

New England Housing Network

Developing a New England Regional Agenda: Surging Ahead on Affordable Housing and Community Development

September 10, 2007

The New England Housing Network is a coalition of affordable housing and community development organizations in the six New England states. The Network works on joint activities to preserve and expand the supply of affordable housing in New England.

On September 17, the Network convened a conference involving close to 400 people, who spent a day discussing key issues in federal housing and community development policy. Among those in attendance included housing advocates, non-profit and for-profit developers, social service providers, housing authorities, government officials, tenants, community development organizers, investors, attorneys, and many others involved in the creation and preservation of housing.

The following document summarizes the results of the conference workshops, and reflect the views of the people who participated in each of the workshops. These are not official positions of the New England Housing Network, but do represent the thoughts of the people in attendance at the particular workshop sessions.

It is hoped that this document will serve as a summary of the key needs New England is experiencing in the effort to provide affordable housing and to strengthen its local communities.

The Community Development Block Grant (CDBG) and HOME Programs

The Community Development Block Grant program, authorized in 1974, is the premier program used by cities to further locally developed strategies for housing and community and economic development strategies. The goals of the program are to provide safe, decent and sanitary housing; a suitable living environment; and aid in the prevention and alleviation of slums and blight. Primary benefits are targeted to households under 80% of median, and cities over 50,000 in population. A principal city of a MSA or a qualified urban county of 200,000 are “entitled” to an annual allocation

The HOME program was created in 1990 to provide an additional tool to assist in the provision of housing to lower income households; expand the capacity of nonprofit housing providers; and leverage public sector participation. Funds can be used for non-profit development, homeowner rehabilitation, homebuyer activities, rental housing and tenant based rental assistance.

After deep funding cuts, and several attempts by the current Administration to eliminate CDBG, Congress is attempting to rebuild the program by modestly increasing the appropriation and reducing set-aside grants within the line item. The same can be said for the HOME program, although cuts have generally been smaller. To strengthen and maintain both these vital programs, communities have to “tell their story” about how and why these funds have made a significant difference, particularly in these years of budgetary challenges and the use of funds for war, deficit reduction and domestic entitlements such as Social Security and Medicare.

Rural Housing

Tens of thousands of low income individuals and families reside in the rural regions of New England. Often overlooked, the provision of decent, safe and affordable housing in rural New England is vital, critically needed and faces issues and problems very distinct from urban areas. From inconsistently funded federal programs to a very real problem with development capacity, rural New England faces significant challenges to meet the needs of some of its most vulnerable populations. Listed below are recommendations regarding rural housing programs:

- 1) Mitigate the recently occurring problem with timely Housing Assistance Payments to owners of HUD assisted housing. Rural New England housing developments, which are typically very small, suffer significantly from delays in HAP payments as they do not have the financial capacity to withstand these delays.
- 2) Reject any and all attempts to combine USDA into the U.S. Department of Housing and Urban Development. USDA programs specifically address rural needs and issues and this should be continued into the foreseeable future.
- 3) Prioritize the need for programs that meet the needs within rural areas. Currently, rural New England is at the end of the line for funding and there is never a consistently applied formula to provide funds to rural areas. Often, what resources are left over after meeting urban needs is all that the rural areas have to address their own needs. Those working in rural areas need predictability in funding so that housing developments can be adequately anticipated and planned for.
- 4) Create capacity building funding to help provide for our next generation. Lack of development capacity is a serious issue and it takes time to build. Efforts should begin now to strengthen those agencies, entities, etc. working in rural areas, to more effectively prepare for future needs.
- 5) Educate, promote and encourage Smart Growth policies and Green Building within rural regions. Often, Smart Growth policies are misapplied and used against rural affordable housing developers during the development process. Further, the unit threshold requirements for access to green building funding should be lowered. Currently a twenty-five unit minimum exists for some planning funding. This should be lowered to no less than ten units.
- 6) Promote a better understanding of rural issues by policymakers, legislators and other federal leaders. The “lure” of the impact that a large urban project can bring often leads to rural New England being overlooked. More development in rural areas would result in the easing of housing pressures in urban areas.
- 7) Promote the 40B “concept” and try to replicate it within states outside Massachusetts. Chapter 40B was hailed as a very important and effective development tool. The lessons learned in Massachusetts should be collected and shared.

