

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

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NAHMA Analysis 2010-0712

HUD FY 2010-2015 Strategic Plan

Background

In November 2009, HUD staff invited industry members to participate in a discussion on potential priorities to include in HUD's Strategic Plan for FY 2010-2015. Both NAHMA staff and NAHMA members were able to provide input on HUD's strategic plan at a variety of meetings across the nation.

During these meetings, NAHMA suggested that HUD focus on:

- Providing timely, stable funding to operate and preserve HUD's multifamily portfolio
 - In order to restore industry stakeholders' confidence in HUD;
- Resolving regulatory conflicts between HUD and other affordable housing programs
 - Which will allow its programs to be used more effectively with other federal, state and local housing programs and
 - Create mixed-income and mixed financing communities; and
- Ensuring transparency in HUD's policy development and procedures.

Summary

Early last month, HUD released its formal Strategic Plan for FY 2010-2015. Under this strategic plan, HUD's mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. To meet this mission, HUD has developed five goals under its FY 2010-2015 Strategic Plan:

- Goal 1: Strengthen the Nation's Housing Market To Bolster the Economy and Protect Consumers;
- Goal 2: Meet the Need for Quality Affordable Rental Homes;
- Goal 3: Utilize Housing as a Platform for Improving Quality of Life;
- Goal 4: Build Inclusive and Sustainable Communities Free From Discrimination; and
- Goal 5: Transform the Way HUD Does Business.

NAHMA's strategic plan suggestions and several of our recommendations from NAHMA's top ten regulatory priorities for 2009 have been included in HUD's FY 2010-2015 Strategic Plan; however, not all of them were incorporated in the form we envisioned. For example, we do not agree with the approach HUD has proposed to streamline their existing rental assistance programs in PETRA.

HUD FY 2010-2015 Strategic Plan Details

Goal 1

Goal 1 is strengthening the nation's housing market to bolster the economy and protect consumers. HUD has divided this goal into four sub-goals: reducing the foreclosure rate; protecting and educating homebuyers and homeowners; promoting sustainable homeownership; and creating a sustainable housing finance system for the future. HUD seeks to do this by assisting 3 million homeowners at risk of foreclosure, restoring FHA's capital reserve ratio to 2 percent by 2014, and reducing residential vacancy rates in Neighborhood Stabilization Program (NSP) investment areas. To that end, the administration is seeking out new partners in NSP. They also would like to expand the regional scope of NSP. Finally, HUD is working on a number of technological and organizational changes within the FHA to reduce foreclosure risk. This goal does not directly affect multifamily housing programs.

Goal 2

Goal 2 seeks to meet the need for quality affordable rental homes nationwide. These sub-goals will help reduce the number of households with worst case housing needs, preserve existing housing, increase the number of affordable homes, and improve the quality and availability of housing. Multifamily programs that fall within this goal include Project-Based Section 8, Section 202, Section 811, HOME, CDBG, FHA multifamily housing, the Housing Trust Fund, Hope VI, public housing, Tenant-Based rental assistance, and Choice Neighborhoods.

Sub-goal 2A focuses on ending homelessness and reducing the number of families and individuals with severe housing needs. In order to achieve this sub-goal, HUD wants to provide additional rental housing subsidies and expand rental assistance by working with state and local governments. Furthermore, HUD aims to increase service-enriched housing, as well as improve access to HUD assisted housing by eliminating administrative barriers and encouraging the prioritization of households at most risk of homelessness.

Expanding the supply of affordable rental housing where it is most needed is the emphasis of sub-goal 2B. HUD wants to provide and help leverage additional capital to support the construction, rehabilitation, and acquisition of affordable housing. This goal, however, seems contrary to their FY 2011 budget proposal to eliminate new construction funding for the Section 202 and Section 811 programs. HUD's main method to achieve this goal is their Transforming Rental Assistance (TRA) initiative from the FY 2011 budget request. HUD has drafted legislation to implement TRA called the Preservation, Enhancement, and Transforming Rental Assistance Act (PETRA). TRA would streamline policies across rental assistance programs and would start the voluntary conversion of public housing, Rent Supp, RAP, and Mod Rehab

programs to a hybrid program that would provide both project-based assistance to properties while giving tenants vouchers to facilitate their mobility.

