

National Association of Housing and Redevelopment Officials

# 2012 LEGISLATIVE & REGULATORY AGENDA



REBUILDING  THE  
commitment





# Table of Contents

- Foreword ..... 5
- Introduction: Rebuilding the Commitment. .... 6
- NAHRO's Agenda for 2012 at a Glance..... 8
- NAHRO's FY 2013 Funding Recommendations ..... 10
- Public Housing ..... 12
- Community and Economic Development ..... 15
- The Section 8 Rental Assistance Programs ..... 19
- Affordable Housing and Homeless Assistance Programs..... 22
- Rural Communities and Smaller Agencies..... 26
- NAHRO Congressional Relations and Public Policy Staff..... Inside back cover



## NAHRO

The National Association of Housing and Redevelopment Officials (NAHRO) is a professional membership organization comprising approximately 23,000 housing and community development agencies and officials throughout the United States who administer a variety of affordable housing and community development programs at the local level.

## NAHRO Members

NAHRO members manage a wide range of federal programs, and they use these programs to serve a broad cross-section of their communities. NAHRO members own, operate, develop, and provide affordable housing through the Public Housing program, the Section 8 Housing Choice Voucher program, the Home Investment Partnerships program, and the Low Income Housing Tax Credit program. They combat homelessness, including among families and veterans, through their stewardship of McKinney-Vento homeless assistance grants. NAHRO members create jobs, revitalize local economies, and build stronger neighborhoods by leveraging HUD's core community and economic development programs, including Community Development Block Grants and Section 108 loan guarantees. Our members also contribute to disaster response and recovery efforts, apply innovative green building practices to reduce energy consumption, and collaborate with local social service providers to enhance the lives of the elderly and the disabled.

## NAHRO at a Glance

- 19,900 individual members and associates
- 3,150 agency members (including housing authorities, community development departments, redevelopment agencies, affiliates, and complimentary memberships)

### **NAHRO members own or administer:**

- 972,000 units of public housing (an overwhelming majority of the nation's inventory)
- 1,650,000 units of tenant-based Section 8 housing vouchers
- 711,500 units of other assisted housing

In all, NAHRO's members provide housing for more than 7.9 million low-income people. NAHRO members also directly administer over \$1 billion in Community Development Block Grant and HOME Investment Partnerships program funding, while managing billions more as subgrantees.

### **Our Commitment to Integrity**

NAHRO works aggressively to eliminate waste, fraud, and abuse in the administration of federal programs. Our members pledge to adhere to a Code of Professional Conduct that requires them to “perform work responsibilities with the highest degree of integrity and professionalism in order to merit the respect of the beneficiaries of programs, elected officials and the general public.”

NAHRO's Board of Ethics and Credentialing Trustees enforces the NAHRO Code of Conduct. Furthermore, NAHRO's Professional Development programs provide housing and community development professionals with the opportunity to earn certifications that signify they have met the industry's highest standards of professionalism and ethical conduct.

If HUD or others uncover instances of waste, fraud, and abuse within the programs our members administer, NAHRO firmly believes that bad actors must be pursued and punished appropriately. Let there be no doubt, however, that the overwhelming majority of housing and community development professionals are responsible stewards of taxpayers' dollars and serve their communities with integrity.

## NAHRO's Mission

NAHRO makes available resources for its members and others who provide decent, safe, affordable housing, and viable communities that enhance the quality of life for all Americans, especially those of low and moderate income, by:

- Ensuring that housing and community development professionals have the leadership skills, education, information and tools to serve communities in a rapidly changing environment;
- Advocating appropriate laws, adequate funding levels and responsible public policies that address the needs of the people served; are financially and programmatically viable for our industry; are flexible, reduce regulatory burdens and promote local decision-making.
- Fostering the highest standards of ethical behavior, service and accountability to ensure public trust.

NAHRO enhances the professional development and effectiveness of its members and the industry through its comprehensive professional development curriculum, including certifications; conferences; and publications. These efforts work to equip NAHRO's members with the skills, knowledge and resources necessary to succeed and prosper in a changing environment.

## NAHRO's Vision

NAHRO is committed to help create a nation in which all people have decent, safe, affordable housing and economic opportunity in viable, sustainable communities.

## NAHRO's Values

NAHRO will carry out its mission and strive to achieve its vision with diligence, dedication, competence, and integrity, upholding at all times the highest standards of ethical conduct.

# Foreword

Thank you for your interest in NAHRO's 2012 Legislative and Regulatory Agenda. NAHRO believes strongly that a sustained investment in affordable housing and community development programs is vital not only to short-term economic growth, but also to the long-term well-being of our nation's neighborhoods and the families that call them home. Unfortunately, the federal government's commitment to these critical programs has weakened in a number of meaningful ways over the past few years.

The time has come to reverse course and rebuild that commitment. In that spirit, this document's recommendations are aimed at ensuring that housing and community development professionals are better equipped to drive local economies and address the needs of those families struggling to meet their most basic needs during a time of continued economic uncertainty.

NAHRO will continue to call upon the Administration and the Congress to request and provide responsible funding levels for core federal housing and community development programs that serve millions of low- and moderate-income families. We will also aggressively advocate a more rational, less administratively burdensome regulatory environment. Meaningful legislative, regulatory, and administrative reforms will allow housing and community development agencies to stretch federal investments further, house more families, and pursue targeted community and economic development activities with the potential to transform neighborhoods and communities.

Our national network of housing and community development professionals stands ready to use taxpayers' dollars wisely and with integrity to move us closer to the fulfillment of NAHRO's vision: a nation in which all people have decent, safe, affordable housing and economic opportunity in viable, sustainable communities. We welcome the opportunity to engage policymakers, stakeholders, and all other interested parties in the effort to rebuild the federal commitment to addressing our nation's most urgent housing and community development needs. We hope you will join us in this important work.

