



President
Susan Schlesinger

November 2, 2011

President-Elect
Joseph Flatley

The Honorable John Olver
1111 Longworth House Office Building
Washington, D.C. 20515

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Dear Congressman Olver:

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Current House and Senate proposals cut FY2012 spending for the U.S. Department of Housing and Urban Development (HUD) by far more than the 5% reduction required by the Budget Control Act for non-security discretionary programs overall, even though HUD has proposed program reforms that will save \$1 billion or more in the next five years. The Senate bill (HR 2112), approved on November 1, cuts HUD's budget by 10% (\$4.1 billion) while the House Appropriations subcommittee bill would cut it by 7%. The lower Senate amount primarily reflects larger rescissions.¹

The Senate bill and the House proposal provide quite different funding levels for public housing and block grants, housing counseling and other important programs. In addition, the Senate bill includes a number of important provisions not in the House bill that would enable HUD to operate public housing and Section 8 more efficiently and to continue to preserve expiring use projects if the wording is improved and proposed rescissions are pared back. The House bill includes harmful language that would prohibit funding for almost 3,700 recently federalized Massachusetts public housing units. Both bills fall short of providing the amount needed to fully fund all current vouchers and both under-fund public housing and HOME.

The balance of this letter discusses our recommendations in detail.

Section 8 Tenant-Based Assistance

The Section 8 Housing Choice Voucher program is currently authorized to assist over 75,700 households in Massachusetts, 75% of whom are extremely low income and 47% of whom are elderly or disabled. At the same time, over 92,000 households are on the statewide waiting list for vouchers. Their only hope of assistance is if Congress provides at least the amount of renewal funding needed to maintain the number of vouchers in use in 2011, so that as families leave the program people on the waiting list can be served.

¹ Douglas Rice, "House and Senate Funding Bills Risk Loss of Rental Assistance for Thousands of Low-Income Families", Center on Budget and Policy Priorities, October 12, 2011, page 4.

While both the Senate and House appropriations committees have vowed to fully fund the renewal of all current vouchers, it appears that neither bill provides sufficient funding to meet revised HUD cost estimates.

The Center on Budget and Policy Priorities (CBPP) estimates that the Senate bill will leave 25,000 renewals unfunded nationwide and the House bill 40,000. To ensure full renewals, adequate assistance to displaced tenants and sound local program administration, we urge you to:

- Adopt and increase the Senate funding for renewals, which provides \$17.144 billion in new funding (\$100 million more than the House);
- Adopt a modified version of the provision in the Senate bill (but not the House) that would require public housing agencies with excess program reserves to use some of these reserves to help fund voucher renewals. This provision will reduce voucher renewal funding shortfalls at many agencies by making more efficient use of scarce resources. For this mechanism to work, however, the Senate provision must be modified in two ways: first, the \$750 million rescission of Section 8 appropriations associated with the reserve-offset should be reduced to \$500 million; and, second, HUD should be authorized to impose reserve-offsets totaling more than \$500 million, if needed to bring renewal formula funding up to 100 percent of eligibility. These modifications will help to ensure that every agency has sufficient funds to renew all vouchers in use, without compelling agencies to draw reserves down to dangerously low levels;
- Reduce program costs by adopting the Senate language (not in the House bill), based on the House's draft Section 8 Savings Act (SESA) bill, that revises Section 8 income deductions and targeting to better serve the working poor, elderly and disabled while reducing administrative burdens and subsidy costs, saving an estimated \$1 billion over the next five years;
- Maintain adequate administrative fees for local housing authorities by adopting the Senate funding level (\$1.4 billion), 3% below FY2011, rather than the 24% cut proposed by the House (\$1.1 billion);
- Adopt the language in the Senate bill that would allow the provision of tenant-protection vouchers to low income tenants losing assistance due to the maturation of federally subsidized mortgages or the expiration of old rental assistance contracts. Making continued rental assistance available will prevent displacement and is often critical to local efforts to develop long-term preservation strategies for those properties.

