



CLPHA

TESTIMONY OF

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ON BEHALF OF THE

COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON APPROPRIATIONS

**SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND
URBAN DEVELOPMENT AND RELATED AGENCIES**

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Chairman Price, Ranking Member Diaz-Balart, and Members of the Subcommittee, my name is Anthony Scott and I am Chief Executive Officer of the Durham Housing Authority (DHA) in Durham, North Carolina. I am here today representing the Council of Large Public Housing Authorities (CLPHA), which is a national, non-profit membership organization that works to strengthen neighborhoods and improve lives through advocacy, awareness, research, policy analysis, and public education.

CLPHA's members comprise over 70 of the largest housing authorities (HAs), located in most major metropolitan areas in the United States. The U.S. Department of Housing and Urban Development's (HUD) Public Housing Program, a multibillion dollar public asset for local communities, is home to over 1.1 million low-income families, almost half of which are seniors and disabled, and includes approximately 800,000 children. The Section 8 Housing Choice Voucher (HCV) Program houses another 2.2 million low-income families. CLPHA members manage almost half of the nation's public housing stock, and administer about one quarter of the Section 8 Housing Choice Voucher program.

CLPHA appreciates the subcommittee holding this hearing entitled "Stakeholder Perspectives: Affordable Housing Production," looking at one of the most challenging, frustrating and critical issues confronting our nation today. That is, how do we maximize affordable housing production in order to combat the critical housing shortage and housing instability facing our nation's most vulnerable and disadvantaged citizens. Among housing authorities, we often face years-long waiting lists of families desperate for housing. When waiting lists open to families for units that come available, thousands and tens of thousands of applications flood in. Oftentimes, public housing is their last reasonable option before homelessness.

According to the *Worst Case Housing Needs 2017 Report to Congress*, "Even with rental assistance, 6 of 10 extremely low-income renters and 4 of 10 very low-income renters do not

have access to affordable and available housing units.” More fundamentally, how do we meet the affordable housing needs of our citizens when all of the programs and measures we have taken to date have fallen short. What do we need to do to meet the need?

The Administration record over the past two years is not encouraging, since their budgets and proposals have been to eliminate, zero out, or drastically reduce funding for most affordable housing programs. We are not hopeful that the soon to be released FY20 budget proposal will be an improvement.

In my testimony, I want to touch upon some programs that we believe have, and can make a real difference in people’s lives.

Public Housing Capital Fund

The Public Housing Capital Fund is the dedicated source of annual federal funding available to housing authorities to make rehabilitation and modernization improvements to public housing. However, for over a decade, capital fund appropriations have declined, while ongoing annual accrual needs continue to be unmet. Since 2010 ongoing accrual needs are estimated at a minimum of \$4 billion annually, and the capital needs backlog continues to grow. Nine years ago, the backlog was estimated by HUD at \$26 billion, and current estimates by industry stakeholders places that number at over \$50 billion today. While the boost in capital funding provided by Congress in both FY18 and FY19 was a significant amount by most accounts, and gratefully received by housing authorities, it is still wholly inadequate when compared against the need.

CLPHA has repeatedly stated that chronic underfunding of the Capital Fund contributes to a deteriorating housing stock, greatly diminished life outcomes for public housing residents—especially children and seniors—and the loss of thousands of public housing units per year. As the capital backlog continues to grow, annual accrual needs continue to be underfunded;

waiting lists of desperate families seeking affordable housing increases daily; and successful conversion of public housing units under RAD are jeopardized without a robust Capital Fund.

Therefore, it is critical that Congress provide sufficient appropriations for the Capital Fund to further prevent the deterioration of our crumbling public housing inventory and infrastructure. In the years since HUD's report on the backlog, CLPHA has called on Congress to fund the Capital Fund at \$5 billion a year in order to meet annual accrual needs and to begin to address the backlog. As a nation, we are now at a critical stage for needing aggressive action to undertake affordable housing production and preservation.

