



# Worth Fighting For:

## Preserving Our Nation's Affordable Housing Infrastructure

**Decent, safe and affordable housing is:**

- An important part of our nation's **infrastructure**.
- A 75-year **investment** in federal funding.
- **Home** to 6,871,951 people in 3,077,432 public housing and Section 8 units.

Our nation's affordable housing inventory: an **irreplaceable** resource that must be **preserved!**

Affordable housing in quality communities continues to be a bridge too far for many American families, seniors and the disabled. According to HUD's own worst case needs report, over 5 million currently unassisted households face severe rent burdens with housing costs above 50% of reported income. On any given night, an estimated 745,000 men, women and children are homeless in America. At the same time, our nation's infrastructure—housing being a vital part of that infrastructure—is also in need of repair. Our nation's ability to support the development and redevelopment of our communities has been set back by diminished federal support.

The administration's budget for fiscal year (FY) 2009 proposes deep cuts in the Department of Housing and Urban Development's affordable housing and community development programs. Many of these reductions would follow on the heels of dramatic cuts in recent years. For example, the President's budget would:

- ❖ *Underfund the Public Housing Operating Fund by \$1 billion*
- ❖ *Cut the Public Housing Capital Fund by 17 percent*
- ❖ *Eliminate HOPE VI*
- ❖ *Fund Housing Choice Vouchers at levels insufficient to cover inflation*
- ❖ *Reduce Community Development Block Grant funding by 18 percent*
- ❖ *Eliminate key economic development programs*

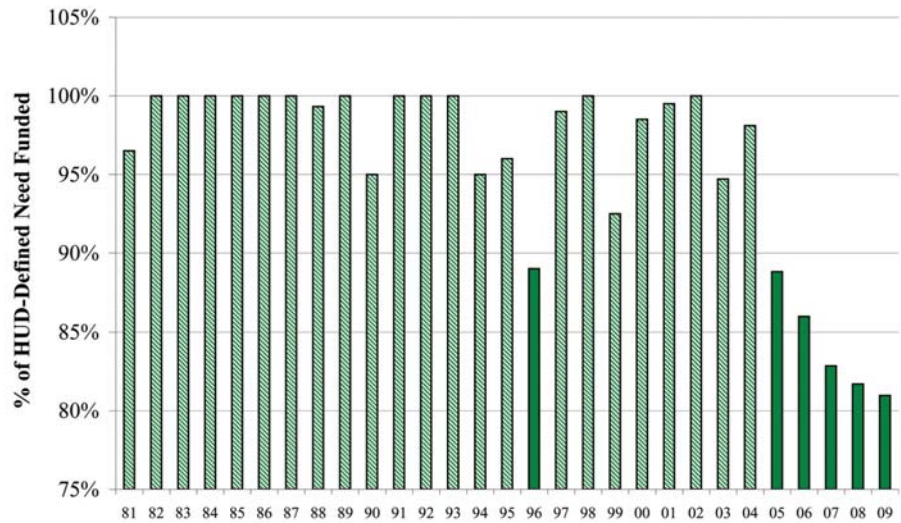
In short, NAHRO believes that the administration's FY 2009 budget request, if adopted, would continue a pattern of large scale disinvestment in our nation's irreplaceable inventory of affordable housing and would undermine efforts to sustain vibrant communities by cutting or eliminating programs to revitalize our nation's community infrastructure.

# PUBLIC HOUSING OPERATING FUND

Local public housing agencies own and operate approximately 1,200,000 units of federally subsidized public housing. Public housing serves families, elderly and disabled persons who are among the nation's poorest. HUD administers operating subsidy provided under the public housing Operating Fund, which is provided to bridge the gap between public housing rents, which are limited by law, and operating expenses.

For several years, HUD's requests, and the amounts actually appropriated, for public housing have been alarmingly insufficient. For FY 2009, for example, HUD has requested \$4.3 billion in operating subsidy, even though its own formula for determining need indicates that more than \$5.3 billion is needed – a shortfall of more than \$1 billion.

