November 8, 2017

Dominique Blom
General Deputy Assistant Secretary
Office of Public and Indian Housing
US Department of Housing and Urban Development
451 7th Street S.W.
Washington, D.C. 20410

Dear General Deputy Assistant Secretary Blom:

The National Association of Housing and Redevelopment Officials (NAHRO) membership manages over 951,000 public housing units, or more than 80 percent of the entire inventory. NAHRO works to support policies that promote regulatory and administrative relief to housing authorities so that they may best meet the needs of their communities. NAHRO is also unique in our ability to represent public housing agencies (PHAs) of all sizes and geographical locations. In order to restore the physical and financial health of public housing, NAHRO believes that PHAs, of all sizes but of particular importance to small PHAs, should have access to a range of options from which to select the approach that best meets the needs of their properties and the families they serve. This includes improved access to capital financing tools for the modernization and improvement of public housing properties.

Historically, the need for improved access to capital financing tools has not gone unnoticed by Congress. In 1998, for example, Congress included provisions in the Quality Housing and Work Responsibility Act (QHWRA) to provide PHAs with the tools necessary to access capital markets to begin addressing much needed public housing modernization projects. QHWRA added Section 30 to the US Housing Act of 1937, authorizing PHAs “to mortgage or otherwise grant a security interest in any public housing project or other property of the public housing agency.”

The Public Housing Mortgage Program (PHMP) allows PHAs to place a mortgage or other encumbrance on public housing properties where the subject property is owned by the PHA. Although the PHMP could potentially be an important tool for PHAs to access capital financing, it is not widely utilized. In light of this, the FY 2017 Senate Transportation and Housing and Urban Development, and Related Agencies (THUD) Appropriations Bill included language
requesting HUD to report to Congress regarding the impediments to PHA utilization of the PHMP. Specifically, Senate Report language stated,

... [I]n 1998, Congress included provisions in the Quality Housing and Work Responsibility Act [QHWRA] to provide PHAs with the tools required to access capital markets to address substantial capital needs. QHWRA added section 30 to the U.S. Housing Act of 1937, authorizing PHAs “to mortgage or otherwise grant a security interest in any public housing project or other property of the public housing agency.” As a result of section 30, HUD created the Public Housing Mortgage Program [PHMP]. The PHMP allows PHAs to place a mortgage or other encumbrance on public housing properties where the subject property is owned by the PHA. The Committee understands however that the PHMP is not widely utilized due to HUD guidance that prohibits a first lien position of dwelling units. The Committee understands that this stipulation impedes PHAs’ ability to utilize the program. The Committee is concerned that HUD’s guidance with respect to section 30 may actually be preventing the intended outcomes by limiting PHAs’ ability to access capital markets. The Committee directs the Department to report within 90 days of enactment of this act to the House and Senate Committees on Appropriations regarding the utilization of PHMP, specifying existing program impediments, the Department’s plan to address those impediments, and if the PHMP can be a useful tool to address public housing capital needs.

Although the FY 2017 Appropriations Act was passed and signed into law by President Trump on May 5, 2017, more than 90 days ago, members of Congress have informed NAHRO staff they have yet to see the report.

NAHRO is aware that HUD staff was working on a report regarding impediments to the PHMP during the summer of 2017. As of November 8, this report has yet to be delivered to Congress. NAHRO continues to share with members of Congress and HUD staff the concerns of our members that PHMP is not a tool that agencies can take full advantage of. It is critical that HUD submit the report as soon as possible to provide Congress with a better understanding of any impediments to the PHMP so that they may move forward with any necessary statutory changes to improve PHA access to this important capital financing tool.

Congress appropriated $1.9415 billion for the Capital Fund in FY 2017. This is enough to subsidize only 57% of capital needs estimated to accrue during the fiscal year. The proposed budget for FY 2018 would decrease that funding even further. The public housing program is a critical component of our national infrastructure that provides homes to low-income families across the nation. It is imperative that PHAs are able to ensure that these homes are safe and secure. Considering the immense size of the capital needs backlog, a growing threat to the health and safety of our residents living in properties now underfunded, and our inability to fund annually accruing capital needs; PHAs need every tool possible to do more with less. Increasing the accessibility and utility of the PHMP could be one additional way to achieve this.
NAHRO appreciates HUD’s efforts on this matter, and HUD’s consultation with NAHRO on these impediments. However, it is critical for HUD to submit its report on the impediments to the PHMP to Congress immediately so that improvements to the program can be made.

Thank you for your time and consideration on this important matter,

Georgi Banna  
Director, Policy and Program Development  
NAHRO

cc:

Adrianne Todman  
Chief Executive Officer  
NAHRO