Under sub-goal 2B, HUD plans to develop measures and programs to allow them to target their programs to housing markets with the greatest unmet affordable housing needs. This would also include communities where HUD is providing assistance for housing-related investments, such as transit-oriented developments. Sub-goal 2B also seeks to reform the project-based voucher program by allocating vouchers to the areas with the greatest housing needs.

Finally, within sub-goal 2B, HUD is planning to work on streamlining and coordinating HUD's policies and practices with those of the Department of Treasury, specifically surrounding the low-income housing tax credit (LIHTC) program. NAHMA has been requesting improved coordination on policies and practices between HUD and other agencies providing affordable housing programs for the last several years.

Sub-goal 2C focuses on preserving the affordability and improving the quality of affordable rental homes. The first provision of this sub-goal is providing reliable and adequate contract renewal funding for all HUD programs that provide ongoing operating or rental assistance. This was one of NAHMA's specific requests in our strategic plan recommendations and our HUD policy priorities.

Sub-goal 2C also incorporates a provision from sub-goal 2B, including using TRA to leverage capital to preserve and improve HUD-assisted properties. HUD would also encourage preservation of affordable housing in communities where HUD is providing assistance for housing-related investments, such as transit-oriented developments, within this section. HUD would also work to develop inter-agency partnerships with USDA and Treasury to help preserve federal investments in affordable housing, another NAHMA strategic plan suggestion and HUD policy priority.

Furthermore, sub-goal 2C would also focus on expanding access to capital and mitigating risk for small- and mid-sized multifamily property acquisition and rehabilitation.

Sub-goal 2D discusses HUD's initiative to expand resident choice, much of which is contained in HUD's draft PETRA legislation. HUD believes that TRA would reform project-based subsidies to allow for resident mobility and promote better location outcomes in the housing choice voucher program and promote regional administration of HUD assistance. Under this sub-goal, HUD also aims to create more mixed income communities by modifying underwriting policies and rental capital programs, as well as regional planning and affirmatively furthering fair housing. HUD also wants to develop, target, and deliver technically assistance for increasing affordability in areas experiencing increased rental costs due to development. Finally, HUD would work to remove local barriers to the expansion of the supply of multifamily homes in strong, safe and health communities through incentives to state and local governments under this sub-goal.

Goal 3

Goal 3 works to utilize housing as a platform to improve the quality of life. Its sub-goals focus on using HUD assistance to improve: educational and health outcomes, economic security and self-sufficiency, supportive services for vulnerable populations, and public safety. Multifamily programs that fall within this goal include Section 202, Section 811, service coordinators, Hope VI, public housing, Tenant-Based rental assistance, and Choice Neighborhoods.

Sub-goal 3B would require managers and owners to change their practices to protect resident health, i.e. no smoking in or near buildings, greener pest management and cleaning practices, etc.

Sub-goal 3D, which seeks to utilize HUD assistance to improve supportive services for vulnerable populations, including the elderly and disabled, seems to be part of HUD's FY 2011 budget initiative to reform the Section 202 and 811 programs. Under their FY 2011 proposal, HUD said it would work with HHS to improve the delivery of services to the Section 202 and 811 residents. Furthermore, some of the sub-goals of goal 3 would require the participation of housing owners and managers. Many of goal 3's sub-goals seek to increase resident internet access. To that end, HUD has partners with the FCC to develop best practices to reduce the cost of providing internet services to residents.

Sub-goal 3E would encourage owners and managers to use incentives to promote safety awareness and crime prevention programs. This sub-goal would also strive to maintain or improve the physical environment of HUD-assisted properties by focusing on safety and crime prevention, as well as improve coordination with properties and law enforcement agencies to prevent and reduce crime. HUD plans to provide more accurate data to create cost-efficiencies within its programs. HUD plans to recycle the savings to meet goal 3's sub-goals.