## Public Housing Operating Fund in Historic Decline Operating Fund Prorations, FY 1981 - FY 2009



Note: The Proration is the percentage of HUD-defined Operating Fund needs covered by available appropriations.  
Source: HUD Operating Fund data. Fiscal Year 2009 = President's budget; all others enacted.

## Asset Management

Public housing is on the verge of major change under HUD's Asset Management initiative. Under asset management, agencies will manage public housing operations at the property level, rather than portfolio-wide. Unfortunately, HUD's guidelines for implementing this initiative have exceeded the basic asset management principles used by private sector owners and become overly-prescriptive and harmful to many agencies, especially smaller agencies. NAHRO supports comprehensive legislative efforts to improve HUD's implementation of asset management.

To provide immediate relief from some of the most imminent threats to housing operations from HUD's implementation, Congress enacted two commonsense provisions in the FY 2008 THUD appropriations act: Sec. 225, which exempted agencies with 400 or fewer units of public housing from asset management, and Sec. 226, which maintained current law regarding agency uses of Capital Fund monies. HUD has thwarted the intent of Sec. 225 in two ways. First, it has interpreted the provision as terminating in FY 2008 even though such a short term implementation would introduce uncertainty that will prevent many agencies from pursuing exemption. Second, its implementation financially punishes agencies that seek to take advantage of the exemption by reducing their operating subsidy.

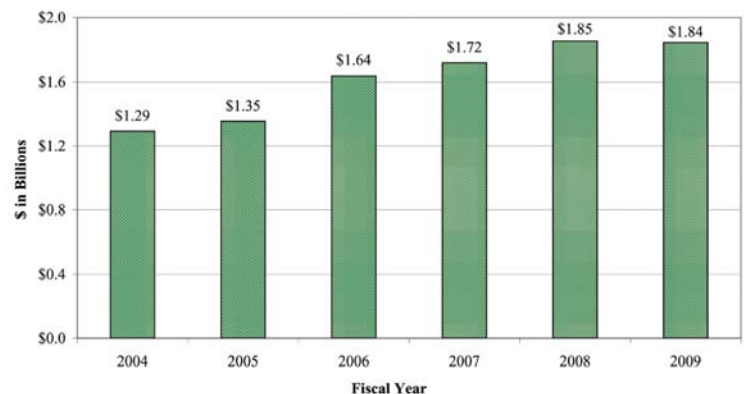
The FY 2009 THUD appropriations act should extend Sec. 225 permanently and prevent HUD from erecting financial barriers to use of the exemption.

## KEEPING THE LIGHTS ON

Like any other public or private property owner in America, public housing agencies have experienced sharp increases in utility costs in recent years. According to HUD estimates, total utility needs in public housing across the country jumped by *over half a billion dollars* from 2004 to 2008.

PHAs must pay their utility bills in order to provide safe, decent housing for families. As utility costs have risen, agencies have been left with fewer resources to pay for other aspects of their operations such as maintenance, security, employee health care, insurance and services to families. *In FY 2008, the operating fund covered just 71 percent of non-utility needs, threatening the quality of life and housing provided by local agencies.*

## Public Housing Utility Costs Grow Dramatically FY 2004 - FY 2009



FY 2008 and 2009 = HUD Estimates. Source: HUD Congressional Budget Justifications

# PUBLIC HOUSING CAPITAL INVESTMENT

## PUBLIC HOUSING CAPITAL FUND

Congress created the Public Housing Capital Fund to address public housing capital needs. These needs include repair and replacement of major building components such as roofs, elevators, kitchens and heating systems. Such activities are vitally important to the preservation of our critical, but aging, public housing infrastructure nationwide.

The most recent capital needs study estimated that public housing properties face an \$18 billion to \$20 billion backlog of capital needs, and that \$2 billion in new needs accrue each year. The President's budget proposes \$2.024 billion for the Capital Fund, a \$415 million (17 percent) decrease compared with the amount provided by Congress for FY 2008. This proposal is insufficient to keep up with annually accruing needs, let alone provide resources to address the substantial backlog of capital needs. Deferring major repairs is likely to lead to greater repair costs later or complete loss of scarce affordable housing resources.

