

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

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### FY 2006 Appropriations for Affordable Housing Programs

#### Effective Date or Deadline

President Bush signed the FY 2006 Agriculture Appropriations bill (HR 2744) into law on November 10, 2005 as PL 109-97. The FY 06 Transportation, Treasury, HUD appropriations bill (HR 3058) was signed into law as PL 109-115 on November 30, 2005.

#### Summary

Funding for key affordable multifamily housing program accounts is summarized below. Figures are rounded.

#### Key HUD Appropriations Accounts

#### **FY 2006 Tenant-Based Rental Assistance Appropriation: \$15.574 billion**

House: \$15.631 billion

Senate: \$15.636 billion

Budget Request: \$15.845 billion

FY 2005 Appropriation: \$14.767 billion

#### **Within this account, money is to be distributed as follows:**

- Voucher Renewals: \$14.090 billion
- Tenant Protection Vouchers: \$180 million
- Administrative Costs: \$1.250 billion
- Administrative Fees: \$1.240 billion
- Family Self-Sufficiency Coordinators: \$48 million
- Working Capital Fund: \$5.9 billion

The appropriators increased funds for voucher renewals by \$735 million, “to restore the reduction mandated last year and fund anticipated increases in the costs.” However, the conference report makes it clear that the tenant based Section 8 account is expected to be a fixed, annual budget that PHAs must live

within. HUD is prohibited from using recaptures “from any source or any project-based carryover to augment total 2006 funding for this account.” HUD is permitted to adjust for first-time renewals of tenant protection and HOPE VI vouchers. Also, \$45 million is available “to adjust the baseline amount for PHAs that for anomalous reasons, or unforeseen circumstances, were significantly under leased at the time the baseline was set.” HUD was directed to fund the PHAs,

“...based on the amounts PHAs would have received in fiscal year 2005 before any pro rata reductions, and adjusted for the 2005 AAF and the 2006 AAF for each PHA, plus the estimated number of first time renewals of vouchers that will enter the Tenant Based Rental Assistance Account from other forms of assistance. The conferees direct HUD, to the extent necessary, to pro rate each public housing agency's budget to stay within the amount appropriated.”

### **FY 2006 Project-Based Rental Assistance Appropriation: \$5.088 billion**

House: \$5.088 billion

Senate: \$5.072 billion

Budget Request for FY 2006: \$5.072 billion

FY 2005 Appropriation: \$5.298 billion

#### **Total funding for project-based assistance will be distributed as follows:**

- Contract Renewals: \$4.940 billion
- Contract Administrators: \$147 million
- Working Capital Fund: \$1.4 million

The conference report authorizes HUD to use the contract administration funds “for the inspection and administration of units funded through elderly and disabled, section 236, rent supplement and rental assistance programs and the section 202 loan programs.” Also, it is assumed that the funding plus recaptures will be sufficient to fully fund contract amendments.

### **FY 2006 Section 202 Housing for the Elderly: \$742 million**

House: \$741 million

Senate: \$742 million

Budget Request: \$741 million

FY 2005 Appropriation: \$741 million

#### **Total funding for Section 202 in FY 2006 is allocated accordingly:**

- \$641.2 million for new capital and PRAC contracts, amendments, contract renewals for up to one year terms and for supportive services;
- \$51.6 million for service coordinators and the continuation of congregate services grants;
- Up to \$24.8 million for assisted living conversion grants and emergency capital repairs;
- \$4 million for a demonstration project to determine the efficacy of implementing Section 203 of Public Law 108-186;
- \$20 million for competitive grants for planning, design and development activities for section 202 projects;
- \$400,000 for transfer to the Working Capital Fund for information technology activities as proposed by the House instead of \$450,000 as proposed by the Senate.

**FY 2006 Section 811 Housing for the Disabled Appropriation: \$239 million**

House: \$238.1 million

Senate: \$240 million

Budget Request: \$119.9 million, no new construction

FY 2005 Appropriation: \$238 million

**Total funding for Section 811 is allocated as follows:**

- \$155.7 million for new capital grants and PRAC;
- \$78.3 million for amendment and one-year renewal costs of Section 811 rental assistance; and
- \$5 million cap on funds for incremental vouchers.

