

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

National Affordable Housing Management Association – 400 N. Columbus Street, Suite 203 - Alexandria, VA 22314
 Phone 703-683-8630 - Fax 703-683-8634 - www.nahma.org



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President Trump releases FY18 budget: “A New Foundation for American Greatness”

Today, President Trump sent Congress his Fiscal Year (FY) 2018 budget request, “[A New Foundation For American Greatness.](#)” The FY18 budget provides funding recommendations; including specific funding levels and policy proposals for most programs.

In his opening message, President Trump stated, “To unleash the power of American work and creativity—and drive opportunity and faster economic growth—we must reprioritize Federal spending so that it advances the safety and security of the American people. This Budget, therefore, includes \$639 billion for the Department of Defense—a \$52 billion increase from the 2017 annualized continuing resolution level. This increase will be offset by targeted reductions elsewhere.” Given the increase in defense spending, the Administration has proposed deep cuts to affordable housing programs administered by the U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture (USDA) - Rural Housing Service (RHS), and other agencies.

This NAHMAanalysis highlights the proposed budget, including funding levels and policy proposals for affordable housing programs in HUD, RHS, and other relevant agencies.

Request for HUD’s Affordable Housing Programs

HUD Programs (Figures in million)	FY2018 Request	FY 2017 Omnibus Bill	FY 2016 Enacted
Tenant-Based Rental Assistance	\$19,443	\$20,292	\$19,628
Contract Renewals	[17,584]	[18,355]	[17,682]
Project-Based Rental Assistance	\$10,751	\$10,816	\$10,622
Contract Renewals	[\$10,466]	[10,416]	[10,407]
Contract Administrators	[285]	[235]	[215]
Housing for the Elderly (Sec. 202)	\$510	\$502	\$432
Service Coordinators	[90]	[75]	[77]

Supportive Housing for Persons with Disabilities (Sec. 811)	\$121	\$146	\$150
Community Development Grant	0	\$3,000	\$3,000
HOME	0	\$950	\$950

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

HUD’s FY18 [budget](#) request \$19.443 billion for tenant-based rental assistance, \$17.584 billion of which is to renew previous vouchers. The request includes vouchers to tenants for specific purposes, including \$60 million for tenant protection vouchers, \$7 million for Tribal HUD-Veterans Affairs Supportive Housing (VASH) renewals; and \$107 million for Section 811 mainstream vouchers. Funding for VASH vouchers and Family Unification Program (FUP) vouchers was not included. NAHMA has significant concerns with the reduction of \$849 million in funding for the HCV program and the \$771 million in renewal of existing vouchers.

In addition to the funding, the budget proposes several new policies for HUD’s rental assistance programs, including the HCV program. The policies below were provided in the [General Provisions](#) Section of the [Congressional Justifications](#) for the HCV program:

- **Replacement Housing Exception:** This proposal would allow “HUD to provide PHAs with greater flexibility to use the statutory exception for PBV new construction provided to certain formerly federally assisted projects from the PBV program cap and income mixing requirements.”
- **Supportive Services Income-mixing Exception:** This proposal would revise “the supportive services exception to the PBV income mixing requirement to provide PHAs with greater administrative flexibility to project-base vouchers”.
- **Eliminating higher payments for enhanced vouchers:** This proposal would “eliminate the higher payment standard provision for enhanced vouchers. Instead, the normally applicable PHA payment standard that establishes a maximum limit on the amount of subsidy that may be paid on behalf of an assisted family will also apply to enhanced vouchers. The tenant rent limitation is waived so that families will not be required to relocate as a result of this change.”
- **Raising minimum rents to \$50:** This proposal would establish “minimum tenant rental payments of \$50 per month, with hardship exemptions. Making at least \$50 in monthly rent mandatory for participating families largely impacts non-elderly/non-disabled households, and clearly communicates that everyone is expected to pay some rent for their housing.”
- **Elimination of utility reimbursement payments to tenants:** This proposal would allow HUD “to reduce tenant rent contributions by the amount of utility allowances with a maximum reduction equal to the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants.”
- **Tenant-Based Rental Assistance flexibilities:** This proposal provides “the Secretary of Housing and Urban Development to waive, or specify alternative requirements for, statutory or regulatory provisions related to public housing agency (PHA) administrative, planning, and reporting requirements, energy audits, income recertification, and program assessments. In the HCV program, this increased flexibility will allow PHAs to access a full menu of savings options to fit their needs, including decreasing maximum rent subsidies and achieving administrative efficiencies.”