Section Eight Voucher Program

The Housing Choice Voucher Program (HCV), also known as Section 8, is the largest affordable housing program in the country. Over 200,000 households in New England are served by the program, including people with disabilities, families with children, and the elderly. This year, Congress is working on legislation (SEVRA II) that would bring comprehensive change to the program. A bill, HR 1851, has already passed the House. The Senate will be considering a SEVRA II bill this fall. In New England, we believe that the following considerations are critically important for SEVRA II:

1. Establish a reliable funding formula so that funds are predictable and are based on the most recent data available. If a formula is adopted as part of the appropriations process, ensure that the formula adheres to these principles as well;
2. Reform the way portability is implemented so that: a) voucher holders are free to move and take the voucher with them, b) the originating PHA can release the voucher to the new PHA and not suffer the loss of a voucher to its community in the process, and c) the new PHA can absorb the voucher holder who has moved into its community without a loss of funds to its program;
3. Address the following voucher holders' concerns:
 - a. Establish a process whereby PHA's can determine the extent to which voucher holders are paying more than 30% and more than 40% of their income for rent, and whereby PHA's can therefore offer local rent burden relief to those voucher holders at their own discretion;
 - b. Retain language changes included in HR 1851 that protect voucher holders from displacement when a landlord is not fixing building code violations;
 - c. Allow for the issuing of new Section 8 vouchers for the redevelopment of state public housing communities;
 - d. Consider expanding the list of eligible medical deductions for determining rent payment; and
 - e. Consider reducing the threshold for redetermining voucher holders' rent payment from a \$1500 decrease in income to a \$500 decrease in income.
4. Remove the punitive identification restrictions for voucher holders and their family members that were added to HR 1851 on July 12, 2007.
5. Retain changes regarding project-based Section 8's that were included in HR 1851.

The Low Income Housing Tax Credit Program

The LIHTC program is the primary federal program for production of new rental units in the New England region. This year, Congress is working on legislation to modernize how the program works. Drafters of the legislation have made clear that the legislation must have little or no cost to the federal budget. In New England, we believe that the steps listed below are critical for the making the LIHTC more efficient in our region:

- 1) Establish a reliable formula for determining annual adjustments to maximum incomes and rents. Conference attendees suggested reconciling HUD's methodology to that of the decennial census as well as indexing increases to the increases in the Consumer Price Index.
- 2) Reform the treatment of federal HOME funds by treating them in a manner analogous to existing treatment of CDBG funds (i.e., not as federal funds).
- 3) Eliminate the 4 percent Housing Tax Credit limit for new federally subsidized properties, except Housing Bond-financed developments not subject to the Credit allocation ceiling.
- 4) Allow a 30 percent increase in eligible basis for properties that meet state-specified geographic or income targeting requirements.
- 5) Specifically provide that rental assistance payments, operating subsidies, interest subsidies and other ongoing payments to a housing property designed to reduce cash flow needs from rent to enable the property to be rented to low-income tenants should not be considered federal grants.
- 6) Allow Housing Tax Credits to continue for a property suffering from a casualty, provided that it is rebuilt within a reasonable period of time. At present, the IRS will allow Housing Tax Credits to continue for properties suffering casualties that have occurred in presidentially declared disaster areas, but not casualties resulting from other causes.
- 7) Base rural rent/income ceilings on the greater of: 1) current law or 2) 60% of national non-metro median income. This is designed to improve project feasibility in very low-income rural areas.
- 8) Repeal the ten year rule for acquisition Housing Tax Credits (this rule prevents taking acquisition Housing Tax Credits if the property has been placed in service or sold within the prior ten year period). Attendees suggested alternative measures to prevent churning, such as increasing the minimum level of rehabilitation on acquisitions with fewer than 10 years.
- 9) Expand the allowable basis for community service facilities from 10 percent to facilitate use in smaller properties. The proposal would allow 20 percent of first \$5 million of eligible basis and 10 percent thereafter.