# Introduction: Rebuilding the Commitment

Our nation faces serious challenges. High unemployment persists. America's public infrastructure is decaying. Foreclosed and abandoned homes continue to plague neighborhoods. Families and veterans are falling into homelessness, as our nation's chronic shortage of affordable housing worsens. Meanwhile, a backlog of nearly \$30 billion in deferred modernization needs has placed the nation's public housing assets at risk.

Although the need for housing and community development programs is as great as it has ever been, the federal commitment to these programs has weakened in recent years. Public housing authorities (PHAs) have been stripped of hard-earned reserves intended to address long-standing capital needs.

Cities and counties have endured draconian cuts to Community Development

Block Grants and HOME Investment Partnerships funding, which have imperiled their ability to repair local infrastructure and develop new affordable homeowner and rental housing. And agencies charged with running the Housing Choice Voucher program are asked to maintain the same level of services in the face of the lowest administrative funding

**Inadequate federal funding and irresponsible public policies have led to a sharp reduction in the nation's inventory of affordable housing units.**

level in the program's history. This weakened federal commitment ignores the harsh realities facing far too many American families.

As policymakers retreat from a once-firm commitment to those core programs, their timing could not be worse. Consider that, according to the most recent data, for every 100 Extremely Low-Income households in the United States, there are only 30 affordable units available for rent.<sup>1</sup> And for every 100 Very Low-Income Households, there are only 58 affordable and available units.<sup>2</sup> Just as the demand for affordable housing far outstrips the supply, the level of federal investment in assisted housing programs falls far short of the need. Federal rent subsidies reach only one in four eligible households. Meanwhile, inadequate federal funding and irresponsible public policies have led to a sharp reduction in the nation's affordable inventory.<sup>3</sup> Absent adequate capital subsidy, the public housing inventory has continued to shed units, and the number of privately owned subsidized units has shrunk as owners opt out. As a result, more than 700,000 units of public and private HUD-assisted housing have been lost since the mid-1990s.<sup>4</sup>


<sup>1</sup> *Housing Spotlight*. National Low Income Housing Coalition. Feb. 2012.

<sup>2</sup> *Ibid.*

<sup>3</sup> *State of the Nation's Housing, 2011*. Joint Center for Housing Studies. Harvard.

<sup>4</sup> *Ibid.*





Our nation's federal policymakers continue to face difficult choices. The Administration and Congress appear poised to implement additional reductions to discretionary spending, even as leaders from both ends of the political spectrum face enormous pressure to spur job creation and accelerate a still-fragile economic recovery. NAHRO understands that any individual, organization, or industry advocating increased federal investment in a program must demonstrate not only that those charged with administering that program will be responsible stewards of taxpayers' dollars, but that their stewardship of these resources will provide a return on investment that contributes to a more economically vibrant America.

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**NAHRO members are ready to demonstrate that they will continue to administer federal programs with integrity and a commitment to achieving real and lasting results for the communities and families they serve every day.**

Housing and community development professionals are prepared to make the case for a restored commitment to an adequate level of investment in the critically important programs they administer. And these professionals are ready to demonstrate that they will continue to administer these programs with integrity and a commitment to achieving real and lasting results for the communities and families they serve each and every day. To that end, NAHRO's 2012 Legislative and Regulatory Agenda outlines the steps we believe responsible policymakers should take to best meet the needs of vulnerable populations while harnessing the potential of housing and community development programs to fuel economic growth.

# NAHRO's Agenda for 2012 at a Glance

NAHRO members stand ready to confront today's challenges. To do so, they require a restored commitment to adequate funding and a new federal investment in, and commitment to, a comprehensive set of housing and community development tools. Transformation of existing programs to improve their effectiveness and efficiency, in tandem with the design of new and innovative responses, is also needed, to both build upon recent progress and address outstanding issues. To this end, NAHRO's 2012 Legislative and Regulatory Agenda provides policymakers with a strategy to combine targeted investments with sensible reform in order to fully unleash our members' collective potential to rebuild communities, tackle the affordable housing shortage, and improve the quality of life for the most vulnerable members of our communities. For their part, NAHRO members pledge to be good stewards of taxpayers' dollars and to reward policymakers' trust by producing real and lasting results.

## Public Housing

- *Fully fund the operating costs and annual capital accrual needs of public housing and position PHAs to make meaningful progress toward addressing the backlog of unmet modernization needs.*
- *Unlock the value of public housing assets by providing PHAs with a variety of tools to leverage and invest in the preservation of their properties.*
- *Increase PHAs' flexibility to use available resources for their highest priority needs, regardless of funding source.*
- *Establish protected capital reserve accounts to allow PHAs to responsibly plan for future needs.*
- *Enhance incentives for energy efficiency upgrades.*

## Community and Economic Development Programs

- *Restore adequate funding for the Community Development Block Grant program.*
- *Restore and maintain funding for HUD's cost-effective economic development tools.*
- *Reauthorize the New Markets Tax Credit program.*

## Section 8 Rental Assistance Programs

- *Provide adequate funding for Housing Assistance Payments contract renewals.*
- *Restore responsible funding levels for PHAs' ongoing administrative fees through direct appropriations.*
- *Enact sensible legislative reforms for the Section 8 tenant-based program.*
- *Implement long-overdue, common-sense regulatory and administrative reforms to allow PHAs to make more efficient use of program funds.*
- *Maintain a level playing field in the Performance-Based Contract Administrators initiative competition.*

## Affordable Housing and Homeless Assistance

- *Restore adequate funding for the HOME Investment Partnerships Program.*
- *Provide the resources necessary to responsibly implement recent reforms to HUD's homeless assistance programs.*
- *Remove statutory and regulatory barriers that prevent PHAs and redevelopment authorities from expanding the supply of affordable housing opportunities.*
- *Preserve and strengthen the Low Income Housing Tax Credit Program.*

## Rural Communities and Smaller Agencies

- *Enact the Small Housing Agency Reform Proposal (SHARP) developed by NAHRO and its industry partner, the Public Housing Authorities Directors Association (PHADA).*
- *Improve smaller agencies' and rural localities' access to federal housing and community development programs.*
- *Improve the performance of rural housing programs administered by federal agencies other than HUD, such as the U.S. Department of Agriculture.*
- *Advocate improvements to existing programs to better serve smaller agencies and rural communities.*

## NAHRO's FY 2013 Funding Recommendations

[Brackets] and *italicized text* indicate set-asides/sub-accounts.

