

MOUNTAIN PLAINS NAHRO 2006 LEGISLATIVE AGENDA

HUD CAN ACT NOW

In 1998 President Clinton signed the Quality Housing and Work Responsibility Act (QHWRA) into law. The intent of this bi-partisan legislation was to provide housing authorities with administrative flexibility, program streamlining, and appropriate accountability for the public housing and Housing Choice Voucher (HCV) programs. HUD has not yet fully utilized its ability to implement regulatory reform under the provisions of QHWRA. Each year since 2003, NAHRO has requested that HUD implement regulatory reform provided in QHWRA in order to achieve cost savings and greater program efficiency under the Housing Choice Voucher program.

It is imperative that HUD implement regulatory reform this year. In 2004 renewal funding for the HCV program changed from a "unit-based" system to a "budget-based" system. Current regulations are complex and make it extremely difficult for housing authorities to administer the HCV program under HUD's budget-based system. Housing authorities have faced, and will continue to face, the difficult task of serving fewer families, increased rent burdens and losing property owner participation. Regulatory reforms advocated by Mountain Plains NAHRO would help achieve cost savings, program streamlining and greater flexibility without the need for additional federal dollars. These include:

- ❖ **Implement simplified rent calculations including the elimination of the current 28 income exclusions.**
- ❖ **Modify SEMAP and PIC to allow annual unit inspections to be performed geographically rather than tied to lease anniversary dates.**
- ❖ **Improve inflation factor calculations to more accurately reflect local rents.**
- ❖ **Improve SEMAP evaluation system for small agencies and make it a more out-come based, rather than processed-based, assessment system.**
- ❖ **Consolidate and reduce duplicative reporting requirements to HUD.**
- ❖ **Change the income targeting requirements from 75% vouchers leased to 75% vouchers issued.**
- ❖ **Reform utility allowances so housing authorities use the utility allowance of a household's authorized voucher size if the bedroom size of their leased unit is greater than their authorized voucher size.**
- ❖ **Allow housing authorities to implement reductions in payment standards from 2 years to one year upon annual recertification.**

These changes, in total or in part, would go a long way towards essential cost savings.

The Adams County Housing Authority, Colorado (population 389,857), received over 1,100 applications for housing assistance in just two days when it recently opened its waiting list.



Our agenda underscores the commitment of NAHRO members to provide quality affordable housing for the growing and more economically diverse population in this country, and in our states, who need it. We are concerned that the FY07 HUD budget will threaten the essential infrastructure of affordable housing and healthy communities in America's cities. The 1.8% reduction in overall funding for the Department of Housing and Urban Development, which will result in 10-20% reductions in individual programs, will have a huge impact on those in need of adequate and affordable housing.

The President's budget includes a \$1 billion cut in funding for CDBG formula grants; elimination of key community development programs with proven track records, such as the Brownfield's Redevelopment Program; reduced funding for public housing capital grants, which maintain the physical integrity of our more than 70 year investment in public housing; and elimination of the HOPE VI program. Taken together, the reductions undermine the ability of local agencies to meet the growing need in their communities in a responsible manner.

The critical action we ask Congress to take is to:

- ❖ **Preserve full funding for the Community Development Block Grant**
- ❖ **Maintain the baseline for the Housing Choice Voucher (HCV) Program**
- ❖ **Fully fund the Public Housing Operating Subsidy Program**

Our goal is to strike a feasible balance between the growing need for federally funded housing, community and economic development programs, and competing concerns in the larger arena.



PRESERVE THE COMMUNITY DEVELOPMENT BLOCK GRANT

The President's budget calls for a \$1 billion reduction in the CDBG program, representing a 25% loss in funding from \$3.711 in FY 06 to \$2.774 billion in FY 07. NAHRO sees these cuts as evidence that the Administration is abandoning its commitment to America's communities in the guise of reform. This level of reduction in funding will pose serious threats to cities' and states' ability to provide important services and economic recovery for their citizens.

CDBG is an important tool used by local and state officials as they tackle their most serious community development challenges, providing funding for public works and infrastructure, decent affordable housing, public services and economic development. Private companies, such as construction contractors, plumbers and electricians, as well as non-profit community-based providers, carry out many of these activities at the local level.

