, but the Housing Opportunity Through Modernization Act provides much-needed administrative relief. Specifically, these provisions of the bill will be particularly helpful to my colleagues and me as we try to do more with less and continue to meet the needs of our residents:

- Section 102 provides some relief from burdensome and costly administrative requirements relating to income reviews. This language mirrors the Tenant Income Verification Act of 2015 (HR 233) introduced by Congressman Ed Perlmutter of Colorado and Congressman Steve Stivers of Ohio that would permit recertification of fixed-income households every three years. The importance of this provision is particularly evident now, as the Social Security Administration announced last week that there would be no Cost of Living Allowance adjustment to the Social Security payments to our nation's seniors. Reducing the number of administratively intensive income recertifications PHAs are required to perform will free up time and resources that can be directed towards other more meaningful tasks. The provision eliminating verification and recordkeeping requirements for excluded income will also reduce the administrative burdens associated with income calculations. I also believe that setting reasonable thresholds for interim recertifications will streamline program administration while protecting resident interests. Similarly, allowing PHAs to offer payment standards up to 120 percent of FMR as a reasonable accommodation for a person with a disability without having to seek a waiver will allow PHAs to serve these households in a more timely fashion. Finally, I am grateful for the inclusion of a provision that would allow PHAs to rely on approved income verifications from other federal means-tested programs. Together, these reforms will substantially reduce the workload associated with income verifications. The House has already approved these provisions in the Tenant Income Verification Act. Unfortunately, the Senate has not yet acted on companion legislation, but the Housing Opportunity Through Modernization Act gives us another important opportunity to move forward.
- Because of time constraints related to the use of Public Housing Capital Funds, housing authorities are prohibited from managing their limited dollars in accordance with the repair needs of their properties and has also affected our ability to responsibly plan for future requirements. Other federal programs, and certainly the private sector, know the importance of creating a replacement reserve, but public housing has not had that same opportunity. It makes good sense to allow PHAs to plan and save for the future, particularly given the backlog in deferred capital needs that currently exists in the Public Housing program. At the Norwood Housing Authority we have struggled with this issue several times, as we have found it necessary to use Capital Fund program funds from up to three different grant years to modernize critical building systems such as the heating systems. Contracts for this work cannot be signed until the financing is in place. This puts housing authorities in a difficult position, given the "obligation" time to which we are now required to adhere. Your colleagues in the Senate on the Appropriations Subcommittee for Transportation, Housing and Urban Development have included language to create a replacement reserve in their FY 2016 bill, and I strongly support that effort. However, this is a matter for the authorization committees of Congress to address as well. That is why my colleagues and I are so pleased to see similar language in HR 3700. Additionally, I am encouraged by the language increasing the flexibility for PHAs to transfer funds from one funding stream to another, allowing PHAs to better target their available resources to their communities' most pressing needs. This would absolutely improve the ability of local housing authorities to better manage their building operations.

- Enabling more families and young people to be assisted under the Family Unification Program (FUP) certainly makes sense. FUP vouchers provide important support for youth aging out of foster care and for families who would face separation if not for the availability of the voucher. Lengthening the timeframe for emancipated youth to benefit from these vouchers affords these participants increased opportunities to stabilize their lives and transition to self-sufficiency.
- Increasing the percentage limitation on the use of project-based vouchers (PBVs) to enable housing authorities to create more affordable housing is a very positive development in the legislation. Project-basing vouchers will allow PHAs to develop new hard units of housing to serve special populations and create housing opportunities in areas where vouchers may not otherwise be usable. The bill also provides PHAs more flexibility to use PBVs to preserve existing housing and protect residents from dislocation. I'd like to thank the full Committee Ranking Member Maxine Waters of California for taking the initiative on this and for crafting legislation that is now found in this bill. These changes will help a lot; it is a bipartisan solution that will enable us to serve more families in need.
- Language governing the parameters for the continued occupancy of over-income families gives us a starting point to work on together. I share the Congress's interest in ensuring that resources are directed towards housing those most in need, and I appreciate the bill's recognition that a responsible policy must provide residents with a smooth transition to self-sufficiency. I am concerned, however, that the proposed policy would require PHAs to take on substantial new administrative burdens. NAHRO would like the opportunity to provide you with our insights on some of the more technical aspects found in the bill on these issues. These include revising policies relating to continued occupancy by over-income households in public housing by:
 - 1) Setting a threshold for over-income households that is reasonable but does not create additional and costly administrative burden for PHAs;
 - 2) Allowing PHAs to exercise discretion to either terminate tenancy of impacted households, or charge the greater of either 30 percent of the household's adjusted income or the subsidy for the unit, whichever is greater;
 - 3) Providing the Secretary with authority to approve waivers in communities where an insufficient stock of appropriate and affordable housing is available in the private market, and;
 - 4) Maintaining provisions allowing small PHAs to preserve public housing by renting to over-income households where no eligible households are on the waiting list as specified in Section 3(b)(4) of the Housing Act of 1937.

These revisions to the language governing the parameters for continued occupancy of over-income families would limit administrative burden on PHAs while still ensuring that resources are directed toward housing those most in need. We look forward to working with you on these suggestions.

- The bill also makes great strides towards the elimination of unnecessary statutory barriers that prevent qualified PHAs and local redevelopment authorities (LRAs) from accessing federal funds that provide assistance to homeless individuals. Since PHAs and LRAs are often at the forefront in addressing the needs of those that are (or may become) homeless, many Emergency Solutions Grant (ESG) entitlement communities would like to see PHAs and LRAs act as ESG subrecipients. Section 402 of the bill provides PHAs and LRAs with such an ability. We applaud you for including this long-overdue provision.
- Finally, the Housing Opportunity Through Modernization Act takes steps to improve program integrity by streamlining and simplifying other elements. Section 101 of the bill provides PHAs with additional flexibility to bring new units into the tenant-based voucher program, increasing the housing options available to program participants. Language in Section 102 would decrease the administrative burdens placed on PHAs as part of the income calculation process without shifting undue cost burdens on to program participants. Language in Section 108 instructing HUD to gather and disseminate nationwide data on utility costs would reduce the burdens placed on PHAs and improve the accuracy of utility allowances provided to residents.

Mr. Chairman, I appreciate and support many aspects of the Housing Opportunity Through Modernization Act as written. I also hope that you will consider the above recommendations on changes and technical fixes that could strengthen the underlying intent of several sections of this otherwise strong legislation.

Over the past 10 years, leaders and members of NAHRO alike have implored congressional leaders to find common ground on many of the provisions contained in the Housing Opportunity Through Modernization Act. I would like to echo those sentiments as NAHRO's newest President and as a practitioner with more than 32 years of experience in the housing industry. NAHRO and I stand ready to assist you as best we can, and we 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.