Blank indicates no position.

Program (\$ Millions)	FY 2011 Enacted (a)	FY 2012 Enacted (b)	FY 2013 Proposed (c)	FY 2013 NAHRO (d)
Public Housing Operating Fund	\$4,617	\$3,962 <sup>a</sup>	\$4,524	\$5,279 <sup>f</sup>
Public Housing Capital Fund	\$2,040	\$1,875	\$2,070	\$3,750
<i>ROSS Program</i>	[\$49.9]	[\$50]	\$0	\$50
<i>Emergency Capital Needs</i>	[\$19.96]	[\$20]	[\$20]	\$20 <sup>g</sup>
<i>Jobs- Plus Pilot</i>	—	—	[\$50]	
Severely Distressed Public Housing (HOPE VI/Choice Neighborhoods)	\$99.8 <sup>h</sup>	\$120 <sup>i</sup>	\$150 <sup>i</sup>	\$150 <sup>h</sup>
Tenant-Based Rental Assistance	\$18,345	\$18,970	\$19,023	
<i>Section 8 HAP Renewals</i>	[\$16,669]	[\$17,242]	[\$17,238]	\$17,980
<i>Ongoing Administrative Fees</i>	[\$1,397]	[\$1,300]	[\$1,525]	\$1,883
<i>Tenant Protection/Administrative Fees</i>	[\$49.9]	[\$50]	[\$50]	\$50
<i>Tenant Protection Vouchers</i>	[\$109.8]	[\$75]	[\$75]	Fully Fund
<i>Incremental HUD-VASH Vouchers</i>	[\$49.9]	[\$75]	[\$75]	\$75
<i>Family Self-Sufficiency (FSS) Coordinators</i>	[\$59.9]	[\$60]	\$60 <sup>m</sup>	\$75
Sec. 8 Project-Based Rental Assistance	\$9,264	\$9,340	\$8,700	Fully Fund <sup>n</sup>
Community Development Fund	\$3,501	\$3,308	\$3,143	
<i>Community Development Block Grant Program</i>	[\$3,336]	[\$2,948]	[\$2,948]	\$3,336
<i>Sustainable Housing and Communities Initiative</i>	[\$99.8]	\$0	[\$100]	\$100
Section 108 Loan Guarantees	\$5.99	\$5.95	\$0 <sup>p</sup>	\$12.3
HOME Investment Partnerships Program	\$1,607	\$1,000	\$1,000	\$1,607
Housing Opportunities for Persons with AIDS	\$334	\$332	\$330	\$380
Homeless Assistance Grants	\$1,901	\$1,901	\$2,231	\$2,231
Housing Trust Fund <sup>q</sup>	—	—	\$1,000	\$1,000



<sup>a</sup> Figures from the Dept. of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10 – April 15, 2011). Figures reflect 0.2 percent across-the-board cut to non-defense discretionary programs, but do not reflect authorized Transformation Initiative set-asides.

<sup>b</sup> Figures from the Consolidated and Further Continuing Appropriations Act, 2012 (Public Law 112-55 – November 18, 2011).

<sup>c</sup> The Administration's proposed budget for FY 2013. Figures do not reflect proposed Transformation Initiative set-asides.

<sup>d</sup> NAHRO recommendations are for standalone/line-item funding.

<sup>e</sup> The FY 2012 Appropriations Act provided HUD with the authority to offset \$750 million against PHAs' existing operating reserves.

<sup>f</sup> NAHRO supports providing 100 percent of PHAs' subsidy eligibility under the Operating Fund rule and current policy.

<sup>g</sup> NAHRO supports maintaining safety and security needs as an eligible use of funding.

<sup>h</sup> HUD set aside two thirds of the FY 2011 HOPE VI appropriation for the Choice Neighborhoods Initiative (CNI) demonstration.

<sup>i</sup> The FY 2012 appropriations bill provided \$120 million in standalone funding for CNI for FY 2012 and required that not less than \$80 million be awarded to applications where a PHA is a lead or co-applicant. No funding was provided for HOPE VI.

<sup>j</sup> The Administration requests \$150 million for CNI for FY 2013 with no protections built in for PHAs or public housing units.

<sup>k</sup> NAHRO recommends \$150 million in funding for grants to PHAs to address the needs of severely distressed public housing units.

<sup>l</sup> Assumes \$208 million in savings from proposed changes to income targeting, minimum rents, and medical expense deduction threshold.

<sup>m</sup> The Administration proposes eliminating the Section 8 FSS set-aside in favor of a standalone consolidated FSS program to serve Public Housing and HCV residents, as well as Project-Based Rental Assistance residents.

<sup>n</sup> NAHRO continues to support a stable, reliable subsidy stream in the form of full 12-month contract renewal funding.

<sup>o</sup> Includes entitlement formula funding and grants to insular areas as required by section 106(a) of the Housing and Community Development Act of 1974.

