

# 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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### Affordable Housing Appropriations for Fiscal Year 2017

#### Background

On April 30, 2017 Congress they reached a \$1 trillion deal on a final FY17 spending package, called an omnibus bill, to fund the federal government through end of fiscal year (Sept. 30). As stated by the Senate Appropriations Committee, “the FY17 omnibus appropriations legislation is a package of 11 regular appropriations bills for FY17, as well as funding in response to the Trump administration’s request for additional appropriations for national defense and border security. Funding is also included for disaster and famine relief, and to permanently extend health care benefits for certain miners.” The omnibus bill finally passed with bipartisan support by a vote of 309-118 in the House and 79-18 in the Senate. This NAHMAanalysis will examine the funding levels for HUD and USDA affordable housing programs in the FY17 Omnibus Appropriations bill.

#### Appropriations for HUD’s Affordable Housing Programs

HUD Programs (Figures in million)	FY 2017 Omnibus Bill	FY 2016 Enacted
<b>Tenant-Based Rental Assistance</b>	\$20,292	\$19,628
<b>Contract Renewals</b>	[18,355]	[17,682]
<b>Project-Based Rental Assistance</b>	\$10,816	\$10,622
<b>Contract Renewals</b>	[10,416]	[10,407]
<b>Contract Administrators</b>	[235]	[215]
<b>Housing for the Elderly (Sec. 202)</b>	\$502	\$432
<b>Service Coordinators</b>	[75]	[77]
<b>Supportive Housing for Persons with Disabilities (Sec. 811)</b>	\$146	\$150
<b>Community Development Grant</b>	\$3,000	\$3,000
<b>HOME</b>	\$950	\$950

## **Tenant-Based Rental Assistance – Housing Choice Vouchers (HCV)**

The omnibus spending bill provides \$20.292 billion for tenant-based rental assistance, \$18.355 billion of which is to renew previous vouchers. The increases will help add more vouchers to tenants for specific purposes, including \$40 million for Veterans Affairs Supportive Housing (VASH); \$7 million for Tribal HUD-VASH renewals; \$10 million to support new Family Unification Program (FUP) vouchers; and \$120 million for Section 811 mainstream vouchers.

## **Project-Based Rental Assistance**

The omnibus spending provides the needed increase in funding for the Project-Based Rental Assistance (PBRA) program. Funding for the PBRA program is \$10.816 billion, which represents a \$196 million increase over the FY16 level. The bill also “provides an additional advance appropriation of \$400,000,000 to be made available on October 1, 2017. The bill allows the HUD Secretary to use project funds held in residual receipt accounts, unobligated balances, including recaptures, and carryover for program activities.” The bill provides \$235 million for PBCA oversight and continues to permit private owners of PBRA properties to make Family Self-Sufficiency (FSS) programs available to residents.

## **Physical Inspections**

The omnibus bill requires HUD to take action against property owners that do not maintain decent, safe, and sanitary properties. This is similar to legislation introduced by Senator Marco Rubio (R-FL) and his ongoing concerns with conditions at properties owned by Global Ministries Foundation. According to the bill, the HUD Secretary is authorized to replace the property’s management agent with one approved by HUD, impose civil monetary penalties, change HUD’s contract with the property owner until the program is resolved, transfer the property or contract to a new owner, and relocate tenants, among other actions. The bill would shorten the time given to a property owner to respond to a violation of a contract as well as the time given to the Secretary to develop an enforcement plan. Under the amendment, an owner would be provided 15 days to respond to deficiencies found after a Uniform Physical Condition Standards (UPCS) inspection. If the violations remain, the Secretary of HUD would be required to develop a Compliance, Disposition and Enforcement Plan within 30 days of the UPCS inspection results and must provide the owner with a Notice of Default with a specified timetable, determined by the Secretary, for correcting all deficiencies.”

In regards to additional physical inspections and enforcement action, the omnibus bill directs “The Government Accountability Office (GAO) to assess the effectiveness of the Departmental Enforcement Center (DEC) to meet the goal of resolving issues of non-compliance with requirements for owners of public housing and multifamily housing properties, including physical and financial noncompliance. GAO is further directed to report its findings to the House and Senate Committees on Appropriations within 180 days of enactment of this Act.”

