

CLPHA

**Strengthening Neighborhoods.
Improving Lives.**



TESTIMONY OF

KEITH KINARD, EXECUTIVE DIRECTOR

NEWARK HOUSING AUTHORITY

ON BEHALF OF THE

COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES

BEFORE THE

UNITED STATES SENATE

**SUBCOMMITTEE ON HOUSING, TRANSPORTATION
AND COMMUNITY DEVELOPMENT**

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

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Chairman Menendez, Ranking Member DeMint and Members of the Subcommittee, my name is Keith Kinard and I am Executive Director of the Newark Housing Authority and Board Member of the Council of Large Public Housing Authorities (CLPHA). CLPHA is a national, non-profit membership organization that works to strengthen neighborhoods and improve lives through advocacy, research, policy analysis, and public education. CLPHA's members comprise nearly 70 of the largest Public Housing Authorities (PHAs), located in most major metropolitan areas in the United States. These agencies act as both housing providers and community developers while effectively serving over one million households, managing almost half of the nation's multi-billion dollar public housing stock, and administering nearly one quarter of the Section 8 Housing Choice Voucher program.

The Newark Housing Authority (NHA) has over 11,000 public housing and housing choice vouchers. NHA is the largest public housing authority in New Jersey and one of the largest in the nation. We have a portfolio of 44 public housing communities with a total of over 7,000 rental units scattered throughout the City of Newark. NHA also administers up to 4,000 Housing



Choice Vouchers (Section 8) within the city limits. A unique aspect of the Newark Housing Authority is that the agency also serves as a redevelopment authority and uses that power to enhance the renaissance of Newark. As a redevelopment authority, the NHA has a stake in the creation and maintenance of safe, livable neighborhoods and the expansion of economic opportunities in their communities.

We thank the Subcommittee for holding this hearing on “Streamlining and Strengthening HUD’s Rental Housing Assistance Programs” and appreciate the opportunity to comment on those matters that we believe are critical to include in any legislation to improve and reform HUD’s rental assistance programs. As you know, for many years, CLPHA has been active in these legislative efforts.

We have most recently been engaged in efforts to improve the draft legislation entitled, “Affordable Housing and Self-Sufficiency Improvement Act of 2012” (AHSSIA) in the U.S. House of Representatives. AHSSIA is the latest iteration of recent endeavors to reform and advance the Section 8 Housing Choice Voucher program which began in the 109th Congress and continued with the “Section Eight Voucher Reform Act” (SEVRA) and the “Section Eight Savings Act” (SESA) through the 110th and 111th Congresses. While we have seen different variations on a theme with the various legislative proposals—with refinements and degree of emphasis—there have been certain core components in most versions of the reform proposals. Included among those core features which CLPHA strongly supports are simplification of rental



assistance administration; preservation of the housing stock; protection of tenants; and expansion of funding flexibilities and local decision-making for housing authorities.

As CLPHA testified last year on SESA, we believe that simplifying and streamlining the administration and funding of the Housing Choice Voucher (HCV) program is a key component to a broader rethinking of the landscape of public and assisted housing in this country. Equally, we believe that expansion and permanency of the Moving to Work (MTW) program is an essential element in strengthening the flexibility and local decision-making that housing authorities need to be successful in their communities. And, we believe that the Rental Assistance Demonstration (RAD) program will be critical in helping housing authorities reposition and strengthen an effective housing rental assistance delivery system for residents in a time of shrinking federal budgets.

Streamlining and Simplification

Voucher Renewal Funding

One activity to streamline and simplify would be a permanently authorized renewal funding formula which would provide predictability and stability to the Housing Choice Voucher program. As you are aware, the shift to the “snapshot” voucher funding formula in 2004 caused a serious mismatch between funding eligibility and vouchers requiring renewal funding. Further, continued uncertainty about determining eligibility each subsequent year undermines agencies’ ability to manage their programs efficiently, as they are unable to predict the level of voucher



utilization that they could support. We have seen, since 2007, how funding based on actual leasing and costs provides agencies the resources needed to increase leasing and help additional families. We are slowly recovering vouchers lost to the previous policies. With a renewal formula reflecting actual PHA needs placed in permanent statute, rather than in annual appropriations acts as is currently the case, PHAs will have renewed confidence in the predictability of their funding. A stable and reliable funding formula will provide predictability for housing authorities and landlords alike. They will be able to plan for the future, taking steps to increase utilization, reduce costs, eliminate inefficiencies, and improve service delivery.