Housing Choice Vouchers

The Housing Choice Voucher (HCV) Program is an essential component of the affordable housing continuum and continues to be an important, cost-effective delivery system for providing much-needed rental assistance to the country's lowest-income residents. The HCV program allows families to stabilize their lives and frees up resources so that they can make choices, not only about where to live, but about how to best support their interests in economic mobility, self-sufficiency, education, and employment opportunities. However, the demand for HCV far exceeds the supply of available vouchers.

The challenge to voucher utilization is finding available housing. Vouchers are important in addressing affordability, mobility, and access to high opportunity areas. However, landlords must be willing to accept a voucher, along with all the federal requirements it entails. HUD Secretary Carson recently acknowledged the difficulty of landlord recruitment—particularly in high-cost neighborhoods—and recently embarked on a series of listening tours across the country, and identifying landlord recruitment as one of the department's highest priorities.

If voucher holders cannot find adequate, affordable, available housing, the voucher is useless. A person cannot live in a voucher. There is no substitute for a physical or hard housing unit with four walls, a roof, and a door. In 2016 DHA opened its Waiting List and received 6,500

applications for a maximum of 1,500 slots. Of that number only 30% of the applicants were able to be housed. We have heard heart wrenching stories of voucher recipients that were unable to find landlords willing to accept vouchers in areas of opportunity. DHA opened its Waiting List in 2018 and received 5,400 applications. In Durham we are also in a high demand area where the rents have increased dramatically over the last several years, especially in the downtown areas. Since there is an inadequate supply of hard units, new development or redevelopment becomes absolutely necessary and a priority.

Choice Neighborhoods Initiative

The Choice Neighborhoods Initiative (CNI) is considered a broad place-based solution to help address the housing, transportation, energy, education, workforce, environmental, health, business, and development needs of neighborhoods and communities. CNI is built upon the success of the HOPE VI program, whose purpose was to transform the most severely distressed public housing developments into revitalized neighborhoods. While much has been accomplished, there is still considerable need for revitalization in public housing developments across the country.

Over twenty-five years ago, when HOPE VI was first established, the program received funding in the \$500 to \$600 million range to revitalize public housing communities, including producing affordable housing. Today, we are fortunate to muster \$150 million for CNI, and that amount would not be possible without the heroic efforts of Chairman Price, a staunch supporter and defender of the program. While federal funding levels for community-wide revitalization and housing production have greatly diminished, the need for providing greater investment and resources into communities has only increased given the shortage of affordable housing across the country. Over the years, CLPHA has consistently advocated for the CNI, and the high demand for both planning grants and implementation grants is indicative of the need. For example, in the most recent round of FY18 only four applicants were selected for Implementation Grants, out of a pool of 32 applicants; and only six applicants out of 25 were selected for Planning Grants.

As a national program, CNI has tremendous potential. What is lacking is sufficient resources—funds—to meet that need.

Rental Assistance Demonstration and Low Income Housing Tax Credit

The Rental Assistance Demonstration or “RAD” program is a preservation program Congress created in 2012 focused on protecting and improving the nation’s at-risk public housing stock. RAD allows housing authorities to leverage private capital through a variety of proven financing tools as a key solution in tackling the multi-billion capital needs backlog in public housing.

The success of RAD is dependent upon stable and sufficient funding levels for both the Operating Fund and Capital Fund in order to recapitalize properties with private sector debt and equity.

Since 1996, as federal appropriations for public housing continually diminished, and long before RAD, housing authorities began to use private equity through the Low Income Housing Tax Credit (LIHTC) more and more often to fill the gap. The housing credit is administered by the U.S. Department of Treasury, which issues tax credits to state and local governments as an incentive to private developers and investors to help produce new and rehabilitated rental housing for low-income households.

Coupled with LIHTC—now the nation’s primary affordable housing production and rehabilitation program—RAD has caused a fundamental shift in the ability of housing authorities to finance the rehabilitation, renovation or new construction of affordable housing. Thus, by combining housing tax credits with rental subsidies through mixed financing, housing authorities are able to target the tax credits towards families with severe affordable housing needs through housing authority preservation projects.

Since its start, RAD has already spurred \$6.6 billion in construction financing and successfully converted more than 110,000 units through public-private financing partnerships. What is now needed is a complete elimination of the RAD cap of 455,000 units. The arbitrary unit cap creates artificial limits on unit conversions; interferes with long-term portfolio planning; impedes the alignment of timeframes for additional funding sources; constrains and prohibits developing a pipeline; and hinders full portfolio conversion over multiple years.