<sup>p</sup> In lieu of appropriations, the Administration proposes collecting a fee from borrowers to cover the program's credit subsidy costs.

<sup>q</sup> The Administration proposes and NAHRO supports \$1 billion in offset, budget-neutral mandatory funding for the Housing Trust Fund.

# Public Housing

Local PHAs own and operate nearly 1.2 million units of federally subsidized public housing. Public housing serves families and a significant number of elderly and disabled persons. The public housing inventory is an integral component of our nation's infrastructure. Unfortunately, chronic underfunding of the Public Housing Capital and Operating Funds has placed the inventory at risk.

## Current Challenges

After a short-lived uptick in appropriations, recent years have once again evidenced a deep and ongoing erosion of the federal commitment to an adequately funded public housing program. Capital Fund appropriations continue to lag behind accruing modernization needs, and while a one-time infusion of resources through the Recovery Act allowed local agencies to address some of their most urgent needs through construction and rehabilitation activities, a significant backlog of unmet capital needs, estimated at about \$26 billion in 2010, remains. At the same time, the Administration argued successfully for an offset against PHAs' operating reserves, undercutting the financial stability of many properties and casting a broad shadow of uncertainty on the future operating environment of the program. This policy not only unfairly punished the responsible, strategic, and entrepreneurial stewardship of federal public housing resources, but created collateral damage by limiting PHAs' ability to use available resources to meet their most pressing capital needs as well as plan for the future.

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**Nearly 60 percent of the families who reside in public housing are headed by a person who is elderly and/or disabled and on a fixed income.**

The hard truth is that any serious solution for preserving the public housing inventory will require a level of investment above the status quo if it is to succeed. If the federal commitment to the public housing program is not

restored, future attempts to address those challenges will simply become even more expensive, and further delay will undoubtedly result in the continued deterioration of an irreplaceable component of our national infrastructure and a critical housing resource for many of America's most vulnerable families. It is imperative that federal policymakers work together and in partnership with the industry to devise and implement a comprehensive, workable strategy for preserving the public housing inventory as soon as possible.

Fully fund the operating costs and annual capital accrual needs of public housing, and position PHAs to make meaningful progress toward addressing the backlog of unmet modernization needs.

- Fully fund the Operating Fund program through direct appropriations. Restore the Capital Fund to a level that keeps pace with accruing physical needs, and pair adequate funding with policies that empower PHAs to begin to address deferred maintenance needs and modernize their aging properties.
- Absent continued investment in the successful HOPE VI program, ensure that the Choice Neighborhoods Initiative includes dedicated resources for PHAs to revitalize severely distressed public housing properties.
- Seek funding for PHAs to obtain a standardized, comprehensive physical needs assessment of each public housing Asset Management Project to allow for meaningful reporting of capital needs to HUD.



THE MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT REDEVELOPED AN ABANDONED SITE INTO A MIXED-USE DEVELOPMENT, MILLER'S COURT, TARGETED FOR TEACH FOR AMERICA TEACHERS IN BALTIMORE, MD.

Provide PHAs with a variety of tools to leverage and invest in the preservation of their properties.

- Ensure that any program—including the Rental Assistance Demonstration—created to convert public housing to Section 8 assistance provides an adequate, stable subsidy and fair, reasonable operating terms.
- Promote policies that support, and do not undermine, the ability of PHAs to address functional and market obsolescence, including rehabilitating properties to a standard that is suitable and reasonable given the markets in which the properties are located.

More than 40 percent of all public housing households served include children. The average public housing household contributes more than \$300 a month toward rent and utilities.

- Where demolition of units is necessary, advocate a flexible one-for-one replacement requirement focused on preserving the number of deeply targeted “hard” rental units nationally.
- Reverse policies that inhibit PHAs’ ability to develop new low-income rental units in the communities in which they are located, including repeal of the so-called “Faircloth amendment,” which limits Capital Fund expenditures for the development of new units, and by permitting the reasonable use of operating reserves for development.
- Streamline the process for mortgaging public housing assets. Ensure adequate tenant protections are provided in the event of default, and, where appropriate, permit subordination of the federal interest to realize the value of public housing as collateral.
- Create a federal loan guarantee for transactions that leverage public housing assets, including Operating and Capital Funds.

#### Increase PHAs’ flexibility to use available resources for their highest priority needs, regardless of funding source.

- Increase flexibility between Operating and Capital Funds to allow PHAs to maximize the value of their subsidies.
- Pursue workable regulatory policies governing the use of Operating Fund subsidy and reserves for capital improvements and debt service.

#### Establish protected capital reserve accounts to allow PHAs to responsibly plan for future needs.

- Provide PHAs with the established tools of the real estate industry to preserve and maintain their properties.
- Remove barriers to modernization by providing PHAs with the opportunity to create efficiencies through economies of scale and reduced transaction costs.
- Develop policies to align reserve for replacement accounts with regular physical needs assessments.

#### Enhance incentives for energy efficiency upgrades.

- Empower PHAs to benefit in a meaningful way from cost/consumption savings resulting from energy-efficient improvements regardless of how improvements are funded.
- Provide smaller PHAs with access to a streamlined version of the Energy Performance Contract tool.



# Community and Economic Development

HUD's community and economic development programs are critical components of state and local initiatives to create job opportunities and catalyze economic development activities in distressed communities and neighborhoods, as well as long-neglected rural areas. Consider the flexible Community Development Block Grant (CDBG), which provides states and local governments with formula allocations that support grantees' efforts to design and implement those programs that best meet their unique local needs. And at virtually no cost to the federal government, the Section 108 loan guarantee program amplifies the CDBG program's effectiveness by allowing grantees to borrow up to five times their current CDBG allocation to finance large-scale economic development, public facilities and housing activities that might otherwise be unable to attract private financing in economically distressed localities.