10) Eliminate the requirement for the annual recertification of tenant incomes in 100% Housing Credit properties. Currently the IRS permits a waiver process, but not all states participate and the requirement serves no policy purpose.

11) Permit single-parent full-time students to reside in Housing Credit properties.

12) Eliminate the differential treatment of refinance by HUD for non-profit vs. for-profit developers (e.g. 202s, 236s). These restrictions prevented many 202 refinancings in Massachusetts.

13) Reconcile state QAP preferences for Special Needs Housing with LIHTC and Fair Housing Act regulations.

National Housing Trust Fund

The New England Housing Network strongly supports passage of the National Affordable Housing Trust Fund Act of 2007 (H.R. 2895) and a companion bill soon to be introduced in the Senate. This legislation, which would create the first new federal housing production program since the advent of the HOME program in the early 1990's, holds great promise in helping to address New England's – and the entire country's – perennial affordable housing crisis, especially for people with the lowest incomes. The bill would provide a permanent mechanism to boost affordable housing production through funds generated outside the annual budget appropriations process. The Network also supports passage of H.R. 1427, the Government Sponsored Enterprises (GSE) regulatory reform bill, and H.R. 1852, the Federal Housing Administration (FHA) modernization bill, each of which will provide a “downpayment” towards the \$5 billion a year needed to attain the Trust Fund's goal of creating, rehabilitating and preserving 1.5 million affordable homes over the next ten years.

The Network makes the following recommendations to help improve the bill:

- 1) Long-term project based rental assistance must accompany the requirement that extremely low-income people pay no more than 30% of income for their shelter costs, a goal that we fully endorse. Rents affordable to families at these income levels cannot cover the normal operating costs of their apartments, even without including debt service. Ongoing operating subsidies will be needed to keep even 100% grant-funded units affordable to the lowest income people.

We welcome the provision in the bill that allows NHTF monies to be used for operating subsidies in the first year, but this will not be enough to garner funding commitments for projects that must be affordable for fifty years. We also welcome the provision in SEVRA that allows public housing authorities to increase their project-based section 8 from 20% to 25% of their authorized tenant-based vouchers, but what happens when PHAs reach the new limit? Without rental assistance, it will be impossible to serve people on SSI, who can only afford \$225 for their shelter costs in some New England states, if they are to pay no more than 30% of income. By contrast, typical operating costs not including debt service are in the \$400-\$450 per unit per month range – twice what someone on SSI can afford.

The Network recognizes that the housing crisis is most severe for the lowest income Americans and supports the goal of primarily serving their housing needs, but we also want to make sure that the NHTF can meet its laudable goals.

- 2) Reinstate the minimum state funding level stripped from the bill during committee mark-up (Note: A successful amendment on this issue passed on the House floor). This would help ensure that smaller New England states, which may not rank as high as larger states under the formula criteria, would nonetheless benefit fairly and meaningfully from the Trust Fund. The Network has discussed a minimum percentage of between .5% and 1%.