Comprehensive RAD Approach

DHA is pursuing a portfolio-wide RAD redevelopment of its public housing inventory of approximately 1,400 units on 15 different sites. Fundamentally, the RAD program allows DHA to create mixed-use and mixed-income communities that allow a more diverse socio-economic living environment. Current opportunities in Durham necessitate a comprehensive approach to fully maximize the opportunity to create affordable housing. Our approach will allow transfer of units to available sites that result in mixed income communities, partner with interested developers on our sites, share in parking requirements, quantify comprehensive financial needs and incorporate strategic urban design principals.

DHA owns over 50 acres in the downtown area that has 447 units of public housing. By utilizing available financing, those properties will be leveraged to create over 2,500 units of mixed-income housing and 270,000 square feet of retail/commercial space. 74% of the units will be for incomes below 80% of the AMI. The total cost for development exceeds \$566 million.

In addition to the physical development of the site, DHA has formed partnerships with the City of Durham (Department of Community Development, Office of Workforce and Economic Development, Department of Planning, Department of Transportation and Neighborhood Improvement Services) for gap financing and project/program services; Durham Technical Community College for workforce development training and local universities to assist in resident development. We will utilize Section 3 to create jobs for DHA residents throughout

the construction phase and have a net increase of at least an additional 100 jobs for property management in addition to jobs created through the retail and commercial space.

This approach to redeveloping public housing brings together the RAD program, HCV, public housing and a variety of local resources. Our barriers are a RAD program that doesn't allow enough flexibility to fully leverage development opportunities with private sector development. RAD requires certain milestones to be completed or you are required to withdraw the CHAP and begin the process again. Because DHA is planning its downtown RAD properties comprehensively to take full advantage of other development activity, it cannot afford to piecemeal its RAD sites for approval. The private market moves at a faster pace and waiting on a RAD approval to transfer units could result in a missed opportunity.

Also, since its inception, CLPHA has called on Congress to provide RAD funding to enable housing authorities with high-cost, high-needs properties the opportunity to more fully participate in the program. We strongly call on Congress to do so in the upcoming appropriations cycle.

Moving to Work

The Moving to Work or "MTW" program, authorized by Congress over twenty years ago, has served as a public housing laboratory for innovation and flexibility in program administration and utilization of program funding to meet local needs. Many of the innovations developed through MTW have been adopted into legislative and regulatory reforms for all public housing. CLPHA strongly supports the MTW program, and advocated for the recent expansion of the program. While we were somewhat disappointed that the number of large housing authorities was limited under the expansion, we are hopeful that Congress will soon correct their mistake. However, given the success and innovations fostered by MTW, we would urge Congress to consider allowing housing authorities selected and targeted flexibilities, short of full MTW status, through a defined statutory process.

Transforming and Preserving Public Housing

As mentioned, public housing has suffered deep appropriations cuts, with funding for maintenance and operations at only a fraction of what HUD's own formulas say is required. Every year, congressional appropriations fall far short of the amount necessary to meet the additional needs which accrue on an annual basis, while failing to address the accumulated backlog of repair, improvement, and replacement requirements. Yet, portions of this vital resource have already been transformed into viable affordable housing assets through local public-private partnerships that preserve or replace projects and stabilize operations through access to private financing and the transition to a Section 8 funding and regulatory platform through the RAD program.

Building upon the transformative process begun with RAD, we have a rare opportunity with modest, targeted investments, leveraging private sector funding and expertise where needed, to implement a strategic plan that finishes what we have started by improving and securing this critical public infrastructure investment once and for all. We believe Congress should take the steps necessary to enact statutory changes and infrastructure investments, along with tax incentives and public-private partnerships, to promote and enable private investment and sustainable operations in support of the long-term affordability of this portfolio.

This plan could foster deregulation, local control, and more flexible use of federal, state, and local resources. It could enable public housing providers to use more of their resources to connect residents to jobs, health care, and educational opportunities to better improve life outcomes for them and their families.