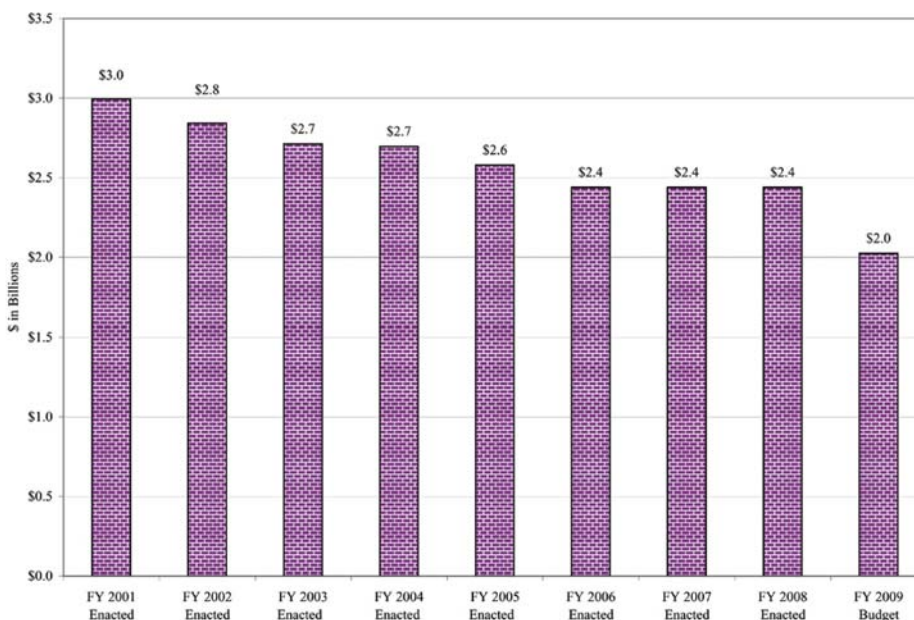
## HOPE VI

HOPE VI funding provides for the revitalization of the most distressed public housing communities. The infusion of federal HOPE VI funding permits PHAs to address capital and community needs on a comprehensive scale difficult to match through the slow accumulation of insufficient capital funds. HOPE VI funding also catalyzes neighborhood reinvestment. For the fifth consecutive year, the administration's budget proposes to eliminate the HOPE VI program. Congress should reject this recommendation.

## Who Lives in Public Housing?

- More than two million people are housed in nearly 1.2 million public housing units.
- 40 percent of public housing residents are children.
- 15 percent of public housing residents are age 62 or older.
- Over half of the families living in public housing are headed by seniors or people with disabilities.
- The average income for public housing families is \$12,720, less than one-third of the national average, including families that work.
- More than half of public housing families are considered "extremely low-income," meaning they earn less than 30 percent of Area Median Income.
- More than half of current families have been living in public housing five years or less. 23 percent have lived in public housing less than one year.

## Public Housing Capital Fund Eroding FY 2001 - FY 2009



THE PRESIDENT'S BUDGET  
FOR FY 2009 REQUESTS  
NEARLY \$800 MILLION  
LESS FOR PUBLIC HOUSING  
THAN CONGRESS  
PROVIDED FOR FY 2001

# HOUSING CHOICE VOUCHERS

The Housing Choice Voucher (HCV) program provides rental assistance to approximately 2 million low-income families. The flexibility of the HCV program's design has helped make it the optimal tool for meeting a wide variety of critical affordable housing needs. The congressionally-chartered Millennial Housing Commission final report stated that the housing voucher program is "flexible, cost-effective, and successful in its mission."

Despite the historical success of the HCV program, it faced real challenges from 2004 – 2007. Changes in the voucher funding and administrative fee formulas during this period have led to the loss of approximately 150,000 vouchers nationwide. In FY 2007, Congress began to reverse the loss through a combination of a revised funding formula based on the number of families assisted in each community and adequate funding. Funding to restore lost vouchers included both adequate new appropriations and access to funding reserves. In FY 2008, Congress further strengthened the voucher program by restoring the administrative fee funding formula to one based on the number of families in assistance.

