

Implications of Final 2017 HUD Appropriations

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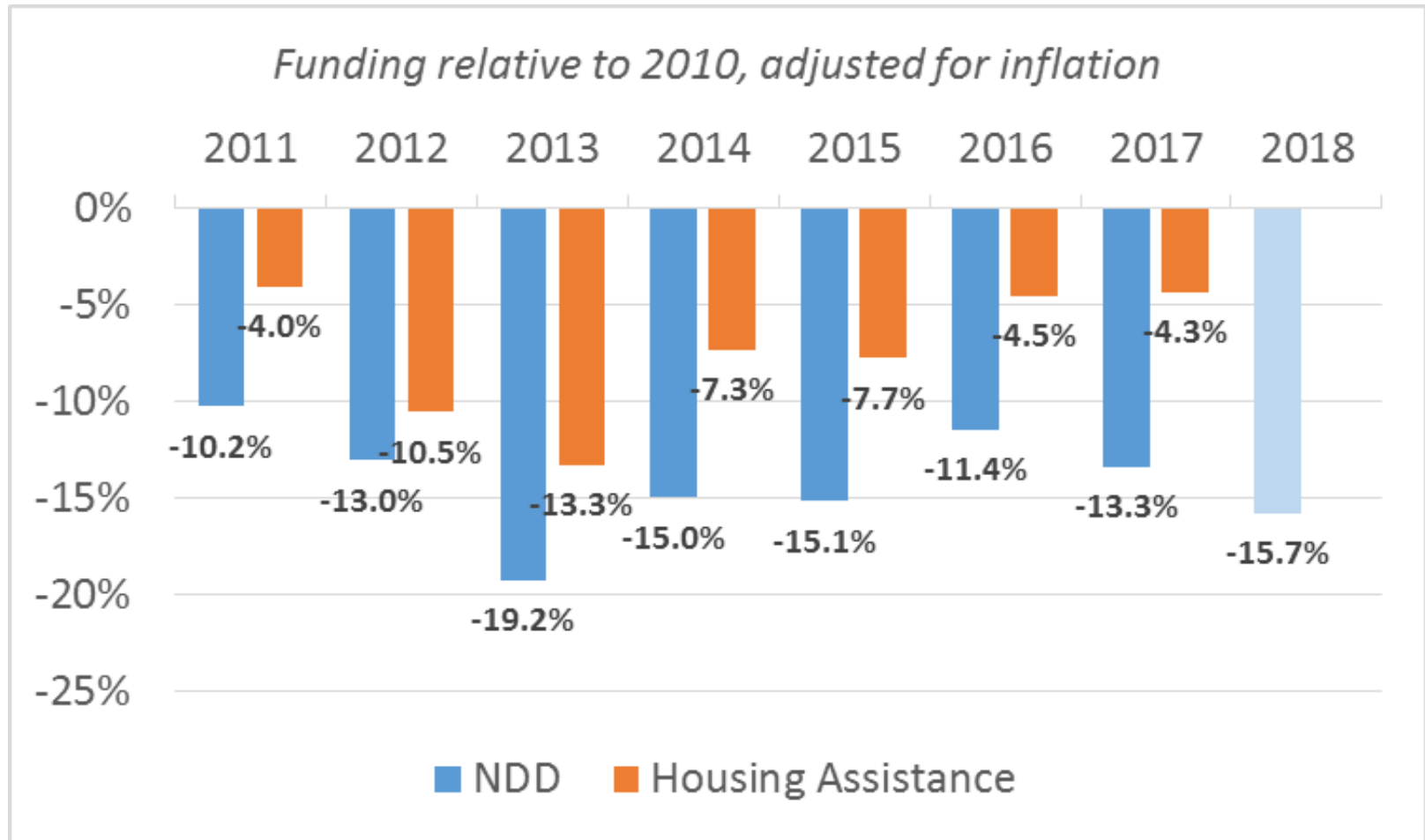
Agenda

- HUD provisions of FY 2017 omnibus funding law & their implications
- Outlook for FY 2018 budget decisions
- Update on HOTMA implementation
- Update on small-area FMRs (SAFMRs)
- Q&A

