

July 22, 2013

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20515

Dear Minority Leader McConnell:

The undersigned groups represent for-profit and nonprofit apartment owners, developers, managers and lenders involved in the provision of affordable rental housing. Many assisted apartments are privately owned and are under contract with the federal government through HUD, which enables elderly, disabled and low-wage families to afford their rental housing. We are writing to request your support for the strongest possible HUD budget in S. 1243, the *Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2014*.

While we appreciate that S.1243 provides a higher level of funding for these programs than in the House bill, we strongly encourage Congress to fully fund the Project-Based Section 8 and the Housing Choice Voucher Programs. As the Senate begins consideration of S.1243, we ask you to keep in mind these statistics from HUD's FY14 Budget Congressional Justifications:

- Roughly 64 percent of the residents living in Project-Based Section 8 properties are elderly or disabled. Project-Based Section 8 households are primarily elderly (47 percent), families with children (29 percent) and persons with disabilities (17 percent).
- The Project-Based Section 8 Program supports 100,000 jobs each year--55,000 jobs directly at the properties and another 45,000 jobs generated from property owners' contracts for goods and services with vendors and local businesses.
- Of the families assisted through the Housing Choice Voucher Program, 78 percent have extremely low-incomes (at or below 30 percent of the area median income), 40 percent have a disabled head of household, and 18 percent are elderly families.

Current estimates indicate a need for \$11.5 billion in FY14 to meet the federal government's contractual commitments to property owners under the Section 8 Project-based Rental Assistance (PBRA) account. Even at the Senate Appropriations Committee level of \$10.77 billion, appropriations for PBRA are insufficient to fund current contracts for 12-month terms. In fact, the Committee acknowledged in S.Rept.113-045 that the PBRA resources provided will require HUD to partially fund an estimated 390,000 units in FY14. Partial contract funding pushes a significant obligation into the next fiscal year. Such a move merely postpones the pain and creates a huge funding gap that if not met, will displace hundreds of thousands of seniors, disabled and working families. This happened several years ago with chaotic results--including a \$2 billion shortfall that necessitated a special appropriation in the stimulus bill.

Furthermore, the Committee's recommendation assumes questionable savings from ill-advised policy changes such as recapturing residual receipts from certain Section 8 properties without regard for future capital needs, and reducing contractual vacancy payments. In addition, the Committee Report includes HUD's unworkable proposal to use HUD's proposed Small Area Fair Market Rents as a benchmark for appraisers to justify rents determined by a rent comparability study. The Small Area Fair Market Rents are based on zip codes, and are not comparable market rents. Such an

approach will not achieve any savings as it is not feasible under appraisal methodology and the Uniform Standards of Professional Appraisal Practice (USPAP) guidelines.

Even at the Committee's recommended level, the PBRA account is underfunded. Therefore, it is imperative for the Senate to reject any amendment which would further reduce PBRA appropriations, add unfunded administrative burdens to properties, or impose unnecessary or unsubstantiated requirements in the guise of appropriations riders.

Equally concerning is that the \$17.57 billion appropriation for Housing Choice Voucher contract renewals falls \$400,000,000 below HUD's budget request. Inadequate funding for the Housing Choice Voucher program will discourage owners and housing providers from participating, and will have a chilling effect on the investment of private capital in affordable housing.

Uncertainty about full funding raises concerns among owners, managers, lenders and residents about the ability of the federal government to honor its contractual obligations, whether they are through the Section 8 Project-Based Rental Assistance Program or the Housing Choice Voucher Program. We urge Congress to finalize the budgets for these programs at spending levels which enable all property owners, both for profit and nonprofit, to properly administer the programs that serve those in need. ***However, in no case should those funding levels fall below the Committee's recommended levels in S. 1243.***

Sincerely,

Council for Affordable and Rural Housing
Institute for Responsible Housing Preservation
Institute of Real Estate Management
LeadingAge
Mortgage Bankers Association
National Affordable Housing Management Association
National Apartment Association
National Association of Affordable Housing Lenders
National Association of Home Builders
National Association of Housing Cooperatives
National Association of Realtors
National Leased Housing Association
National Multi Housing Council