

NAHMAanalysis

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION

Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing

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Final Fiscal Year 2015 Appropriations

Background

Congress began consideration of fiscal year 2015 appropriations legislation in May of 2014, but it wasn't until recently on December 16, 2014 that the final bill to fund the federal government was agreed upon and signed by President Obama. This bill, H.R. 83, is an omnibus appropriations bill, meaning that all 12 of the regular appropriations bills used to fund federal departments and agencies are included.

Lawmakers were in the process of passing the appropriations bills individually in the spring and early summer. However, these bills failed to pass the Senate by the end of the fiscal year (September 30th) and a continuing resolution, which continued funding at FY 2014 levels, was passed in order to keep the government open. Two additional CRs were subsequently passed as Congress failed to finalize the appropriations legislation before the original CR expired on December 11, 2014.

Funding for HUD Affordable Housing Programs

Beginning on the next page are the figures in H.R. 83 for affordable housing programs administered by HUD in comparison with the FY 2014 figures, the Obama Administration's budget request for FY 2015, and the funding numbers as proposed in the separate Senate and House appropriations bills which were not passed:

	Project-Based Section 8	Tenant-Based Section 8	HOME	Section 202	Section 811	Community Development Block Grant
H.R.83 – FY 15 Omnibus	\$9.73 Billion*	\$19.3 Billion**	\$900 Million	\$420 Million***	\$135 Million	\$3 Billion
FY 2015 Budget Request	\$9.75 Billion	\$20.05 Billion	\$950 Million	\$440 Million	\$160 Million	\$2.80 Billion
FY 15 House Bill H.R. 4745	\$9.75 Billion	\$19.35 Billion	\$700 Million	\$420 Million	\$135 Million	\$3 Billion
FY 15 Senate Bill S.2438	\$9.75 Billion	\$19.56 Billion	\$950 Million	\$420 Million	\$135 Million	\$3.02 Billion
FY 2014 Enacted Level	\$9.92 Billion	\$19.18 Billion	\$1 Billion	\$383.5 Million	\$126 Million	\$3.03 Billion

*Includes \$400 million in Advanced Appropriations and \$9.52 billion for contract renewals

** Includes \$17.49 billion for contract renewals

***Includes \$70 million for Service Coordinators

Overall, the FY 2015 funding for HUD's affordable housing programs as outlined in H.R. 83 are disappointing, and in some cases, insufficient to meet the program's true needs. All programs are below the Obama Administration's budget request except for the Community Development Block Grant. Most alarming is the funding cut impacting Project-Based Section 8 (PBS8). The \$9.73 billion figure will place the program further behind the necessary \$11.9 billion needed to fully fund all contracts upfront at the time of renewal for one year.

Absent from the bill is language that would transition all PBS8 contracts to a calendar year funding model, but HUD does have the authority to enact this change without specific instruction from Congress. NAHMA remains concerned about the possibility of this transition and the effects it will have on the management of affordable housing properties. HUD argues that this proposal will minimize funding disruptions under continuing resolutions, provide the "true cost" of the program at the beginning of the appropriations process, and lead to consistent 12-month funding for PBS8 contracts in FY 2016 and beyond. However, neither HUD nor Congress have released a detailed explanation for how this policy would save the program money.

General Provisions

Any changes to specific program functions or authority are typically listed in the General Provisions section for each department. Much of the language in this omnibus bill is standard appropriations language, meaning it has appeared in numerous appropriations bills. However, there are some new items of interest:

Section 232 grants an extension for the Mark to Market program, which was first created under the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) of 1997. This provision extends the termination date from October 1, 2015 to October 1, 2017.

Section 233 states that "None of the funds made available by this Act may be used to require or enforce the Physical Needs Assessment (PNA)." According to House Appropriations T-HUD

Subcommittee staff, the motivation for this provision is from Representative Charlie Dent (R-PA). NAHMA has learned from Dent’s staff that Public Housing Authorities (PHAs) in his district, and across the state of Pennsylvania, had long requested some regulatory relief in lieu of additional federal funding. PHAs were considered “low-hanging fruit” by Representative Dent and the PHAs as they sought to free up administrative dollars.

Section 234 extends the expiration date of the Rental Assistance Demonstration (RAD) program, component 1, from September 30, 2015 to September 30, 2018. The unit cap for public housing conversions was increased to 185,000 as was proposed previously, but not enacted, in the FY 2014 omnibus. The second component of RAD (RAD 2) received a permanent extension.