Project-Based Rental Assistance

Currently, over 60,000 Massachusetts households - primarily (72%) elderly or disabled and primarily (73%) extremely low income - live in apartments with HUD project-based rental assistance under the Section 8 program or the older Rent Supplement and RAP programs. While the Senate and House appear to provide similar funding levels for the renewal of contracts between HUD and owners, in reality the Senate provides less, as it is rescinding \$200 million from the Housing Certificate Fund. We urge you to:

- Adopt the House language, providing \$9.14 billion for Section 8 renewals (rather than the \$9.13 billion in the Senate bill);
- Adopt the House language providing \$15.7 million for other older HUD project-based rental assistance renewals and amendments (rather than the \$1.3 million in the Senate bill);
- Adopt the rescissions proposed by the House, including no rescission for the Housing Certificate Fund (compared to \$200 million in the Senate bill) and a \$6.6 million rescission from the Rent Supplement Account (rather than \$231.6 million in the Senate bill).

Public Housing

Currently, over 37,000 Massachusetts households live in federal public housing in Massachusetts, including over 26,000 elderly or disabled households. Most (75%) are extremely low income. This count includes 1,700 recently “*federalized*” units (former state-funded units transferred to the federal program). Almost 2,200 more state public housing units currently under renovation are approved for federalization in the coming year. Public housing agencies (PHAs) have limited revenues because rents are set as a percentage of tenant incomes and rely on HUD operating subsidies to fill the gap between those rents and the cost of maintaining their developments and further rely on HUD grants for capital costs. Years of underfunding both accounts have forced PHAs to defer maintenance and created a large backlog of capital needs (\$26 billion nationwide and growing as buildings and systems continue to age).

Both the House and Senate proposals include the Administration’s proposal to tap excess PHA reserves (reserve “offsets”) to help fund operating subsidies this year but the House would ban assistance to federalized units. In addition, rather than providing an increase in funding for the capital fund, as requested by the administration, both cut it deeply - the House by 25% and the Senate by 8%. The Senate (but not the House) addresses the capital problem at least, in part, by authorizing a new “Rental Assistance Demonstration” (RAD) to give housing authorities new tools to finance capital needs, but the language needs improvements and Congress should provide an appropriation for the demonstration.

Operating Fund:

- Adopt the Senate funding level (\$3.961 billion), equal to the Administration's request, rather than the lower House level (\$100 million less);
- Reject the House ban on the use of operating funds for federalized units;
- Adopt the Senate language which sets reasonable limits on the use of PHA reserves (the House sets none), capping total offsets, allowing every PHA to maintain a minimum reserve of at least \$100,000, setting up an appeals process for PHAs and reserving funds to help PHAs who are especially negatively impacted. The Senate also requires HUD to issue clearer rules on the use of operating reserves for capital expenses.

Capital Fund:

- Adopt the Senate funding level (\$1.875 billion), down 8% from FY2011, rather than the House proposal (\$1.532 billion); *and*

Rental Assistance Demonstration:

- Adopt and revise the Senate language authorizing a Rental Assistance Demonstration for up to 60,000 units. The revision should provide a direct appropriation and delete the language requiring that the cost of rental assistance be funded by a dollar for dollar reduction in the public housing accounts.

Housing Counseling

HUD's Housing Counseling Program has long been a critical tool in state and national efforts to help low and moderate households to become and remain successful homeowners. It funds local non-profits to provide:

- pre-purchase counseling and education for first-time homebuyers,
- post-purchase counseling for current owners,
- renter counseling, including help for families transitioning out of ownership,
- reverse mortgage counseling for seniors, and
- counseling for homeless individuals and families seeking shelter or other transitional housing.

It also funds national and regional intermediaries to administer and monitor the program. In FY2010, the program was funded at \$87.5 million and 27 Massachusetts non-profits received \$1.2 million to carry out these activities. Unfortunately, the program was defunded entirely in the FY2011 budget. The failure to fund Housing Counseling appears to be at least partly due to the mistaken belief by some members of Congress that the program provided the same services as the National Foreclosure Mitigation Counseling program (NMFC) for owners and tenants facing the loss of their housing due to foreclosure.

In reality, the NMFC program provides *only* foreclosure intervention services and was created in late 2007 specifically to respond to record-high foreclosure activity.

- Adopt the Senate funding level (\$60 million) for FY2012, rather than the House (no funding).