HUD 2017 Budget Overview

- \$48.1 billion for HUD housing and community development programs, nearly \$1.1 billion (2.2 percent) more than 2016
- +\$870 million to renew Housing Choice Vouchers and Section 8 PBRA contracts
- ~7,000 new VASH, FUP, Section 811 vouchers
- But tens of thousands fewer families will use housing vouchers this year due to renewal funding shortfalls
- Continued deep underfunding of public housing

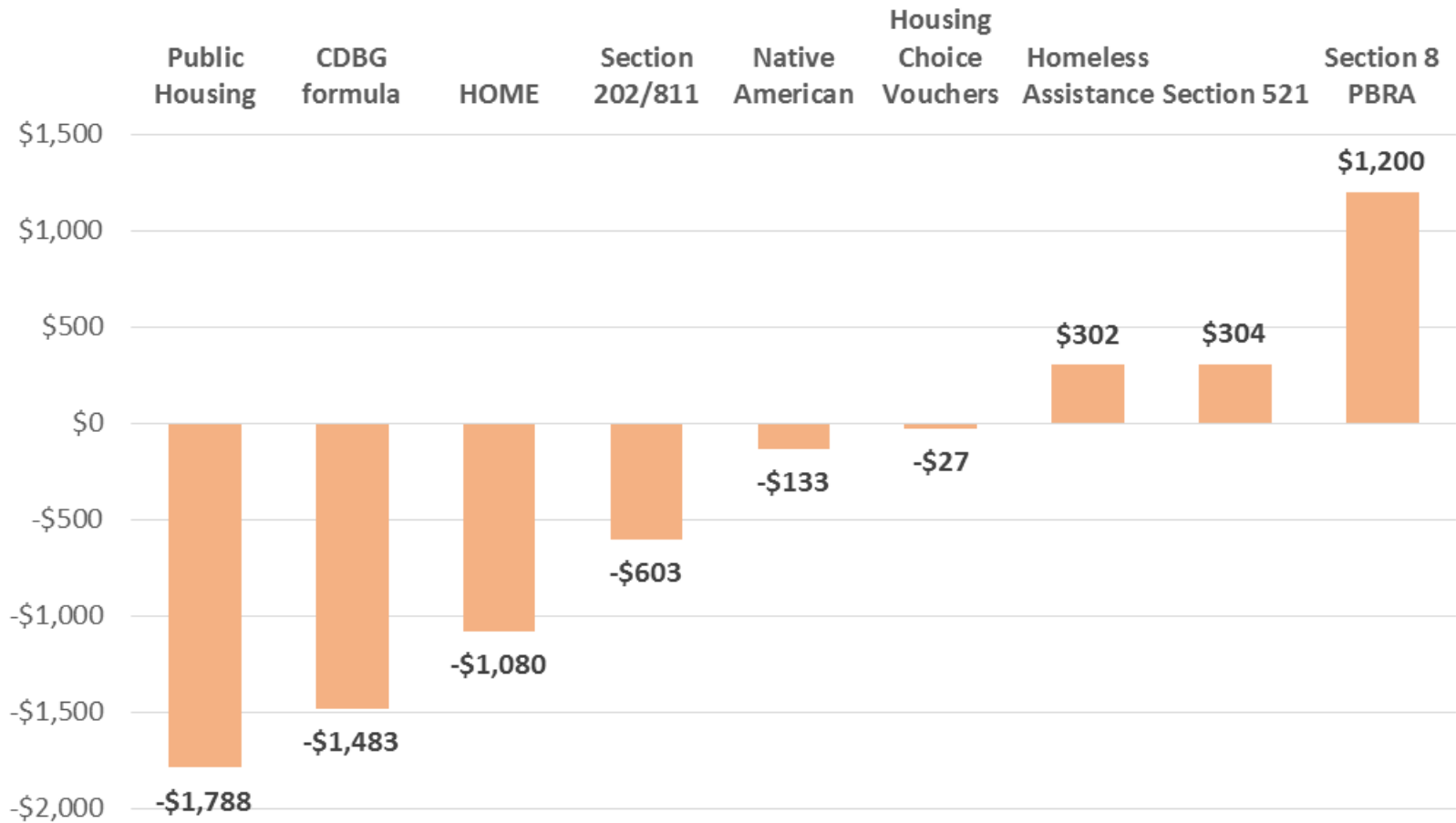
Congress has prioritized housing aid, but BCA caps still forced funding cuts



Source: CBPP analysis of OMB, CBO data. "Housing assistance" includes major HUD, USDA programs, excludes community development and mortgage credit programs.

