

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

December 10, 2014

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

I am writing to express my concerns about the expansion of a new demonstration program at the U.S. Department of Housing and Urban Development (HUD) that could have far-reaching and potentially long-term negative consequences for the nation's public housing stock and the residents who rely upon this important resource. While created with the intention of preserving the nation's stock of deeply affordable rental housing, I believe HUD's Rental Assistance Demonstration (RAD), may very well do more harm than good in diminishing a crucial public asset. **I strongly urge the Administration to rethink its current strategy for preserving public housing, and renew the government's commitment to advocate for full funding for the program.**

Public housing has served an important role on the continuum of affordable housing since the 1930s. The public housing program is integral to our nation's social safety net, providing housing for 1.2 million families. It serves a population of "hard to house" people who face challenges that often make it impossible for them to rent a unit in the private market. Over the last several years, public housing has been plagued by chronic underfunding, resulting in a backlog of capital needs of over \$26 billion and rising. We continue to lose units to demolition and disposition, and many families are currently experiencing deteriorating living conditions.

Rather than devise a strategy to improve federal funding and support for public housing, the Administration's solution to its chronic underfunding is RAD. While the program is well-intentioned, its primary reliance on private capital allows for the privatization of an asset that has always been, and should continue to be, publicly owned. Over 56 percent of currently approved applications propose using tax credits, and the statute allows for for-profit ownership in these cases. Moreover, the preservation of the public interest in properties converting to for-profit ownership is left up to the discretion of the HUD Secretary and can be redefined at any time. I am concerned this could be problematic with a future Administration whose goals may not include a commitment to preserving the public interest in RAD properties. Additionally, RAD permits public housing to be transferred to private nonprofit ownership in virtually all situations. The quality of continued public ownership and control

thus depends on the transactional documents of each RAD conversion, and unfortunately those materials are not generally readily available to the public for review. I fear that in leaving this crucial component so broad we run the risk of losing our public interest in this asset over the long term—an outcome I find simply unacceptable.

Collateralizing the public housing program to raise mortgage debt creates risks of potential default and foreclosure. I have concerns about this kind of exposure on the heels of a major foreclosure crisis that impacted so many homeowners and renters in both single and multifamily properties. Moreover, while the statutory intent is to maintain affordability even in the face of foreclosure, it is wholly unclear whether the Section 8 Housing Assistance Payment (HAP) contract will survive in all cases, since HUD might decide to terminate it or the foreclosure sale purchaser might refuse to accept it. The Use Agreement does not guarantee use of a Section 8 contract, complete with the affordability restrictions and tenant protections. Additional uncertainties surround defining HUD's role in ensuring proper ownership as required post-foreclosure, and how HUD will select the new owner where private debt is involved.

Put simply, if the price of accessing private capital is to put public ownership at risk, then that price is too high. A more appropriate and sustainable approach would be for the federal government to provide adequate funding directly to the public housing program. The capital needs backlog for public housing could be addressed if the federal government committed an additional \$5 billion in capital funds annually for 10 years. This amount is less than one half of one percent of the Administration's total discretionary budget authority. It is deeply troubling that when it comes to adequately housing our own country's poorest families, we continue to fall sorely short.

Providing federal dollars directly to public housing would also have positive economic impacts that go beyond the preservation of properties. For example, a recent infusion of \$4 billion in capital fund dollars as a result of the American Reinvestment and Recovery Act (ARRA) generated thousands of jobs and created an additional \$2.12 of economic activity for every \$1.00 spent by the federal government.¹

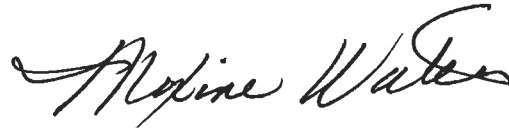
The government has been inattentive in its responsibility for the care and condition of public housing for years. That is why we are currently faced with this challenge of preserving public housing. The answer, however, is not to look to the private sector to correct these mistakes. Rather, the Administration should renew its commitment to serving those most in need by demanding the full amount of funding that the public housing program so desperately requires. Moreover, the Administration should stand with those of us who have been steadfast in our support for public housing to urge Congress to fully fund the program. I stand ready to engage in a meaningful dialogue about new strategies to educate the public and my fellow members of Congress about the benefits of adequately funding public housing, and the important role it serves in the lives of so many extremely low income Americans.

¹ Econsult Corporation (2011, March). Public Housing Stimulus Funding: A Report on the Economic Impact of Recovery Act Capital Improvements.

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Thank you for your consideration. You or your staff may contact me or Theresa Dumais at theresa.dumais@mail.house.gov or at 202-225-0702 with any questions about this letter.

Sincerely,

A handwritten signature in black ink that reads "Maxine Waters". The signature is written in a cursive, flowing style.

MAXINE WATERS
Ranking Member

cc: The Honorable Julian Castro
The Honorable Shaun Donovan