Section 239 states that “None of the funds made available by this Act may be used to require the relocation, or to carry out any required relocation, of any asset management positions of the Office of Multifamily Housing of the Department of Housing and Urban Development in existence as of the date of the enactment of this Act.” This language was previously included in the FY 2014 omnibus bill (H.J.RES 124) as an amendment from Representative Maxine Waters (D-CA).

Funding for Rural Housing Programs

As with HUD, some of the affordable housing programs administered by the U.S. Department of Agriculture’s Rural Development in H.R. 83 are funded below the Obama Administration’s FY 2015 Budget Request. Below is a chart comparing the figures:

	Section 515	Section 521 Rental Assistance	Section 538 (Loan Level)	Revitalization and Rural Housing Vouchers
H.R. 83 – FY 2015 Omnibus	\$28.40 Million	\$1.088 Billion	\$150 Million	\$24 Million/ RHVs: \$7 Million
Budget Request	\$28.43 Million	\$1.09 Billion	\$150 Million	\$28 Million/ RHVs: \$8 Million
Senate Bill S. 2389	\$28.43 Million	\$1.09 Billion	\$150 Million	\$28 Million/ RHVs: \$8 Million
House Bill H.R. 4800	\$28.40 Million	\$1.09 Billion	\$150 Million	\$28 Million/ RHVs: \$8 Million
FY 2014 Enacted Level	\$28.43 Million	\$1.11 Billion	\$150 Million	\$32.57 Million/ RHVs: \$12.58 M

The Multifamily Housing Revitalization program, which includes funding for Rural Housing Vouchers (RHVs), is slated to receive substantial cuts. As shown in the chart above, RHVs will be reduced by over \$5 million from the FY 2014 level. In testimony submitted to the Senate and House Appropriations Subcommittees on Agriculture and Rural Development in March of 2014, NAHMA urged the members to carefully consider whether cuts to this program still allow the Agency to meet the demand for these Rural Housing Vouchers. At that time, the proposed cut in the House bill was less than the funding reduction now included in H.R. 83.

There was language in both the Senate and House Agriculture Appropriations bills which would have allowed the Secretary of the Agriculture Department to use funds for the preservation and revitalization demonstration program for vouchers if the slated amount was insufficient. However, this caveat was not included in H.R. 83, and instead the bill reads “That if the Secretary determines that the amount made available for vouchers in this or any other Act is not needed for vouchers, the Secretary may use such funds for the demonstration program for the preservation and revitalization of multifamily rental housing properties.” NAHMA is unsure of the motivation for such a steep reduction, and for this language which seems to dismiss the possibility that \$7 million will be inadequate for the program’s needs.

Section 521 Rental Assistance (RA) received a slight cut. NAHMA’s main concern here is that this amount must be sufficient to renew all rental assistance contracts in FY 2015 with full-funding. Additionally, NAHMA was concerned about the proposed provision in the Senate and House Agriculture Appropriations bills to bar RA contracts from being renewed within a 12-month period. Unfortunately, this language was included in the text of H.R. 83:

“Provided, That rental assistance agreements entered into or renewed during the current fiscal year shall be funded for a 1-year period: Provided further, That rental assistance contracts will not be renewed within the 12-month contract period: Provided further, That any unexpended balances remaining at the end of such 1-year agreements may be transferred and used for the purposes of any debt reduction; maintenance, repair, or rehabilitation of any existing projects; preservation; and rental assistance activities...”

At this time, NAHMA is unaware of the exact protocols that RD will use when a contract runs out of money before the year-long lease is up for renewal. RD has stated that the purpose of this change is for the Agency to gain better management of RA’s limited funds and address the program’s “challenges”. NAHMA has heard concerns from members that while this policy may seem logical on its face, it’s much more likely to target owners with higher fixed debt service who are often making proactive efforts to preserve their properties. Eliminating automatic renewals of contracts may threaten these important preservation endeavors. NAHMA will work with its Rural Housing Committee and Agency officials to find more answers for the questions raised by this policy.

Conclusion

NAHMA and its industry partners have been actively advocating for increased funding for these essential programs, but tight fiscal restraints have reduced the amount available for Congress’s discretionary spending abilities. The challenges created by these tight spending limits will only continue to increase. FY 2014 and 2015 were given \$63 billion in sequester relief under the Bipartisan Budget Act, which was passed in December of 2013. However, sequestration will return in FY 2016 (if Congress fails to keep spending below the levels mandated by the Budget Control Act) and it will remain in effect until 2023. Thus funding levels will be highly constrained at a time when HUD needs additional federal dollars to address the shortfalls in its PBS8 and other affordable housing programs.