Community Development Block Grant Program (CDBG)

The Community Development Block Grant program has long been a highly valued resource for states and larger cities in Massachusetts, as it provides flexible, and until recently, predictable funding that can be used for a wide range of activities, including housing, community development, public services and social services. It has also been a critical funding source for the staff and planning necessary to implement housing and community development activities. In Massachusetts, 37 cities and towns (“entitlement communities”) received allocations directly from HUD totaling \$67.7 million in FY2011 and the State received an allocation of \$30 million to help non-entitlement communities throughout Massachusetts.

For FY2012, the House proposal level funds the formula grants at \$3.5 billion (down from \$3.99 billion in FY2010), while the Senate proposes a 14.5% reduction (to \$2.85 billion), excluding grants to disaster areas. We urge you to:

- Adopt the House funding level for formula grants (\$3.5 billion);
- Reject the House language that would reduce the share of grant funds that can be spent on planning and administration from 20% to 10%.

HOME Program

The HOME program provides formula block grants specifically for housing to States, larger cities and consortia of communities of all sizes. It has long been a critical source of supplemental funding in Massachusetts for the state’s most active affordable housing production program (the federal low income housing tax credit program).

Cutting HOME will directly reduce the number of affordable units Massachusetts can create and preserve. In 2011, 89 cities and towns in Massachusetts, along with the State, received HOME block grants directly from HUD, including 73 cities and suburban towns that joined or formed consortia to qualify and now receive annual federal funding for affordable housing. The House proposal cuts HOME by 25% from its FY2011 level of \$1.607 billion, which was already 12% below the FY2010 funding level, and the Senate bill cuts it even more deeply (by 38%) and changes some program rules as well to expedite project completions. We urge you to:

- Adopt the House funding level (\$1.2 billion) for formula grants rather than the Senate level (\$1 billion);
- Reject the Senate changes to program rules as HUD has already taken the necessary step to expedite completions.

Supportive Housing for the Elderly (Section 202)

The HUD Section 202 program provides grants to nonprofits for the development of supportive housing for the elderly, along with project-based rental assistance for those units. The account funds both new projects, renewal of rental assistance contracts, and contracts for service coordinators and providers. It also provides grants to add assisted living components to existing affordable elderly developments. In recent years, it has funded about 120 new units a year in Massachusetts. Program funding was more than halved between FY2010 (\$825 million) and FY2011 (\$399 million).

For FY2012, the House proposal would increase funding for the program by 50% relative to FY2011, while the Senate would cut it by 7% and would allow no new construction. We urge you to:

- Adopt the House funding level (\$600 million) rather than the Senate (\$369.6 million).

Housing for the Non-Elderly Disabled (Section 811)

The HUD Section 811 program has traditionally had two components. One provided construction grants to nonprofits to develop supportive housing for persons with disabilities, along with project-based rental assistance for those projects. The other provided tenant-based rental assistance for non-elderly persons with disabilities (“Mainstream” vouchers). Legislation signed in January 2011 revised the Section 811 program by dropping tenant-based vouchers (now funded through Section 8) and by creating a new project-based rental assistance (PRA) program to provide more integrated housing opportunities. The program is also now specifically targeted to the non-elderly disabled.

Under the PRA program, HUD can award allocations of project-based vouchers to state housing finance agencies and other appropriate entities and the vouchers can be used for up to 25% of the units in affordable developments that serve a range of populations (e.g. projects built using federal tax credits and other public programs). By taking advantage of the other funding programs, Section 811 will be able to assist more people at a lower cost. In FY2010, Section 811 was funded at \$300 million and in FY2011 at \$150 million. The House proposal provides \$196 million for Section 811, up 31% from FY2011, while the Senate level funds it at \$150 million, but specifically directs HUD to conduct a PRA demonstration. We urge you to:

- Adopt the House funding level (\$196 million);

- Adopt the Senate requirement (missing from House) that HUD conduct a PRA demonstration program. Advocates estimate the House funding level could support up to 3,000 PRA vouchers (as opposed to the 800-1,000 units the old capital advance approach supported in recent years) and the Senate funding level could support up to 2,000 new units.

