

Written testimony of Shaun Donovan, Commissioner  
New York City Department of Housing Preservation and Development  
Senate Subcommittee on Housing, Transportation and Community Development  
April 16, 2008

Good afternoon Chairman Schumer, Ranking Member Crapo and members of the Committee. I am Shaun Donovan, Commissioner of the New York City Department of Housing Preservation and Development. HPD is the largest municipal developer of affordable housing in the nation, and also administers the fourth largest Section 8 program in the country. Together with the New York City Housing Authority, whose program is the largest, we administer vouchers for over 112,000 families in the five boroughs.

Section 8 is integral to our affordable housing efforts in New York so I am very happy to be here to testify on S. 2684, the Section 8 Voucher Reform Act. I think I speak for the entire affordable housing community when I say “thank you” for taking up this critical, and complicated, program for review. We are in the fifth year of Mayor Bloomberg’s New Housing Marketplace Plan, a 10 year \$7.5 billion plan to create affordable housing for over 500,000 New Yorkers. Since Mayor Bloomberg came to office the City has funded over 88,000 units of affordable housing, including the 70,000 units started under the New Housing Marketplace Plan. Of course we couldn’t have had such success without the partnership of the federal government, and the unflagging advocacy of Senator Schumer and our great congressional delegation.

Unfortunately, the last few years have not been good ones for our Section 8 program. Yearly changes in the way Section 8 voucher funding is allocated from HUD to PHAs has made administering a Section 8 program very challenging. Funding uncertainty, combined with large increases in our enhanced voucher program, have led to large swings in the size of HPD’s program. We are in what we call a “feast-famine” cycle, in which our program grows to the allowed size, and then contracts so that we don’t go above our authorized level. At this point, we are utilizing 93% of authorized vouchers, but only two years ago were using City funds to supplement our program because we were at 102% utilization. In 2004, the formula for funding vouchers was changed from a system in which a PHA got funding for all of its authorized vouchers to a budget-based system. Funding was based on usage in a prior period, but not necessarily the most recent preceding months. For this reason, we were awarded funding that didn’t reflect our current program.

SEVRA’s greatest result, therefore, will be restoring predictability to the way in which Section 8 funds are awarded. Under SEVRA, a PHA’s voucher funding will be based on actual costs in the preceding year. In a much needed reversal, PHAs would now be able to count on the fact that vouchers leased this year will be renewed next year. Predictability will allow PHAs to maximize use of limited resources – an imperative in a market such as New York City’s, with a 3% vacancy rate. Furthermore, by allowing PHA’s to: borrow 2% against their next year’s funding; use reserves to lease up vouchers

3% above the authorized level; and redistribute unused funds to PHAs with a capacity to use them, SEVRA gives PHAs the flexibility to properly manage their Section 8 programs without busting the federal budget.

In tight markets such as New York's, project-basing vouchers could be an important tool for increasing the availability of affordable housing, but there are barriers to making the program work. SEVRA updates the project-based program in several critical ways. Your bill allows 40% of units in a project in tight market areas to be project-based rather than the current 25%. This is important because finding buildings in which to project-base vouchers in New York City is a significant biggest obstacle to success. It also allows project-basing in cooperatives and buildings with elevators, something that now requires a UD waiver. The bill changes the initial contract term to 15 years so that the project-based contract runs concurrently with the Low Income Housing Tax Credit compliance period, which makes administering the two programs concurrently much more manageable.

Nineteen percent of HPD's voucher program is made up of enhanced vouchers. The changes made to the program in the Senate bill provide better tenant protections, and we strongly support them. The bill allows enhanced voucher holders to remain in the same project even if there is not an available appropriately sized unit for the family to move into. The bill also requires that owners accept enhanced vouchers upon conversion except in rare cases.

SEVRA provides common sense administrative flexibilities that cash-strapped housing authorities will benefit from. 62% of HPD's Section 8 families are on a fixed income. By changing the requirement for income recertifications for this population to once every three years, from once every year, we will be able to save on administrative costs. In 2007 alone, HPD performed over 43,000 inspections on Section 8 units. With the passage of SEVRA, our inspection workload will decline considerably because we will be able to use inspections already performed that are equivalent to the voucher program inspection standards. This administrative streamlining will allow PHAs to make more efficient use of lean budgets.

The Senate bill contains several changes to the way in which tenants' rent contribution is calculated. While HPD and NYCHA are supportive of these changes, it is imperative that the Senate provision requiring HUD to provide additional public housing operating subsidies to agencies that experience a reduction in rent revenues remain in a final SEVRA bill. NYCHA has an operating shortfall of \$195 million in 2008 and last month had a reduction in force of 427 employees; any further reduction in operating income would be devastating.

There is one thing not in the Senate bill that I hope will be added, and that is a Housing Innovation Program, or "HIP", the House bill's name for the current Moving to Work program. New York City is not a Moving to Work site, but we believe we are a good candidate for an updated version of the program—one which balances the need for PHA flexibility and tenant protections. In September and October of last year, HPD and

NYCHA held roundtables with representatives from the Section 8 tenant advocacy and owner communities. The full recommendations of that group – which the Committee very generously considered when drafting this bill – are submitted at the end of this testimony. The group agreed that designating New York City as a HIP-lite site would give us much needed budget flexibility. The budgetary fungibility that HIP-lite allows would permit NYCHA to spend money where it is needed most and balance priorities. However, flexibility mustn't come at the expense of tenants, and we believe that tenant protections – such as organizing, participation and hearing rights – need to be codified in the HIP provisions, should they be added to the bill.