The conference report calls on HUD once again to issue program guidance for the Section 811 mainstream voucher program. Language is also included permitting the use of funds for Real Estate Assessment Center (REAC) inspections.

**FY 2006 HOME Appropriation: \$1.775 billion (total); \$1.750 billion (formula grants)**

House: \$1.9 billion (total); \$1.850 billion (formula grant)

Senate: \$1.9 billion (total); \$1.850 billion (formula grant)

Budget Request: \$1.941 billion (total); \$1.741 billion (formula grant)

FY 2005 Appropriation: \$1.9 billion (total); \$1.788 billion (estimated formula grant)

Downpayment assistance for low-income families is funded at \$25 million.

**FY 2006 CDBG Appropriation: \$4.220 billion (total); \$3.748 billion (formula grant)**

House: \$4.243 billion (total); \$3.877 billion (formula grant)

Senate: \$4.324 billion (total); \$3.767 billion (formula grant)

Budget Request: \$0, Consolidate Functions in Commerce Department, retain some set-asides at HUD

FY 2005 Appropriation: \$4.853 billion (total); \$4.110 billion (formula grant)

**Noteworthy Policy Riders**

Congress has directed HUD to analyze the funds each office used for conferences and related expenses in FY 2005. Of interest are travel costs, the dollar value of FTE utilization, and associated contractual or grant costs.

“Section 311 provides funding for continued project-based assistance for HUD-held or -owned projects subject to cost considerations and the physical condition of the properties.”

Section 313 allows Section 202 and 811 funds to be used for the cost of maintaining and disposing of these properties “that are acquired or otherwise become the responsibility of the Department.”

Section 316 mandates, “non-elderly disabled assistance shall continue for non-elderly disabled persons upon turnover to the extent practicable.”

Section 318 permits HUD to transfer project-based assistance, debt and use agreements from an obsolete or economically non-viable multifamily housing project to a viable multifamily housing project.

Conditions for the transfer include but are not limited to:

- HUD must determine the transfer is in the best interest of tenants;
- No additional costs or federal liability may be incurred; and
- The receiving project must have the same number of low income units and net federal assistance.

Section 324 is Senator Kit Bond’s equity skimming amendment. It revises section 421 of the Housing and Community Act of 1987 to clarify HUD’s authority to recover any assets or income of an FHA-insured multifamily project where those funds are used in violation of the project’s regulatory agreement. The amendment gives HUD authority to pursue owners retroactively. During Senate consideration of the amendment, Senator Bond explained,

“This provision is intended to ensure that HUD and the Federal Government can recover losses from owners of multifamily housing who have intentionally and fraudulently skimmed equity from an FHA-insured project for their own benefit. Without this technical correction, HUD ends up paying the lender the value of a defaulted FHA-insured mortgage that should have been paid off by the owner of a multihousing project out of rent receipts. Too often, the FHA or, more specifically, the pockets of the taxpayers of the United States fund the loss.”

Section 325 requires that Section 236 properties with interest reduction payments submit vouchers to HUD electronically within 90 days from the date the bill is enacted.

Section 327 is Senator Tom Harkin’s amendment to tighten eligibility of students—particularly students receiving athletic scholarships—for Section 8 housing. This provision prohibits Section 8 assistance to students who are under 24 years old, unmarried, non-veterans with no dependent children and who would not be individually eligible or have parents who would be eligible for this program. Additionally, any financial assistance (in excess of amounts received for tuition) must be counted as income in determining Section 8 eligibility, except for a person over the age of 23 who has dependent children.