- 3) Similarly, there should be a minimum funding level for local participating jurisdictions, so that every state has at least one unit of general local government that receives a fair and meaningful funding amount, regardless of the overall national funding level.
- 4) Rules and regulations for the NHTF should be co-ordinated with other federal housing programs, such as HOME, Section 202 for the elderly, federal Low Income Housing Tax Credits and McKinney-Vento funding for the homeless. Developing housing that is affordable to the lowest income Americans requires multiple funding sources, each with their own, sometimes conflicting requirements. This complex overlay of different regulations makes it hard to access these funding sources and manage affordable housing once it is built. For instance, in place of an entirely new allocation plan, as mandated in Section 295, the NHTF could be subject to the existing HUD Consolidated Plan priorities that states and entitlement communities already generate to guide their expenditure of HOME, CDBG and several other federal programs.
- 5) Careful consideration should be given to the long-term administrative burden associated with meeting all NHTF requirements for at least fifty years, a requirement we wholeheartedly support. For example, annual third-party income verification and inspections would place an undue burden and cost on housing managers over the course of 50+ years.
- 6) Provide additional incentives for projects that guarantee affordability for greater than fifty years and that grant non-profits and resident associations a first option to purchase at the end of the required affordability period.
- 7) Local and state allocation plans for the NHTF should address the housing needs of, among others, the working homeless, seniors, people with disabilities and large families.
- 8) Through the matching requirements, provide incentives for communities to target state or local rental assistance at NHTF-funded apartments.
- 9) The following potential additional revenue sources should be investigated:
 - a. Federal housing bonds,
 - b. Capping the mortgage interest deduction so that owners of “McMansions” and non-primary residences are not needlessly subsidized through the tax code, and
 - c. A modest federal surcharge on all mortgage transactions.

Green Building

The expanded use of green building techniques and technologies has the potential to significantly improve the economics of affordable housing development and maintenance and to improve the health of affordable housing residents. By reducing, or at least stabilizing, energy costs, affordable housing finance becomes more predictable. Healthier environments achieved through green building techniques and the reduction of pollutants can be expected to lead to a healthier, more productive population. In addition, energy conservation measures and the use of alternative energy technologies can reduce the reliance upon carbon-based energy supplies, decreasing the country's reliance on imported energy sources and reducing the environmental impact of new and existing buildings.

The participants in the workshop recommended the following steps to advance the field of green building:

- Work to educate the public on the advantages of green building;
- Focus information on those who operate and manage affordable housing;
- Focus information on the building trades;
- Advocate for research funding focused on building modeling, commissioning and performance;
- Be clear about the policy objectives involved (e.g. energy independence, combat global warming);
- Be clear about the public benefits related to green building;
- Know the audience and design presentations for the particular audience;
- Develop a way to talk about smart growth in rural areas;
- Develop appropriate lending products;
- Recognize that we are still in a time when subsidies are necessary to production;
- Preserve and expand tax credit programs related to green building;
- Recognize that not all benefits are easily quantified; and,
- Work to implement local regulations encouraging green building.

Legislative/regulatory initiatives:

- 1) Gradually move to make green building standards mandatory for all subsidy programs;
- 2) Introduce a carbon-based tax system;
- 3) Develop policies to encourage the preservation of rural areas as mixed-income areas;
- 4) Preserve and expand tax credits related to green building practices;

- 5) Make regulations consistent;
- 6) Tie the design, development and maintenance of green buildings to work-force training;
and
- 7) Allocate research funds to increase the understanding of the financial return of various green practices.

Foreclosures and Predatory Lending

Over the next 18 months, 1.5 million households face default due to adjustable rate loan resets. Twenty percent of subprime loans originated in 2005 and 2006 are projected to result in home loss. Federal legislation is needed to protect mortgage borrowers before taking out a loan, in an effort to prevent foreclosures and mitigate losses in the current credit crunch. Workshop participants made the following suggestions to address the crisis:

1. Consumer Protections

- Redirect money to counseling at both state and federal levels, including foreclosure prevention.
- Make counseling mandatory for purchase and refinancing for:
 - o Loans from non-bank lenders
 - o Subprime mortgages
 - o Non-conforming mortgages
- Attorney costs should be paid for borrowers
- Mortgage brokers and lenders should be licensed at national and state levels

2. Mitigate Losses from Foreclosures

- States should require lenders/servicers to engage in reasonable loss mitigation and encourage increased use of loan modifications for borrowers trapped in subprime ARMs with rate resets. Counselors reported that loan modifications are not being done.
- Servicers treat borrowers differently when they request loss mitigation. Federal standardization of pooling and service agreements would help force servicers to treat borrowers equally.
- Lenders/investors have more incentives to restructure loans in urban areas where property values have declined more. Urban/rural alliances may result in more attention from the Congressional delegation and get stronger results.

