PHADA
Helping House America

POSITION PAPER

Trump Administration and 115th Congress Must Enact *Major Changes* in Housing Programs

Low Funding Threatens Homes of Millions of Low-Income Persons

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Funding

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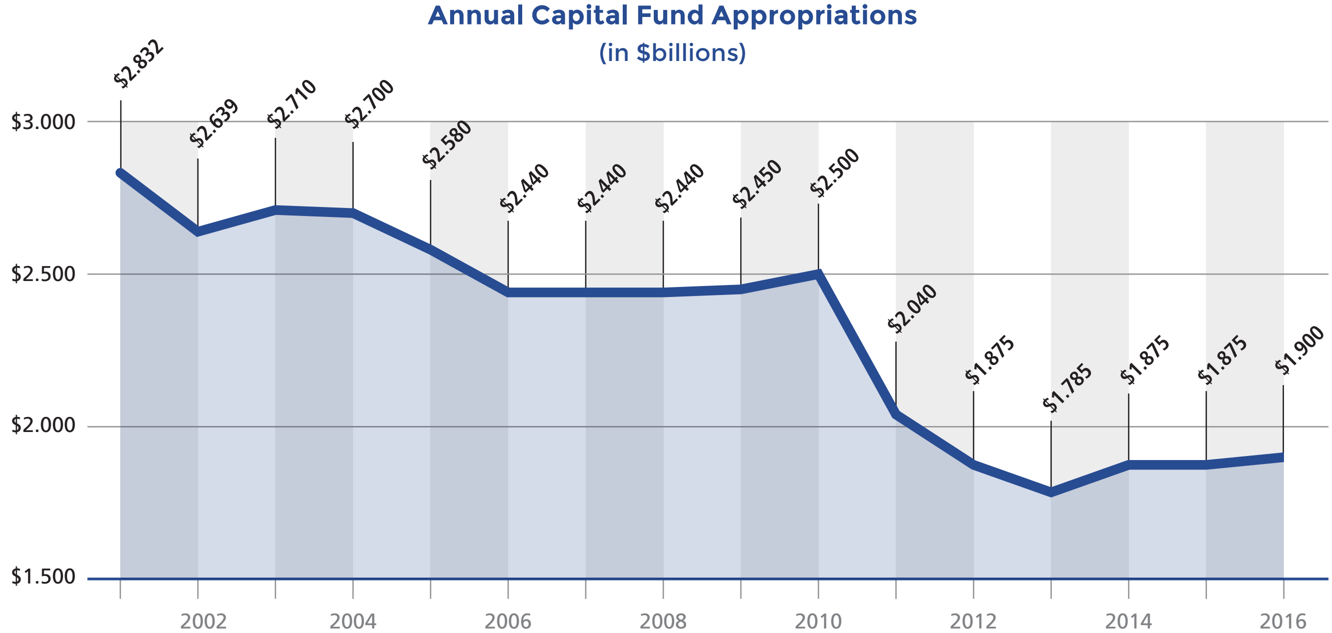
Deep funding prorations in the **Operating Fund** have forced PHAs to reduce staff, cut services and defer maintenance, resulting in an overall decline in quality of life for many low-income residents. It should be noted that more than half of all public housing households are elderly and/or disabled. The balance of households is primarily families with children. The federal government should insure adequate funding support for these vulnerable populations. Families paying 30 percent of their modest incomes for rent for public housing should be able to expect housing quality that is comparable to that at other HUD-funded properties.

The PH **Capital Fund** is now at a twenty year low, with a backlog of unmet capital improvement needs exceeding $26 billion, according to HUD research. The Department's "fix" for the Capital Fund, the Rental Assistance Demonstration (RAD), is limited to serving only a portion of public housing properties. RAD rents are generally too low to fund future operations, make needed capital improvements, and to repay debt service. PHAs need other tools and resources to preserve their critically-important local housing inventories for current and future families in need.