Public housing, block grants cut deepest under BCA spending caps

Change in funding, 2010 to 2017, in millions of 2017 dollars



HUD Program Funding, 2016 - 2017

| Program | 2016 | House 2017 | Senate 2017 | Omnibus 2017 |
|---------------------------|-------------|-----------------------|------------------------|-------------------------|
| Housing Vouchers | \$19,629 | \$20,189 | \$20,432 | \$20,292 |
| <i>Renewals</i> | \$17,681 | \$18,312 | \$18,355 | \$18,355 |
| <i>Admin fees</i> | \$1,650 | \$1,650 | \$1,759 | \$1,650 |
| <i>Tenant protections</i> | \$130 | \$110 | \$110 | \$110 |
| <i>VASH</i> | \$60 | - | \$57 | \$47 |
| <i>Family unification</i> | - | - | \$20 | \$10 |
| <i>811 Mainstream</i> | \$107 | \$110 | \$110 | \$120 |
| Section 8 PBRA | \$10,620 | \$10,901 | \$10,901 | \$10,816 |
| Public housing operating | \$4,500 | \$4,500 | \$4,675 | \$4,400 |
| Public housing capital | \$1,900 | \$1,900 | \$1,925 | \$1,942 |
| Family Self-Sufficiency | \$75 | \$75 | \$75 | \$75 |
| Choice Neighborhoods | \$125 | \$100 | \$80 | \$138 |
| Homeless Assistance | \$2,250 | \$2,487 | \$2,330 | \$2,383 |
| HOPWA | \$335 | \$335 | \$335 | \$356 |
| Section 202 elderly | \$433 | \$505 | \$505 | \$502 |
| Section 811 disabilities | \$151 | \$154 | \$154 | \$146 |
| HOME | \$950 | \$950 | \$950 | \$950 |
| Native American grants | \$650 | \$655 | \$714 | \$654 |
| CDBG formula | \$3,000 | \$3,000 | \$3,000 | \$3,000 |

Housing Vouchers & Section 8 PBRA

- \$10.82 billion for Section 8 PBRA, sufficient to renew all contracts in CY 2017
- \$18.36 billion to renew housing vouchers, will cover ~97% of 2017 renewal costs
 - Nearly every PHA will receive at least as much renewal funding as in 2016 & more than they have since January under CR
 - But ~\$560 million shortfall will force PHAs to serve tens of thousands fewer families this year by not reissuing vouchers when families exit
 - PHAs will be eligible for set-aside funds to prevent terminations of assistance
 - Critical: PHAs use available funds to minimize cuts in aid to families, maximize renewal eligibility in 2018

Housing Vouchers (continued)

- \$40 million for ~5,400 new VASH vouchers for homeless veterans
- \$10 million for ~1,000 new Family Unification Program vouchers for families with children that have been, or are at risk of being, placed into foster care
- ~\$10 million for 700 – 800 new Section 811 “mainstream” vouchers for non-elderly people with disabilities
- \$1.65 billion for admin fees (same as 2016), which will cover 75 – 80% of PHAs’ costs under HUD formula

Other HUD Rental Assistance

- \$2.38 billion for homeless assistance grants, \$133 million more than 2016; includes \$40 million for rapid-rehousing, etc., for certain communities that lost aid in 2016 & \$43 million for youth homelessness initiatives
- \$356 million for HOPWA, \$21 million above 2016; added funds will help communities that otherwise would have lost funds as result of 2016 reforms
- \$502 million for senior housing (Section 202) & \$146 million for housing for people with disabilities (Section 811), sufficient to renew current rent aid