Goal 4

Goal 4 aims to build inclusive and sustainable communities free from discrimination. The goal is divided into five sub-goals: improving economic development and job opportunities; promoting energy efficient and location efficient communities; ensuring open, diverse, and equitable communities; facilitating disaster preparedness and response; and building the local, state, and regional capacity of public and private organizations. Multifamily programs that fall within this goal include Project-Based Section 8, Section 202, Section 811, HOME, CDBG, FHA multifamily housing, Hope VI, public housing, Tenant-Based rental assistance, and Choice Neighborhoods.

HUD seeks to reduce the percentage of a household's income spent on housing and transportation, complete cost effective energy and green retrofits of 159,000 HUD-supported residential buildings by the end of 2011, assist a larger number of low-poverty and racially diverse communities, and improve the quality of housing and community opportunities to HUD residents. HUD also wants to increase the number of units available in disaster areas affected by Hurricanes Katrina and Rita.

In sub-goal 4B—promoting energy efficient building and location-efficient communities—HUD seeks to reduce energy consumption and incorporate green building practices, as well as sustainability principals, in the design, construction, rehabilitation, and operation of HUD-

supported affordable housing. HUD has received \$25 million in the FY 2010 appropriations to create a multifamily pilot program that focuses on energy efficiency innovation.

Elements of sub-goal 4C focus on promoting design and construction of buildings and communities that are special needs friendly.

Sub-goal 4D emphasizes the creation of climate and disaster resilient buildings and communities, improving the delivery of post-disaster relief, and reducing losses to entities in high risk areas for re-occurring disasters. HUD has been working with the Long-Term Disaster Recovery Working Group, which NAHMA is a part of, to improve federal support in disaster-prone areas and after disasters occur.

Sub-goal 4E strives to build the capacity of HUD's partners to help them implement HUD's programs and participate in the decision-making and planning processes. This sub-goal would also seek to disseminate best-practices and increase knowledge and data within the industry, and well as focus on local and regional community development planning.

Goal 5

Goal 5 looks to transform the way HUD does business. The goal seeks to improve the quality of employee skills, increase the quality of employees recruited for the future, and change the culture of the organization. This goal affects the Department's industry partners, including those providing HUD subsidized multifamily rental housing.

Sub-goal 5B focuses on improving results by creating a customer centered, place based, collaborative, and responsive organization that is responsive to employees and stakeholders. To meet this sub-goal, HUD is planning on incorporating more field, regional, and stakeholder feedback into their policy decisions and implementation strategies. HUD also plans to create tracking and reporting tools to hold their employees accountable to their commitments regarding mission accomplishment, customer satisfaction, employee engagement, cost-effectiveness, and cross-program collaboration. The Department also plans to develop processes to analyze performance data and guide problem solving and decision making within the organization, as well as enhance performance evaluations and create a new rewards structure. One of its signature initiatives under this goal is to ensure place based decision making which will delegate more authority within HUD headquarters and the field offices for decentralized decision making. This decentralization is intended to improve response time and consistency to meet HUD's customers' needs.

Sub-goal 5C works to reduce the bureaucratic red tape and improve openness, responsiveness, and transparency at HUD. The sub-goal calls on HUD to simplify its internal and external rules, regulations, and reporting requirements to make them more efficient and effective. This sub-goal also recommends refining the budget structure to improve spending flexibility. Finally, this sub-goal looks to increase transparency, encourage stakeholder engagement, and promote collaboration between HUD programs, agencies, and partners going forward. One of HUD's signature initiatives under this goal is to simplify HUD's rules and regulations to improve transparency and service delivery, while reducing the administrative burden on HUD staff and HUD's partners. The initiative would also solicit stakeholder input on the most

counterproductive rules and reporting requirements, which HUD would use to help simplify those regulations and requirements.

