

Forced Consolidations Would Damage Housing Choice Voucher Program

Theory is Untested, Unproven, and Costly

CERTAIN ORGANIZATIONS HAVE PROPOSED consolidating local housing authorities (HAs) based on the assumption that there are too many HAs administering rental voucher programs and claiming this impedes low-income households' access to neighborhoods of opportunity. They contend that having smaller agencies operate the program increases administrative costs, and makes it more difficult for HUD to oversee the program. Part of their argument is based on HUD's flawed proposal for ZIP code-based rents that would increase per-voucher subsidy costs. **In reality, these proposals would increase out-of-pocket costs for low-income households, displace many from their neighborhoods, serve fewer families, or substantially increase appropriations if Congress chooses to pay these higher costs.**

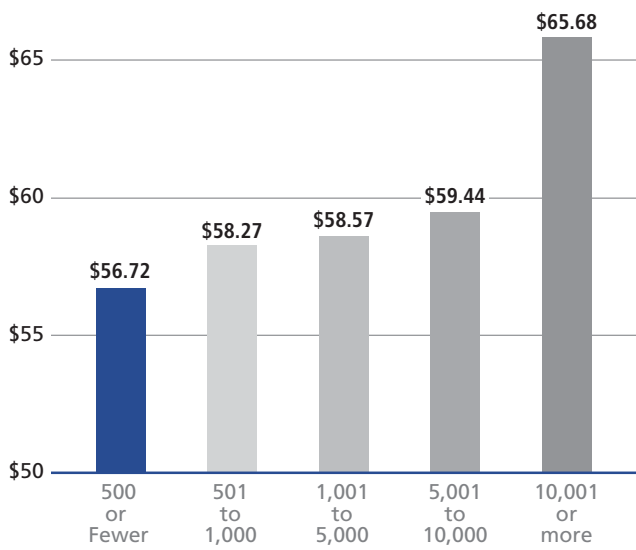
The HCV program is a public-private partnership that serves 2.2 million low-income households. The program's goals include: 1) serving the greatest number of low-income households possible; 2) housing people in "decent, sanitary and safe" units; 3) serving families at reasonable income-to-rent burdens; 4) using modest rents available in the private market; and 5) providing opportunities for households to choose neighborhoods for stability and economic self-sufficiency. The program currently provides considerable economic opportunity. Among those able to work, 68 percent are working and a quarter receive most of their income from wages. The average length of stay in the program for this work-able group is seven years. Due to limited funding, voucher program goals have important trade-offs that must be balanced at the local level. Local agencies want to continue to help families become independent and have recommended improvements to the voucher program to improve the ability of voucher families to live in high-opportunity areas.

Proposed Consolidation: Misguided and Deeply Flawed

- **There is no evidence that regional or state housing agencies are more effective than local HAs in helping families move to high-opportunity areas.** Consolidation proponents have failed to show, that all other things being equal, state and regional HAs operating in the same areas with local HAs, have better outcomes in any or all program goals listed above.

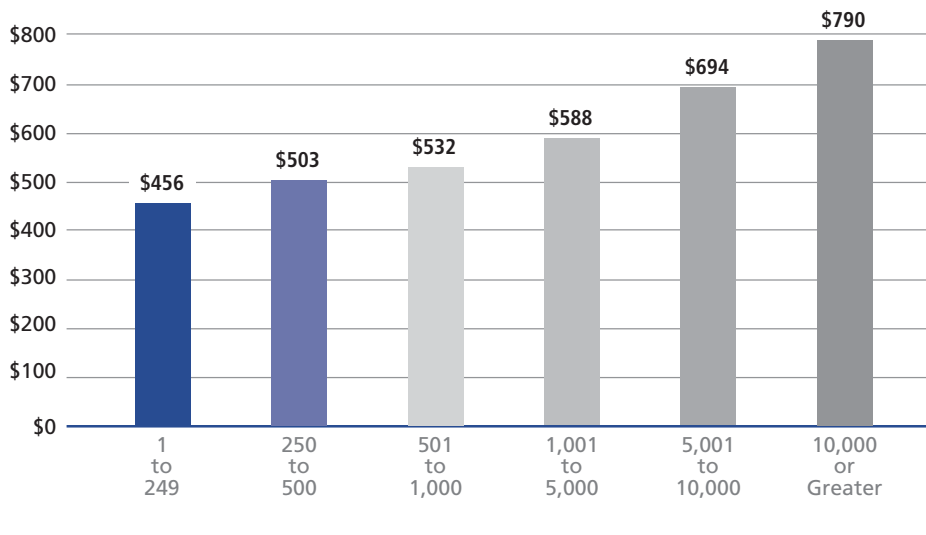
- **HUD's own 2015 administrative fee study concluded that small HAs operate well-run, efficient voucher programs.** The study documented that there is no minimum size at which a housing authority becomes unable to operate the program.
- **Currently, small HAs have the lowest relative administrative costs per voucher leased** (see Figure 1).

