



# MT. PLAINS NAHRO 2007 LEGISLATIVE ACTION

## SECTION 8 REFORM

The Housing Choice Voucher (HCV) program has successfully assisted millions of low-income households for more than 30 years in meeting the critical human need of safe, decent, affordable housing. The Government Accounting Office has found that the HCV program is one of the most efficient methods of providing rental assistance.

Mountain Plains NAHRO does NOT concur with the administration's assessment that the HCV program is "broken" and needs to be fixed. As affordable housing professionals, we are seeking reforms to this successful program that will encourage greater efficiencies in program administration, implement cost savings measures and provide Public Housing Authorities (PHA) a greater degree of local control in dealing with the large unmet need in their communities. We believe that Public Housing Agencies, if provided with adequate resources to meet the task, are capable of administering the HCV program in a manner that is responsible and consistent with the federal government's mission to address the needs of the low-income households in their communities.

Mountain Plains NAHRO strongly advocates that changes in the HCV program be considered in a comprehensive manner. We offer our expertise to work with Congress, the administration and other stakeholders to make the HCV a stronger, more effective, tool in assisting low-income households rent decent, affordable housing.

## PUBLIC HOUSING REFORM

The underlying financial structure of the public housing program is broken. Under current law, residents' rent is limited to 30 percent of adjusted income. Because residents of public housing are typically very poor, these rental amounts fall far short of the sums necessary for operating and maintaining the public housing asset. We are talking about insufficient funds for basic needs – roofs, boilers, plumbing, elevators, heating systems, etc. When the Federal government, whose role is to fill the gap between rental income and operating needs, fails – or elects – not to fulfill this commitment, the structure of public housing becomes economically infeasible. Housing authorities have been patching, scrimping, deferring and innovating to fill in where the federal obligation has left us hanging. Now we're hanging by a fingertip.

### Public Housing Sustainable Rent

Our reform proposal centers on the principle of operating public housing like the multifamily rental real estate that it is. We want a contractual commitment from HUD to provide a sustainable rent that fully covers operating and capital needs. These sustainable rent contracts

would replace the Annual Contributions Contract (ACC) and the operating and capital subsidy systems associated with the ACC. Sustainable rent contracts would prescribe a subsidy level that, when taken together with family rents and other income attributable to a multifamily property would be adequate to cover the operating costs and capital needs of the property for an agreed-upon tenant profile.

Recasting the contractual responsibilities in this way will both rationalize the federal-local agency relationship regarding public housing and assure a measure of financial predictability necessary to obtaining financial resources that could supplement the public housing subsidies. It will also provide needed transparency concerning the adequacy of federal resources.

### Public Housing Tax Credits

While the sustainable rent approach will allow us to move forward, we still need to consider the massive deferred maintenance that has been allowed to build up in our inventories. In consultation with others, NAHRO is developing statutory amendments to IRC Section 42 and related provisions that will create a special tax credit program to address the accrued capital needs of public housing.

### Public Housing Conversion Pilot

A third NAHRO public housing reform proposal would direct HUD to convert 100 public housing projects to the Section 8 Project-Based program administered by HUD's Office of Housing. The pilot would be voluntary and would include projects with a range of characteristics. Conversion of these projects would be treated in the same manner as renewals of Project-Based Section 8 contracts. The term of the initial contract would be the longer of twenty years or the remaining affordability term under the public housing program.

### Expansion of Programs that Work

NAHRO advocates the expansion of programs that have proven track records of transforming public housing, specifically the Moving to Work program and the HOPE VI program.

## ENDING CHRONIC HOMELESSNESS— IT IS POSSIBLE!

Ending chronic homelessness requires increasing our nation's inventory of permanent, affordable housing. NAHRO advocates several changes to IRC Section 42, HUD and VA programs so that these complimentary funds can be used together to produce housing for the homeless. Funding for long-term case management services must be provided, or included as part of the tax credit basis.



# 2007 LEGISLATIVE AGENDA

As the 110<sup>th</sup> Congress begins its work, far too many low and moderate-income families in our region cannot afford to rent a basic apartment. Research shows that minimum wage earners are priced out of one-bedroom apartments across the country. The supply of affordable housing is a fraction of the growing demand. Seniors and people with disabilities on fixed incomes continue to have fewer and less desirable housing choices. America's housing is creating serious quality of life issues for many of its citizens.