PHAs have to date made substantial progress in restoring lost vouchers. In FY 2009, Congress must continue the path toward restoring the voucher program by giving local agencies the tools, incentives, and resources to rebuild their programs. This will consist of funding formulas based upon recent costs and leasing information, adequate new funds, maintenance of reserves to hedge against unforeseen circumstances, and adequate administrative funding to enable agencies to rebuild their local programs.

The administration's budget falls over \$1 billion short of the amount necessary to renew all housing vouchers in FY 2009. HUD's budget requests just \$14.161 billion in FY 2009 appropriated funds for rental housing assistance voucher renewals. NAHRO estimates that \$15.4 billion will be needed to support the voucher program in FY 2009. HUD's proposed underfunding would jeopardize housing assistance for thousands of families nationwide.

## SHORT-FUNDING PROJECT-BASED SECTION 8 CONTRACTS

In 2007, HUD discovered a shortfall in funding for contracts with property owners participating in the Section 8 project-based rental assistance program. In order to bring contract terms into line with available funds, the agency shortened contracts, which threatens the long-term participation of private sector owners. The administration's budget would provide \$7 billion for the Section 8 project-based program for FY 2009. In addition, the budget proposes a \$400 million advance appropriation, which would become available on Oct. 1, 2009, to bridge renewal funding into FY 2010. Recent estimates indicate that an additional \$2.8 billion will be necessary to fully fund renewals for a full twelve months. NAHRO believes that project-based contracts should be fully funded for the full term of the existing contract.

THE HOUSING VOUCHER PROGRAM IS "FLEXIBLE, COST-EFFECTIVE, AND SUCCESSFUL IN ITS MISSION."

-Millennial Housing Commission Final Report

## FOR THE WANT OF A NAIL: ADMINISTRATIVE FEE SHORTFALLS

Section 8 administrative fees are paid to PHAs for the costs and services necessary to operate the Housing Choice Voucher Program. These activities include: determinations of family eligibility and rent; fraud prevention; housing inspections; and counseling families to find appropriate housing;. Many agencies are being called upon to respond to families caught up in the foreclosure crisis. NAHRO estimates that \$1.7 billion is needed to provide adequate administrative funding to support the voucher program in FY 2009, while HUD's budget requests \$1.4 billion for Housing Choice Voucher administrative fees, which will not meet program needs. In 2008, PHAs could receive only 86 percent of the amounts of administrative funding needed to support the Sec. 8 rental housing assistance voucher program. The administrative shortfalls in 2008 and previous years have already lead to widespread staffing and funding shortages that undermine agencies' ability to connect families to housing resources.

**Unless addressed, this shortfall will undermine Congress' efforts to restore lost vouchers in 2009 and respond to the deepening foreclosure crisis.** For the want of an administrative nail, the battle to increase the number of families served is being lost.



# COMMUNITY & ECONOMIC DEVELOPMENT

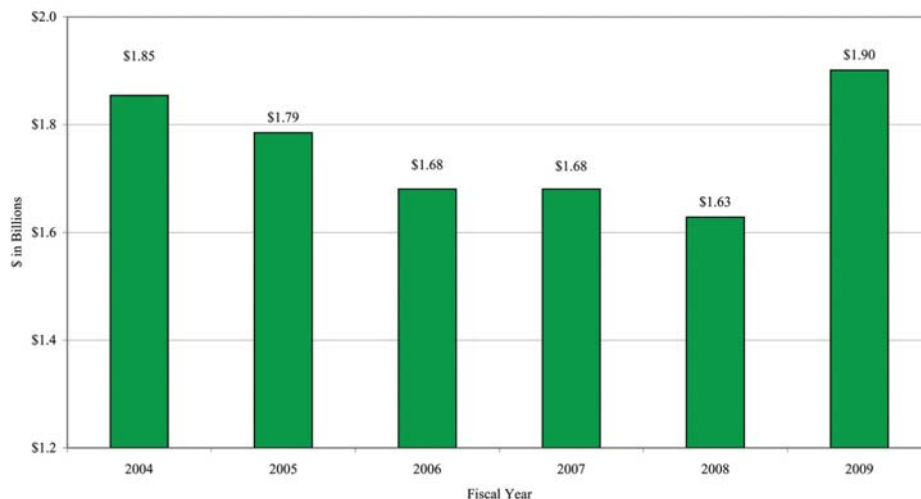
**Community Development Block Grant (CDBG) Program:** For more than 30 years, the CDBG program has successfully mobilized community resources to expand economic opportunity, strengthen local infrastructure, and improve the quality of life for low- and moderate-income families and individuals.