HUD is also directed “to submit to the House and Senate Committees on Appropriations within 90 days of enactment of this bill a report on Real Estate Assessment Center (REAC) inspections of all HUD assisted and or insured properties. This report shall include:

- the percentage of all inspected properties that received a REAC-inspected score of less than 65 since calendar year 2013;

- the number of properties in which the most recent REAC inspected score represented a decline relative to the previous REAC score;
- a list of the 10 metropolitan statistical areas with the lowest average REAC-inspected scores for all inspected properties; and
- a list of the 10 States with the lowest average REAC-inspected scores for all inspected properties.

The Government Accountability Office is directed to report to the House and Senate Committees on Appropriations within 180 days of enactment of this Act on REAC. This evaluation shall assess the effectiveness of: REAC inspections of HUD assisted and or insured properties; HUD's selection and oversight of contractors that perform physical inspections; the property selection process; and enforcement mechanisms.”

NAHMA expects HUD to issue guidance on these changes to physical inspections immediately.

### **Housing for the Elderly, Section 202**

The Section 202, Housing for the Elderly program, received \$502 million. Of this total amount, \$75 million would be reserved for Service Coordinators. The bill also allow an additional \$10 million “for new capital advances and project-based rental assistance contracts, or for new senior preservation rental assistance contracts”.

NAHMA is very encouraged that Congress is providing additional funding for new construction. However, the proposal to allow Section 202 properties with Project Rental Assistance Contracts (PRACs) to convert to PBRA under RAD was not included. While disappointed, NAHMA will continue to support and advocate for this policy proposal in FY18.

### **Housing for Persons with Disabilities, Section 811**

The Section 811, Housing for Persons with Disabilities program, saw a slight decrease for a total of \$146 million.

### **HOME Investment Partnerships Program and Community Development Block Grant**

The funding for the HOME Investment Partnerships program will remain at \$950 million and the Community Development Block Grant (CDBG) program at \$3 billion. However, this amount is in stark contrast to the Trump Administration’s FY17 budget proposal to eliminate both programs. NAHMA will continue to advocate for HOME and CDBG funding in FY18.

In addition to funding, the omnibus bill also provides a four-year suspension of the 24-month funding commitment deadline under the HOME program. This funding deadline had led to funding being lost, as communities and program participants could not meet the 2-year deadline.

### **Lead-based Paint and Healthy Homes**

The omnibus bill provides \$145 million for the lead hazard control and healthy homes programs. The bill “no longer directs HUD to implement a lead inspection standard in assisted housing that is more stringent than the current visual inspection standard. The bill directs the GAO to report to the House and Senate Committees on Appropriations within one year of the date of enactment of this Act on:

- The effectiveness of federal programs for addressing lead-based paint hazards in dwellings;
- Current partnerships between public housing agencies (including State housing finance agencies) and public health agencies to address lead-based paint hazards, and determine whether those partnerships could be replicated and enhanced through improved data collection, analysis, and dissemination among stakeholders;
- Gaps in compliance and enforcement of HUD's lead-based paint regulations;
- Opportunities for improving coordination and leveraging of public and private funds in order to reduce the Federal costs associated with identifying and remediating lead-based paint hazards;
- The effectiveness and efficiency of existing HUD protocols for identifying and addressing lead-based paint hazards, and determine whether those protocols are aligned with accepted environmental health practices to ensure the best and appropriate health outcomes and to reduce further exposure; and
- HUD's process for assessing risks of lead-based paint hazards during initial and periodic inspections in dwellings occupied by households assisted under the Section 8 Housing Choice Voucher program and the impact, if any, on landlord participation and the availability of affordable housing."

NAHMA expects health and housing, particularly lead abatement, to be a major focus of HUD under the leadership of Secretary Carson.