Annual Capital Fund Appropriations
(in $billions)

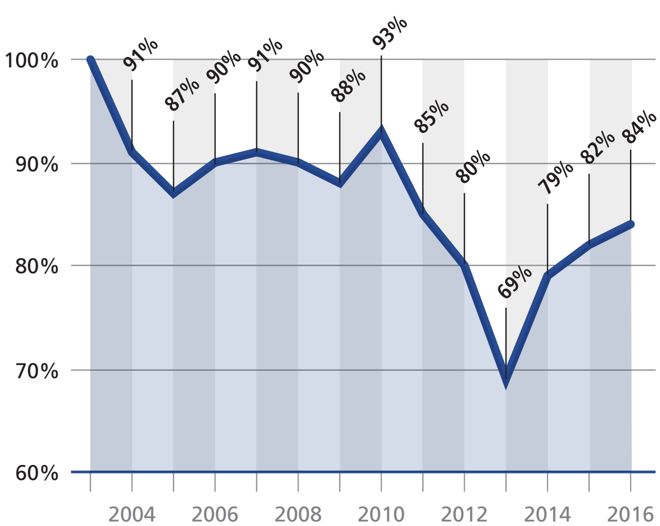


Public housing is part of every community's public infrastructure. Since public housing redevelopment creates jobs and economic growth, it should be included in any infrastructure financing legislation proposed in the 115th Congress.

The **Housing Choice Voucher (HCV) administrative fee** is supposed to cover the cost of operating the complex, labor-intensive voucher program. A new HUD fee study reaffirms the need for more resources, but the admin fee continues to be deeply prorated (below 85 percent for the last six years). This has forced hundreds of PHAs to give up their local voucher programs because they are no longer economically viable to operate – especially in smaller communities. Lost and transferred voucher programs often result in diminished resources for the low-income residents of those communities. Low admin fees are also partly responsible for the nationwide decline in voucher utilization (now in the low 90 percent range). In fact, PHADA estimates that about 140,000 funded and authorized vouchers went unused in 2015, in part, because PHAs do not have sufficient resources to fully operate the program. HUD referenced this problem in a recent budget submission to Congress: "The Department is extremely concerned that the significant administrative fee prorations… have depleted many PHAs' resources. *Cutting administrative fees to the degree that PHAs are unable to sustain the leasing and utilization supported by the renewal funding ultimately defeats the purpose for which that renewal funding is appropriated* [emphasis added]. Failing to provide adequate administrative fees will impede and disrupt PHA operations…."

HCV Administrative Fee Funding Levels

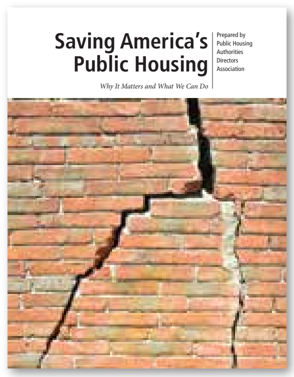
Just one example of the cuts endured by HAs



Arcane and Burdensome Rules that Apply Only to Public Housing Contributes to Funding Problems

The costly regulatory burden that HUD applies only to public housing kills innovation, ignores market conditions, makes it difficult to save costs or to generate new revenues. Given this dire funding situation, it is imperative that Congress enact major policy changes to ensure the preservation of low-income housing programs.

PHADA Issues Proportionality Proposal in "Saving America's Public Housing" that Asks Congress to Fairly Match Funding Levels and PHA Requirements



If the Trump Administration and Congress are unable to provide adequate funding for housing programs or the sweeping policy changes that would eliminate duplication and disparity among programs, then they must provide PHAs the freedom and flexibility to allow them sustain their operations and their housing stock. Shrinking federal investment in public housing points to the need for dramatic streamlining both inside and outside the Department. No longer can HUD enjoy the luxury of operating separate customized rental assistance platforms with thousands of partners that have wholly different sets of contracts, rules, regulations, and monitoring staffs. HUD's role in affordable housing should be more akin to a neutral "mission-driven banker" vested with funding those gaps between what eligible low-income tenants are able to pay and what it actually cost to operate rental properties in good condition. HUD should treat its rental assistance programs similarly – with the same contracts, rules and staffing – to limit the Department's costly practice of dictating ever-expanding unreimbursed requirements for public housing agencies.

