PUBLIC HOUSING

June 2016

NATIONAL LOW INCOME HOUSING COALITION

URGE CONGRESS TO:

- Support sufficient funding in FY14 to meet annual public housing operating and capital costs, as well as increased funding to address backlog of public housing capital needs.
- End sequestration, which will reduce public housing subsidies by $293 million in FY13.
- Actively oversee HUD's Rental Assistance Demonstration to assure compliance with tenant protections and maintaining public ownership of public housing.
- Oppose expansion of HUD's Moving to Work demonstration beyond what is in the 2012 "stakeholder agreement."

GOVERNMENT SHUTDOWN

According to HUD's shutdown contingency plan (www.hud.gov), local public housing agencies (PHAs) will be impacted by the shutdown to a greater and greater extent, based on how long the shutdown lasts. PHAs are not federal government entities and thus will not shut down. But, PHAs receive significant federal funding and their hours and capacities may be impacted by the federal shutdown. HUD's contingency plan predicts that most of the country's 3,300 PHAs have the necessary funds to continue providing public housing assistance for the remainder of the month. However, depending on the length of the shutdown, some PHAs may not be able to maintain normal operations. HUD recommends that local PHAs be contacted for information as to their operating levels.

FY14 FUNDING AND POLICY PROVISIONS

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FY14 FUNDING AND POLICY PROVISIONS

In the FY14 HUD spending bill, H.R. 2610, passed by the House Committee on Appropriations, the two public housing funds would receive much less than what's needed to operate and maintain the nation's 1.1 million public housing units. In H.R. 2612, the public housing capital fund would receive only $1.5 billion, a $277 million cut below FY13 pre-sequestration funds and $500 million below the HUD request. In 2012, HUD estimated that public housing capital needs were in excess of $26 billion. The House committee bill would also not provide funding for the Resident Opportunity and Self-Sufficiency program as a set aside within the Capital Fund, consistent with its FY13 bill. The House committee bill would provide only $4.2 billion for the public housing operating fund. While this figure is equal to the funds appropriated in FY13, funding was cut dramatically in FY12. The bill would provide nearly $340 million less than the President's budget request.

The Senate bill, S. 1243, would provide $2 billion for the public housing capital fund and $4.6 billion for the public housing operating fund. The Senate bill would also set-aside public housing capital funds for two purposes: $20 million for emergency disaster funding consistent with the House and the President's budget, and $50 million for the Resident Opportunity and Self-Sufficiency (ROSS) program. Neither the House nor the President would fund ROSS funds in FY14. The Senate would allow $15 million in funding from ROSS to be for a "Jobs-Plus" pilot program, modeled after the Jobs-Plus

demonstration. ROSS funds could also further be used to provide services to participants in the pilot.

HUD also included in its FY14 request a proposal to eliminate the current PHA annual plan and replacing it with an "improved" plan. NLIHC has very serious concerns about this effort and is working to protect the PHA Plan as an important way for residents and advocates to interact with key public housing agency discretionary authority. Neither the House or Senate FY14 HUD committee bills include this proposal.

HUD also requests full fungibility between the operating and capital funds. The budget proposal does not include parameters for this flexibility beyond that the agency must be non-troubled. A similar proposal was included in the FY13 budget request. Neither the House or Senate committee bills provide for this flexibility.

The Senate committee bill, S. 1243, includes provisions that were requested by HUD in its FY14 budget request to Congress. These include a new definition for "extremely low income," which would allow housing resources to better serve more households; revised inspection requirements for housing choice voucher units in order to save staff time and move families in more quickly; revisions to the Rental Assistance Demonstration program that would expand the number of public housing units that could convert subsidy streams under RAD from 60,000 to 150,000 and to extend the demonstration's end date from the end of FY13 to the end of FY15; limits on compensation of public housing agency employees; utility allowance provisions that would limit utility allowances to the maximum unit size for each households, with exceptions for families that include persons with disabilities; and, language to phase-in a flat rent floor of 80% of fair market rents (FMRs) for higher income public housing residents.

SEQUESTRATION, FY13

Sequestration was implemented on March 1. For FY13, the public housing operating subsidy is cut by $199 million and the public housing capital subsidy is cut by $94 million. The capital subsidy is more than $26 billion in arrears as it is, and sequestration will further exacerbate needed major repairs to the nation's public housing stock. After the sequester's cuts are included, the public housing operating subsidy only provided around 81% of needed funding for the remainder of FY13.

RENTAL ASSISTANCE DEMONSTRATION

The 112th Congress authorized a Rental Assistance Demonstration (RAD), allowing HUD to operate a demonstration to preserve public housing units by approving the conversion of their public housing subsidies to project-based Section 8 rental assistance contracts or to project-based vouchers.
Unlike earlier iterations of the RAD proposal, the RAD program approved by the 112th Congress provides no funding for the conversion of subsidy streams but does allow up to 60,000 public housing, Rent Supplement (Rent Supp), Rental Assistance Program (RAP) and Moderate Rehabilitation (Mod Rehab) units into the RAD demonstration and gives HUD the authority to convert their current assistance streams to project-based Section 8 contracts or project-based vouchers by September 30, 2015.

The final legislation included provisions in the areas of resident rights and protections, public ownership and long-term contract renewals, which were all key to NLIHC's support for the demonstration.