### **Key RHS Accounts in the Agriculture Appropriations Bill**

#### **FY 2006 Section 515 Appropriation: \$100 million for repair, rehab, or new construction**

House: \$100 million

Senate: \$90 million

Budget Request: \$27 million, limited to repair and rehab purposes

FY 2005: \$100 million

#### **FY 2006 Section 521 Rental Assistance Appropriation: \$653.1 million**

House: \$650 million

Senate: \$653.1 million

Budget Request: \$650 million  
FY 2005: \$592 million

### **FY 2006 Section 538 Loan Guarantee Program Appropriation: \$100 million**

House: \$100 million  
Senate: \$100 million  
Budget Request: \$200 million  
FY 2005: \$100 million

### **Preservation**

It is worth noting the appropriators have given USDA-RHS a green light to begin a \$9 million loan restructuring preservation program for Section 515 properties. Uses of these preservation monies include reducing or eliminating interest, deferring loan payments, subordinating, reducing or reamortizing loan debt. Conferees intend that RHS revitalize and preserve the portfolio “consistent with recommendations provided in the Comprehensive Property Assessment report released by the Department in 2004.” Participating owners will be required to maintain the properties assisted as affordable for the longer of the remaining term of the original loan or the term of a restructured loan.

Also included in the bill is \$16 million for the rural housing voucher program. This program will be available to any low-income household (including those not receiving rental assistance) residing in a property financed with a section 515 loan which has been prepaid after September 30, 2005. The voucher will cover the difference between comparable market rent for the section 515 unit and the tenant paid rent for such unit. Conferees directed USDA “to the maximum extent practicable, [to] administer such vouchers with current regulations and administrative guidance applicable for section 8 housing vouchers administered by the Secretary of the Department of Housing and Urban Development (including the ability to pay administrative costs related to delivery of the voucher funds).” The Administration had requested \$214 million for Tenant Protection Vouchers in cases of pre-payment or opt-out of RHS programs.

### **Issues of Concern to NAHMA**

NAHMA’s major concern is that this bill includes real cuts to important housing programs such as project based Section 8, HOME and CDBG. For project based Section 8, appropriators seem to have accepted HUD’s rationale that less funding is necessary because of better budget forecasting and the availability of recaptures for contract amendments. HOME and CDBG seem to be casualties of the times.

Secondly, where funding is not cut outright, it is not increased enough to keep pace with the demand for affordable housing. Housing Choice Vouchers, Section 202 and Section 811 are examples of this situation. Voucher funds are basically funded at FY 05 levels with adjustments for inflation, enhanced and HOPE VI vouchers. Although the baby boomers are on the verge of retirement, elderly housing received only a million dollars above last year, and increasing line item expenses within the account are decreasing the money available for new construction. And while the “visitability” concept in new construction seems to be gaining momentum (the idea that buildings should be constructed in a way that allows disabled persons to visit friends, neighbors and relatives), Section 811 funds are virtually static.

HUD is required to rescind \$2.050 billion from unobligated balances and recaptures from previous-year appropriations by September 30, 2006. HUD was further directed “to rescind funds provided to Section 8 [tenant-based and project-based] programs in prior years to the maximum extent possible.”

Even though the HUD and USDA bills have already been signed into law, more cuts to federal housing programs may be on the way. There is a strong possibility that Congress will attach another one or two percent across-the-board spending cut to one of the last appropriations bills. NAHMA has joined with numerous colleagues in sending an industry letter in opposition to the House and Senate leadership, members of the House and Senate appropriations committees and members of the Senate Banking and House Financial Services Committees.

### **Positive Aspects of This Policy/Proposal**

NAHMA is pleased that the Agriculture Appropriations bill includes preservation options for Section 515 properties. The importance of preserving this portfolio has been a key advocacy issue we raised repeatedly with RHS and Congress.

We also commend Congress for rejecting the budget proposal that would have prohibited construction of new Section 515 and Section 811 multifamily housing and would have zeroed out CDBG.

With the adoption of the Harkin student eligibility amendment, NAHMA will push for a single student eligibility standard for all affordable housing programs, including the LIHTC.

### **NAHMA’s position**

NAHMA strongly opposes cuts to federal affordable housing programs. We believe these cuts are not only unfortunate, but are also unnecessary. Now more than ever, we must speak with a unified voice about the importance of federal housing assistance.