Public Housing and RAD

- \$4.4B for operating fund, reduction of \$100M from 2016
- \$1.924B for capital fund. Increase of \$42M is roughly enough to keep pace with inflation, but far short of need
- Limit on public housing RAD conversions raised from 185,000 to 225,000

FY 2018 Budget Outlook

- Trump budget release on May 23
- House & Senate FY 2018 budget resolutions to be marked up in June, but will not be a final conference bill until health care bill passed/fails
- House/Senate appropriations committees likely to mark up FY 2018 bills, including Transportation-HUD in June/July, but bills probably won't see floor time
- CR will be necessary in September; FY 2018 appropriations will be finalized in fall
- If Congress negotiates to raise BCA caps, would likely take place in fall

Trump/Republican Fiscal Agenda Is Clear

- Balance the budget over the next 10 years
- Enact large, regressive tax cuts
- Increase defense

Likely means proposals to...

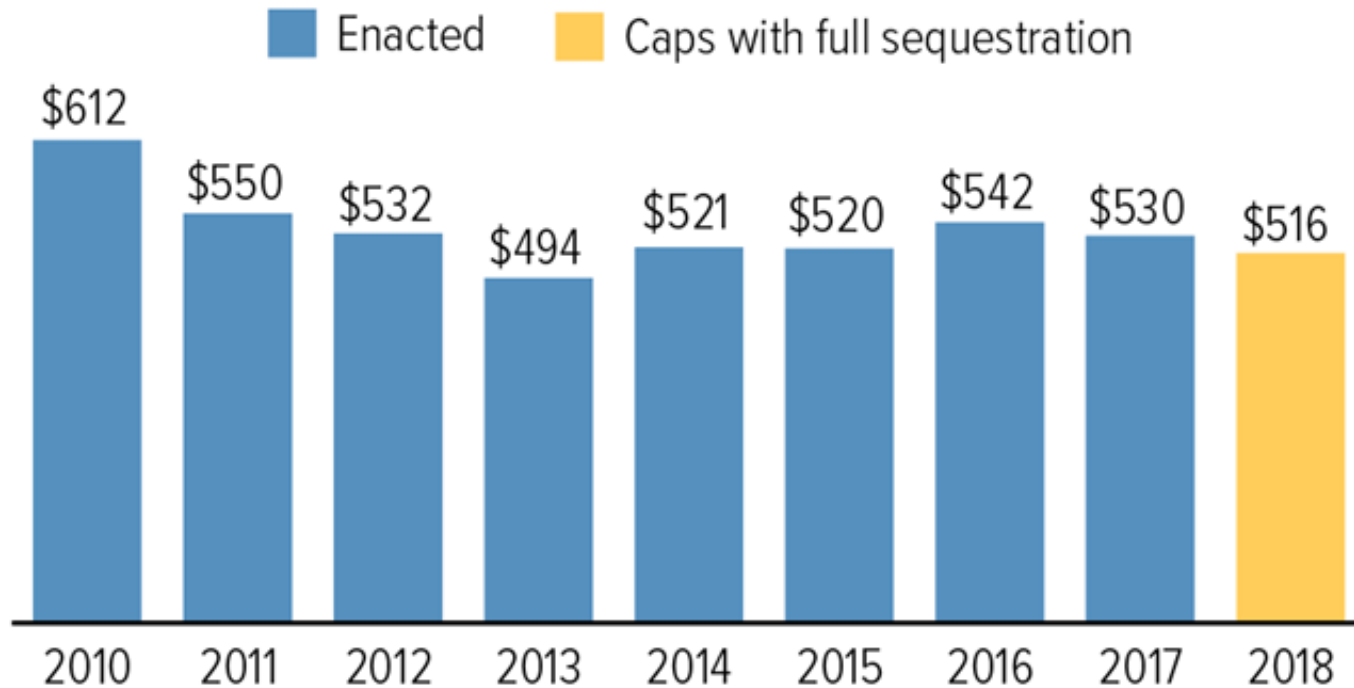
- Cut NDD, potentially growing deeper over time
- Cut entitlements, including...
 - Continued effort to cut Medicaid/health
 - Cuts in other core safety net programs