- Funding is needed for counselors and legal assistance to handle foreclosures and negotiations with lenders and servicers.
- Look at Pennsylvania's HEMAP program as a model. This program provides financial assistance for homeowners experiencing temporary loss of income due to job loss or other life emergencies. Homeowners who qualify receive soft second mortgages; the funds advanced are recaptured at the time of sale.
- Provide financial assistance for people facing sale or foreclosure to move to a rental.
- Amend the bankruptcy code to give bankruptcy judges the authority to modify mortgages in Chapter 13. Current federal law makes the mortgage on the primary residence the only debt that bankruptcy courts cannot modify.
- Protect renters in foreclosed properties (there is some movement on this in Massachusetts).

3. Sale of Foreclosed Properties

- Provide an opportunity for non-profits to purchase foreclosed homes, as a way non-profits can help with community stability. Banks can receive CRA credits for financing the purchase.
- Allow groups to purchase foreclosed buildings with limited equity.

Housing for the Elderly and Persons with Disabilities

The need for affordable housing for the elderly and persons with a disability is growing rapidly because both populations are increasing at a rapid rate. The American Association of Homes and Services for the Aging (AAHSA) reports that an estimated ten seniors are waiting for each HUD Section 202 unit that becomes available for occupancy. Disability trends are on the rise for persons under 64 years of age, increasing by as much as 3% a year through the year 2010 in some states. These rates are expected to grow in part because of improved medical care that has allowed children with disabilities to survive birth and early childhood, and allowed adults with disabilities to live longer. Loss of existing affordable housing stock, reductions in nursing home beds, and reductions in federal housing appropriations will result in a much higher need for affordable housing for the elderly and persons with a disability in the coming decades.

Workshop participants stated the following points:

- 1) We must increase the supply of senior housing by eliminating current barriers to mixed finance (LIHTC and 202) housing developments.
- 2) Outdated regulations should be revised to insure that all existing affordable housing for these two populations is preserved as affordable.
- 3) Funding for research demonstrations is needed to develop models appropriate for the elderly and disabled populations.
- 4) Much more funding for services is essential for seniors and the disabled to live independently in the community. There must be a more logical connection between service funding and housing funding. For example, a 15 year LIHTC commitment to a housing project must be matched by a 15 year commitment from service funding sources.
- 5) How services are delivered to our residents is a high priority for providers of housing for seniors and persons with a disability. Many current delivery systems are inefficient. Models should be tested to evaluate how to deliver quality services efficiently and effectively in congregate and in more integrated settings.
- 6) Revisions to the HUD Assisted Living Conversion Program (ALCP) are essential to making these residences viable for the very lowest income Medicaid population. HUD ALCP funds should be eligible to subsidize meals for residents dependent on SSI. Federal regulations should allow for Medicaid payments when an assisted living resident is temporarily receiving care in another setting.
- 7) Some participants felt that all assisted living should be licensed.
- 8) Greater consumer involvement in housing design is needed. In the future consumer groups will want the option of creating group living arrangements. Examples mentioned were artists, the

gay and lesbian population, and certain cultural groups. How can fair housing laws, public funding regulations and landlord tenant law allow for certain groups to "self select" those with whom they wish to live?

9) Do not eliminate what works, such as the HUD 202, 811 and transitional housing programs. Preserve what we have – with more funding!

10) Housing providers should have greater involvement in defining housing standards such as unit size and required appliances. For example, current requirements that each unit must have a stove may not be appropriate for certain elderly or disabled populations.

11) The group agreed on the policy objectives of HR 2930 HUD Housing, but had not reviewed the specific language.