Infrastructure

As one of the nation's largest sources of affordable housing, public housing plays a central role in the nation's infrastructure. Similar to roads, bridges, and waterways, affordable housing is a long-term infrastructure asset that helps communities and families thrive. Public housing represents a significant investment on the part of the federal government. However, like roads,

bridges, and waterways that lack adequate resources to be properly maintained, HUD estimates over 300,000 units of affordable public housing were lost since 1990 due to chronic underfunding.

Under previously enacted infrastructure investment legislation, housing authorities were efficient, effective and innovative in using capital funds by quickly spending their funding on ready-to-go projects that bolstered economic growth, created jobs and improved opportunity and quality of life for residents. A subsequent U.S. Government Accountability Office analysis also confirmed that housing authorities were timely and efficient in using infrastructure funds.

The Administration and Congress have signaled that restoration of the nation's infrastructure is critical to the nation's economic vitality, health and safety. A significant federal investment in affordable housing infrastructure should be a top priority, and CLPHA urges Congress to provide at least \$20 billion in funding to housing authorities for new affordable housing and infrastructure projects.

Faircloth Amendment

Twenty years ago, the "Faircloth amendment" was enacted to limit the construction of new public housing units. To summarize, the Faircloth Amendment states that HUD cannot fund the construction or operation of new public housing units with Capital or Operating Funds if the construction of those units would result in a net increase in the number of units the PHA-owned, assisted or operated as of October 1, 1999. This ceiling on units is referred to as the "Faircloth Limit."

According to HUD guidance, the Faircloth Limit can be adjusted for housing authority transfers of ACC units, consolidations, and RAD removals. The practical effect means housing authorities cannot build new public housing unless it's a one for one replacement of current public housing units. This rule effectively and arbitrarily limits supply while making it difficult to increase the supply of affordable housing in local communities.

In this time of severe affordable housing shortage, it makes little sense to unnecessarily shackle local communities, housing authorities, and policymaker's ability to explore options and solutions to develop new affordable housing. Simply put, the Faircloth Amendment needs to go.

Housing and Cross-Sector Partnerships

Public housing authorities are engaged in a wide array of local partnerships across sectors aimed at improving residents' health, wellbeing, and self-sufficiency. CLPHA has made significant investments in cultivating and encouraging cross-sector partnerships between housing authorities and trusted partners in health, education, and other sectors to improve life outcomes. We recognize that housing authorities can be powerful conveners of these various systems that serve the most vulnerable among us, especially when given adequate resources to do so.

These systems – housing, public health, healthcare, schools – work together because they serve the same constituencies. The HUD-Veterans Affairs VASH model is a successful example of interdepartmental coordination that has benefited homeless veterans. We think this type of collaboration is not only essential but fiscally prudent. For example, HUD and Health and Human Services should develop greater collaboration among programs where HUD pays for housing and HHS pays for services.

Similarly, HUD and Labor should better coordinate workforce programs and activities to enable more persons to move up and out through the housing pipeline and off the waitlist into affordable housing. HUD's popular Family Self Sufficiency Program is designed to enable that type of upward mobility. With the help of Congress to incentivize these partnerships we can help improve life outcomes for residents, help move people out of subsidized housing—and thus move people along the waiting list—while helping to break the cycle of intergenerational poverty.

We urge the Committee to encourage greater interdepartmental collaboration between HUD, HHS, Labor, and others that could better leverage their respective resources and expertise. Breaking down funding silos in addition to service silos could provide useful incentives for different departments and agencies to work together on complex – and therefore costly – matters that concern us all.

Closing

The programs to appropriately serve the vulnerable and disadvantaged exist, the technical expertise is available; but, a fundamental and inescapable truth is that adequate resources are always needed. What housing authorities and other housing providers lack but desperately need is adequate funding to do what is imperative (regardless of party or political association)—providing adequate, affordable, available homes to the families we serve.

Mr. Chairman and members of the committee, we appreciate the increased attention that you and others in Congress are giving to this issue of affordable housing production. We appreciate your willingness to look for solutions and new ways to address this problem. We ask your help in providing the means. Yours is an important voice in the funding process and your support for adequate resources is urgently required.

Thank you for the opportunity to testify today.