Reserves and Use of Funds

Another proposal that we support is to allow housing authorities to retain a portion of their housing assistance payment funds as reserves. An adequate and stable reserve is the bedrock of any well-run enterprise. Housing authorities serving large metropolitan areas must often deal with fluctuations in the number of landlords, the cost of rent, and other market factors beyond their control. We recommend that agencies always be able to retain their full accumulated reserves in order to support leasing in their communities, to allow them the flexibility to respond to changing markets, and to prepare for planned and unplanned extraordinary expenses, particularly in light of federal budget allocations oftentimes subject to proration. Given their level of unspent funds, some PHAs have taken steps to increase their voucher utilization levels. They have made commitments in their communities to increase leasing by a certain percentage or house a certain number of additional families. Large funding offsets and prorations could derail such plans, even if a housing authority is making progress toward their goals. Housing



authorities that have defined plans should be allowed additional reserves protection to increase leasing

The Newark Housing Authority has been struggling with voucher utilization issues for more than a decade. Newark's Section 8 program consistently spends in excess of 100 percent of the allocated Housing Assistance Payments (HAP) funds; however, we report less than 80 percent utilization on a monthly basis. This discrepancy is due in part to the high cost of rent in the region and an offset of 10 million dollars of reserves. The reserve offset occurred in the midst of a plan to place 2,000 families on the program and created community animosity and trust issues for the Agency.

Additionally, agencies participating in the Moving To Work (MTW) program should be funded according to their agreements, subject to any pro rata adjustment. MTWs rely on their reserve balances as set out in their plans and agreements to leverage funds for redevelopment and revitalization projects. Allowing their funding to be offset by their reserves would severely undermine the goals of the MTW program. HUD has recognized this fact by exempting MTW voucher funding from offset provisions to meet Congressionally-mandated rescissions (see PIH 2009-13, PIH 2008-15). CLPHA supports language in previous versions of SEVRA that clarifies that MTW agencies shall spend their reserves in accordance with their program agreements.



Finally, CLPHA has long advocated eliminating the authorized-voucher cap on leasing, and we strongly support provisions that allow leasing in excess of authorized levels.

Project-Based Vouchers

CLPHA also supports previous legislative provisions that allows housing authorities to project-base vouchers in their own buildings, as part of a public housing redevelopment, without going through a competitive process. This would eliminate a significant administrative burden that has, in the past, kept PHAs from being able to commit project-based vouchers in a timely fashion. Time is often of the essence in redevelopment deals, and having this provision would facilitate and expedite project-basing of vouchers. Thus, this provision would not only help increase the affordable housing supply using tenant-based resources, but also add to the supply of deeply subsidized hard units for communities that need them.

Newark's experience with this policy is two-fold. We currently own a 100 percent project-based voucher, elderly/disabled hi-rise building that has been thriving for many years. This facility has benefited tremendously from this initiative in many ways. The most prominent benefit is what it provides for the residents. Through Project-Based Vouchering the agency has been able to take on extensive capital needs of the building and upgrade the general amenities for the residents. Our second experience involves our current work to convert a public housing, 220-unit, elderly/disabled hi-rise building into a Section Eight Project Based facility. We started this process four years ago and quite frankly we are about 70 percent through the conversion. A



significant amount of administrative time and financial resources have been used to competitively procure and ultimately award project based vouchers to ourselves. In Newark, Section 8 vouchers are scarce and we were not able to provide any vouchers to the more than twelve (12) applications who submitted proposals. Everyone's scarce resources could be better utilized.

We also strongly urge the Subcommittee to expand the flexibility of PHAs to use project-based vouchers to leverage private investment for the preservation of affordable housing. Specifically, we support increases in the percentage of its Section 8 vouchers that a PHA may use for project-basing, above the 20 percent cap, and in the number of vouchers that may be project-based in individual projects, for the purpose of preservation. There is precedent for these changes under the recent notice implementing the Rental Assistance Demonstration, which exempts converted units from the 20 percent cap and increases the percentage of vouchers that may be project-based in a single project, though we do not believe that the Department has gone far enough on this second point. Again, project-based vouchers have become an essential tool for PHAs' efforts to meet their local community needs, particularly with populations that require the availability of ongoing supportive services. Increasing the resources that can be used for this purpose can play an important role in preserving affordable housing and efforts to end homelessness and serve other vulnerable populations. In addition, we support the language in the bill that would extend the maximum term of the Section 8 contract from 15 years to 20 years, which will also encourage private investment.