#### **Other Notable Housing Provision**

For the Rental Assistance Demonstration (RAD) Program, the cap on units that may be converted under RAD is increased from 185,000 to 225,000 units and the program's sunset date is extended to 2020.

The omnibus bill "prohibits the use of funds to direct a grantee to undertake specific changes to existing zoning laws as a result of the final rule entitled, Affirmatively Furthering Fair Housing or the notice entitled, "Affirmatively Furthering Fair Housing Assessment Tool."

The omnibus bill extends the sunset date for the United States Interagency Council on Homelessness (USICH) until October 1, 2018.

## Appropriations for USDA Rural Housing Programs

Like the T-HUD bills, the omnibus bill provides sufficient funding for Agriculture, Rural Development Food and Drug Administration, and Related Agencies Appropriations. Below is a chart comparing the FY17 omnibus bill against the FY 2016 enacted funding levels.

Rural Development Housing Programs (\$ in millions)	FY 2017 Omnibus Bill	FY 2016 Enacted
<b>Section 521 Rental Assistance</b>	\$1,405	\$1,389
<b>Section 515</b>	\$35	\$28.398
<b>Multifamily Revitalization</b>	\$41	\$37
<b>Preservation Demonstration</b>	[\$22]	[\$22]
<b>Rural Housing Vouchers</b>	[\$19]	[\$15]
<b>Section 538 Loan Level</b>	\$230	\$150

### Section 521 Rental Assistance (RA)

The omnibus bill provides a slight increase to \$1.405 million for the Section 521 Rental Assistance (RA) program, and does not contain any language which would prevent an RA contract from being renewed within its one year term. The bill directs USDA to provide “a detailed analysis of the accuracy of the project-based forecasting tool used to estimate rental assistance needs” within 120 days after the bill is enacted.

### Section 515

Along with the funding issues that have plagued RD in recent years, lawmakers are also now paying more attention to the impending number of Section 515 properties that are reaching their mortgage maturity date. The Section 515 will see a slight funding increase to \$35 million.

The bill also directs USDA to “study effective means” to preserve properties with maturing mortgages, to transfer Section 515 properties exiting the program due to mortgage maturity to qualified nonprofit organizations to preserve the properties in the Rural Housing Service multi-family program.

The bill appropriates \$1 million for technical assistance “to facilitate the acquisition of RHS multi-family housing properties in areas where the Secretary determines a risk of loss of affordable housing.” NAHMA strongly supports the funding increases for Section 515, and the regulatory efforts to preserve properties in the portfolio.

## **Multifamily Revitalization and Rural Housing Vouchers**

The FY 2017 omnibus bill provides an increase for the Multifamily Preservation and Revitalization Program (\$22 million) and Rural Housing Vouchers (RHVs). The \$4 million increase requested for the program is entirely directed at RHVs (\$19 million). The omnibus bill does not extend the voucher program to cover properties where mortgages matured, but it does require USDA to continue helping nonprofits and public housing authorities to preserve rental properties.

### **Outlook for Fiscal Year 2017**

Overall, the funding for affordable housing programs in FY 2017 is positive. The prospects of major funding cuts, flat-funding to not meet program needs, and a government shutdown were avoided. The delayed funding has presented many challenges, such as delayed contract renewals and inadequate funding for service coordinators. Hopefully, these issues are resolved in the next few weeks when the program funding arrives to NAHMA members.

Now, our attention must go directly to the next fiscal year and protecting funding again. NAHMA expects disagreements over domestic and defense funding will likely prevent Congress from passing FY18 appropriations bills by the end of the fiscal year (Sept. 30). This impasse will likely lead to Congress extending the current FY17 spending levels into the next fiscal year. The gridlock could potentially lead to a government showdown in September, as President Trump has recently stated "he believes the U.S. may need a "good" shutdown to achieve the spending cuts and border wall funding he is seeking." Both the funding for the border wall and spending cuts were rejected by Congress in the FY17 omnibus bill. This could result in a year-long Continuing Resolution that keeps the spending levels of today's omnibus bill in place until October 2018. NAHMA will be sure to keep members updated on the FY18 funding process.