

Impacts of Government Shutdown on Affordable Housing Programs

January 15, 2019

The Campaign for Housing and Community Development Funding (CHCDF) urges Congress to end the government shutdown and enact clean, full-year FY19 spending bills for the Departments of Housing and Urban Development (HUD) and Agriculture (USDA) as soon as possible.

On December 21, Congress failed to provide FY19 funding for several federal agencies, including HUD and USDA, causing a partial government shutdown. Outlined below are the impacts the shutdown is having on HUD and USDA affordable housing and community development programs:

Project-Based Rental Assistance

Section 8 Project-Based Assistance

- As of January 5, HUD failed to renew 650 rental assistance contracts that had expired in December prior to the shutdown. The 650 contracts that HUD didn't renew in December will affect roughly 21,500 low-income households. Roughly two-thirds of these households are elderly or who have disabilities; on average, these households have incomes of less than \$13,000 per year. HUD is determining whether it has any available funds that could be obligated to renew these contracts and working through the processing of these contracts to determine what could be signed if funding is available.
- The number of expiring contracts will increase as time goes on, as HUD anticipates approximately 500 additional contracts (affecting another 20,000 households) will expire and be up for renewal in January and 550 in February. Without additional funding, HUD cannot renew these contracts or obligate funds – doing so would be in violation of the Antideficiency Act.
- HUD has proposed that private owners use their individual funding reserves, where available, to cover shortfalls.
- Anything less than 12 full months funding for project-based Section 8 contracts will limit a property owner's ability to provide supportive services to their tenants, impede or delay critical rehabilitation, or possibly increase rent burdens on fixed-income populations.
- Nearly 10,000 of the 17,723 project-based Section 8 properties are insured by the Federal Housing Administration (FHA). The estimated unpaid balance of the FHA insured debt underlying properties assisted by project-based Section 8 contracts is over \$13.5 billion. Without sufficient Section 8 rental assistance, many projects will fail and FHA will be left paying the tab.

Section 202 Housing for the Elderly

- Contracts that provide ongoing operating subsidies to the nation's almost 6,700 Section 202 communities are at risk of not being renewed.

- Two-thirds of Section 202 communities receive ongoing rental subsidies from Section 8 Project-Based Rental Assistance (PBRA) contracts; the other one-third receive subsidies from Project Rental Assistance Contracts (PRACs). HUD's inability to renew Section 8 PBRA contracts (see above section) directly impacts older adults in the Section 202 program. Both PBRA and PRAC need uninterrupted renewals to maintain the nation's Section 202 homes.
- The Section 202 program provides affordable housing to about 400,000 older adults with average annual incomes of \$13,300.
- Service Coordinators are essential in serving residents who rely on home and community-based services to age in place. Funded under the Section 202 Service Coordinator Grants program and Project-Based Rental Assistance (PBRA), Service Coordinators are not able to register for Standards for Success or Grant Solutions accounts, 2019 calendar year grant renewals (including a 2% cost of living adjustment) are not being processed, and HUD regional staff are not available for technical assistance or to help Service Coordinators filing their final semi-annual reports due on January 30, 2019.

Public Housing

Public Housing Capital Fund

- Without a full-year FY 2019 Transportation-HUD bill in place, public housing authorities (PHAs) will not be able to access current-year (FY 2019) Capital Funds, which are allocated 60 days after a final spending bill is signed into law. This could have an adverse impact on over 2 million residents, as more than 3,000 PHAs across the country may not have funding available to make critical repairs to units or needed upgrades. The capital backlog was last estimated in 2010 to be \$26 billion and growing.
- If PHA do have prior-year capital funds available but require manual approval from HUD, during the shutdown HUD staff is unavailable to approve those expenditures.

Public Housing Operating Fund

- Though PHAs did receive timely payments for January for the Operating Fund and expect to receive payments in February, if the shutdown is not resolved by the end of February, HUD will run out of funding for this critical program, which serves 1.1 million of the nation's lowest income households.
- The Operating Fund allows PHAs to run public housing efficiently, conduct routine maintenance to units, process tenant applications and prepare units for occupancy, and make small and emergency repairs. Without Operating Funds, PHAs may not be able to provide safe and affordable housing for residents.

