NORTH CENTRAL REGIONAL COUNCIL OF NAHRO

# Legislative Position Paper

## 2019

# North Central Regional Council of NAHRO Legislative Focus

## INTRODUCTION

The North Central Regional Council of the National Association of Housing and Redevelopment Officials (NCRC NAHRO) is a membership organization serving as a catalyst for ethical leadership, professional development and legislative advocacy in the affordable housing and community development industry. NCRC consists of more than 628 agency members that serve low-income households in the states of Illinois, Indiana, Iowa, Michigan, Minnesota, Nebraska, Ohio, and Wisconsin.

NCRC NAHRO created a Legislative Task Force to help with the communication between our agency members, US Department of Housing and Urban Development (HUD) and Congress by providing a means to gather and disseminate relevant information back and forth between the three entities. The Legislative/Advocacy Task Force determined that its purpose would be (1) Advocacy, (2) Relevancy, (3) Collaboration, (4) Training, and Legislative Regulation.

The following topics have been identified across the NCRC NAHRO region as critical priorities requiring legislative action.

## FEDERAL FISCAL YEAR (FFY) 2020 FUNDING PRIORITIES

Many very low-income households receive no housing subsidy assistance, and pay too much for rent. For some, the cost of their rent is more than half their income. It is critical that we are able to provide affordable rental and homeownership opportunities, along with services that focus on assisting low income individuals and families. Having stable funding is key to our success. Continuing Resolutions prevent Housing Authorities (HA’s) from completing proper budgets, leaving agencies in limbo, threatening thousands of families with the loss of stable housing and putting at risk vital business investments in affordable housing.

## OPERATING FUND

Although the proposed Public Housing Operating Fund provided by the Senate is more than the House, it is still over half a billion dollars short of the proposed estimate of need of $5.269 billion. Improving the quality of

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**NCRC respectfully urges Members of Congress to:**

- Provide sufficient appropriations for housing programs in FFY 2020 to maintain support for all families currently housed and to operate public housing programs in a sustainable manner.
- Provide relief from spending caps required by the Budget Control Act of 2011 and ensure affordable housing, community development and transportation programs receive the highest allocation of discretionary funds possible.

**NCRC respectfully urges Members of Congress to:**

- Provide adequate funding levels to ensure HA’s have the funding available to house and help families become self-sufficient.

life for lower income residents and restoring staff and services is what HA's can do when fully funded. More than half of all public housing residents are elderly and/or disabled, with the remaining residents being primarily families with children. To strengthen families and help the most vulnerable population, the federal government should support adequate funding levels.

## CAPITAL FUND

The affordable housing industry, in its joint funding request to Congress for FFY 20, advocated for $5 billion in appropriations to the Capital Fund. However, this amount would only allow HA's to address their newly accruing needs as well as make limited progress against their backlogs. Abt Associates, in a HUD commissioned report from 2010 "Capital Needs in the Public Housing Program", estimated that there was a $26 billion capital backlog at that time. Abt also calculated that the amount necessary to keep pace with annual accruals is about $3.4 billion. The difference between the $3.4 billion annual accrual and the amount Congress HA's appropriated since 2010 creates an additional $12.1 billion deficit, which, when added to the $26 billion from 2010, creates a total backlog of over $38 billion. This amount does not factor in the cost of postponed maintenance due to chronic underfunding. The FY 18 enacted level of $2.750 billion was the first significant increase to the Capital Fund in over a decade, with a nearly 42 percent increase over FY 17 funding. For FY 19, the House HA's proposed a $116 million decrease compared with FY 18 while the Senate approved an increase of $25 million. While there was generally a positive response in the industry to these funding levels, these inadequate levels, when compared with need, will lead to the loss of even more hard units due to units not being renovated to ensure decent and safe housing.

**NCRC respectfully urges Members of Congress to:**

- Follow the Senate lead and approve a Capital Fund Budget that would increase the spending for FFY20 by 25 million over the 2019 spending levels.
- Fund the Capital Fund at a level that meets current annual needs and provides for some funding to address the unfunded capital needs backlog.

