

Congress of the United States
Washington, DC 20515

May 24, 2016

The Honorable Julián Castro
Secretary
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Secretary Castro:

We write to express our gratitude for the Department's improvements to the methodology for determining the renewal funding inflation factors used to allocate Housing Choice Voucher (HCV) funds among Public Housing Authorities (PHAs). In particular, we appreciate HUD's decision to incorporate two prior years of rental data in determining inflation factors for 2016, addressing the serious unintended consequences of last year's calculations on areas with rapidly escalating rental costs — including the Puget Sound region in Washington state. We encourage HUD to continue working to establish a permanent solution to ensure the methodology fully captures variability across local rental markets in future years.

Prior to 2012, the HCV renewal funding inflation factors were determined primarily using Consumer Price Index (CPI) data that account for variations in rent and utility inflation among different geographic regions — the same indicators used to calculate the Fair Market Rents (FMR) for areas across the United States. This was a well-reasoned and equitable formula, as PHAs are required to establish the level of subsidies they provide to HCV recipients using the FMR. In 2012, however, HUD updated its methodology to allocate HCV renewal funds among PHAs based on expected changes in the national Per-Unit Cost (PUC) for the HCV program. While this methodology may be effective when the change in PUC is positive, as was the case between 2012 and 2014, it has extraordinarily damaging consequences when the national PUC declines. Between 2014 and 2015, when the expected change in PUC was negative, no area in the nation — regardless of how steeply rental costs climbed — received an inflation factor.

We greatly appreciate HUD's efforts to address the consequences of this policy for families across the country, including in the Puget Sound region, where our local rental market has seen some of the fastest growing rental costs in the nation. As we wrote to you on June 19, 2015, the King County Housing Authority saw a 26 percent increase in their neighborhoods' FMR between 2014 and 2015 — and in 2016, the local FMR rose another 7.6 percent. During such periods of rapidly rising rents, it is imperative the HCV inflation factor be commensurate with local rental costs. That's why we were pleased to see HUD publish a methodology for 2016 that incorporates regional changes since 2014, providing the King County region with an inflation factor of 12 percent in 2016.

However, unless HCV inflation factors continue to be aligned with local rental costs, families could be forced to live in neighborhoods that are farther from employment opportunities, with higher levels of poverty and lower performing schools. This risks concentrating wealth, increasing racial disparities, and limiting the career and educational opportunities available to lower-income families. To limit such consequences, we encourage HUD to continue incorporating stakeholder feedback and making adjustments to the HCV inflation factor methodology to effectively measure changes in local rental markets going forward.

The HCV program is built on the promise of providing the most vulnerable members of our community with safe, affordable housing, in order to expand access to economic opportunity nationwide. By ensuring the HCV program fully captures variations in local rental markets and awards funding accordingly, we can ensure PHAs have the necessary funding to meet these critical goals. We appreciate your efforts on this matter and we look forward to continuing to work with you to meet the housing needs of low-income families across the country.

Sincerely,



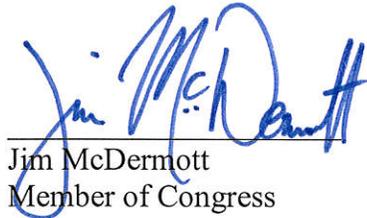
Suzan DelBene
Member of Congress



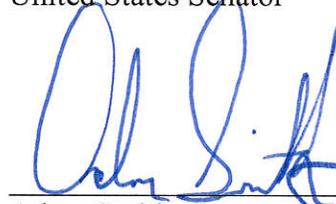
Patty Murray
United States Senator



Maria Cantwell
United States Senator



Jim McDermott
Member of Congress



Adam Smith
Member of Congress



Dave Reichert
Member of Congress

cc: Miguel A. Fontanez, Director, Housing Voucher Financial Division
Peter B. Kahn, Director, Economic and Market Analysis Division