

December 12, 2012

The Honorable Shaun Donovan
Secretary of Housing and Urban Development
451 7th Street, S.W.
Washington, D.C. 20410

Acting Director Jeff Zients
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Secretary Donovan and Acting Director Zients,

As the Administration crafts its FY2014 Budget Proposal, we respectfully urge you to fully fund all existing Project-Based Section 8 contracts for 12 months.

We are a coalition of for-profit and non-profit owners, providers, lenders, investors, builders and developers, contract administrators and tenant advocates that rely on stable funding in the Project-Based Section 8 program in order to maintain safe, decent and affordable housing for low-income households. Our members and local partners expect the government to honor its contractual obligations to ensure that seniors, persons with disabilities and families can remain in their homes.

As you are aware, the Project-Based Section 8 program provides critical rental assistance to over one million households across the country, in both urban and rural communities. Over 60% of the residents served by the program are low-income seniors or persons with disabilities who are on fixed incomes. Further, fully funding rental assistance contracts helps maintain a property's financial and physical feasibility, enabling it to remain an affordable, viable housing option for the future.

Unfortunately, HUD's FY13 budget proposed short-funding 10,600 existing contracts and claiming project residual receipts to backfill any shortage in rental assistance payments. Short-funding contracts does not save the federal government money. Rather, it shifts costs into future years while unnecessarily increasing exposure of the Federal Housing Administration (FHA) for the two-thirds of properties that have FHA financing. Full funding provides the stable and consistent operating assistance that property owners need to pay their mortgages on time. In addition, short-funding impacts preservation transactions by eroding investor and lender confidence, leading to increased transaction costs and sidelining rehabilitation projects.

We understand the complexities that go into crafting a fiscally responsible budget that promotes growth and stability and appreciate the hard choices that each department must make. However, reducing funding for a rental assistance program that supports over 100,000 jobs annually, provides nearly \$500 million in local property taxes and reduces taxpayer expenditures in Medicaid and Medicare does not promote economic growth and stability.

The Senate Appropriations Committee recognized the value in fully funding Project-Based Rental Assistance contracts in its FY2013 THUD Appropriations bill and made the critical choice to continue providing adequate resources to support low-income households, observing that "the policy of short-funding contracts...jeopardized the Department's credibility, created administrative inefficiencies and reduced investor confidence."

We request that you take these points into consideration as you develop the FY14 Federal Budget. If you have any questions regarding this letter, please feel free to contact Hilary Swab with the National Housing Trust.

Sincerely,

Affordable Housing Investors Council
Affordable Housing Tax Credit Coalition
Coastal Enterprises, Inc.
Council for Affordable and Rural Housing
Community Economic Development Assistance Corporation, MA
LeadingAge
Enterprise Community Partners
Housing Partnership Network
Local Initiatives Support Corporation
Low Income Investment Fund
National Affordable Housing Management Association
National Association of Home Builders
National Council of State Housing Finance Agencies
National Housing Conference
National Housing Law Project
National Housing Trust
National Leased Housing Association
National Low Income Housing Coalition
Network for Oregon Affordable Housing
Maine Affordable Housing Coalition
Mercy Housing, Inc.
The Community Builders
Stewards of Affordable Housing for the Future
Wisconsin Housing Preservation Corp.