Our agenda underscores the commitment of NAHRO members to provide quality affordable housing. We are concerned that the FY 2008 HUD budget will threaten the essential infrastructure of affordable housing and healthy communities in America's cities. The **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 proposed budget for FY 2008 includes a **\$936 million cut in funding for CDBG formula grants**, which will eliminate key community development programs with proven track records; **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:

- ❖ **Restore funding for the Community Development Block Grant**
- ❖ **Maintain the baseline for the Housing Choice Voucher (HCV) program**
- ❖ **Fully fund the public housing operating and capital subsidy programs**
- ❖ **Commit the resources necessary to end homelessness**
- ❖ **Create a fund for housing production**



## **PRESERVE THE COMMUNITY DEVELOPMENT BLOCK GRANT**

The President's 2008 budget calls for a \$936 million reduction in the Community Development Block Grant (CDBG) formula grant funding level, representing a 25% loss from \$3.711 billion in FY 07 to \$2.775 billion in FY2008. 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. CDBG resources provide 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 with three dollars in private funding, bringing much-needed investment, jobs, and the chance for a fresh start to blighted communities.

### **LEGISLATIVE ACTION**

**Fund CDBG formula grants at \$4.5 billion.**

**Strongly reject the proposal by the President to "reform" the CDBG allocation formula to better target funds to communities most in need of assistance.**

**Targeting areas most in need should be accomplished through providing additional CDBG resources for those areas but NOT at the expense of jurisdictions that are effectively using CDBG funds to serve their critical housing and community development needs.**

## **FULL FUNDING FOR THE HOUSING CHOICE VOUCHER PROGRAM**

The Housing Choice Voucher (HCV) Program has become a key program used by the federal government in addressing the housing needs of low-income households across the nation. The HCV program provides a monthly subsidy to approximately two million elderly, disabled and family households renting decent, privately owned housing close to services and in safe neighborhoods.

Since April 2004, the federal government has taken actions that have effectively altered the fundamental arrangement between the federal government and the local Public Housing Authorities (PHA) that administer the HCV program. Prior to fiscal year 2004, funding for the HCV program was calculated using an "actual cost" based method. This method assured that each PHA would receive adequate funding to provide rental assistance to the baseline number of households under their Annual Contributions Contract.

In fiscal year 2004, the funding for the HCV program was converted to a "budget-based" method, which in essence is a block grant program. As with other block grant programs, this approach has allowed HUD to cut funding to PHAs for both rental assistance and administrative fees each subsequent year.

The budget-based method has destabilized the HCV program resulting in inequities in funding for PHAs as approximately 50% of the PHAs have been under funded and 50% over funded in rental assistance dollars. HUD's allocation formula has resulted in approximately 100,000 fewer households receiving rental assistance through the HCV program since 2004.

Mountain Plains NAHRO applauds Congress for appropriating enough funding to cover all Housing Choice Vouchers in use in fiscal year 2006; however, its members have grave concerns over HUD's allocation formula which has led to the over/under funding situation. Mountain Plains NAHRO advocates for HCV renewal funding that is sufficient to cover each PHA's baseline units and oversight of HUD's allocation formula to ensure that each PHA receives the funding needed to support their baseline units and restores administrative fees to levels needed to efficiently operate the program.

### **LEGISLATIVE ACTION**

**Fund the HCV Program to cover each PHA's baseline units and restore administrative fees to sufficient levels.**

**Provide Congressional oversight for HUD's HCV program allocation formula.**

## **KEEP PUBLIC HOUSING VIABLE Fully Fund the Operating & Capital Subsidy**

Public housing has historically met the need to house very low, and extremely low-income families at affordable rents that are based on family income. This deep affordability has been achieved through operating and capital subsidies from HUD. Both streams of subsidy have been reduced every year. Now we are at a breaking point.

The President's FY 2008 budget proposes to under fund the operating subsidy by 24% and to under fund the capital subsidy by 42%. Responsible federal officials have come to believe that public housing can be under-funded perpetually without consequence. In recent years, the federal dis-investment in this 90 billion dollar national asset has become so acute that the future of this essential and irreplaceable asset is at risk.

As we speak, many large housing authorities in the Mountain Plains region are working on plans to sell their public housing and re-capitalize it as housing that is affordable to a much broader range of incomes. Communities in the Rocky Mountain west risk losing the housing that, for many very low-income families and individuals in our communities, represents the line between decent shelter and homelessness.

The accrued, un-funded capital needs of public housing are widely acknowledged to approach, and possibly exceed, \$20 billion nationally. Yet, the current budget proposes to reduce funds to meet the need. Either additional financial resources must be found, or the public housing program must be altered to accommodate fiscal realities, or both. We cannot continue as we are.

Addressing the critical public housing needs is at the top of our housing agenda for the West. No significant community or economic or personal development can occur unless a community can offer its citizens decent, safe and affordable housing. We know beyond a shadow of a doubt that unstable housing leads to unstable lives. We must find the will to fix what can still be fixed.

### **LEGISLATIVE ACTION**

**Full funding of the operating subsidy**

**Full funding of the capital subsidy**

**Restore Funding to the Hope VI program, or**

**Full support for public housing reform initiatives that can be implemented quickly**