MOVING TO WORK

In 2012, a broad stakeholder group, comprised of NLIHC, the Council of Large Public Housing Authorities, the National Association of Housing and Redevelopment Officials, the Public Housing Authorities Directors Association, the Center on Budget and Policy Priorities, the National Leased Housing Association and HUD, reached agreement on a Moving to Work expansion proposal. The highly controversial nature of the Moving to Work program has played a role in stalling the larger reform bill for many years. The "stakeholder" agreement worked out in constant collaboration with HUD and House offices is a delicate package of decisions, each crafted in a way to represent compromise if not exuberance. No one part of the stakeholder agreement could be amended without additional adjustments elsewhere in the proposal.

The stakeholder agreement would allow up to 500,000 units administered by high-capacity PHAs to be included in a "basic" MTW program. Units in the basic MTW would have had the flexibility to streamline administrative procedures. Up to 25 agencies could also participate in an "enhanced" MTW program, which would have the ability to implement harmful policies, like rent reform, work requirements, and time limits only if doing so was part of rigorous evaluation protocols. For all new

MTW sites, both "basic" and "enhanced," income targeting, resident rights and housing affordability would be protected to significantly greater extent than in the current demonstration sites. In 2013, advocates will work to ensure the stakeholder agreement is not weakened in any way. But, pressure to change the 2012 stakeholder agreement will undoubtedly appear. The Small PHA Opportunity Act (see below) and HUD's own FY14 budget request would each expand MTW. And, MTW agencies currently operating under MTW agreements that expire in 2018 might be anxious to be included in the stakeholder agreement. Each of these things would dramatically alter the balance of agreements made in the stakeholder agreement.

CHOICE NEIGHBORHOODS INITIATIVE

Legislation to formally authorize the Choice Neighborhoods Initiative (CNI), HUD's successor program to HOPE VI, was not enacted in the 112th Congress. Senator Robert Menendez (D-NJ) introduced S. 437 to authorize the Choice Neighborhoods Initiative (CNI) program, with a $350 million annual appropriation, on March 4. The bill is a reintroduction of legislation from the 111th and 112th Congresses. HUD proposed the CNI program in its FY10 budget request to Congress. While the program has been funded, it has yet to be authorized. Senator Menendez is the Chair of the Senate Banking, Housing and Urban Affairs Subcommittee on Housing, Transportation and Community Development. Senator Robert Menendez (D-NJ) and Representative Maxine Waters (D-CA) have introduced the Senate and House bills in the past to authorize the CNI program.

Without authorizing legislation, the CNI program is currently operating largely by broad policies passed as part of FY10, FY11 and FY12 HUD appropriations bills and HUD's own vision of how to implement the particulars of the program, as stated in the annual Notices of Funding Availability for the program. If enacted, legislation could set permanent policies around entities eligible to receive CNI funding, contents of applications and approval protocols, public housing resident rights regarding returning to transformed housing and participation in decision-making and one-for-one replacement, as well as other areas of interest to public housing agencies and residents.

The CNI program awards planning and implementation grants to public housing agencies, assisted housing owners, nonprofit entities, community development corporations, and local governments to address the needs of eligible neighborhoods. The bill would define eligible neighborhoods as those with a concentration of severe poverty, severely distressed housing, and "a potential for long-term viability, once key problems are addressed, including neighborhoods with characteristics such as proximity to educational institutions, medical centers, central business districts, major employers, effective transportation alternatives (including public transit, walking, and bicycling) and being close to low-poverty neighborhoods."

A potential grantee would have to submit a "transformation plan" as part of its application for CNI funds, detailing how funds would be used. Transformation plans, under S. 437, would include a long list of required components, including revitalization of housing, promotion of self-sufficiency of residents, preservation of affordable housing in the neighborhood, involvement of residents and neighborhood members in the transformation plan, and links to local education efforts.

Under the terms of the bill, any revitalized federally subsidized homes would have to be preserved on a one-for-one basis, except for a broad, up-to-20% exception for neighborhoods meeting certain requirements. Here, grantees could use tenant-based vouchers to meet their one-for-one replacement requirement if: 1) a minimum of 80% of vouchers issued over the preceding 24 months to comparable families were successfully leased within 120 days of issuance or, if a sufficient number of comparable families have not received vouchers, the Secretary will design an alternative measure; 2) existing voucher holders are widely dispersed geographically, as determined by the Secretary, among the available private rental housing stock, including in areas of low poverty; and, 3) the grantee provides a market analysis demonstrating that there is a relatively high vacancy rate, as determined by the Secretary, within the market area with rent and utility costs not exceeding the applicable voucher payment standard.

SMALL PUBLIC HOUSING AGENCY DEREGULATION

Senators Mike Johanns (R-NE) and Jon Tester (R-MT) reintroduced the Small Public Housing Agency Opportunity Act, S. 576, on March 14. The legislation would allow for greater flexibility from program requirements and decreased oversight requirements for small public housing agencies (PHAs), defined by the bill as PHAs that administer a combined total of

550 or fewer public housing units and Housing Choice Vouchers.

NLIHC has various, serious concerns about the measure, including its proposed rent reform demonstration that does not include sufficient protections for tenants or evaluation components; the ability for every small PHA to increase the percent of vouchers it may project-base from 20% to 50%; weakening of Section 3 requirements for small PHAs; weakening of key performance measures for both public housing and voucher program administration; authorization for small PHAs for comingle all of their public housing and voucher funding; decrease in reporting requirements by small PHAs to HUD and conversion of small PHAs' public housing subsidy to project-based contracts or project-based vouchers without any of the myriad protections included in the 112th Congress's Rental Assistance Demonstration.

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