STUDENTS OF THE BEAUMONT HOUSING AUTHORITY'S (TX)  
COLLEGE PREPARATION PROGRAM

## Current Challenges

In these challenging times, a full-scale economic recovery will require a focused, coordinated, and ongoing effort at all levels of government. Now more than ever, state and local agencies need the federal government to remain committed to enabling the successful, results-driven implementation of local community revitalization strategies involving both public and private sector partners.

Unfortunately, recent funding reductions and program eliminations have severely eroded the ability of state and local governments to pursue the kinds of targeted, highly-leveraged community and economic development initiatives that create and retain jobs, support local business creation, attract private sector investment, and provide critically needed social services. In 2012, NAHRO will encourage the Congress to restore adequate funding for core federal community and economic development programs.

## Restore Funding for the Community Development Block Grant (CDBG) Program

For more than 35 years, the CDBG program has empowered states, local governments, and their partners to rebuild local economies, strengthen public infrastructure, and improve the quality of life for millions of low- and moderate-income Americans. This flexible program emphasizes local decision-making and prioritization of needs and ensures accountability through citizen participation and rigorous performance measurement.

Given the importance of job creation and public service provision during a time of high unemployment, the need for CDBG funding in states and localities across the nation is as great as it has ever been. The proven CDBG program continues to make a meaningful impact in urban, suburban, and rural communities across the nation. Based on data that grantees have reported to HUD:

- Between fiscal years 2007 and 2011, CDBG grantees provided assistance to over 174,000 businesses that in turn expanded economic opportunities for low- and moderate-income Americans.
- Over the last decade, CDBG economic development activities have directly created or retained more than 334,000 permanent jobs and sustained an additional 861,000 jobs. Providing NAHRO's recommended funding level for CDBG for FY 2013 will, according to HUD estimates, lead to the creation or retention of approximately 57,000 jobs.
- From 2001 to 2011, CDBG funds were used to improve public facilities in areas that serve 189.4 million people. These facilities include child day care centers, group homes for persons with disabilities, shelters for victims of domestic violence, homeless shelters, and health and dental clinics.
- CDBG-funded programs have rehabilitated over 1.4 million homes for low- and moderate-income homeowners and renters in the last decade, including a substantial number of homes owned and/or occupied by seniors.
- In fiscal year 2011, nearly 100,000 households received housing assistance, from emergency housing repairs that allowed elderly and infirm residents to remain in their own homes, to weatherization improvements that enhanced energy efficiency.
- CDBG-funded infrastructure projects have impacted the lives of approximately 50 million Americans by providing access to sanitary water, building and repairing sewer systems, improving drainage systems, and achieving other improvements that support communities and help grow local economies, particularly in rural areas.

In spite of the program's proven track record, CDBG formula funding declined by 17 percent from FY 2004 to FY 2009, even before adjusting for inflation. Although Congress provided additional CDBG resources through the Recovery Act, and, at the Administration's request, increased CDBG formula funding for FY 2010, the program's downward funding trend has resumed, with funding declining by 26 percent from FY 2010 to FY 2012. This unfortunate retreat from full funding ignores the significant and persistent community development needs that states, cities, and counties continue to face. State and local governments and their partners are ready to invest FY 2013 CDBG resources in infrastructure projects, economic development, affordable housing initiatives, public services and other local priorities.



IN OCTOBER 2011, PHILADELPHIA HOUSING AUTHORITY (PA) CELEBRATED THE OPENING OF MANTUA SQUARE WITH DIGNITARIES AND RESIDENTS.

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**NAHRO's recommended funding level for CDBG for FY 2013 will lead to the creation or retention of approximately 57,000 jobs.**

In 2012, NAHRO and its partners will strongly oppose any effort to further reduce CDBG formula funding. Working closely with local elected officials and our community development industry partners, NAHRO is committed to restoring funding for CDBG to ensure the success of state and local efforts to spur job creation and retention, provide vital public services, and expand affordable housing opportunities for low- and moderate-income families and individuals. NAHRO also supports the Administration's call to restore funding for the Sustainable Housing and Communities Initiative, although we believe this program should be funded separately and not as a set-aside under the CDBG program.

### **Preserve and Restore HUD's Economic Development Tools**

Today's challenges demand that the full suite of federal economic development programs remain available to state and local governments and their partners. Each of the components of HUD's economic development toolkit plays a unique role in building stronger, more viable communities, while enabling states and localities to leverage external financing in a way the CDBG program



alone cannot do. These cost-effective programs encourage the development of public-private partnerships in service of expanding economic opportunities within communities of all sizes, be they urban, rural, or somewhere in between. In 2012, NAHRO will therefore:

- Advocate for continued appropriations to cover the credit subsidy for HUD's Section 108 loan guarantee program, and push to increase the loan guarantee limit to \$500 million.
- Work to restore dedicated funding for HUD's Brownfields Economic Development Initiative, the only federal program dedicated exclusively to the economic redevelopment of former brownfields sites.
- Push for the restoration of funding for HUD's Rural Innovation Fund, which replaced the Rural Housing and Economic Development program.

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**Today's challenges demand that the full suite of federal economic development programs remain available to state and local governments and their partners.**

### **Reauthorize the New Markets Tax Credit Program**

Since its inception in 2000, the New Markets Tax Credit program—administered by the Treasury Department's CDFI Fund—has proven to be an effective tool for generating private sector investments in low-income communities. Unfortunately, Congress allowed the program to expire at the end of 2011. NAHRO strongly supports reauthorizing and extending the New Markets Tax Credit program as called for in the President's FY 2013 budget.