FY 2006-2011 Bush Administration Strategic Plan vs. FY 2010-2015 Obama Administration Strategic Plan

The FY 2010-2015 Strategic Plan by the Obama Administration represents a significant shift in policy from the Bush Administration's FY 2006-2011 Strategic Plan. The Bush Administration's mission focused on increasing homeownership, advancing community development, and increasing access to affordable housing free from discrimination. The Obama Administration's mission is focused on creating communities and quality, affordable housing, regardless of home-ownership or renter status.

The main tenant of the FY 2006-2011 Strategic Plan revolved around increasing homeownership and helping HUD-assisted renters become homeowners. However, the FY 2010-2015 Strategic Plan focuses on creating educated and sustainable homeownership where owners understand the personal and financial commitments of owning a property and have the means to afford their properties for as long as they own their homes. It also seeks to reduce the high foreclosure rates caused by the housing crisis that began in 2008.

HUD under the Bush Administration focused on promoting decent affordable housing, which included promoting housing self-sufficiency for low-income individuals and increasing housing opportunities for special needs and the elderly. It also focused on improving the physical quality of the affordable housing stock and promoted reform of the public housing and housing choice voucher programs. HUD under the Obama Administration, however, has chosen to focus on meeting the need for affordable housing in the nation, which includes preserving existing housing, increasing the number of affordable housing units, and promoting resident choice. The Obama Administration's FY 2010-2015 Strategic Plan also emphasizes HUD's proposed Transforming Rental Assistance Initiative to help meet its goals, some of which are consistent with in the Bush Administration's plan or reforming the public housing and housing choice voucher programs.

The FY 2006-2011 Strategic Plan sought to strengthen communities through assisting GO Zone disaster recovery, expanding economic opportunities to improve community sustainability, improving physical conditions of communities and quality of life, and ending homelessness by moving the homeless to permanent housing. The FY 2010-2015 Strategic Plan, rather, seeks to use housing to improve the quality of life in communities by improving educational and health outcomes, as well as increasing supportive services and improving public safety. The current strategic plan does continue HUD's focus on past goals, which include improving economic security and self-sufficiency, facilitating disaster preparedness, and ending homelessness.

Both strategic plans emphasize ensuring equal opportunity in housing and ending discrimination. The Obama Administration's Strategic Plan, however, does include a facet to improve energy-efficiency within its federally assisted housing portfolio.

Both strategic plans also focus on building program and personnel capacity within HUD. They seek to improve the human capital of the organization and improve internal control to help

resolve organizational conflicts. Other common goals included increased accountability, improved service delivery, and better customer service within the organization. The Bush Administration proposed improved technology to help achieve their goals, while the Obama Administration focused on improving results, increasing transparency, and changing the bureaucratic culture in HUD.

Finally, both strategic plans look to increase participation in HUD programs by organizations. However, the Obama Administration opens it to both public and private organizations at the local, state, and regional levels, while the Bush Administration's FY 2006-2011 Strategic Plan focuses on solely on faith-based and community organizations.

Positive Aspects

NAHMA is pleased to see the Obama Administration has recognized that home-ownership may not be an option for many Americans and has shifted HUD's focus to providing affordable, sustainable housing for owners and renters, a very different approach from the Bush Administration. We are glad to see HUD is giving affordable housing the focus it deserves.

We are also pleased that HUD has incorporated NAHMA's major strategic plan requests and several of our public policy recommendations in its FY 2010-2015 Strategic Plan.

NAHMA's recommendations were included in sub-goals 2B and 2C of goal 2, meeting the need for quality affordable rental homes. Sub-goal 2B—expanding the supply of affordable rental homes where they are most needed—incorporated NAHMA's suggestion to streamline and coordinate the policies and practices of HUD's programs with the LIHTC program within Treasury. Sub-goal 2C—preserving the affordability and improve the quality of federally-assisted and private-unassisted affordable rental homes—included NAHMA's recommendation for timely, stable funding to operate and preserve HUD's multifamily portfolio. Sub-goal 2C also included NAHMA's regulatory priority recommendation for HUD to develop interagency partnerships with Treasury and USDA to help preserve federal investments in affordable rental homes. Sub-goals 2B & 2C also included NAHMA's regulatory priority recommendation that HUD work on ways to preserve its existing affordable housing portfolio.

