

PRESERVATION WORKING GROUP

February 14, 2014

The Honorable Shaun Donovan
Department of Housing and Urban Development
451 7th Street SW
Washington, D.C. 20410

Director Sylvia Matthews Burwell
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Secretary Donovan and Director Burwell,

As the Administration finalizes its FY2015 budget proposal for the Department of Housing and Urban Development, we respectfully urge you to provide the Project-Based Rental Assistance (PBRA) program with adequate funding to ensure 12-months of continuous funding to property owners.

The Preservation Working Group (PWG) is a coalition of non-profit owners, providers, lenders, investors, builders and developers, contract administrators and tenant advocates that rely on stable funding in the Project-Based Section 8 program in order to maintain safe, decent and affordable housing for low-income households. Our members and local partners expect the government to honor its contractual obligations to ensure that seniors, persons with disabilities and families can remain in their homes.

The Project-Based Section 8 program provides critical rental assistance to over one million households across the country, in both urban and rural communities. Over half of the residents being served by the program are low-income seniors or persons with disabilities who are often on fixed incomes. Full-funding for these rental assistance contracts helps maintain a property's financial and physical feasibility so it can remain an affordable, viable housing option for the future.

Currently, HUD is employing a funding strategy that provides only nine months of funding for roughly 8,000 of the existing 17,000 contracts. HUD estimated that it would need \$11.4 billion in FY2014 to ensure that each contract receives 12-months of funding. Unfortunately, due to the overall budget limitations, HUD only received \$9.9 billion in FY2014 for contract renewals, and will have to expand short funding. This shifts budget authority requirements for renewals into future fiscal years and does not ultimately save the government any outlays. Full funding in FY2015 would obviate the need to further expand this policy.

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While owners have not experienced payment disruption over the past year, we are concerned that underfunding without a strategy in place will lead to an erosion of owners' confidence that payments will not be disrupted. Actual payment disruption may lead to increased owner opt-outs, reduction of supportive services to residents and unnecessary resident displacement. In addition, private housing investors that provide capital to owners and developers to ensure the long-term physical viability of these properties have started to show signs of concern that have led to a reduction in investment in affordable housing and increased transaction costs.

HUD should also begin to implement a plan that would stabilize the program and provide transparency for the amount actually needed to fulfill its obligations. If HUD's goal is to transition public housing to a Project-Based Rental Assistance platform in order to leverage private capital to preserve and rehabilitate dilapidated units, then stability of PBRA funding is critical. Lenders and housing investors must be assured that rental assistance payments will not be disrupted and that properties will remain financially sound.

Further, the preservation and improvement of HUD's multifamily stock often relies on strong tenant participation. The FY2015 Budget Justifications should specifically include funding authorized by Congress in Section 514 of MAHRAA to support tenant participation in the Section 8 program.

We understand the complexities that go into crafting a fiscally responsible budget that promotes growth and stability and appreciate the hard choices that each department must make. It is critical that in FY2015 the Administration makes a conscious effort to support affordable rental housing programs that are not only supporting local jobs and property taxes to states and municipalities, but also reduces government expenditures in other programs and has positive impacts on the health and educational outcomes of lower income households.

Sincerely,

ACTION-Housing (PA)
Avesta Housing (ME)
CASA of Oregon
California Housing Partnership
CEI (ME)
Chicago Housing Initiative
Coalition for Economic Survival, Los Angeles (CA)
Coalition on Homelessness and Housing in Ohio (OH)
Colorado Progressive Coalition (CO)
Community Economic Development Corporation (MA)
Community Housing Partners
Community Voices Heard (NY)
Consortium for Citizens with Disabilities Housing Task Force

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Crossroads Urban Center
CSH
The Community Builders
The Caleb Group (MA)
Emily Achtenberg, Housing and Preservation Consultant
Enterprise Community Partners
Florida Housing Coalition
Good Old Lower East Side
Grass Roots Organizing (MO)
HOME Line (MN)
Housing Assistance Council
Housing Partnership Network
Illinois-Indiana Regional Organizing Network
Illinois People's Action
Local Initiatives Support Corporation
Madison Park Development Corp. Boston (MA)
Maine Affordable Housing Coalition
Mass Alliance of HUD Tenants (MA)
Mercy Housing, Inc.
MTM Consulting, LLC.
National Alliance of HUD Tenants
National Alliance on Mental Illness
National Council of State Housing Agencies
National Housing Conference
National Housing Law Project
National Housing Trust
Neighborhood Service Organization, Detroit (MI)
Network for Oregon Affordable Housing
Northwest Indiana Federation of Interfaith Organizations
Mercy Housing, Inc.
MTM Consulting, LLC.
Ohio Capital Corporation for Housing
ONE Northside (IL)
People Organized for Westside Renewal, LA (CA)
Preservation of Affordable Housing
Stewards of Affordable Housing for the Future
Tenants Union of Washington State (WA)
Texas Tenants' Union (TX)