Housing Choice Voucher Program

- Much like the Public Housing Operating Fund, PHAs did receive funding in January and expect to receive payments in February.
- If the shutdown is not resolved by the end of February, PHAs will not be able to make timely payments to landlords expecting rent subsidies on March 1. This could have dire consequences for recipients of rental assistance, as they will have to either pay their rent in full or could face eviction.
- Because of the uncertainty around funding caused by the shutdown, PHAs will be unable to approve families on the waiting list for vouchers that have been turned over by families who have exited the program. As a result, these vouchers will go unused.

Rural Housing

- Over a quarter million families in rural communities rely on USDA rental assistance to afford a roof over their head. USDA hasn't provided any information about housing benefits for January. If the shutdown continues, seniors, people with disabilities, families with children, and other individuals risk facing eviction, or in worst cases, homelessness.
- Homeowners who need assistance to heat their homes or repair leaky roofs are being forced to continue to live in substandard conditions.
- Construction of affordable rental homes has been stopped in its tracks, and projects slated for construction cannot move forward. Nonprofit builders have to find ways to pay contractors and other bills or face additional fees and unnecessary costs. This only makes it harder for rural communities to address their housing needs and undermines economic growth in rural America.

Grant Programs

- Ongoing review and approval of reports may be delayed, which could eventually delay funding. At some point, the federal government may not have funds available to reimburse local jurisdictions for program and project expenses, which would require cities and

counties to halt funding to non-profit organizations that count on homeless assistance grants, CDBG, and HOME to serve thousands of low-income families with housing, child care, transportation, literacy, health care, and many other services.

- Any grant agreements that were not processed before the shutdown would delay funds, causing hardship to local jurisdictions, who count on these funds for housing and infrastructure projects underway and in process.
- Jurisdictions may not be able to process reimbursements for expenditures or any complex transactions that need HUD review to move forward. For non-profit organizations, contractors, and developers, programs and projects may have to halt, resulting in employee layoffs and termination of critical services to homeless and other low-income households.
- The HUD website has not been updated with the latest funding notices and information. Funding and application process for homeless programs may be delayed, resulting in a gap of services for individuals who are homeless and count on rental payments from HUD funding sources.

Disaster Recovery

- HUD guidelines regarding previously allocated funding will be further delayed. Congress last February appropriated \$16 billion in funding to be used for projects to better safeguard communities damaged by the 2017 floods and hurricanes in Puerto Rico, Texas, Louisiana, the U.S. Virgin Islands, and Florida. HUD has yet to issue guidance for this money, which will be further delayed by the shutdown. The shutdown will also delay guidance for the \$1.68 billion in disaster relief funding that Congress passed in October 2018 for states impacted by Hurricane Florence.
- HUD usually has 45 days to review Action Plans states must submit before receiving funds through the Community Development Block Grant - Disaster Recovery (CDBG-DR) program. Because of the government shutdown, HUD has had to extend the period of review to 60 days, delaying when states impacted by disaster in 2017 can begin using their CDBG-DR funds.
- Congress has been delayed in approving much needed additional disaster relief funding due to the shutdown.
- The overall impacts of the government shutdown on subsidized housing are especially difficult for low-income households in areas impacted by disasters, which often have an exceptional shortage of affordable and available rental homes.

The [Campaign for Housing and Community Development Funding](#) (CHCDF) is an education, strategy and action hub for national organizations dedicated to adequate federal housing and community development funding for lower income families and communities. [CHCDF's members](#) represent a full continuum of national housing and community development organizations, including more than 70 faith-based, private sector, financial/intermediary, public sector and advocacy groups. CHCDF is staffed by the [National Low Income Housing Coalition](#). For more information, contact [Elayne Weiss](mailto:Elayne.Weiss@nlihc.org), Senior Policy Analyst, at eweiss@nlihc.org or 202-507-7262.