Despite CDBG's success, the administration has proposed to eliminate or greatly reduce CDBG funding in each year since 2005. Congress has rejected the worst of these proposals, but years of inadequate budget requests have taken their toll. CDBG formula funding for FY 2008 is 17 percent lower than in FY 2004. The President's FY 2009 budget proposes to reduce CDBG formula funding by \$659 million, an 18 percent reduction compared with FY 2008, and 32 percent below the amount provided in FY 2004. Congress should reject this request and take steps to restore CDBG formula funding to its pre-2005 funding path at \$4.5 billion.

## Consequences of CDBG Funding Cuts:

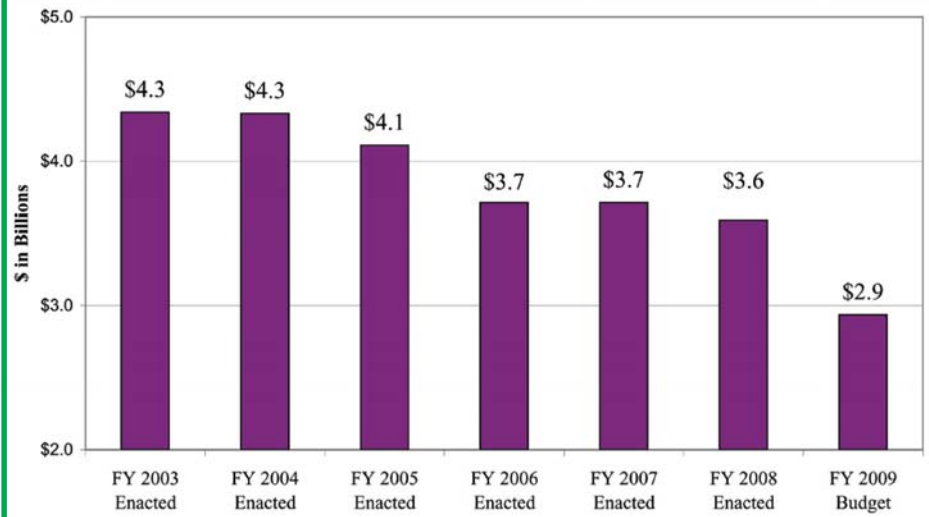
- 34,680 fewer jobs created or retained using CDBG funds in FY 2006 than in FY 2004
- 3,822 fewer households served through CDBG-funded direct homebuyer assistance activities
- 21,473 fewer individuals served through CDBG-funded services for battered and abused spouses

## FY 2009 Request Would Simply Restore Recent HOME Cuts



HOME formula funding, exclusive of set-asides. FY 2009 President's Request, all others enacted.

## Community Development Block Grants Cut Dramatically FY 2003 - FY 2009



Note: CDBG formula grants only. President's FY 2008 Budget proposes \$2.934 billion for CDBG formula grants, but assumes \$206 million of that amount would be funded through rescission of prior-year earmarks.

**Complementary Programs:** Congress should also fund all of the complementary programs within HUD's community and economic development toolkit. NAHRO supports continued funding for the Section 108 loan guarantee program, the Brownfields Economic Development Initiative (BEDI), and the Rural Housing and Economic Development (RHED) program.

**Homeless Assistance Programs:** NAHRO will also continue to support full funding for HUD homeless assistance programs.

**HOME Investment Partnerships (HOME) Program:** Because our nation is experiencing an affordable housing crisis, restoring HOME program formula funding—which

has declined by 12 percent since FY 2004—is critically important. The proven and effective HOME program empowers states and localities to design and implement affordable housing strategies to respond to locally-determined needs.