Homeless Assistance Grants

The Homeless Assistance Grant program funds grants to local “continuum of care” consortia to construct permanent affordable housing and provide a range of housing and support services, including transitional housing and homelessness prevention. Both the House and Senate propose level funding the program at \$1.901 billion, barely above the FY2010 level of \$1.865 million, even as homelessness among families is at a record high both nationwide and in Massachusetts. Massachusetts received \$62 million in HUD homeless assistance grants this year. However, additional funding is needed given the expiration of the Homelessness Prevention and Rapid Re-housing Program (HPRP), which provided \$44.5 million to Massachusetts, and cuts to other HUD programs. In addition, the setaside for shelters and homelessness prevention should be raised. We urge you to:

- Increase funding for the Homelessness Assistance Grant account overall;
- Adopt the Senate language raising the Emergency Solutions Grant setaside from \$225 million to \$286 million and allow HUD to choose to fund the rural housing stability assistance program (homelessness prevention and re-housing).

Choice Neighborhoods Initiative

The Choice Neighborhoods Initiative provides planning and implementation grants to support comprehensive neighborhood “transformation”. It builds on HOPE VI but differs in that it can be used for severely distressed private assisted housing as well as public housing. It also places more emphasis on concentrated neighborhood investment, requiring applicants to line up funding for investments in neighborhood services, schools, parks and other public assets, transportation, access to jobs and access to high-quality educational opportunities, including early childhood education. HUD is also coordinating its awards with other federal transportation and education grant programs. Grantees will be required to track resident and neighborhood outcomes.

Since FY2010, the program has funded 17 planning grants and five implementation grants (including a \$20 million grant for a Boston neighborhood). The Senate bill provides \$120 million (up from \$65M in FY2011), with at least two-thirds to be awarded to applications from public housing agencies, while the House zero funds it (as well as zero-funding HOPE VI). We urge you to:

- Adopt the Senate funding level (\$120 million).

Sustainable Communities Initiative

The Sustainable Communities Initiative supports smart growth development on a regional scale through planning grants. The grants support local efforts to coordinate housing and transportation investments with local land use actions in order to reduce transportation costs, improve housing affordability, save energy, and increase access to housing and employment opportunities. The program was funded at \$150 million in FY2010 and \$99.8 million in FY2011.

Massachusetts received four grants totaling \$6.8 million from the FY2010 allocation to support regional plans in Greater Boston, Berkshire County, and Franklin County, and to begin planning for new transit stations in Somerville. The Senate bill includes \$90 million for the Sustainable Communities Initiative in FY2012 (down 10% from FY2011), as a setaside within CDBG allocation, while the House bill provides no funding and prohibits any new spending on the program. We urge you to:

- Adopt the Senate funding level (\$90 million) for the Sustainable Communities Initiative while maintaining level funding for CDBG formula grants.

Administrative Provisions

The Senate bill renews, extends or adds administrative provisions that are important to the successful implementation of HUD programs and should be adopted:

- Section 212 (Transfer of Multifamily Project-Based Assistance to Other Projects) would allow transfers to occur in phases, allow reconfiguration, and allow FHA financing flexibility.
- Section 235 (second provision) revises several housing choice voucher statutory requirements that have been proposed under the Section 8 Savings Act (SESA). Supporters estimate the changes will better serve voucher households while reducing federal costs by over \$700 million over 5 years, with the biggest savings coming from the change in the definition of extremely low income for the HCV program. Changes include:
 - less frequent income recertification for families with fixed incomes;
 - defining “extremely low income” as the *higher* of 30% of AMI or the federal poverty level for HCV, public housing, and PBA targeting;
 - increases standard deduction for elderly disabled households from \$400 to \$675;
 - limits medical deduction to amount that exceeds 10% (vs. 3%) of annual income;
 - allows more frequently adjustment of FMRs, eliminates current October 1 deadline;
 - allows PHAs to continue payment standard for families in same units prior to an FMR reduction; and
 - lets PHAs set payment standard for persons with disabilities at up to 120% (rather than 110%) without prior HUD approval.

- Section 235 (third provision) extends the Mark to Market program by another four years (through Sept. 30, 2015), enabling preservation of expiring use developments to continue.
- Section 217 continues and improves a previous annual mandate for HUD to manage and dispose of troubled assisted multifamily properties in a manner that preserves existing rental assistance.

In addition, there is one provision in the House proposal, missing from the Senate, which should be adopted. Section 227 continues to authorize prepayment of Section 202 developments as long as affordability requirements continue (renews FY2011 provision).

Thank you for consideration of our requests. If you have any questions, please feel free to contact me at 617-742-0820.

Sincerely,



Aaron Gornstein
Executive Director

cc: Massachusetts Congressional delegation