Figure 1: Monthly Average Per Voucher Fee Revenue Rates by HA Size in 2015



Source: HUD's HCV Program Administrative Fee Formula Proposed Rule webcast slides (Summer 2016). Slide 21 is available at: www.phada.org/pdf/hcvadminfeeformulawebct.pdf.

Figure 2: PHADA’s Analysis of Monthly Weighted Average Per Voucher HAP Costs by HA Size in 2015



Source: HUD’s 2015 data.

- **Small HA fees have been historically under-funded. Advocates claim that small agencies are “inefficient” but HUD’s own proposed fee formula for HAs with less than 500 vouchers recognizes that small HAs have been inadequately funded.** HUD’s proposal would result in new rates that are 3.43 percent greater than existing weighted average voucher fee rates for small HAs. Even if HUD’s proposed formula were enacted and fully funded, the total increase for HAs with fewer than 500 vouchers leased would be \$7.5 million or just four tenths of one percent of its proposed fees for all applicable HAs.
- **Currently, small HAs have the lowest relative Housing Assistance Payment costs per voucher leased.** HAs with the smallest voucher programs are often in low-cost areas in terms of the subsidy paid to property owners on behalf of tenants – the monthly HAP that supplements the tenant-paid share of rent (see Figure 2).
- **Small HAs’ total HAP and administrative fees make up small percentages of total Federal costs.** In terms of annual appropriations, the voucher program’s housing assistance payment (HAP) costs make up approximately 91 percent and administrative fees make up approximately 9 percent of total costs. The admin fee efficiency argument put forth by consolidation advocates is not penny wise and is pound foolish (see Figure 3).
- **Contrary to assertions they are “inefficient,” small HAs are good administrators.** These agencies have ratings largely comparable to other sized HAs, according to HUD’s Section Eight Management Assessment Program (SEMAP). **In 2015, 98 percent of small HAs were designated as high or standard performers in SEMAP.**

- **Misguided consolidation proposals impact more than just small HAs. The proposals will also affect medium and large HAs in metro areas as well, affecting 278 out of 381 metro areas and up to 82 percent of all voucher households.¹**

Local Housing Authorities Know Their Communities Best

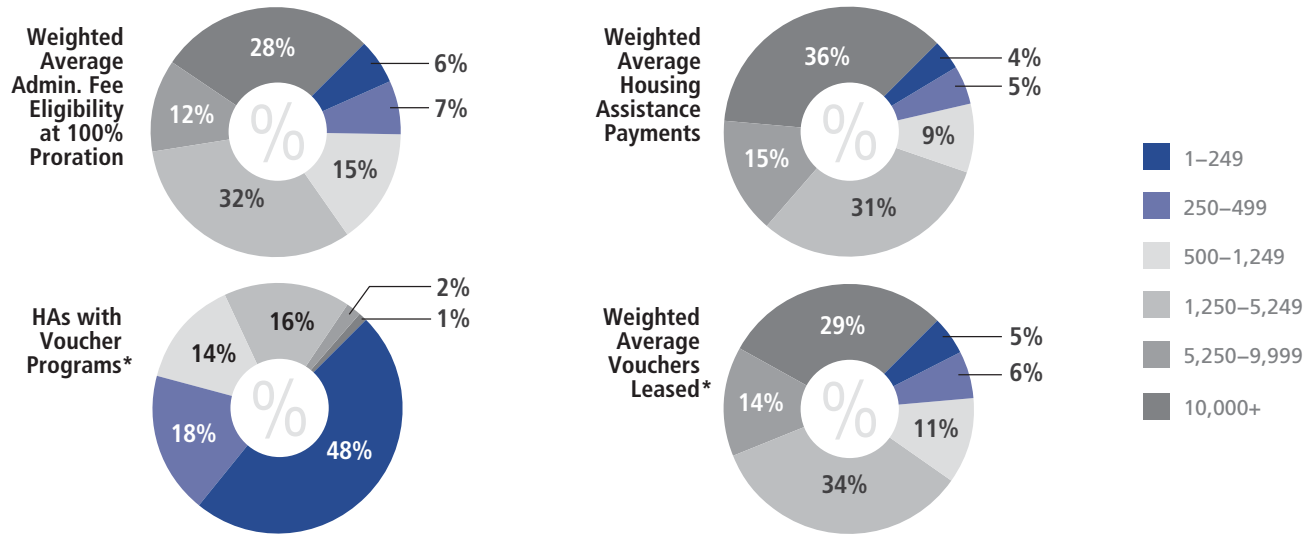
- **Local HAs serve different household populations based on communities’ unique needs and housing markets.** Different jurisdictions have unique housing needs as well as different

