



January 27, 2010

Ms. Carol Galante
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Department of Housing and Urban Development
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Ms. Barbara Sard
Senior Advisor for Rental Assistance
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Dear Ms. Galante and Ms. Sard:

Thank you for providing the National Housing Trust the opportunity to participate in the discussion on transforming rental assistance at HUD on January 7. We applaud your efforts to streamline and simplify HUD's rental assistance programs and appreciate the hard work already undertaken, as well as Secretary Donovan's personal commitment to this issue.

We were very interested to learn about the work that has been done so far on this effort and appreciated the opportunity to discuss these ideas at the January 7 meeting. We also appreciate Barbara's willingness to expand the discussion to the Preservation Working Group earlier this month.

We wanted to give some initial feedback on some of the principles we hope you will keep in mind as this proposal moves forward:

- ***The project-based Section 8 system is a cornerstone of HUD's rental assistance programs.*** While imperfect, it currently serves over 1.2 million low-income households and is still the best tool for ensuring long-term affordable units and attracting and maintaining private capital. This is a unique housing resource that cannot be replicated with any available production programs. Project-based voucher programs could not replace project based Section 8 properties in many high opportunity neighborhoods where residents would prefer to stay.

- ***Any migration of existing properties from the project-based Section 8 portfolio must be voluntary.*** All owners should retain the ability to maintain and renew existing Section 8 contracts under the same terms as their existing contracts, as was discussed in the January 7 meeting.
- Due in part to Secretary Donovan's previous efforts with HUD's Mark to Market program, ***the project-based Section 8 portfolio now closely follows market-based rents, a feature that is critical to bankability and long-term viability.*** Over the long term project-based rental subsidies based on regional or even city-wide payment standard would tend to concentrate project-based voucher developments in lower-cost submarkets. Market rents are the key to attracting private capital financing for any affordable housing based production or preservation system.
- ***Centralized administration promotes predictability for owners over time and across regions.*** Lack of programmatic consistency already complicates the effort of owners trying to maintain and improve this housing. Shifting administration of Section 8 contracts to housing authorities under a project-based voucher model would create more unpredictability in the quality, process, and results of administering the portfolio.
- ***The public housing stock and the project-based stock have different challenges and will require different solutions.*** Project-based improvements should include streamlining of administrative processes and re-engineering of the property inspection and previous participation review processes, to improve early identification and correction of bad practices and reduce the administrative burden for good owners and developers.
- ***Reducing the number of rental assistance programs and promoting choice must be done while preserving the commitment and the tools to achieve long-term affordability.*** We strongly believe that any streamlining of HUD rental assistance programs can facilitate mobility while retaining the core elements that make the project-based Section 8 portfolio an effective tool for leveraging private capital, development, and management: 20 year commitments with renewability, centralized administration, and market-based rents.

Thanks again for the opportunity to comment on this important issue. We look forward to working with the Department on this proposal.

Sincerely,



Michael Bodaken
President

cc: The Honorable Shaun Donovan, Secretary of Housing and Urban Development