FY 2018 Budget Goals

- Trump budget will propose \$54 billion in FY 2018 cuts; House and possibly Senate budget resolutions may also assume NDD cuts below BCA cap
- BUT any such proposals are only the beginning of the FY 2018 appropriations process — lawmakers who support NDD programs will have leverage because of Senate filibuster rules & divisions among Republicans
- Need another bipartisan agreement to raise NDD spending caps for FY 2018 and beyond. Lawmakers must sustain parity in defense and nondefense funding
- Whatever the NDD cap level, HUD should receive priority in funding to protect the housing safety net

Non-Defense Appropriations

In billions of 2018 dollars



Notes: Reflects sequestration relief provided by the Bipartisan Budget Acts of 2013 and 2015. All amounts exclude funding for disasters, emergencies, program integrity, and Overseas Contingency Operations (OCO).

Source: CBPP analysis of data from the Congressional Budget Office and the Office of Management and Budget

Update on HOTMA Implementation

Main Rental Assistance Changes in HOTMA

- Added flexibility to **project-base vouchers**
- Improvements to voucher housing quality **inspections**
- Allows vouchers to cover periodic costs of buying and owning a **manufactured home** (e.g. mortgage and insurance) along with rent for land where home is placed
- For former foster children, extends eligibility age for Family Unification (**FUP**) vouchers from 21 to 24 and maximum length of FUP assistance from 18 months to 36
- Flexibility in use of **public housing funds**
- Streamlined **tenant rent** determinations
- New **asset limits** and **public housing income limit**

HOTMA Title I, Status of Provisions

| Section/Topic | Effective Date | Regulations Required for Implementation |
|---|--|---|
| 101, Inspections <ul style="list-style-type: none"> Initial, to allow quicker occupancy and increase voucher acceptance Ongoing, to incent curing deficiencies and protect tenants | April 18, 2017, 82 FR 5458, 1/18/2017 PHA option; requires amending HCV Administrative Plan | ✓ |
| 102, Income reviews, to streamline procedures | Imminent only for 3-year recertification of fixed income households (FAST Act) | ✓ |
| 102(d), Reasonable accommodation payment standards | April 7, 2016; see 81 FR 73030 | |
| 103, Public housing income eligibility limit | | HUD solicited comments 11/29/16 |
| 104, Asset limitations | | ✓ |
| 105, PHA-owned units, definition | April 18, 2017, 82 FR 5458 | |
| 106, Project-based vouchers | Most provisions effective April 18, 2017, 82 FR 5458 | |
| 107, Fair Market Rents | July 29, 2016 (see 81 FR 73030) | |
| 108, HUD collection of utility data | | |
| 109, Public housing capital and operating funds | | ✓ |
| 110, Family Unification Program | July 29, 2016 (see 81 FR 73030); HUD letter to FUP PHA EDs 8/29/16 | |
| 111, Public housing heating guidelines | | |
| 112, Vouchers in manufactured housing | April 18, 2017, 82 FR 5458 | |
| 113, Preference for US citizens or nationals for admission in Guam | July 29, 2016 (see 81 FR 73030) | |
| 114, Residents on PHA boards | July 29, 2016 (see 81 FR 73030) | |

Project-Based Vouchers: Useful Strategy For These Times

- PBVs can:
 - save staff time (e.g., need inspect only a sample of units),
 - increase voucher utilization, and
 - potentially dampen growth of subsidy costs in rising market
- HOTMA makes many improvements to PBV program.
 - Extends maximum contract term from 15 to 20 years.
 - Increases the share of vouchers a PHA can project-base.
 - Increases the share of vouchers in units in certain properties.
 - For complete list of policy changes, see http://www.cbpp.org/sites/default/files/atoms/files/hr_3700-current_law_8-18-16.pdf

Project-Based Vouchers: Ease Agency Limit on Project-Basing

- Raises cap on share of PHA's voucher assistance that can be project-based from 20% to 30% if added PBVs are used:
 - in areas less than 20% poor;
 - Or where tenant-based vouchers are hard to use (not yet in effect);
 - to house homeless or veterans; or
 - for supportive housing for elderly and people with disabilities.
- Agencies may project-base 20% (or 30% if they meet criteria above) of *authorized* vouchers rather than voucher funds, which will usually provide more flexibility.
- PBVs in certain previously federally-assisted or rent restricted units exempt from limits.

