

May 1, 2008

The Honorable John W. Olver
Chairman
Subcommittee on Transportation, HUD and Related Agencies
1111 Longworth House Office Building
Washington, DC 20510

Dear Chairman Olver:

The undersigned national real estate associations are writing to thank you for holding the April 23 hearing on the funding shortfall facing the Section 8 project-based program. **We cannot overstate the critical need to address the \$2.8 billion FY08 funding gap.**

Over the last ten years HUD and OMB have consistently underestimated the costs of renewing housing assistance payment contracts (HAPs) under the project-based Section 8 program; repeatedly submitting inadequate budget submissions to Congress. As a result, when the inevitable shortfalls occurred, HUD began to “incrementally” fund the HAP contracts in order to shift needs from the current fiscal year to the next fiscal year. This incremental funding approach was revealed last summer when thousands of project owners failed to receive their contracted payments (background information on this funding debacle is attached). Many owners waited many months to receive their payments (some owners are still waiting). Such delays put a number of properties at risk of default (many of which are FHA insured), required others to defer maintenance, lay off employees, etc. The several million residents of these properties (nearly 75 percent of them are elderly and disabled) are justifiably concerned.

Congress provides appropriations to annually renew the expiring Section 8 project-based contracts. However, due to the current accounting practices favored by HUD and OMB, those appropriated monies are not providing 12 months of funding to owners. HUD admits that it short funded the contracts without owners’ knowledge for many years.

The combination of waiting months for their money and the knowledge that their annual contracts are funded for less than 12 months has shaken owners’ confidence that the government will honor its contracts. Further, preservation efforts to recapitalize and renovate the aging portfolio have stalled. Purchasers, lenders, and tax credit investors have been put on alert that the government may not perform under its contracts, and they will act accordingly to protect their interests, assuming they continue to participate at all.

The successful public-private partnership between the Federal Government and owners who invested in affordable rental housing is in jeopardy. Owners have begun leaving the program and many more are contemplating following suit as they question the financial stability and the reliability of the program.

HUD has estimated that it would need between \$2.6 and \$2.8 billion to fill the funding gap and restore 12 months of funding for annual contract renewals. The Senate contemplated such funding in their recently passed budget-resolution.

The Nation cannot afford to lose this scarce resource. We urge the Committee to support the inclusion of \$2.8 billion (one-time appropriation) in a supplemental spending bill to ensure that annual renewals receive 12 months of funding.

Please contact Denise B. Muha (NLHA) at 202-785-8888 or Lisa Blackwell (NMHC) at 202-974-2365 with any questions or for additional information.

Sincerely,

Affordable Housing Tax Credit Coalition (AHTCC)
American Association of Homes and Services for the Aging (AAHSA)
Council for Affordable and Rural Housing (CARH)
Housing Advisory Group (HAG)
Institute of Real Estate Management (IREM)
Institute for Responsible Housing Preservation (IRHP)
Mortgage Bankers Association (MBA)
National Association of Affordable Housing Lenders (NAAHL)
National Affordable Housing Management Association (NAHMA)
National Apartment Association (NAA)
National Association of Home Builders (NAHB)
National Council of State Housing Agencies (NCSHA)
National Housing Conference (NHC)
National Leased Housing Association (NLHA)
National Multi Housing Council (NMHC)