A hard contract for housing authorities would mean that agencies are paid, as agreed, for the local housing they make available to help meet Federal housing goals. An authentic contract would make it possible for housing agencies to "opt out" those units that the Federal government fails to fund – just as other rental housing providers are allowed to when funding falls short. Of the 1.14 million public housing units, the Federal government fails to provide Operating Funds for approximately 170,000 of

Deep, Chronic Public Housing Underfunding

Year	Public Housing Operating Fund	Public Housing Capital Fund
2012	$3.941 billion – 80.8% proration	$1.875 billion
2013	$4.054 billion – 81.9% proration	$1.785 billion
2014	$4.399 billion – 88.7% proration	$1.875 billion
2015	$4.400 billion – 84.0% proration	$1.875 billion
2016	$4.500 billion – 84.0% proration	$1.900 billion

those units. In spite of HUD's failure to provide adequate annual funding for these ("orphan") units, the Department continues to demand strict adherence to its costly rules and regulations for unfunded units. Agencies should be able to find other avenues to support the operation and maintenance of these units. "Saving America's Public Housing" offers a number of local tools housing authorities can employ when Congress provides less than 90 percent of funding. Those tools include:

1. Increasing the minimum rent
2. Eliminating utility reimbursements (negative rents)
3. Increasing amount of rent charged – up to 40 percent income
4. Allowing a different mix of eligible tenant incomes
5. Eliminating/reducing exemptions and deductions
6. Implementing specified user fees
7. Waiving certain regulations

PHADA Has Made a Series of Policy Proposals to Congress to Help Preserve Public Housing for America's Growing Affordable Housing Need

Some legislative and regulatory cost-saving measures HUD and Congress should initiate include the following:

Drastically expand the Moving to Work (MTW) program to many more housing agencies. MTW streamlining provides agencies full fungibility and freedom from excessive, costly and unhelpful rules. Current MTW agencies have produced numerous policy innovations, some of which have already been implemented nationwide for other PHAs to replicate.

Provide immediate relief for the 2,800 small agencies with the MTW-like streamlining provided in the bipartisan SHARP (Small Housing Authority Reform Proposal) legislation. These common sense recommendations allow small agencies to have more streamlined monitoring like that used for project-based rental properties. SHARP bill is based on findings from a 2008 HUD-commissioned report.

Expand of Treasury's Low Income Housing Tax Credit to allow more affordable housing production. Higher state allocations of housing tax credits would likely help produce more equity, construction and permanent financing for RAD properties with significant rehabilitation needs. Senators Cantwell (WA) and Hatch (UT) are sponsoring legislation to effectively double tax credit production capacity over five years.

Allow for implementation of a multifamily conversion option (MCO) so that more agencies interested in moving their properties to the Section 8 funding platform can do so directly and without the added requirements imposed on RAD conversions.

Provide PHAs with a truly workable Section 30 mortgaging program that makes it easier for agencies to enter into financing transactions with lending institutions in a first lien position.

Permit a small prescribed amount of voucher HAP/NRA to be used for administrative purposes when the Administrative Fee funding proration falls below 90 percent. This would help HAs lease up more units and provide valuable housing assistance to more low-income families. As a HUD study noted, **"PHAs can only help low-income families with Housing Choice Vouchers if they can pay the costs of administering the program."**

Institute a moratorium on all new burdensome regulations and reporting requirements. HUD has no administrative controls to consider the value, timing and cost of new regulations. HUD instead heaps regulatory burdens on HAs that will create millions of hours of unreimbursed work for them. This detracts HAs from their main mission – the provision of housing to low-income families.