Because of its flexibility and use in a variety of projects, local and state governments and development officials have come to rely on the program as the cornerstone of any new community revitalization effort. Every dollar of the CDBG program invested in communities is leveraged by three dollars in private funding, bringing much-needed investment, jobs, and the chance for a fresh start to blighted communities.

LEGISLATIVE ACTION

Restore funding to the Community Development Block Grant (CDBG) Program within the Department of Housing and Urban Development.

Don't sacrifice funding for other vital and proven HUD core programs such as HOME, Section 8 Housing Choice Vouchers, Public Housing and Homeless programs to provide for the retention and adequate funding of CDBG.

Impact of Utility Rates on Housing

Public housing and the voucher program participants make a monthly housing payment that covers rent and utilities. This payment is calculated at 30% of their adjusted income. As utility costs skyrocket, energy costs consume a greater and greater proportion of the housing payment. This means that housing authorities receive less in the form of rent for public housing, or pay more in HAP for rent in the voucher program. This additional strain comes at a time when the Public Housing Operating Subsidy was funded at 89% of the need for 2005. The estimated shortfall for the winter heating season for public housing is \$363 million and another \$352 million for the Housing Voucher Program. The utility over payments in the Voucher program come directly out of the fixed administrative fees allocated by HUD. In public housing, increased utility costs could easily tap out reserves, which are already stretched thin. HUD needs to appropriate supplemental funds to cover skyrocketing utility bills.

FULL FUNDING FOR THE HOUSING CHOICE VOUCHER PROGRAM

The Housing Choice Voucher (HCV) Program is one of the primary means for low-income families to access decent, affordable housing with access to good schools and safe neighborhoods. The HCV program should cover the difference between the actual cost for a modest home and the rent the family can afford to pay. However, in the past three budget years, the HCV program has been converted from an actual cost-based system to a largely budget-based system. Communities no longer have a baseline number of families they house. This "faceless" approach has made it easier to quietly reduce the funding. The FY07 budget funds the program at 93.6% of FY2004.

NAHRO advocates for voucher renewal funding that is sufficient to cover all vouchers that were in place in FY04.

LEGISLATIVE ACTION

Fund the Housing Choice Voucher Program at its baseline FY2004 level.

Support funding for new incremental vouchers, with other housing and community development programs adequately funded.

REGULATORY ACTION

Ensure that HUD moves forward with the reforms available since the passage of QHWRA. These reforms, detailed below, will help achieve actual cost savings, greater program efficiency and local flexibility under the HCV program

KEEP PUBLIC HOUSING VIABLE Fully Fund the Operating Subsidy

Public housing has been plagued by a deficit in appropriations for the last decade. As a result, in 1998, Congress mandated that a new formula be developed for the distribution of operating subsidy to public housing agencies. The federal subsidy has not been sufficient to cover this gap at any time in the last 10 years.

The operating fund was created to provide operating subsidy to housing agencies because rents fell below the level that could sustain operating costs. The fund is undergoing a major shift. In addition to major changes in the formula, the entire regulatory operating program for public housing is now modeled on that of FHA-insured properties. Asset management, a technique used in the private sector to ensure profitability in property management, is now required for public housing. A quarter of agencies will lose funding, some dramatically, under the new formula (source: NAHRO). Accelerated compliance with asset management provisions could halt the loss if HUD provides necessary and timely requirements.

Equally unique is the public investment of over \$90 billion in the physical assets of public housing for which the Capital Fund provides money for major repairs and replacements. There are more than 17,450 public housing units in our region (source: HUD). Conditions are difficult—a circumstance largely created by reductions in federal funding over several years. Many agencies defer improvements, parse the work in long-run phases, or look for alternate sources of funds to ensure the viability of the housing stock.

Our longer-term focus remains the overall preservation of the program relative to challenges to meet the housing needs of our disabled, elderly and working poor families.

LEGISLATIVE ACTION

Restore funding to Public Housing Capital Fund

Fully fund the Operating Subsidy; currently funded a 89% of need.

REGULATORY ACTION

HUD has failed to publish a regulation on the Capital Fund leveraging provision from the Quality Housing and Work Responsibility Act of 1998. NAHRO has strongly encouraged HUD to draft and implement the appropriate regulations for this and related provisions, including securitization and the capital fund program rule for the last five years and will continue to do so.