



February 14, 2022

Lopa Kolluri
Principal Deputy Assistant Secretary
Office of Housing
U.S. Department of Housing and Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Ethan D. Handelman
Deputy Assistant Secretary for Multifamily Housing
U.S. Department of Housing and Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Re: HUD Memorandum - Clarification on Valuation of Non-Shelter Services in Section 8 Program

Dear Ms. Kolluri and Mr. Handelman:

I am writing on behalf of [Stewards of Affordable Housing for the Future \(SAHF\)](#) to urge HUD to withdraw its November 15, 2021 memorandum [Clarification on Valuation of Non-Shelter Services](#) (“NSS Memo”) and to request a meeting to discuss opportunities to support resident services and housing stability in HUD-assisted properties. While SAHF appreciates the NSS Memo’s intent to provide clarity and steward affordable housing resources, the NSS Memo unintentionally undermines HUD’s goals of promoting housing stability and strengthening the HUD portfolio and is causing uncertainty for mission-driven affordable housing providers and their ability to provide service-enriched housing.

About SAHF and its Resident Services Work

SAHF is a collaborative of thirteen multi-state nonprofits who collectively own, operate, and manage more than 149,000 affordable rental homes in 2,000 properties across the country. SAHF members have long recognized the importance of robust resident services as a critical part of advancing the preservation of healthy, sustainable affordable rental homes that foster equity, opportunity, and wellness for low-income families, seniors, and persons with disabilities. SAHF members are committed to identifying replicable and scalable approaches to resident services. Drawing from a multi-year community of practice around resident services, SAHF created the [Framework for a System of Resident Services Coordination](#) outlining engagement and decision-making processes for a system of resident services that expands opportunity and promotes dignity for all residents living in affordable rental homes. Building on this framework, SAHF developed the [Certified Organization for Resident Engagement & Services \(CORES\) Certification](#) program – which recognizes organizations that have developed a robust commitment, capacity,

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and competency for providing resident services coordination in affordable rental housing. Through the CORES program, SAHF has certified three dozen high performing providers of resident services and partnered with Fannie Mae and several state housing finance agencies to inform the design of programs that incentivize impactful, resident-centered services and service coordination. Through our work on the Framework and CORES, we have gained deep insight and understanding of the best practices and challenges in providing resident services and the close connection between property operations

Benefits of Resident Services

A stable, affordable home enhanced by services can improve residents' housing stability economic mobility, health, well-being and agency. [SAHF's data](#) indicates that among households at greatest risk of instability, those living in service-enriched properties are at least 22% less likely to experience eviction or a negative move out than those in properties without services. Among working age households, residents of properties with services have greater increases in income over time as well. Greater housing stability and household incomes benefits property operations and HUD programs as well. Fewer negative move-outs (evictions, moveouts to avoid eviction, etc.) can decrease bad debt and legal costs, turnover costs and allow management and front-line staff to focus on stewardship of the property. Increased resident income can lower the subsidy cost for individual units and make other housing options available for residents, freeing assisted homes for the next family. HUD's policies and practices should seek to consistently support services that foster these outcomes.

The NSS Memo Threatens the Availability of Services and Should be Withdrawn

While we appreciate that the NSS memo was intended to clarify the valuation of services in response to outlying cases where excessive adjustments were made for the presence of services, the NSS memo is causing ambiguity and delays for owners of Section 8 properties and in effect, is a policy change. We are deeply concerned that the NSS Memo will ultimately reduce investments in service coordination and resident services and weaken the financial performance of Section 8 properties. Although we find some provisions of the memo to be important clarifications and consistent with best practices, we urge HUD to fully withdraw the memo and make clarifications through an update to Chapter 9 of the Section 8 Renewal Policy Guide, including robust stakeholder engagement. Attempting to simply clarify the NSS Memo risks greater ambiguity and further delays.