priorities. Housing agencies may set admissions preferences based on housing need or other criteria. With this in mind, decisions are most effective when they are devolved to the local level with community input.

- **Local HAs have longstanding and invaluable relationships with property owners, shelters, partners and service providers.** Importantly, local HA geographic service areas are also consistent with units of government, including townships, cities, counties, councils of government and the states. The retention of local governance, control, accountability and support is vitally important to the voucher program. To help further the economic self-sufficiency goal, local HAs need the flexibility to choose options that have the greatest success in their communities.
- **Consolidation increases the likelihood that the original communities will lose voucher assistance.** Under involuntary consolidation, there are a large number of communities served by local HAs that will likely lose voucher housing assistance to large regional agencies. After vouchers are turned over from the original HA’s households who leave the program, reissuance of vouchers will be subject to regional HAs’ different waiting list preferences. As a result, the original local community will lose the ability to establish waiting list preferences and priorities regarding unassisted populations with affordable housing needs.

¹ Barbara Sard and Deborah Thrope, “Consolidating Rental Assistance Administration Would Increase Efficiency and Expand Opportunity,” Center on Budget and Policy Priorities, April 11, 2016; www.cbpp.org/sites/default/files/atoms/files/4-11-16hous.pdf

Figure 3: PHADA’s Analysis of Percentage of Annual Admin. Fee, HAP Costs, and Vouchers Leased by HA Size in 2015



*National total does not equal 100% due to rounding decimals in each HA size category. Source: HUD’s 2015 data.

- **Consolidation advocates employ a heavy-handed, “Washington knows best” approach.** Some proponents have advocated for a series of measures including a federal preemption of state enabling legislation regarding HAs’ forming consortia under a single Annual Contributions Contract, which is another form of consolidation.

Consolidation Would Likely Cost More, Serve Fewer Households, Dilute Other Goals

- **There are trade-offs when there are limited HAP funds to achieve several voucher program goals.** The involuntary consolidation of local HAs will fall well short of balancing all competing program goals. For the last 10 years, the voucher program has operated under a fixed, budget-based renewal formula which substantially limits the amount of rent subsidy HAs receive each year. Therefore, increasing the number of voucher holders leasing in neighborhoods of opportunity with higher rents and subsidy costs, a worthy program goal and one worth pursuing to a degree, leaves less HAP funds for HAs to at least maintain the same number of households leased and achieve the other goals described above.
- **Fewer low-income households and waiting lists households would likely be served.** The way Congress and HUD budget for the program, is that each HA has an *authorized* cap on the total number of households they

can lease in the program, if the appropriated funds are sufficient to do so. Congress historically provides enough subsidy funds to renew all existing households *under lease and contract*, which is an amount well below the national *authorized* voucher cap. As families leave the program and vouchers are turned over, fewer vouchers will be leased due to increased rent and subsidy costs in high-opportunity areas as well as generally higher per voucher HAP costs for metro areas covered by larger HAs. Thus, fewer households will be served from already lengthy waiting lists.

In 2015, 98 percent of small HAs were designated as high or standard performers in SEMAP.