Voucher Initial Inspections: New Timesaving Options

- *Allows PHAs to let families move into units that fail initial inspection because of non-life-threatening conditions and pay subsidy to owner from move-in date.*
 - Violation must be fixed in 30 days or subsidy withheld for no more than 180 days.
- *Alternative Inspection.* PHA can allow occupancy if unit passed inspection within prior 24 months under other program with comparable inspection rules,
 - but HUD notice requires satisfactory PHA inspection within 15 days of Request for Tenancy Approval to make retroactive payment.

Update on Small-Area Fair Market Rents

Small Area Fair Market Rents

- November 16, 2016 rule and notice require PHAs in 24 metro areas to use zip code-level SAFMRs in voucher program starting in FY 2018
- Policy designed to expand access to high-opportunity neighborhoods
- HUD selected metro areas with vouchers disproportionately in low-income areas, substantial share of rental units in zip codes above 110% of metro FMR, vacancy rate above 4%

Metro Areas with Required SAFMRs in 2018

- Atlanta-Sandy Springs-Marietta, GA
- Bergen-Passaic, NJ
- Charlotte-Gastonia-Rock Hill, NC-SC
- Chicago-Joliet-Naperville, IL
- Colorado Springs, CO
- Dallas-Plano-Irving, TX
- Fort Lauderdale-Pompano Beach-Deerfield Beach, FL
- Fort Worth-Arlington, TX
- Gary, IN
- Hartford-West Hartford-East Hartford, CT
- Honolulu, HI
- Jackson, MS
- Jacksonville, FL
- Monmouth-Ocean, NJ
- North Port-Bradenton-Sarasota, FL
- Palm Bay-Melbourne-Titusville, FL
- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD
- Pittsburgh, PA
- Sacramento-Arden-Arcade-Roseville, CA
- San Antonio-New Braunfels, TX
- San Diego-Carlsbad-San Marcos, CA
- Tampa-St. Petersburg-Clearwater, FL
- Washington-Arlington-Alexandria, DC-VA-MD
- West Palm Beach-Boca Raton-Delray Beach, FL

SAFMRs and Project-Based Vouchers

- SAFMRs are not required for project-based vouchers
- PHAs have option to apply SAFMRs to future PBV projects (those with notice of owner selection after date of SAFMR designation)
- PHAs can apply SAFMRs to current projects only with agreement of owner