Thank you for the opportunity to testify before you today. I'm happy to answer any questions you may have.

**NEW YORK CITY SEVRA ROUNDTABLE**  
**SEVRA SENATE LEGISLATIVE STRATEGY**  
Nov. 6, 2007

**Voucher funding**

1. Authorize the allocation of new tenant protection vouchers to preserve the affordability of public housing developed by non-Federal programs. Use language jointly acceptable to NY, CT, MA and HI, authorizing "vouchers to replace vouchers used to preserve public housing developed from sources other than Section 9 of the United States Housing Act of 1937 (42 USC §1437g)"
2. In order for NYCHA/HPD to use unexpended voucher authority before HUD recapture, increase ceiling on reserves above 12.5% in first year and above 5% in subsequent years

**Rents**

3. Support new provision in Senate draft bill to limit the rent for tenant-based vouchers in LIHTC units to the higher of the LIHTC maximum or voucher payment standard
4. Remove housing search requirement from set of Senate requirements for HUD approval of 120% of FMR payment standard
5. Design NYC exception to county-level FMRs to ensure no automatic diminution of FMRs in outer boroughs. Suggested language for Senate bill: on page 73, line 6 after "apply to" insert "any counties wholly within a metropolitan city specified in clause (I) or"
6. Modify Senate provisions on income recertification threshold:
  - a. give PHAs the option to recertify incomes (and deductions) without a minimum recertification threshold, as long as the PHA has no threshold for either increases or decreases in annual adjusted income
  - b. change the provision on threshold for recertification of annual adjusted income from \$1500 to \$500
  - c. Modify provision 3(f)(1) on p.24 to ensure that HUD compensates PHAs for any loss of rental income due to SEVRA rent provisions

**HIP-lite: Support HIP-lite provisions, and NYCHA and HIP applications for HIP-lite, under the following conditions**

7. Craft SEVRA provisions making NYCHA and HPD *de facto* ineligible for full HIP
8. Ensure that HIP-lite provides tenant protections equivalent to current law:
  - a. Maintain statutory protection regarding pet ownership
  - b. Preserve current regulatory standards on eligibility screening (considerations in reviewing criminal record, etc.)
  - c. Retain tenant organizing and participation rights currently provided under the provisions of the HUD 964 regulations

- d. Ensure that residents have participation and consultation rights for PHAs' HIP-lite initial and renewal applications equivalent to rights regarding PHA annual plans
  - e. Retain equivalent of current statutory rights for residents to remain in public housing units converted to vouchers
  - f. Protect applicants' hearing rights by making current regulatory requirements statutory, if Section 14 (in House and Senate bills) is dropped
9. Replace “substantially the same number of families” text with “at least as many families” as the PHA served on either A) the date of the PHA’s entry into HIP-lite, or B) the date of approval for the PHA to combine public housing and voucher funds, whichever is later
- ™ Under HIP-lite, this requirement would be adjusted up or down if the proration rate of appropriations for either the public housing or the voucher program changes
  - ™ Under HIP-lite annual plan review process, failure to assist at least 95% of the number of families assisted in the base year would lead to suspension of the PHA’s ability to combine public housing and voucher funds

**Other Tenant Protections**

10. Insert in the Senate bill provisions equivalent to House section 16 on p.109, requiring one-for-one replacement of public housing units that are demolished or disposed of with comparable “hard” units, including the option of replacement by units funded with project-based vouchers. Insert provision in Senate bill to ensure that replacement units have initial and continuing eligibility, rent burden, and long-term affordability requirements at least as favorable to ELI and VLI tenants as the requirements for public housing units
11. Reduce resident identification requirements
12. Strengthen Enhanced Voucher tenant protections
- a. EV tenants gain statutory right to remain in units with enhanced vouchers
  - b. Streamline the eligibility review for project-based S.8 recipients moving to enhanced vouchers, by specifying that in an application for enhanced voucher assistance, a PHA may only require information from tenants that is required by HUD by statute or regulation.
13. Strengthen protections for voucher holders regarding LIHTC units
- a. Support provision in Senate draft bill regarding non-discrimination against voucher holders in LIHTC buildings
  - b. Support provision in Senate draft bill regarding collection of LIHTC tenant data, with modifications to minimize burdens on owners (by integrating tenant data collection with other LIHTC owner reporting requirements) and without requiring tenants to disclose sensitive info to owners

### **Inspections**

14. Give PHAs the option to use withheld subsidy to make repairs in life-threatening emergencies
  
15. Allow PHAs to accept inspections done under other programs/standards equivalent to or more stringent than Federal HQS

### **Organizations Endorsing This Strategy**

The organizations listed below endorse this legislative strategy for SEVRA drafting in the U.S. Senate. The organizations commit to pursue the strategy jointly and in good faith, to share relevant information and to confer with all others listed below before pursuing any legislative provisions that are not in alignment with this strategy. The organizations also commit to confer with each other at key points in the drafting process in the Senate to revise the strategy if necessary.

Citizens Housing and Planning Council  
Community Voices Heard  
Enterprise  
New York City Department of Housing Preservation and Development  
New York Housing Conference  
Legal Aid Society  
New York City Housing Authority  
SKA Marin  
Supportive Housing Network of New York