Homeless Initiatives and Supportive Housing Session

In May Senator's Jack Reed (D-RI) and Wayne Allard (R-CO) introduced the Community Partnership to End Homelessness Act of 2007, which would provide over \$1.8 billion for a targeted homeless assistance grant program. This legislation proposes a number of changes to current programs including consolidating HUD's three main homelessness programs into one, adding families to the definition of chronic homelessness, a homelessness prevention program and reintroduction of a homelessness program for rural areas. With regard to homelessness and supportive housing:

- More resources are needed if we are to achieve the goal of ending homelessness, especially in areas with high costs for housing. With renewal applications eating up more and more of each state's allocation of homeless funds, little funding is left for new permanent supportive housing projects. In addition, New England's high housing costs mean that fewer units can be produced with the funding that is available. The provisions in Senator Reed's bill to increase the authorization level for homeless programs, move renewal costs for permanent supportive housing to the Section 8 program and provide incremental increases for housing costs in renewing permanent supportive housing projects will help. Increased appropriations, however, will need to follow. Also those incremental increases for renewing projects and the formula for establishing each state's pro-rata share should take into consideration the relative costs of creating permanent supportive housing in different areas and not penalize high cost housing states for higher per-unit production costs.
- The critical role of services in permanent supportive housing must be acknowledged and supported through funding. It is generally accepted that for the homeless, and the chronic homeless in particular, to be successful in housing, they need a safety net of supportive services. These critical services include transportation assistance, job training and economic self-sufficiency programs. Yet, HUD does not prioritize funding for services; in fact, states with high service costs are penalized in the application process. More resources are needed to provide the service side of permanent supportive housing either through HUD or through partnership with other federal agencies, and the application process for HUD homeless funds should not penalize applicants for the costs of providing those services. In addition, the same kind of "cost of living" increase that was included in Senator Reed's bill for housing costs in renewing projects should be available for service costs which also increase on an annual basis.
- Homeless program sponsors need technical assistance, flexibility, consistency and a coordinated system of delivering federal assistance if they are to be successful. Many homeless housing and service providers are small nonprofit organizations operating on a

shoe string and serving a very challenging population. Reduced regulatory and administrative burdens, technical assistance in complying with grant monitoring and administration responsibilities, timely grant awards and release of funds, consistency in response to program implementation questions, and flexibility in adjusting programs to reflect the changing needs of the population are all steps that would help these organizations more effectively implement their homeless assistance programs. Better coordination between HUD's homeless programs and the requirements and availability of other state and federal mainstream resources would also be helpful.

Senator Reed's Community Partnership to End Homelessness Act of 2007 is a step in the right direction to address a number of the needs identified above and help our homeless providers meet the goal of ending homelessness. Other provisions that would further strengthen the bill include:

- Raising the threshold on the number of homeless participating in continuums of care;
- Raising the 20% AMI target for prevention programs – these kinds of programs are generally better targeted to homeless people with less intense needs than those at or below 20% AMI.;
- Clarifying what is eligible for the in-kind match for leasing costs; and
- Ensuring that the definition of chronic homeless includes those in transitional housing who otherwise meet the definition.

Preservation

Preserving the existing stock of affordable rental housing is a high priority in the New England region. Given the diminishing amount of developable land and the high costs and challenges of new production, we need the federal government to play a leading role in preserving this stock of housing. Thousands of units of affordable rental housing in New England are at risk of loss through conversion to market rate housing, or through physical deterioration. States, local communities, and residents of this housing need support to minimize tenant displacement and participate in the preservation process.

The following are the recommendations regarding Preservation:

1) Maintain housing at risk of being converted to market. The National Preservation Working Group (NPWG) has proposed a package of legislative provisions to preserve this housing including the following key items:

- Increase the Project-Based Section 8 budget in the HUD FY08 Appropriations bill to ensure that there are sufficient funds to renew all expiring contracts for the full 12-month period
- Enact Section 8 Mark to Market reforms
- Preserve properties reaching mortgage maturity, and provide tenant protection vouchers to all existing income-eligible tenants in these projects
- Convert Rent Supplement and RAP contracts to project-based Section 8, and permit Mod Rehab projects to mark up to market
- Permit owners to retain project-based assistance in lieu of tenant protection vouchers
- Enact a federal right of first purchase
- Protect state and local preservation laws against federal preemption and affirm that HUD has a requirement to maximize preservation

