June 19, 2015

Helen R. Kanovsky, General Counsel
Regulations Division, Office of General Counsel
Department of Housing and Urban Development
451 7th Street, SW, Room 10276
Washington, DC 20410-0500

Re: Section 8 Housing Assistance Payments Program—Fiscal Year (FY) 2015 Inflation Factors for Public Housing Agency (PHA) Renewal Funding), 80 Fed. Reg. 21754 (April 20, 2015)

Dear colleagues,

We are writing on behalf of the undersigned housing and civil rights organizations in response to the above-referenced notice, to express our objections to HUD's current formula for Section 8 Housing Choice Voucher (HCV) renewal funding, which would result in a zero inflation factor for the coming year.

Prior to 2012, the renewal funding formula used inflation factors based on regional variations in the Consumer Price Index (and related indices) that took into account variations in rent and utility cost increases in different geographic regions. In 2012, however, the Department changed its methodology to set inflation factors using projections based on prior trends in national voucher costs. This approach led to low inflation factors even when per unit costs were increasing, but after sequestration, the formula has resulted in zero increases for inflation, even in regions with rapidly increasing costs. The impact of the formula has been, and will continue to be, pressure on Public Housing Agencies (PHAs) either to reduce HCV payment standards (reducing access to higher opportunity communities) or to reduce the number of households served. As HUD points out in the April 20 Notice,

> [T]here is a strong incentive for PHAs to reduce spending in the voucher program by means other than reducing the number of families served because PHA administrative fees are based on the number of vouchers under lease. These policies have the effect of reducing the (average) subsidy cost of vouchers, and as a result, reduce a family's ability to rent in higher rent markets and higher opportunity areas. These policies, while necessary to handle the budget constraints, may also be viewed as reducing the effectiveness of vouchers in meeting the goals of the program. (60 Fed. Reg. at 21755)

Given this recognition, it does not make sense for HUD to retain a methodology that is driven by these predictable PHA behaviors, and which will tend to repeat the same detrimental pattern in future fiscal years.

In recent months, the HUD Secretary has talked about a "Department of Opportunity," and HUD has publicly praised the new social science research on the benefits of housing mobility. HUD has also acknowledged many of the program design problems in the

Housing Choice Voucher (HCV) program that continue to steer families to low opportunity neighborhoods and schools, and HUD has promised to make a new national commitment to "affirmatively further fair housing."

Unfortunately, despite all of these good intentions, HUD's Section 8 renewal funding formula will further exacerbate the segregation incentives that continue to plague the HCV program. The current formula has the most severe impact on those Public Housing Agencies that are trying to comply with their fair housing responsibilities by increasing payment standards in higher opportunity areas, and assisting families to move to those areas. Even for PHAs that are doing nothing to promote housing mobility and deconcentration, the foreseeable result of the policy will be reduced payment standards and reconcentration of vouchers in the poorest neighborhoods.

We urge HUD to adopt a more accurate formula that both takes into account regional variations in cost of living and rental cost increases, and also accounts for PHA efforts to move more families into higher rent areas. These PHAs in particular should not be penalized by HUD for meeting their obligations to affirmatively further fair housing.

Sincerely,

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