## ADMINISTRATION'S RENT REFORM PROPOSALS

The FFY 2019 budget proposal was conveyed to Congress by the Administration. Included are the following Section 8 Housing Choice Voucher and Public Housing Program rent reform initiatives and proposed policy directions:

1. Establish or increase mandatory minimum rents;
2. Simplify rent calculations and increase tenant contributions;
3. Prevent rent increases for vulnerable elderly and disabled tenants when new rent structures are established;

**NCRC respectfully urges Members of Congress to:**

- Consider the administration's budget proposal with caution and reasonableness
- Continue open discussion with their partnering Housing Authorities to establish reasonable minimum rents, rent calculation policy and recertification timeframes.



4. Limit income recertifications for all households to once every three years;
5. Provide a hardship exemption for tenants; and
6. Give Housing Authorities and property owners the option to choose alternative rent structures with the option to implement minimum work requirements.

As NCRC reviews all aspects of the Administration's proposal, it welcomes the discussion of these topics. One major discussion which should be had involves the potential increase in a tenant's share of rent to 35 percent of income. This increase will be too difficult for many of the low-income households to afford. Another discussion is that of limiting income recertifications to once every three years, which HA's long been supported by NCRC.

NCRC does, however, propose that in different markets, the choice of rent reform tools be made locally. It is essential that Housing Authorities have the additional flexibility to respond to rapidly changing local rental markets and that rent reform should not lead to less Housing Assistance Payments. Only Moving to Work (MTW) agencies are given this amount of flexibility. Also, rent reform should not lead to less Housing Assistance Payments – there are millions of the lowest income families in America that qualify for housing assistance, but currently go unsubsidized and do not live in decent, safe and affordable housing.

## PUBLIC HOUSING PROGRAM

Public Housing provides decent, safe and affordable homes for millions of Americans and for years the Public Housing program HA's been extremely underfunded. This HA's caused needed modernization and repairs to go unattended and essential services to be cut. The deferred maintenance backlog for Public Housing was estimated to be nearly $26 billion in 2010, with an annual accrual of capital needs of $3.4 billion.

**NCRC respectfully urges Members of Congress to:**

- Adopt a FFY 2020 budget that fully funds Operating Subsidy for Public Housing operations.
- Restore the ability to use administrative Capital Funds for on-site social services.

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## SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

The nation’s largest rental assistance program is the Housing Choice Voucher (HCV) Program which assists more than 5 million people in 2.2 million low-income homes. The Administration proposed funding voucher renewals at $18.748 billion, $777 million less than Congress had just approved for FFY 18. The House Appropriations Committee HA’s proposed $20.107 billion while the Senate approved $20.520 billion, a $1 billion increase from FFY 18 and a proration of approximately 100 percent. The House bill sets voucher renewals funding at a 98 percent proration. It also includes language enacted into law in FY 18.

- Over 75 % of NCRC residents served by the HCV Program are children, seniors or people with disabilities.
- Approximately 70% of NCRC’s HCV non-elderly, non-disabled households are working households.
- The HCV Family Self-Sufficiency (FSS) program offers families the opportunity to increase their income to eventually reduce their dependency on welfare assistance and rental subsidies.

**NCRC respectfully urges Members of Congress to:**

- Adopt a FFY 2020 budget fully funding the Housing Assistance Payments (HAP) and Administrative Fee accounts. If Congress does not adopt a budget that funds HAP at a level that provides for rising rents and other costs in the HCV program, vouchers could be lost. This loss affects not only the participating tenants but the landlords who rent to them and the local economy.
- Revise the Fair Market Rent (FMR) methodology so that it reflects accurate rents in high cost areas OR provide Housing Authorities with funding to pay for rental market surveys to update HUD's data.

## HOUSING CHOICE VOUCHER ADMINISTRATIVE FEES

It was determined by the industry that to fund all HA’s at 100 percent of their eligibility, nearly $2.44 billion would be needed. The House proposed funding for admin fees at level funding from FY 18 of $1.730 billion, a 77 percent proration, while the Senate approved an increase to fees of $197 million, from $1.730 billion to $1.927 billion, an 85 percent proration. Administrative Fees do not only support administrative duties, they support the operation of the program, including unit inspections and many vital resident services, including:

- Mobility Counseling - Which helps families find homes and adjust to their new neighborhoods.
- Security Deposit Assistance - Helping families with their security deposits can reduce barriers that may prevent them from moving to an area of opportunity.
- Landlord Outreach - PHAs can use administrative fees for landlord outreach and program education.