Project-Based Rental Assistance

HUD's FY18 budget requests \$10.751 billion to meet Section 8 Project-Based Rental Assistance (PBRA) program. This includes \$10.466 billion for renewals and amendments, as well as \$285 million for Performance-Based Contract Administration. The budget also requests up to \$3 million for Tenant Education and Outreach Activities (from Contract Renewals and Amendments funds) "to continue funding for assistance to tenant groups, nonprofit groups, and public entities to support their efforts to assist tenants of troubled properties and improve tenant access to community services to support self-sufficiency."

In addition to the funding, the budget proposes several new policies for the PBRA program. The policies below were provided in the [General Provisions](#) Section of the [Congressional Justifications](#) for the PBRA program:

- **Oversight of PBRA:** This proposal enhances "HUDs ability to exercise oversight within the PBRA program, allowing for HUD to mandate corrective action, contract transfers or change in management due to failure to meet physical condition standard." (See [General Provisions](#) pages 55-12 thru 55-14 for additional details.)
- **Raising rent contributions to 35% of gross rents:** This proposal establishes "an increase in the tenant contribution toward rent from 30 percent of adjusted income to up to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). Hardship exemptions, as defined by the Secretary, will be available for tenants. Note: The Department will implement this provision as a pilot in PBRA, 202, and 811 in 2018."
- **Establishing a minimum rent of \$50:** Similar to the HCV program, this proposal "establishes minimum tenant rental payments of \$50 per month, with hardship exemptions."
- **Elimination of utility allowance reimbursements:** This proposal eliminates "utility reimbursement payments to tenants, sometime referred to as "negative rents." These payments have occurred when tenant-paid utility costs exceeded the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants."
- **Freeze on rent adjustment increases:** This proposal is "a one-year freeze on annual rent adjustment increases, which may include those made using an annual operating cost adjustment factor, annual adjustment factor, budget based rent increase, or updated market rent study."
- **Mark-To-Market:** "This provision extends the Mark-to-Market (M2M) program, which would otherwise sunset on October 1, 2017."

NAHMA will advocate for full funding to renew of all existing PBRA contracts. NAHMA will also examine these policy proposals through our policy committee approval process in the coming weeks.

Housing for the Elderly, Section 202

HUD's FY18 budget requests \$510 million for the Section 202, Housing for the Elderly program. Of this total amount, \$417 million would fund Project Rental Assistance Contracts (PRAC) and Senior Preservation Assistance Contracts (SPRAC) Renewals/Amendments, \$90 million would be reserved for Service Coordinators, and \$3 million for property inspections and related administrative costs. The budget proposes "flexibility through a transfer up to \$35 million between Section 811 and Housing for the Elderly (Section 202) to allow HUD to be flexible in meeting the needs of the two programs under a constrained fiscal environment."

The budget also states “HUD will continue the execution of a 5-year Supportive Housing demonstration to evaluate the impact of HUD housing assistance combined with enhanced service coordination.”

NAHMA is very encouraged that the Administration is continuing to support the RAD expansion to include Section 202 properties, since it was not adopted in FY17. NAHMA will continue to support and advocate for this policy proposal.

In addition to the funding, the budget proposes several new policies for the Section 202 program, which are similar to the policies outlined under the PBRA program. The policies below were provided in the [General Provisions](#) Section of the [Congressional Justifications](#) for the Section 202 program:

- **Transfers of Assistance, Debt, and Use Restrictions:** This proposal “allows the transfer of subsidy, debt and use restrictions from an obsolete multifamily project to a viable multifamily project under a variety of specified conditions.
- **Raising rent contributions to 35% of gross rents:** This proposal establishes “an increase in the tenant contribution toward rent from 30 percent of adjusted income to up to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). Hardship exemptions, as defined by the Secretary, will be available for tenants. Note: The Department will implement this provision as a pilot in PBRA, 202, and 811 in 2018.”
- **Establishing a minimum rent of \$50:** Similar to the PBRA program, this proposal “establishes minimum tenant rental payments of \$50 per month, with hardship exemptions.”
- **Elimination of utility allowance reimbursements:** This proposal eliminates “utility reimbursement payments to tenants, sometime referred to as “negative rents.” These payments have occurred when tenant-paid utility costs exceeded the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants.”
- **Freeze on rent adjustment increases:** This proposal is “a one-year freeze on annual rent adjustment increases, which may include those made using an annual operating cost adjustment factor, annual adjustment factor, budget based rent increase, or updated market rent study.”
- **Mark-To-Market:** “This provision extends the Mark-to-Market (M2M) program, which would otherwise sunset on October 1, 2017.”