2) Restore housing at risk of loss due to physical deterioration, including the following NPWG proposals:

- Require HUD to maintain project-based Section 8 in HUD dispositions
- Strengthen protections for troubled properties
- Strengthen cities' rights of first refusal
- Permit owners to transfer project-based Section 8 to another property
- Restore the Up-front Grant program
- Fund Section 531 rehab grants funded by IRP
- Support reforms to the 202 elderly housing refinancing program

3) Provide support to states, local communities and residents:

- Provide vouchers for residents of all converted units and assure that tenant protections are guaranteed
- Support a resident capacity building and predevelopment program in at-risk properties
- Provide better data to facilitate preservation transactions

4) Enact exit tax relief

Public Housing

Public Housing Authorities nationwide have approximately 1.1 million units of housing for families and individuals whose income is below 80% of Area Median Income. Rents are capped by legislation to be no more than 30% of a household's adjusted income. The federal government provides operating subsidies to housing authorities to cover the difference between the rent and the cost to operate the public housing properties. For more than a decade, the amount of operating subsidy has not been sufficient to cover this difference. Housing authorities also must rely on the federal government to appropriate money for capital improvements to the actual facilities. This funding has failed to keep pace with the real costs of updating the buildings.

Massachusetts is one of a few states that administers a state-assisted public housing program. The state program has about 50,000 units. It, too, has the same income limits as the federal program, but in certain circumstances, rents capped by legislation, cannot exceed 35% of adjusted income depending upon the program. And again, as on the federal side, the capital allocations have been woefully inadequate. But, unlike the federal side, because of the leadership of the recently-elected governor, there is a commitment to preserve the state-assisted public housing portfolio, beginning with more adequate funding on the operating and capital sides.

The participants in the workshop suggested the following principles with regard to federal public housing:

- 1) **Adequately and appropriately fund the operating and capital subsidies for the public housing portfolio.** Money is allocated by formula to each housing authority so that agencies can plan for each year's allocation. The problem is that the annual appropriations do not represent what it actually costs to operate the properties.
- 2) **Support the reauthorization of HOPE VI.** Although there is language in the current law that may hinder revitalization efforts in cities lacking in additional buildable space, funding for major redevelopment is a critical tool to replace projects that are well beyond their useful life. It is especially important to define one-for-one replacement more broadly (hard unit v. Section 8 voucher v. project-based voucher) to allow for creativity in producing more affordable units. Where sufficient land to build does not exist, local considerations must be taken into account. Right of return criteria need greater flexibility.
- 3) **Use of Section 8 in state-assisted public housing.** Consideration should be given to allow federal rental assistance subsidies in state-assisted public housing to help in capital improvement/redevelopment activity. There should be a broadened role for housing authorities in production, particularly where the PHAs owns or controls the land.
- 4) **Change of regulatory environment.** Move public housing oversight to conform to a multi-family environment, especially as public housing moves to asset- or project-based budgeting and management. Pursuant to asset-based management, exempt PHAs with up to 750 units from program. There was some disagreement with this based on philosophy,

but given funding shortfalls, most small agencies will run deficits if asset-based. Also, housing authorities require greater flexibility in bonding and other opportunities – compel HUD to fully implement the 1998 QHWRA bill.

- 5) **Reform HUD Oversight.** Completely change HUD's oversight/monitoring focus to be two-tiered: Independent Audit for fiscal and a single compliance audit to ensure that the operation and administration by the PHA is appropriate. Eliminate special focus reviews and their frequency.
- 6) **Regionalization/Shared Services.** Massachusetts has 247 public housing authorities ranging in size from 50 units to thousands of units. Many PHAs are small and have part-time staff members who need to possess broad skill sets. A shared services model has merit because it allows for some economies of scale, translating into cost savings, allows for shared staff to become more expert in a smaller number of areas and together have a broader range of knowledge and abilities. A shared model allows for the retention of local boards, thus continuing Commissioners who understand the needs of their individual city or town