Administrative Streamlining

Some changes that could streamline administrative processes include: options for triennial recertifications for fixed-income households and moving to less frequent inspections and interim recertifications. The Newark Housing Authority spends a large percentage of administrative fees on work associated with mandatory annual re-certification, annual unit inspections and rent, allowances and asset calculations. Local flexibility that maintains the integrity of the program while eliminating the need for high cost, low benefit work could save our agency vital resources. It is worth noting that many similar innovations have already been tested for years at MTW agencies throughout the country. Many MTW agencies have adopted less-frequent recertifications for their fixed-income households and have found that it not only produces less stress for their residents, but also significantly reduces their administrative burden.

Some MTW agencies have been able to streamline their inspection process, grouping inspections geographically to save travel time and costs. Allowing housing authorities to use a risk-management approach to conducting inspections, rather than tying them to arbitrary annual deadlines, will help relieve housing authorities of a sometimes redundant administrative burden, while still ensuring that families are housed in safe and decent housing. Also, allowing housing authorities to rely on inspections from governmental agencies further simplifies a complicated inspection process and allows localities to rely on one standard for guaranteeing the suitability and safety of area housing. CLPHA previously testified in support of these changes in SEVRA and SESA.



Additional ways of streamlining administrative processes and reducing administrative burden and costs include additional simplification of the rent calculation process (even beyond what is included in SESA), allowing flexibility with regard to re-inspections, and allowing the development of local wait-list policies. These are all areas in which Moving to Work agencies have been developing local policies, to meet their statutory objective of “reducing cost and achieving greater cost effectiveness in Federal expenditures.” Congress would do well to look to MTW agencies for further ideas about administrative streamlining.

Rental Assistance Demonstration (RAD)

CLPHA’s objective for a rental assistance demonstration was straightforward. As MTW helps housing authorities in their public and affordable housing preservation strategies, we were seeking to preserve the existing housing stock through the funding flexibility and funding leverage that MTW offers. For this reason, we proposed and supported the Rental Assistance Demonstration (RAD) – a conversion option for public housing rental assistance to project-based vouchers (PBV) or project-based rental assistance contracts (PBRA) that will enable greater funding flexibility and leveraging. CLPHA worked alongside other stakeholders to help Congress enact RAD last year as a demonstration program to preserve this important affordable housing stock.

We see this initial version of RAD as the first step in converting public housing subsidies to leverage additional capital investment and address the nearly \$26 billion capital backlog of our



public housing stock. The current no-cost model that authorizes conversions to PBV and PBRA is an important step forward, but will only go so far in addressing a segment of the portfolio. Furthermore, a recent industry-funded research report by Recap Real Estate Advisors makes clear the critical need for adequate RAD funding in order to provide conversion and recapitalizing opportunities to a larger pool of public housing properties.

With no funding to support this first iteration of the demonstration, CLPHA appreciates the broad waiver authority from Congress to create the best program possible within the constraint of current public housing operating and capital subsidies. We believe this waiver authority is a critically important tool in order to ensure a successful demonstration program, and HUD should exercise its waiver authority to a greater extent than it proposes in the recently published Final Notice. In order to operate successfully under the no-cost RAD program and for housing authorities to be creative in their approaches, this flexibility is necessary. For example, the limitations on PBV conversions, including contract rent setting, the cap on the number of PBV units in a project, and the 12-month choice mobility constraint, all create a disincentive for housing authorities to pursue PBV conversions and undermines a critically important option in the demonstration program.

The current House AHSSIA draft proposal includes the original legislative draft language from the stakeholders' coalition on RAD. It authorizes a demonstration program for the voluntary conversion of units currently assisted under the public housing or Section 8 moderate rehabilitation programs to a contract under either the Section 8 project-based voucher or project-



based rental assistance programs, including the authorization of appropriations of \$30 million per year for five years of a demonstration. The additional funding is for supplemental costs of the first year of assistance, evaluation, technical assistance to housing authorities and tenant organizations, and other appropriate purposes.

It also authorizes properties assisted under the rent supplement program or the Section 236 rental assistance program to convert to project-based Section 8 renewal contracts, subject to the terms of Section 534 of MAHRAA, with authorization of appropriations of \$10 million per year for five years.

CLPHA strongly supports the RAD program and considers it an important tool for public housing preservation strategies. The additional funding authorization will help PHAs stabilize properties in markets where the current level of assistance and rents are not sufficient to address capital backlog needs and provide for long-term viability of the properties. We support the version of RAD in the AHSSIA bill, and strongly urge the Senate to include the RAD program in any legislative proposal.