Institute a reasonable minimum rent increase with hardship exceptions. The minimum rent has been frozen at $50 since 1998 resulting in the loss of millions of dollars to help operate and maintain public housing. This uninflated number devalues housing and allows for unfair rent disparities between working and non-working residents. MTW HAs have established a wide range of higher minimum rents with no negative effect on residents.

Reinstate the "frozen rental income" provision for 3 years to incentivize HAs to increase tenant rental income. The last use of this initiative generated hundreds of millions of dollars to agencies operations.

Allow blanket regulatory suspensions and waivers under 24 CFR Part 5 so that more agencies have more relief and flexibility sooner for changes allowed by the Department.

Change PHAS and SEMAP compliance. Suspend non-statutory measures in HUD's "report cards" – PHAS & SEMAP – and make the scores advisory only. It's unfair to "grade" HAs when the federal government handicaps their performance with inadequate funding.

Allow HAs to keep "flat renters" to continue their path to self sufficiency and to remain in residency during that time. Flat renters cover the cost of their unit and thus require no subsidy support.

Allow expedited implementation of lower payment standards in the voucher program to allow the program to be more nimble and efficient in tight markets with growing rents.

Eliminate the PHA Plan.

Freeze the rolling utility base to allow PHAs retain savings from their energy conservation efforts.

Simplify rent setting by using gross income rather than adjusted income for all residents.

Limit Section 3 requirements to those applied under HUD's Office of Housing.

Allow blanket regulatory suspensions and waivers under 24 CFR Part 5.

Encourage agencies to seek new sources of funding beyond the Federal government. Agencies should have full flexibility to earn fees and to raise revenue. This could mean cogeneration energy, leasing airspace or managing other real estate properties.

Recent History of Public Housing Funding 2004–2016
(shaded areas indicate deep underfunding/prorations in excess of 5%)

Year	Public Housing Operating Fund	Public Housing Capital Fund	HCV (renewals)	HCV Admin Fee
2004	$3.569 billion 98.1% proration	$2.695 billion	$12.893 billion 100% funding	$1.235 billion 93% proration
2005	$3.396 billion 88.8% proration	$2.579 billion	$13.463 billion 96% proration	$1.200 billion 89% proration
2006	$3.564 billion 86.0% proration	$2.439 billion	$13.949 billion 95% proration	$1.238 billion 90% proration
2007	$3.864 billion 83.4% proration	$2.439 billion	$14.436 billion 105% funding	$1.281 billion 101% funding
2008	$4.200 billion 89.0% proration	$2.439 billion	$14.666 billion 101% funding	$1.351 billion 90% proration
2009	$4.455 billion 88.4% proration	$2.450 billion	$15.034 billion 99% proration	$1.450 billion 90% proration
2010	$4.760 billion 103% funding	$2.500 billion	$16.339 billion 100% funding	$1.575 billion 92% proration
2011	$4.956 billion 100% funding	$2.040 billion	$16.669 billion 99% proration	$1.447 billion 84% proration
2012*	$3.941 billion 80.8% proration	$1.875 billion	$17.242 billion 99% proration	$1.350 billion 75% proration
2013†	$4.054 billion 81.9% proration	$1.785 billion	$16.379 billion 94% proration	$1.307 billion 69% proration
2014	$4.399 billion 88.7% proration	$1.875 billion	$17.366 billion 99% proration	$1.50 billion 79% proration
2015	$4.400 billion 84% proration	$1.875 billion	$17.486 billion 95% proration	$1.530 billion 74–75% proration
2016	$4.600 billion WH bill 86% proration $4.400 billion House bill 83% proration	$1.970 billion WH bill $1.681 billion House bill	$18.334 billion WH bill 99% proration $18.151 billion House bill 99% proration	$2.020 billion WH bill 90% proration $1.530 billion House bill 68% proration

*HUD took PH operating reserves | †Sequestration in effect

Visit the PHADA website at: www.phada.org for more information about the funding and policy needs of public housing during this unparalleled time of chronic underfunding and costly over-regulation.