# The Section 8 Rental Assistance Programs

HUD's Section 8 rental assistance programs are essential to the nation's commitment to provide low-income American families with access to affordable housing options. The Section 8 Housing Choice Voucher (HCV) program provides rental assistance for nearly 2.2 million low-income families. With the benefit of housing assistance, voucher holders lease modest dwelling units owned by private market property owners. These units must pass a Housing Quality

Standard inspection and command a rent no higher than the 40th or 50th percentile of their rental housing market. The flexibility of the HCV program's design has helped

make it the optimal tool for meeting a wide variety of critical affordable housing needs. Administered by city, county, multi-county and state public housing agencies, the program helps a number of vulnerable populations—families, seniors, the disabled, households displaced by disasters, homeless veterans, children aging out of the foster care system, families ready for reunification with children in the foster care system—to live stable and independent lives. The HCV program helps the working poor to become self-sufficient and provides families with the opportunity to live in neighborhoods where poverty is not concentrated.

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**In 2012, NAHRO will work tirelessly to rebuild the federal commitment to providing adequate funding for PHAs' Housing Choice Voucher administrative costs.**

## Current Challenges

PHAs earn ongoing administrative fees for each voucher-assisted family under lease. For several years (FY 2004 – FY 2010), PHAs received, on average,

annual pro-rations of 90 percent compared to the benchmark in effect since 1998 under the Quality Housing and Work Responsibility Act of 1998 (QHWRA). However, for FY 2011, PHAs' ongoing administrative fees were cut by \$128 million year-over-year, resulting in an 83 percent pro-ration for calendar year 2011. Then, for FY 2012, Congress cut PHAs' administrative funding by an additional 7 percent, leaving PHAs with a pro-ration of just 75 percent—far and away the lowest administrative funding level in the program's history.



THE HARRIS COUNTY HOUSING AUTHORITY (TX) PROVIDES HOMELESS VETERANS WITH HOUSING ASSISTANCE THROUGH UNIQUE PARTNERSHIPS.

When it comes to the HCV program, it takes people (in the form of staff capacity) to help people. Deep cuts in administrative fees have already led directly to PHA staff layoffs, hiring freezes, salary and benefits reductions, and furloughs. Even with adequate Housing Assistance Payments (HAP) funding, NAHRO estimates that the severe reduction in administrative fee funding will lead to a 13 percent reduction in the number of low-income households leased in 2012—meaning approximately 280,000 families will be at risk of losing voucher assistance and falling into homelessness.

### **Work to Ensure Stable Voucher HAP Funding**

NAHRO supports appropriations sufficient to renew the vouchers at cost for all participating households and full funding for ongoing and special administrative fees as provided in Section 8(q) of the U.S. Housing Act as amended by QHWRA. Adequate funding must be paired with a voucher HAP funding formula that is based on the number of families served and voucher costs for the most recent calendar year for which data are available. Congressional appropriators should also provide for a meaningful HAP adjustment fund for important purposes to prevent the termination of assistance.

### **Restore a Responsible Level of Administrative Fee Funding**

In 2012, NAHRO will work tirelessly to rebuild the federal commitment to providing adequate funding for PHAs' HCV administrative costs. Our approach will combine advocacy for a responsible level of direct funding paired with 1) the overdue implementation of HUD's existing authority to make available carryover and unobligated balances under the Section 8 tenant-based account in order to meet PHAs' outstanding administrative funding needs, and 2) the creation of new authority to allow PHAs to utilize a portion of their HAP Reserves to cover unmet and underfunded administrative mandates.

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**Even with adequate Housing Assistance Payments funding, the severe reduction in administrative fee funding could lead to nearly 280,000 families losing voucher assistance and being placed at risk of becoming homeless.**

### **Support Meaningful Legislative, Regulatory and Administrative Reforms**

The Section 8 HCV program has a demonstrated track record of success. Nonetheless, the program can be further improved to provide PHAs with

additional tools to help maximize the number of families served in their communities. Through a combination of adequate funding for HAP, administrative fees that are rationally distributed, and the adoption of legislative, regulatory and administrative reforms, the HCV program can be better positioned to maximize affordable, decent housing opportunities for low-income households.

NAHRO has consistently advocated for the enactment and implementation of legislative, regulatory and administrative changes that will allow for the more efficient use of resources in the Section 8 HCV program. Over the years, we have communicated a wide-ranging set of proposed legislative and regulatory reforms to the Congress and HUD, and we will work to make those recommendations a reality in 2012.

Selected recommendations from NAHRO's framework to improve the HCV program:

- PHAs should be allowed to implement reduced voucher payment standards in a timely fashion.
- HUD should implement simplified procedures for portability that eliminate interagency billing over time and allow agencies to serve their waiting list households.
- HUD should implement NAHRO's proposed reforms to HUD's patchwork Section Eight Management Assessment Program (SEMAP) system.
- Congress and HUD should expand support for Family Self-Sufficiency (FSS) program coordinators and reestablish an interagency council to coordinate self-sufficiency efforts with other federal agencies.
- Policymakers should work to improve federal, state and local coordination of all special purpose voucher programs, including HUD-VASH, Family Unification Program, 1-Year Mainstream and Non-Elderly Disabled vouchers.

See ([www.nahro.org/HCVreform](http://www.nahro.org/HCVreform)) for more information on NAHRO's proposed legislative, regulatory, and administrative reforms.

## Maintain Full Funding for the Project-Based Section 8 Multifamily Program

NAHRO will continue to advocate full 12-month funding for the renewal of all Section 8 multi-family project-based rental assistance (PBRA) contracts. Maintaining the reliability and stability of the PBRA subsidy stream is critically important, not just for those families already served, but also to reassure lenders and maintain the program as a stable option for the preservation of public housing through conversion.



THE FORT WORTH HOUSING AUTHORITY (TX) SPONSORS A SUMMER MUSIC CAMP FOR YOUTH.

