



National Association of Housing and Redevelopment Officials

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Via Fax and Mail

March 5, 2004

The Honorable Michael Liu
Assistant Secretary for Public and Indian Housing
U.S. Department of Housing and Urban Development
Room 4100
451 Seventh Street, SW
Washington, D.C. 20410

Re: Housing Choice Voucher Program FY 2004 Renewal Procedures

Dear Mr. Liu:

Various NAHRO member agencies have indicated concern to us about recent comments by HUD officials concerning the FY 2004 Housing Choice Voucher program renewal process. They are troubled that the renewal method apparently being contemplated may have the effect of under-funding the renewal needs of some PHAs operating the Housing Choice Voucher program.

Specifically, we are told that the renewal procedures to be used by the Department *will not base per unit cost on the latest available actual per unit cost data* as reported by the PHAs but rather on data supplied as of August 1, 2003, with the application of Annual Adjustment Factors (AAFs) to account for inflation. NAHRO does not believe that the statutory language compels this approach.

We realize that renewals under the voucher program are a subject of congressional scrutiny and that they are a matter of some complexity. We also believe (and we think this belief is shared with the Department) that HUD and the PHAs possess a common obligation to serve as many authorized voucher-eligible families as is possible within the confines of the law and the amount of financial resources made available by Congress. We would, accordingly, expect the Department to interpret the statutory language of the FY 2004 HUD Appropriations Act in such a way that this result is achieved.

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With respect to the procedure for voucher renewal with the FFY 2004 funding, this suggests the following:

- 1) The FY 2004 HUD Appropriations Act expressly allows the Department to use the central fund to cover increases in PHAs' unit months subsequent to August 1, 2003 (up to the maximum allowed under each PHA's ACC). We would expect full use of the fund to be made for this purpose.
- 2) The conference report states that the central fund may not be used to fund increases in per unit costs, "...as such costs have already been reflected in the amount provided for renewals...." (It is noted that this language is consistent with the addition of more than \$1 billion in direct appropriations for voucher renewal in FY 2004.) The Department therefore must ensure that the renewal procedure itself, without resort to the central fund, reflects as closely as possible the actual per unit cost of vouchers in real time.

Per unit cost is, in large measure, not controllable by PHAs administering the Housing Choice Voucher program. It simply is what it is. Any administrative implementation of the Appropriations Act language that has the effect of understating actual per unit costs is a false savings; since it will result *ipso facto* in less families being served by the under-funded agency or in adjustments to payment standards that will (unnecessarily) impose increased rent burdens on participating families.

NAHRO therefore urges, with respect to unit cost adjustments, that the renewal procedure continue to base per unit costs on the most recently available actual cost data as reflected in LHA's supplemental information submissions (HUD form 52681-B). This was the approach taken in FY 2003, which has resulted in better utilization by the PHAs of funds made available to them. This approach will reduce the likelihood of error arising out of the inaccuracy of artificial means of adjusting for changes in per unit costs based on inflation, and it does not involve the collection of any information not already routinely collected by the Department under the FY 2003 renewal process.

NAHRO's analysis of the statutory language indicates that this method of renewal is fully consistent with the text of the statutory language. And, because it best avoids error in either over-funding or under-funding based on erroneous per unit costs, this method best comports with fulfilling the Department's obligation to apply the funding available in a manner that will serve the maximum number of families.

We recognize that the HCV program inherently involves responding to a number of constantly changing variables and that making the most of the voucher program funding provided by Congress is a continuing challenge for both the Department and the PHAs. Efforts to most

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effectively utilize available voucher program funding – whether they be directed to the development of scientifically valid methods to achieve more accurate FMRs (which NAHRO supports) or to the implementation of voucher renewal procedures that most accurately reflect true per unit costs– is not only worthy but is, in our view, our shared moral and legal obligation.

Please feel free to call me at any time if you wish to discuss further the suggestions made in the letter and our basis for offering them.

Thank you for your consideration.

Sincerely,

John Bohm.
Director, Legislation, Programs and Media