- **Consolidation advocates also favor a flawed HUD proposal for ZIP code-based rents.** These Small Area Fair Market Rents (SAFMRs) **represent federal micro-management of local rent and subsidy levels run amok.** HUD and the advocates’ core hypothesis is that SAFMRs, like consolidation, will expand the ability of voucher holders to access housing in high-opportunity neighborhoods. PHADA supports deconcentration and mobility in balance with all of the voucher program’s goals. However, our analysis of SAFMRs and the Fair Market Rents on which they are based show they are highly erratic and inaccurate, ultimately contradicting how local rental housing values trend historically.
- **Proponents of consolidation would drive up the costs of the HCV program.** Some estimates indicate that, under HUD’s proposed SAFMR rule, 435,000 current voucher-assisted households could experience reduced payment standards and a reduction in rental assistance.

In order to maintain cost neutrality under SAFMRS, many voucher participants, including the elderly, disabled, and households with children, would have to pay more or be displaced from their dwelling units or neighborhoods as a direct result of HUD’s proposed expansion of SAFMRs. Advocates have argued these families be held harmless and not have to pay more. **However, holding these families harmless, while others move to communities of opportunity, would cost hundreds of millions of dollars more – funds that Congress simply does not have under current budget caps.**

- **Hypothesis of consolidation is untested, unproven and costly.** After reading consolidation and regionalization arguments as well as papers from others arguing different reasons for poverty concentration and voucher holders’ access to available and affordable rental housing, independent and qualified academic jurors concluded that they were not convinced that their proposal to regionalize local HAs will address the causes of concentrated poverty.² Independent jurors went on to state that assessing the validity of these arguments will require much work before their hypotheses are translated into overly deterministic “solutions” for the complex, multifaceted problems of spatial concentration of poverty and limited access to affordable housing across metro areas.
- **Some consolidation proponents acknowledge rent subsidies and fee costs would likely go up and other additional financial resources would be needed.** Some consolidation advocates acknowledge in written testimony and elsewhere that their recommendations will result in higher rental subsidy levels and require additional administrative funding and other financial resources to successfully expand affordable housing opportunities.

There Are Better Solutions to Further Address Voucher Program Goals

- PHADA supports HUD’s proposed housing mobility and

² *Housing Policy Debate*, Volume 12, Issue 2

study demonstration for up to 10 HAs, a version of which is in the Senate FY 2017 THUD Appropriations bill.

- When HUD’s SAFMR demonstration study is published, it will provide valuable information about costs, benefits and the unintended consequences.
- Under “portability” families have the right to take their voucher to any area administered by an HA. HUD should make improvements its systems to facilitate its HAP payments to HAs with ported vouchers.
- Currently, local housing authorities can voluntarily form local consortia to administer vouchers. HUD’s proposed consortia rule should be improved and finalized based on PHADA’s recommendations. In addition, many local HAs have intergovernmental agreements to administer voucher program functions, which can be expanded voluntarily by more HAs.
- On a voluntary basis, more HAs can review the costs and benefits of collaborating on the administration of their waiting lists while retaining their preferences and priorities as some HAs have done already.
- Expand HUD’s Family Self-Sufficiency program in its major rental assistance programs.
- Increase grants for HUD’s Fair Housing Initiatives Program and Fair Housing Assistance Program.
- Recent passage of legislative reforms are helpful, additional reforms are needed. The voucher program is an essential component of a multifaceted national housing policy, coupled with public housing and project-based assistance, for enabling low-income children to access low-poverty neighborhoods. Passage of the *Housing Opportunity and Modernization Act*, extension and expansion of the Moving-to-Work demonstration, and other provisions enacted in recent annual appropriations bills are measures that will improve rental assistance programs. PHADA’s recommended legislative and deregulation reforms are needed. More information regarding these topics is accessible at: www.phada.org/HA_Consolidation.php.

Please Contact Congress Today

Housing Authorities are encouraged to provide their elected U.S. Representatives and Senators with this issue brief, to demonstrate the negative impacts proposed consolidations would have on HA’s communities and the constituents they serve.

If you have any questions or would like additional information on these topics, please contact Policy Analyst, Jonathan Zimmerman, at: 202-546-5445, or via email: jjzimmerman@phada.org.