### **Maintain Open, Competitive Process for HUD Selection of Section 8 Performance-Based Contract Administrators**

In order for HUD to ensure cost-effective and high quality services, NAHRO strongly supports maintaining a level playing field in the competition for contracts under the Performance-Based Contract Administrators initiative.

## **Affordable Housing and Homeless Assistance Programs**

In 2012, NAHRO will continue to work toward the development of a federal housing policy that strikes an appropriate balance between promoting responsible homeownership and addressing the nation's acute shortage of affordable rental housing units, while combating—and preventing—homelessness. Such a policy will involve a number of proven, effective federal programs and policies, including HUD's HOME Investment Partnerships program, which provides state and local governments with formula allocations to support the development of new affordable rental and homeownership opportunities. This policy will also require a continued commitment to the Low Income Housing Tax Credit program, as well as a commitment to providing the resources required to fully implement legislative reforms to HUD's homeless assistance programs.



## Current Challenges

The number of households with “worst case housing needs” (Very Low-Income households paying more than 50 percent of income toward rent or living in substandard housing, or both) has increased by 42 percent since 2001. More than half of all American renters live in units that are not affordable to them, meaning that rent consumes more than 30 percent of their incomes. And, according to the most recent data available, both the number of people and the number of family households experiencing homelessness on a single night have increased.

Against the background of this ongoing affordable housing crisis, the federal government’s commitment to expanding the affordable inventory has waned at the very moment it should be strengthened. Congress has cut funding for the time-tested, highly successful, HOME Investment Partnerships program by nearly 50 percent over the course of two fiscal years. More than three years since its enactment, the Housing Trust Fund has yet to distribute a single dollar to support the production of new affordable units. And HUD has struggled to implement reforms to the McKinney-Vento homeless assistance programs, hamstrung in part by wholly inadequate funding.

### ■ Fully Fund the HOME Investment Partnerships Program

Given our nation’s affordable housing shortage, restoring HOME program formula funding is critically important. The proven and effective HOME program empowers states and localities to design and implement affordable housing strategies to respond to locally determined “critical” needs. The program celebrated its 20th anniversary last year and has assisted over one million units since its inception. Since the program began, HOME has made possible the construction, acquisition, or rehabilitation of more than 202,000 owner-occupied units, 440,000 homebuyer units, and 396,000 rental units. HOME has also provided help to over 250,000 households through local tenant-based rental assistance programs. And HOME doesn’t just build housing—it builds local economies. Over the course of 20 years, HOME has leveraged \$88.6 billion of other funds for affordable housing, a leveraging ratio of four to one. According to data provided by HUD, funding HOME at the level recommended by NAHRO for FY 2013 would create or preserve nearly 29,000 jobs.



GREEN REVITALIZATION OF TASSAFARONGA VILLAGE - OAKLAND HOUSING AUTHORITY, CA

In 2012, NAHRO will:

- Work to achieve a responsible level of funding for the HOME Program by restoring the formula allocation to the FY 2011 enacted level.
- Closely monitor HOME regulatory changes to ensure that the ability of PHAs and redevelopment authorities to fully engage the program is not compromised.
- Advocate the elimination of newly imposed regulatory and administrative burdens that negatively impact Participating Jurisdictions' efforts to stretch limited HOME funding to maximum effect.

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**Given our nation's affordable housing shortage, restoring HOME Program formula funding is critically important.**

### ■ Fully Fund HUD's Homeless Assistance Programs

Congress enacted and the President signed the Homeless Emergency and Rapid Transition to Housing Act (HEARTH) in 2009, resulting in major changes to HUD's McKinney-Vento homeless assistance programs. HUD is now working to implement the program reforms mandated by HEARTH. NAHRO strongly supported many of these important reforms, including new flexibility to prevent at-risk families from falling into homelessness and an expanded HUD definition of homelessness that is better aligned with the definition employed by other federal agencies. The impact of the current economic crisis has illuminated the importance of maintaining adequate program funding as HUD works to implement changes to its homeless assistance programs in 2012.

In 2012, NAHRO will:

- Seek full funding for HUD's homeless assistance programs while recognizing the need for program funding to keep pace with the rising cost of renewing expiring contracts.
- Offer input through the rulemaking process as HUD implements programmatic reforms that offer grantees greater flexibility.

### ■ Capitalize the Housing Trust Fund

For several years NAHRO called for a new federal program for the production of affordable units of rental and homeowner housing. In a major victory for our industry, the Housing and Economic Recovery Act of 2008 authorized a

national Housing Trust Fund intended to support the production, preservation, and rehabilitation of affordable housing. Unfortunately, the funding prospects for this new initiative remain in doubt.

In 2012, NAHRO will:

- Encourage the Administration to identify and the Congress to enact a budget neutral mandatory funding source for this program. NAHRO has long maintained that funding for the Housing Trust Fund should be derived, to the extent possible, from sources other than appropriations.
- Facilitate the ability of Housing Trust Fund grantees to adequately serve the rental housing needs of extremely low-income households (30 percent of area median income or below, to which 75 percent of funding must be directed) by ensuring that long term operating assistance remains a clearly eligible activity for rental housing development.
- Ensure that PHAs and local redevelopment authorities are positioned to access and utilize Housing Trust Fund resources, including for the rehabilitation of public housing units.

