Dear Chairman Rogers, Ranking Member Lowey, Representatives Latham and Pastor:

We are writing to alert you to serious concerns regarding the funding levels for HUD’s Section 8 project-based rental assistance (PBRA) program as proposed in the fiscal year 2015 Transportation, Housing, and Urban Development appropriations bill.

The undersigned groups represent for-profit and nonprofit housing owners, developers, managers, and lenders involved in the provision of affordable rental housing through the PBRA programs. The assisted properties 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.

The PBRA program provides rental subsidies to about 18,000 properties which are home to 1.3 million residents. Over half of the residents are elderly and disabled and the average income of the households is about $12,000 per year.

The FY15 THUD bill passed from the subcommittee on May 7 includes a potentially destabilizing provision to decline full funding for the Section 8 project-based program in FY2015 by shifting the costs to FY2016. This troubling proposal was included in the Administration’s FY 2015 Budget without adequate consultation with industry participants, despite the fact concerns with the provision are held by a diverse collection of stakeholders.

In the last few years, to reduce the budget request, HUD has short funded the Housing Assistance Payment (HAP) contracts by splitting the funding for the contracts over two fiscal years. HUD proposed more of the same for FY2015, however by adopting a calendar year funding mechanism, much of the funding burden is temporarily delayed until the next fiscal year. This is not a solution to funding challenges at the Department; it is an obfuscation of the reality facing HUD and the stakeholders in this important program.

HUD has acknowledged that short funding is merely kicking the can down the road but has chosen the calendar year approach purportedly to save budget authority and to provide transparency. While we think HUD has been operating in good faith, the ramifications of this approach are quite serious. By proposing calendar year funding, HUD is not only continuing to short fund contracts, but the result will be an acceleration of the impact of the accruing shortfall. HUD is requesting $9.746 billion for FY2015 (less than what was funded in FY2014), but acknowledged that the correct amount needed to forward
fund the contracts for 12 months from the contract anniversary date is closer to $11.9 billion. The amount provided in the FY15 THUD bill, $9.746 billion, reflects the flawed request from the Administration. The result is that in FY2016, Congress will need to increase funding for the program by at least $1.1 billion or risk significant harm to residents, lenders and communities. There will be no flexibility for HUD to move money around as it has done over the last few years. Without full funding, the ability of the federal government to honor its contractual obligations will be seriously compromised.

We strongly urge the committee to reject the calendar year funding method proposed by the Administration and support full funding for the project-based rental assistance program. Please contact Denise Muha (NLHA) dmuha@hudnlha.com or Lisa Blackwell (NMHC) Lblackwell@nmhc.org with any questions or to request additional information.

Council for Affordable and Rural Housing (CARH)
Institute for Responsible Housing Preservation (IRHP)
Institute of Real Estate Management (IREM)
Leading Age (formerly American Association of Homes and Services for the Aging)
National Affordable Housing Management Association (NAHMA)
National Apartment Association (NAA)
National Association of Affordable Housing Lenders (NAAHL)
National Association of Home Builders (NAHB)
National Association of Housing Cooperatives (NAHC)
National Leased Housing Association (NLHA)
National Multifamily Housing Council (NMHC)