**NCRC respectfully urges Members of Congress to:**

- Adopt a FFY 2020 budget fully funding the Administrative Fee accounts and Housing Assistance Payments (HAP)
- Set minimum baseline prorations for the future to never allow proration to fall below 85% in any FFY.



- Connections to Jobs and Education – PHA's can fund vital services that connect families with potential employers, learn job skills, and enroll in further education.
- Unit Inspections – Administrative fees are used to ensure that families are only housed in units that are decent, safe, and sanitary.
- Fraud Reduction – Housing Authorities use administrative fees to ensure that income certifications and recertifications are properly carried out, and to make sure that only families who properly qualify for housing vouchers are able to use them.

Because administrative fees are solely used to fund the administrative portion of the program, any increase would be appreciated. Failure to adequately fund the budget ultimately hurts the program and prevents HA's from serving needy families as they otherwise could.

## AFFORDABLE HOUSING AND COMMUNITY DEVELOPMENT INFRASTRUCTURE

The Community Development Block Grant (CDBG) Program and HOME Investment Partnership Program (HOME) help preserve our nation's affordable housing stock by providing community investment, revitalization and jobs creation. They are essential programs for communities to preserve affordable housing, improve housing quality and neighborhood vitality, and create new housing opportunities. Often these programs leverage private equity from the Low Income Housing Tax Credit program and act revitalization catalysts for jobs and economic growth in neighborhoods and downtowns alike. Since 1990, HOME HA's invested $26.3 billion to build and preserve nearly 1.2 million affordable homes and provide direct rental assistance to more than 270,000 families. CDBG also provides funding for community development programs - assisting rural, urban, and suburban communities by improving infrastructure, housing and living conditions. Communities use the flexibility of CDBG to support projects meeting priorities for local community development.

**NCRC respectfully urges Members of Congress to:**

- Fund HOME and CDBG at 2010 levels to support affordable housing and community investment.
- Waive the 15% CHDO {Community Housing Development Organization) set-aside requirement for smaller entitlement communities-those that receive $500,000 or less in HOME funding.
- Amend the final HOME Rule to allow Housing Authorities to be CHDOs.

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## LOW INCOME HOUSING TAX CREDIT

In 1986, Congress created the Low Income Housing Tax Credit (LIHTC) to provide the private market with an incentive to invest in affordable rental housing. Currently, the LIHTC program is the largest source of infrastructure capital supporting our nation's affordable housing inventory. President Trump signed the FFY2018 omnibus spending package into law on March 23, enacting two key provisions from the Affordable Housing Credit Improvement Act:

- A 12.5 percent increase in Housing Tax Credit allocation authority for four years (2018–2021), which will allow for the construction or rehabilitation of an additional 28,400 affordable rental homes over the next decade.
- Income averaging, which would allow Housing Tax Credit units to serve households earning up to 80 percent of area median income (AMI), offset by
  deeper targeting in other units to maintain average affordability in the development at 60 percent AMI.

**NCRC respectfully urges Members of Congress to:**

- A hard four percent housing tax credit rate.
- Expanding the LIHTC volume cap by 50% to increase the availability of affordable housing to every state and provide healthy and stable housing to needy families.

## MOVING TO WORK (MTW)

Moving to Work (MTW) is a HUD demonstration program for Housing Authorities. MTW streamlines programs and allows a Housing Authority to design and test innovative, local strategies using federal dollars more efficiently. MTW helps residents secure employment, become self-sufficient and increase housing choice. MTW gives Housing Authorities exemptions from existing over-regulation in the Public Housing and Section 8 Housing Choice Voucher rules, providing greater flexibility in local decision-making. Currently, there is no additional funding provided under MTW- instead, federal funding is limited to a Housing Authority's existing funding combined with a 'block grant' to address local programs and initiatives. Currently, 39 Housing Authorities in the country are designated as MTW agencies and the 2016 Consolidated Appropriations Act allowed for 100 additional high performing Housing Authorities to be added over seven years.

**NCRC respectfully urges Members of Congress to:**

- Prepare a budget and fund the Moving To Work program so HA's are not having to make decisions to not participate due to funding issues alone.
- Expand the program to allow for additional HA's to participate in the program in the future.