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**It is time for the Administration to identify and the Congress to enact a budget-neutral mandatory revenue source for the Housing Trust Fund.**

### ■ Preserve the Viability of the Low Income Housing Tax Credit (LIHTC) Program

Many of the principal investors in LIHTCs in recent years have been large financial services companies, including Fannie Mae and Freddie Mac. These investors fled the market due to concerns that they would have insufficient tax liability to make use of the credits over the 10-year credit period. Although developers had assembled more than enough properties to make full use of the annual LIHTC allocation, the tax credit market dried up and a substantial number of projects that had not yet reached financial closing were at risk. Thanks to temporary measures such as the Tax Credit Exchange Program, and due to the burgeoning economic recovery as well as an expansion of the investor market to include local and regional lenders, the tax credit market has come back to life. NAHRO remains committed to working with our industry partners to preserve and strengthen the LIHTC program moving forward, including advocating the passage of legislation to permanently extend the flat 9 percent credit rate while creating a flat 4 percent credit rate for allocated credits.

## ■ Eliminate Barriers to PHA Eligibility

A number of federal housing programs limit eligibility to “private nonprofit organizations.” The various statutory and regulatory definitions of “private nonprofit organization” currently in effect under these programs have collectively served as a barrier to the participation of qualified PHAs and redevelopment authorities, since these agencies typically do not enjoy nonprofit status under the Internal Revenue Code. For example, PHAs are prohibited from acting as subgrantees under the Emergency Solutions Grant program, even though many local government grantees want PHAs to fill that role. And PHAs and redevelopment authorities are barred from collecting developer fees under the CDBG program, even though they often engage in the same development work as for-profit and private nonprofit developers of affordable housing. In 2012, NAHRO will continue to work to identify and eliminate barriers that prevent otherwise qualified PHAs and redevelopment authorities from accessing federal housing and community development programs.

## Rural Communities and Smaller Agencies



VERMIER SENIOR HOUSING APARTMENT COMPLEX RENOVATION COMPLETED BY THE MERCER COUNTY HOUSING AUTHORITY, PA

NAHRO’s diverse membership includes a significant number of small agencies, and NAHRO members serve communities of all sizes, including rural communities. As a national organization, we are mindful of the importance of federal housing and community development programs that are designed to meet the unique needs of smaller agencies and rural communities. At the same time, new and existing programs intended to serve the full spectrum of agency types should be accessible to smaller agencies as much as possible. In 2012, NAHRO will urge policymakers to expand opportunities for small

agencies and rural communities, while easing regulatory and administrative barriers that disproportionately burden smaller agencies.

## Enact the Small Housing Agency Reform Proposal

The Small Housing Authority Reform Proposal (SHARP) is a joint initiative of NAHRO and the Public Housing Authorities Directors Association that would significantly ease administrative burdens and increase program flexibility available to smaller organizations operating the public housing program and/

or the Housing Choice Voucher program. Of the more than 4,000 PHAs that administer public housing units, Housing Choice Vouchers, or both, approximately 80 percent are small agencies (550 or fewer public housing units and Housing Choice Vouchers combined). Although these small agencies manage only around 20 percent of the nation's inventory of public housing and Housing Choice Voucher-assisted units, they bear most of the same regulatory burdens as larger agencies.

SHARP would liberate smaller PHAs from unnecessary and unproductive red tape, providing them with new flexibility to administer their assisted housing programs effectively, efficiently and in the interests of low-income residents, applicants, and taxpayers.

#### **SHARP would...**

- Define small agencies as those with 550 or fewer public housing units and Housing Choice Vouchers combined;
- Reduce administrative burdens for both agencies and HUD;
- Provide flexibility to improve services to residents;
- Enable HUD to target its scarce resources where risks are greatest;
- Reform HUD's burdensome oversight and monitoring processes;
- Provide administrative and regulatory relief;
- Reform arcane rent structures; and
- Encourage housing development among small agencies.

For more information, see [www.nahro.org/SHARP](http://www.nahro.org/SHARP).

## **Ensure New Programs Are Available to Smaller Agencies and Rural Communities**

NAHRO believes that major housing and community development programs should be, to the maximum extent feasible, accessible by agencies and communities of all sizes. By way of example, consider the Choice Neighborhoods Initiative (CNI). Although NAHRO applauds the initiative's emphasis on the transformation of neighborhoods of extreme poverty into sustainable, mixed-income neighborhoods, NAHRO remains concerned over the extent to which PHAs located in rural areas have been able to participate in the new program. The HOPE VI program was one of the few viable funding sources available for revitalizing severely distressed public housing located in



THE HARRIS COUNTY HOUSING AUTHORITY (TX) HELPS VETERANS FIND A HOME.

rural communities. PHAs in rural communities are limited in their ability to secure financial resources through other programs or funding sources that focus primarily on urban areas. If CNI is to be accepted by our industry as the legitimate successor to HOPE VI, then it must provide small agencies and agencies serving rural communities with access to funding. In 2012, NAHRO will continue to encourage the Administration to further refine CNI, in concert with Congressional authorizers, in order to ensure that rural communities and agencies have a meaningful opportunity to seek and secure Choice Neighborhoods resources.

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**Small agencies manage only around 20 percent of the nation's inventory of public housing and HCV-assisted units, but they bear most of the same regulatory burdens as larger agencies.**

## Advocate Improvements to Programs to Better Serve Smaller Agencies and Rural Communities

In 2012, NAHRO will work with its members and build new organizational partnerships to formulate and advocate improvements to existing programs in order to better meet the unique needs of rural communities and smaller agencies. This effort will include monitoring of federal programs administered by agencies other than HUD, including the Department of Agriculture's Section 515 Rural Rental Housing Program, Section 538 Rental Housing Guaranteed Loans, Rental Preservation Revolving Loans, and Rental Assistance Contracts. NAHRO will also seek to restore dedicated funding for HUD's Rural Innovation Fund. And as mentioned elsewhere in this document, NAHRO is working to provide small PHAs with significant regulatory relief, including the ability to elect to be permanently exempt from asset management requirements.

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National Association of Housing and Redevelopment Officials

**2012 LEGISLATIVE &  
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