SAFMRs and Tenant-Based Voucher Payment Standards

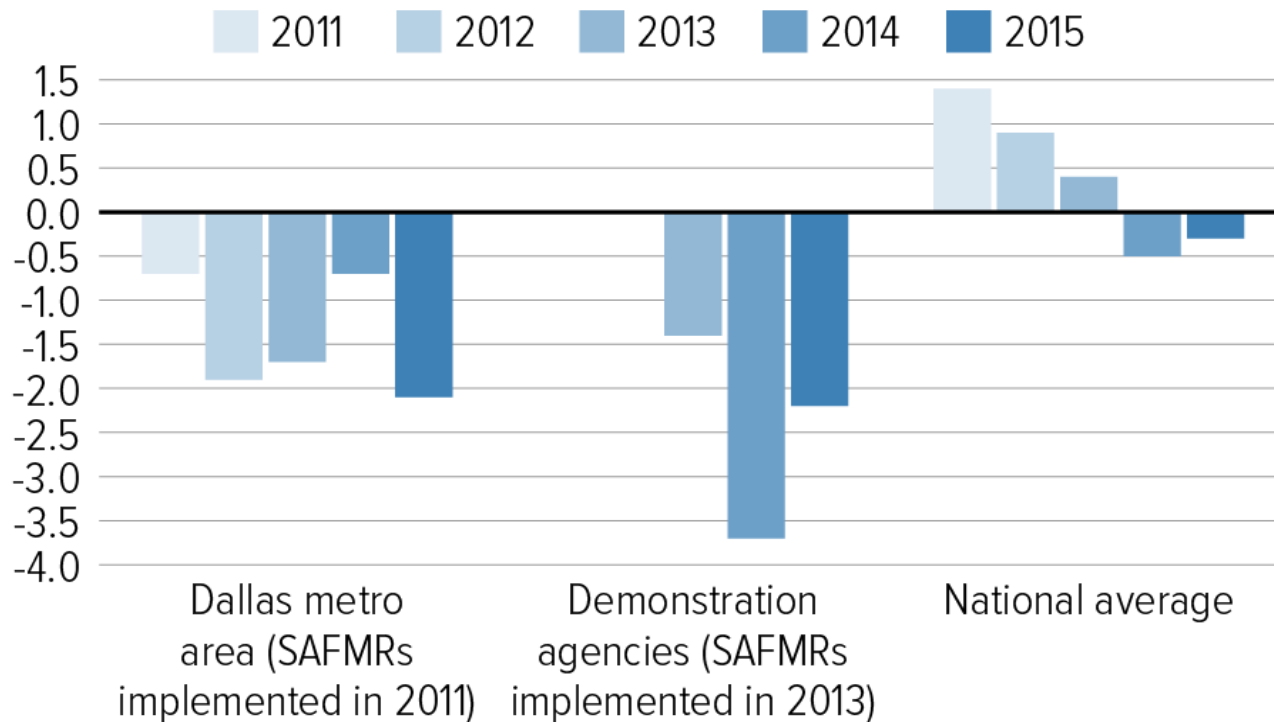
- PHAs in mandatory SAFMR areas must set payment standards based on SAFMRs no later than 3 months after effective date (so by January 1, 2018 for FY18 SAFMRs)
- New rule (partly authorized by HOTMA) allows PHAs to permanently hold tenants in place harmless from any payment standard reduction (including from SAFMRs) or to phase in reductions

Implementation Issues

- **Setting payment standards:** PHAs can use their flexibility to consolidate zip codes into larger areas or adjust based on other information about market rents
- **Protecting tenants in low-rent areas:** Prompt notice of coming reductions and use of phase-in/hold-harmless flexibility can reduce risk of displacement
- **Helping families move to high-opportunity areas:** Policies like landlord outreach and mobility assistance would complement SAFMRs
- **Managing voucher funds:** Experience so far suggests cost spikes unlikely *except* at PHAs serving mostly high-SAFMR zip codes

Average Housing Voucher Costs Fell at Agencies Using Small-Area Fair Market Rents

Percent change in average voucher costs



Note: National average excludes the 39 agencies participating in the Moving-to-Work demonstration.

Source: HUD Voucher Management System data

Optional Use of SAFMRs

- PHAs outside areas with required SAFMRs can request HUD approval to use SAFMRs
- All PHAs may adopt zip code payment standards up to 110% of SAFMR with notice to HUD

CBPP Resources

- **“Vouchers Work” blog series has the latest facts/figures on housing vouchers:** <http://www.cbpp.org/housing-vouchers-work>.
- **Chart Book: Cuts in Federal Assistance Have Exacerbated Families’ Struggles to Afford Housing:**
<http://www.cbpp.org/research/housing/chart-book-cuts-in-federal-assistance-have-exacerbated-families-struggles-to-afford>
- **Chart Book: Rental Assistance Reduces Hardship, Promotes Children’s Long-Term Success:**
<http://www.cbpp.org/research/housing/chart-book-rental-assistance-reduces-hardship-promotes-childrens-long-term-success>
- **Chart Book: Federal Housing Spending Is Poorly Matched to Need:**
<http://www.cbpp.org/research/housing/chart-book-federal-housing-spending-is-poorly-matched-to-need>.
- **National and State Housing Fact Sheets & Data:**
<http://www.cbpp.org/research/housing/national-and-state-housing-fact-sheets-data>

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- Housing publications:
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Q & A

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