Despite HOME's wide support and record of success, formula funding fell by 12 percent from FY 2004 to FY 2008. The administration's budget proposes \$1.9 billion for HOME formula funds in FY 2009. This increase would restore funding to the nominal FY 2004 appropriation, but falls short of the \$2.3 billion necessary to adjust for inflation and restore purchasing power to the FY 2004 level. NAHRO recommends that Congress provide \$2 billion in HOME formula funds.

## NAHRO FY 2009 Funding Recommendations

Program (\$ in Millions)	'08 Enacted	'09 Proposed	NAHRO Recommendation <sup>a</sup>
Public Housing Operating Fund	\$4,200	\$4,300	\$5,300 <sup>b</sup>
Elderly & Disabled Service Coordinators	[\$15]	[\$16]	\$50
Public Housing Capital Fund	\$2,439	\$2,024	\$3,500
Resident Opportunity & Supportive Services	[\$40]	[\$38]	\$55
HOPE VI	\$100	\$0	\$800
Safety & Security	\$0	\$0	\$310
Tenant-Based Rental Assistance (Sec 8 Vouchers), Total	\$16,391 <sup>c</sup>	\$15,881 <sup>c</sup>	
Housing Asst. Payments	[\$14,695] <sup>c</sup>	[\$14,161] <sup>c</sup>	\$15,400 <sup>d</sup>
Admin Fees	[\$1,351]	[\$1,400]	\$1,700 <sup>d</sup>
FSS Coordinators	[\$49]	[\$48]	\$72
Tenant Protection Vouchers and Administration	[\$200]	[\$150]	Fully Fund
Project-Based Section 8	\$6,382	\$7,000	Fully Fund
Community Development Fund	\$3,866	\$3,000 <sup>e</sup>	
Community Development Block Grant formula grants	[\$3,593]	[\$2,934] <sup>e</sup>	\$4,500
Brownfields	\$10	\$0	\$25
Rural Housing/Econ. Dev.	\$17	\$0	\$25
Sec. 108 Loan Guarantees	\$5	\$0	\$7
HOME	\$1,704	\$1,967	
HOME Formula Grants	\$1,628	\$1,901	\$2,000
ADDI set-aside in HOME	[\$10]	[\$50]	
HOPWA	\$300	\$300	\$300
Homeless Assistance Grants	\$1,586	\$1,636	At least \$1,636 <sup>f</sup>
Affordable Housing Production			\$1 billion <sup>g</sup>

<sup>a</sup> NAHRO requests are for stand-alone programs only. Blank indicates no position.

<sup>b</sup> Reflects the administration's own estimate of need.

<sup>c</sup> TBRA figures displayed on a program-year basis, consistent with appropriations bill language. HUD documents display figures on a fiscal year basis, which blends program years.

<sup>d</sup> Renewal of existing and incremental vouchers based on 2007 calendar year voucher leasing and cost data through September 30, 2007, inflated by blended BLS Consumer Price Index, Urban (CPI-U), Rent of Primary Residence component. Assumes a 96% utilization rate. Admin fee based on current 6/1/2008 leasing estimates.

<sup>e</sup> The President's budget nominally requests \$3.0 billion for the CD Fund for FY 2009. However, it offsets this amount by presuming the cancellation of \$206 million in FY 2008 Economic Development Initiatives and other earmarks within the fund. The combination of the request and rescission results in a net FY 2008 appropriations request of just \$2.794 billion for the CD Fund.

<sup>f</sup> NAHRO's proposed funding level for Homeless Assistance Grants is for existing McKinney-Vento programs and does not include the administration's proposed \$50 million set-aside for the Samaritan Initiative.

<sup>g</sup> Affordable Housing Production should be derived from sources other than appropriations to the extent possible.

The National Association of Housing and Redevelopment Officials (NAHRO), established in 1933, is a membership organization of 21,000 housing and community development agencies and professionals throughout the United States whose mission is to create affordable housing and safe, viable communities that enhance the quality of life for all Americans, especially those of low- and moderate-income. NAHRO's membership administers more than 3 million housing units for 7.6 million people.