Moving to Work Expansion

CLPHA has long been a strong supporter for a permanent expansion of a Moving to Work (MTW)-like program for any interested housing authority. The premise of MTW is simple, to allow PHAs to develop locally-driven housing plans that respond to local housing needs, in concert with their residents and community stakeholders. The current 35 MTW agencies



administer over 131,000 public housing units and 307,500 Housing Choice Vouchers, or more than 12.5 percent of the current traditionally PHA-operated housing stock, in addition to operating local housing programs that fall outside the bounds of traditional models. A review of the current MTW agencies show that they have raised the standard of housing services, used program flexibility to create jobs, added affordable housing stock, served more households, and helped families build savings. They have also shown how to operate and manage affordable housing in ways that is accountable to their residents and local communities without needless and time-consuming bureaucratic measures that add costs but no value. Many administrative activities now universally accepted as good practice, providing cost-savings, are beneficial to residents, and are non-controversial were first tested in the laboratory of Moving to Work (MTW)..

Instead of asking themselves "what do we need to do to make sure we score high on our next Section 8 Management Assessment Plan (SEMAP)?", MTW agencies ask themselves, "where are the most profound needs in our community and what are we going to do to address them?" This fundamental shift in thinking has allowed MTW agencies from Cambridge, MA to Atlanta, GA to Seattle, WA to solve problems in their communities more efficiently, more rapidly and with greater community participation than most non-MTW agencies could even imagine.

The strength of MTW is that it allows PHAs to customize their services to meet the unique challenges their communities face. For example, in the northwest and northeast, MTW PHAs are engaging with homeless service providers in ways unimaginable outside of MTW. The new



sponsor-based housing is allowing the most difficult-to-house populations to find stable homes, with supportive services. Comprehensive, long-term services are being paired with PHA redevelopment efforts to create dynamic, place-based service centers where the most vulnerable households receive not just housing, but the intensive supports they need to keep from slipping back into homelessness. These are just a few examples of the amazing work going on at MTW agencies.

NHA is not designated as an MTW agency, however, in my previous role as Executive Director of the Pittsburgh Housing Authority, we were among the original group of agencies granted this broad range of flexibility. Having worked for 14 years under both circumstances, it is evident that the greatest advantage of MTW is the localized focus true regulatory flexibility affords. For example, in Pittsburgh we were able to utilize MTW to dramatically improve our housing stock, promote significant private investment, streamline our applicant waiting list process, promote programs for the homeless and create a social service endowment to consistently fund strong self-sufficiency programs.

On the other hand, without MTW in Newark, our focus has been predominately driven by regulatory scoresheets such as the Public Housing Assessment System (PHAS) and SEMAP. With both limited flexibility and funding, we spend more of our time focused on the timeliness of our PIC submissions, Asset Management Projects (AMP) and Central Office Cost Center (COCC) performance (financial performance of the central office and grouped sites), Voucher



Management System (VMS) submissions, coordinating REAC inspection activities, along with dozens of other monthly, quarterly and annual submissions.

In sum, if the Newark Housing Authority were designated a Moving to Work site, we would seek to create housing programs for the homeless, focus on prisoner re-entry and transitional housing. In addition, we would tackle extensive applicant wait-list issues and examine rent simplification, recertification and inspection processes for overall program efficiencies. Finally, we would utilize funding fungibility to create greater housing opportunities for our city's most vulnerable populations.

However, we are aware that the MTW program is controversial among many housing advocates and engenders strong, negative and emotional reactions due to misperceptions and misinterpretations of the program's objectives, accounting and results. Given the disparate views of proponents and critics of the program, we realized the best approach to try to resolve differences was to declare a period of détente, sit down with the differing parties, and attempt to work out a practical agreement on extending and expanding the program. The result was intensive, passionate and focused deliberations between the stakeholders.

The stakeholder group representatives included tenant advocates, civil rights advocates, housing authorities, assisted housing owners, and HUD. In a remarkable undertaking with no issue too minor or nuanced for consideration, the stakeholder group produced a set of guidelines culminating in the "MTW Expansion Principles and Proposals", along with a legislative draft



incorporating those guidelines, that was agreed upon by all the parties involved. The stakeholder agreement provides for a permanent basic and enhanced MTW program; a robust evaluation; new development tools; and resident protections.

Included with my written comments for the record is a copy of those principles (attachment 1) and legislative draft (attachment 2).

Closing

In closing, even as we work to improve the housing choice voucher program, we must not forget the continuing challenges faced by the shortage of public and other affordable housing. There is still an urgent need to preserve and increase the supply of housing units specifically dedicated to those most in need. Once again, CLPHA urges this Committee to work to provide additional resources and tools to enable PHAs to preserve our public housing stock and increase the supply of housing affordable to very low-income households.

We appreciate the Subcommittee's perseverance and willingness to continue to tackle the reforms needed in HUD's rental housing assistance programs. We look forward to working with you and HUD on making additional improvements to the programs and developing reform legislation.

Thank you again for this opportunity to testify.