Housing for Persons with Disabilities, Section 811

HUD’s FY18 budget requests \$121.3 million for the Section 811, Housing for Persons with Disabilities program. As stated earlier, the budget “proposes flexibility through a transfer up to \$35 million between Section 811 and Housing for the Elderly (Section 202) to allow HUD to be flexible in meeting the needs of the two programs under a constrained fiscal environment.”

In addition to the funding, the budget proposes the same new policies, outlined above, under the Section 202 program. The policies were provided in the [General Provisions](#) Section of the [Congressional Justifications](#) for the Section 811 program.

HOME Investment Partnerships Program and Community Development Block Grant

HUD’s FY18 budget requests to eliminate funding for the Community Development Block Grant (CDBG) program and HOME Investment Partnership.

Other Notable Housing Provision

- HUD’s FY18 budget requests \$130 million for the lead hazard control and healthy homes programs.
- For the Rental Assistance Demonstration (RAD) Program, the budget requests to “eliminate the cap on units that may converted under RAD and the program’s sunset date; expand the second component of RAD to include the conversion of Section 202 PRAC properties; standardize ownership and control requirements for converted public housing properties by extending the baseline standard of permitting non-profit ownership at conversion to situations where low-income housing tax credits are used or where foreclosure, bankruptcy, or default occurs; and ensure a tenant’s right to continued occupancy under the second component.”
- The FY18 budget calls for a \$1 trillion infrastructure package with \$200 billion in federal spending; however, it is unclear if housing will be included in this package.
- The budget requests to eliminate funding for the following programs:
 - National Housing Trust Fund
 - Choice Neighborhoods
 - U.S. Interagency Council on Homelessness
 - Neighborhood Reinvestment Corporation (NeighborWorks America)
 - Legal Services Corporation (Legal Aid)
 - Community Development Financial Institutions (CDFI) Fund grants
 - Low Income Home Energy Assistance Program (LIHEAP)
 - Community Services Block Grants (CSBG) at the Department of Health and Human Services
 - Weatherization Assistance Program (WAP) at the Department of Energy.

Appropriations for USDA Rural Housing Programs

Similar to HUD’s budget, the [USDA-RHS FY18 budget](#) is requesting significant funding cuts for rural housing programs.

Rural Development Housing Programs (\$ in millions)	FY18 Request	FY 2017 Omnibus Bill	FY 2016 Enacted
Section 521 Rental Assistance	\$1,345	\$1,405	\$1,389
Section 515 Rental Housing Direct Loans	0	\$35	\$28.398
Multifamily Revitalization	0	\$41	\$37
Preservation Demonstration	0	[\$22]	[\$22]
Section 542 Rural Housing Vouchers	\$20	[\$19]	[\$15]

Section 538 Loan Gurantee	\$250	\$230	\$150
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Section 521, Section 538, and Section Rural Housing Vouchers

USDA-RHS FY18 budget requests \$1.345 billion for the Section 521 Rental Assistance (RA) program, \$20 million for the Section 542 Rural Housing Vouchers, and \$250 million for the Section 538 Loan Guarantee for rental housing production. NAHMA is concerned that this will not be enough RA to renew all existing assistance contracts and will advocate to Congress to ensure adequate funding is provided.

Section 515 and the Multifamily Revitalization Program (MPR)

The [RHS FY18 budget](#) requests to defund or eliminate all rural housing direct loan programs and housing preservation grants, which includes the MPR rental preservation program. NAHMA opposes the elimination of both the Section 515 Rental Housing Direct Loans and MPR program and will advocate to Congress for their continued funding.

Conclusion and Next Steps for Fiscal Year 2018

NAHMA strongly opposes the drastic cuts to federal affordable housing programs. In addition, we strongly oppose cuts to programs, like HOME and Section 515 program, which support the preservation and development of affordable housing. NAHMA will continue to work with Congress to ensure the requested cuts are not implemented and full funding for all federal rental assistance programs is provided. NAHMA members must take action and advocate, as well.

NAHMA will issue a Grassroots Alert in the near future on how members can get involved. In the meantime please view the recent [Grassroots Action Toolkit](#) to help preserve funding for affordable housing and learn how members can advocate today.