NAHMA's recommendation to focus on transparency in the HUD bureaucracy was included in goals 4 and 5. Sub-goal 4E seeks to build the capacity of HUD's partners to help them implement HUD's programs and participate in the decision-making and planning processes. Sub-goal 5B includes a provision that would incorporate HUD staff and customer input into policy decisions and implementation strategies. Sub-goal 5C focuses on increasing transparency, encouraging stakeholder engagement, and promoting collaboration in accordance with HUD's Open Government Plan. Furthermore, sub-goal 5C also meets one of NAHMA's regulatory priority requests to simplify HUD's internal and external rules, regulations, and reporting requirements to make them more efficient, effective, and focused on essential information HUD needs.

NAHMA Concerns

As part of HUD's goals in its strategic plan for FY 2010-2015, the agency is also recommending the enactment of its Transforming Rental Assistance (TRA) initiative through the draft PETRA legislation. While we support the goals of streamlining rental assistance delivery, NAHMA currently opposes the draft legislation as written. PETRA's language is too vague and gives HUD the authority to make far-reaching decisions that could destabilize existing programs that work well, like project-based Section 8. Furthermore, it does not include any incentives for project-based Section 8 properties to convert to the new assistance and offers no achievable efficiencies through the conversion.

While we are intrigued by the green building and energy efficiency movement in both HUD and Congress, we do worry that these proposals may lead to unfunded mandates on affordable housing owners and agents. NAHMA will continue to work with both HUD and Congress to ensure any green or energy efficient changes for properties are voluntary, incentivized, and/or paid for by the government.

NAHMA supports the strengthening of supportive services for vulnerable populations; however, we are disappointed that HUD has not addressed the growing need for the Section 202 and 811 *units*. The elderly and special needs populations' demand for affordable housing is growing at a quick rate. HUD will be unable to meet the housing needs of these populations unless it begins requesting adequate new construction funding in future budgets to help construct desperately needed new units.

Although NAHMA supports the intentions behind the consolidation and streamlining of HUD programs. HUD's current proposals—TRA and PETRA—give us pause over HUD's approach. We are concerned that HUD is extremely depended on these proposals to achieve several of the FY 2010-2015 strategic goals. The Department is relying on a controversial proposal as the lynch pin of their strategic plan, even though PETRA has met with great skepticism from Congress, the public housing and multifamily communities, and the tenants' organizations. While proposals like TRA may be well-intentioned, there is the potential for negative impacts on the affordable housing industry that far outweigh any benefit.

Furthermore, we worry that refining the budget structure may lead to the reduction or elimination of item spending for programs. HUD has already attempted to consolidate line-item funding for limited English proficiency (LEP) assistance in the FY 2009 and 2010 budget requests. Reducing or eliminating line item spending decreases the resources available to a number of programs and services, like LEP, that may not otherwise be given high priority by the agency, lessening their effectiveness or eliminating the service.

NAHMA's Position

NAHMA is pleased to see that its top suggestions and several of our recommendations from NAHMA's top ten regulatory priorities for 2009 have been included in HUD's FY 2010-2015 Strategic Plan. These priorities will help HUD to focus on the largest problems plaguing the multifamily affordable housing portfolio. We look forward to working with HUD over the next five years to achieve these important goals.

While NAHMA supports the goals behind TRA and its draft PETRA legislation, we oppose the initiative and legislation as currently conceived. We are extremely concerned by the manner in which HUD has been pushing this proposal forward in the recent months. There are too many questions regarding the actual operation of the program. Furthermore, we fear giving HUD the ability to expand the conversion program to other federally assisted programs like Section 8 could destabilize their operation in the market place. We strongly urge HUD to focus on recapitalizing public housing in consultation with its PHA industry partners. Likewise, we request that HUD supports preserving the RAP, Rent Supp, and Mod Rehab units by allowing them to convert to the current Project-Based Section 8 program.