The memo is already causing great ambiguity across the affordable housing sector. SAHF has heard from members and partners that memo is being applied disparately across the country and causing great uncertainty for owners. Members are reporting that appraisers that regularly provide rent comparability studies have told them to expect longer processing times and that cost may eventually increase given the overly complex requirements for modest valuations of services. One appraisal partner also noted that the in some regions, HUD staff are seeking information on funding sources for services and a full analysis, even when services adjustments

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fall well below the \$50/5% threshold outlined in the guide under which such documentation shouldn't be required. These delays, together with provisions that may undervalue services provided through partnerships of other fundraising (discussed below) could significantly deter or disadvantage mission-oriented owners that work hard to provide resident-centered services that benefit people and property. As you know, the processing times and costs of affordable housing transactions are already considerable and the pressures on property budgets are myriad. HUD should swiftly correct any guidance that could increase administrative burdens or deter the provision of services that have been vital for housing stability.

As our industry organization colleagues have highlighted, the NSS Memo goes beyond clarification and alters the process of conducting rent comparability studies outlined in the Section 8 Renewal Guide. For instance, the NSS Memo emphasizes consideration of the funding source for services, beyond whether the service is included in rent, and suggests that the market value of a service may differ from the value of the service at a comparable property that is funded differently. This contradicts the fundamentals of market comparability and provisions of the Renewal Guide, which notes that the "cost borne by any property owner to provide a non-shelter service, no matter what the source of funding, has no bearing on the amount of adjustment, or whether an adjustment needs to be made."¹ While we understand that HUD may wish to account for the use of other government funds, such as Service Coordinator grants, to avoid duplicate funding sources, the effect of this policy-changing language is to disincentivize owners that fundraise or coordinate no charge services that benefit residents and property operations. A robust stakeholder engagement process could help avoid such unintended consequences.

Finally, the NSS Memo includes multiple requirements that while they may be perceived as best practice are neither practical nor part of an equitable and resident-centered approach to resident services and property operations. For instance, the NSS Memo suggests that services provided by an external agency without a contractual agreement may not be characteristic of services available at the property. While this language is not absolute, it could understandably be read by field staff and appraisers as a safe harbor requiring written agreements for the full valuation of services. Our considerable experience in evaluating resident services practices has shown us that while a written agreement is certainly the desired practice, there are many reasons that high quality and long-standing service partners of even the highest capacity developers may be unwilling or unable to execute such an agreement. These services are no less valuable to residents or the property, and guidance should clearly reflect for that.

The NSS memo moves away from the Renewal Guide's provision that the value of the service to the resident does not relate to the funding source and creates in Step 4 of the NSS Memo a dichotomy between services included in rent and no-cost services funded by another source,

¹ Important Notes for Lines 29, 30, 31 and 32, Appendix 9-1-2, Section 8 Renewal Policy Guide



but not expressly included in the rent. This unnecessary shift will foreseeably drive owners to seek to include services in the lease so that they may be appropriately valued. Inclusion of services in the lease addendum requires HUD approvals that will further strain the capacity of HUD staff. This unnecessary process would also discourage resident-centered practices. Leading practitioners regularly assess the needs and opportunities of their residents and communities and adjust programs accordingly. However, long processing times to gain approvals to value new services may also discourage owners from making changes to services when they are appropriate to meet resident needs and opportunities.

We are grateful for HUD's commitment to ensuring the availability of resident services and to stewarding housing assistance funds. However, the broad implementation of a memo that was drafted with a very small subset of Section 8 properties in mind creates policy changes that unintentionally threaten services and asset management practices that support housing stability and well-being. This is at odds with the Administration's commitment to housing stability and leveraging the power of service-enriched homes. We strongly urge you to withdraw the memo and undertake a public engagement process to update the Renewal Guide in a way that provides clarity and supports the appropriate valuation services. An updated Renewal Policy guide should be one component of a more comprehensive approach to supporting the infrastructure and practices needed to ensure that affordable housing residents can access services that support housing stability and wellbeing, and the HUD portfolio can benefit from those improved outcomes. We would appreciate the opportunity to meet with you to discuss the NSS Memo and broader opportunities to harness the benefits of resident services in HUD-assisted housing.

We look forward to continuing to work together to create and preserve homes that support resident well-being. Please do not hesitate to contact me with any questions at aponsor@sahfnet.org

Sincerely,

Andrea R. Ponsor
President & CEO

Cc: Peggy Bailey, Senior Advisor to the Secretary
Richard Cho, Ph.D., Senior Advisor to the Secretary