This booklet shares a sampling of housing and community development topics that the NAHRO Policy and Program Development team continues to review and analyze.

Additional Information on these and other important housing and community development topics is available on the NAHRO website at http://www.nahro.org/policy-program-team.
Affirmatively Furthering Fair Housing (AFFH) is a legal requirement that federal agencies and federal grantees further the purposes of the Fair Housing Act. This obligation to affirmatively further fair housing has been in the Fair Housing Act since 1968.

HUD’s AFFH Final Rule requires a comprehensive planning approach to help program participants take actions to overcome historic patterns of segregation, promote fair housing choice, and foster inclusive communities that are free from discrimination. This includes analyzing the local fair housing landscape and setting fair housing priorities and goals through the Assessment of Fair Housing (AFH) process, which replaces the Analysis of Impediments (AI). The rule identifies four fair housing issues that program participants will assess using local data and data provided by HUD:

- Patterns of integration and segregation;
- Racially or ethnically concentrated areas of poverty;
- Disparities in access to opportunity; and
- Disproportionate housing needs.

The AFH process begins with program participants identifying fair housing issues and related contributing factors in their jurisdiction and region. Program participants are required to set goals to overcome fair housing issues and related contributing factors. Those goals must inform subsequent housing and community development planning processes.

Program participants required to submit an AFH include grantees that complete a Consolidated Plan for HUD’s Community Planning and Development (CPD) block grant programs, and PHAs.

CPD grantees and PHAs may elect to submit an AFH alone or collaborate using one of the four different AFH Tools provided by HUD:

1. The State and Insular Area Tool
2. The Local Government Tool
3. The PHA Tool (for use by PHAs only)
4. The Qualified PHA Tool (HUD is currently drafting a stand-alone, streamlined tool that is for use by PHAs with 550 or less combined Public Housing and voucher units only).

Although NAHRO fully supports the principles that animate federal efforts to combat discrimination and affirmatively further fair housing for all people, this highly procedural rule adds significant administrative burden for PHAs and other HUD grantees while doing very little to actually promote fair housing outcomes. The tool does not take into account critical factors like resource availability and other program priorities. Instead, the AFH tool requires program participants to set fair housing goals based on a limited, and sometimes irrelevant, set of pre-determined factors, many of which are outside of the control of the program participants. This requires PHAs and community development organizations to set goals they must achieve with incomplete information and personal perceptions.

NAHRO is concerned that the tool and the AFFH final rule inappropriately prioritize planning priorities, increase administrative burden, force PHAs and states and local governments to perform analyses on issues outside the scope of their authority and expertise, and force PHAs and states and local governments to use complex and unwieldy data and processes.

Due to the staggered submission cycle of AFHs, there are only 22 local governments that are required to submit an AFH in 2016. NAHRO expects over 100 local governments will be required to submit an AFH in 2017. HUD has indicated that the State and PHA tools will be finalized towards the end of 2016.

**ADDITIONAL RESOURCES:**

- NAHRO’s AFFH Resource Page: http://www.nahro.org/AFFH
- HUD Exchange AFFH Page: https://www.hudexchange.info/programs/affh/
The Public Housing Capital Fund provides annual grants to PHAs for the development and modernization of public housing. The public housing inventory faces a mounting capital needs backlog, but Capital Fund appropriations continue to lag dangerously behind accruing modernization needs. At the same time, funding for operations has endured deep cuts, forcing PHAs to forego critical maintenance functions and further jeopardizing the long term sustainability of many properties. Each year, PHAs receive enough funding to address only about half of their newly occurring physical needs. Recent unfunded regulations from HUD have increased PHAs’ challenges in meeting the needs of their residents and properties.

This chronic underfunding has had a huge impact on the health and safety of residents who live in public housing. An additional investment in our nation’s public housing infrastructure specifically aimed at improving health and safety could have a major impact on the lives of the 1.2 million public housing households in America and would be an important first step in addressing the needs of these residents.

In order to restore the physical and financial health of public housing, NAHRO believes that public housing agencies (PHAs) should have access to a range of options from which to select the approach that best meets the needs of their properties and communities. For many PHAs, remaining within the public housing program is the most desirable course of action. Although the Rental Assistance Demonstration (RAD) is an avenue some PHAs have opted to pursue to perform capital upgrades, it is not a panacea and NAHRO remains concerned about HUD’s capacity to complete successful and streamlined RAD transactions.

The need for improved access to capital financing tools has not gone unnoticed by Congress. By adding Section 30 to the US Housing Act of 1937, the Quality Housing and Work Responsibility Act (QHWRA) provided PHAs with the tools required to access capital markets and begin to address these needs. Section 30 allows PHAs to mortgage or otherwise grant a security interest in any public housing project or other property of the public housing agency.

Unfortunately, HUD’s regulations regarding the use of Section 30 have greatly limited the ability of PHAs to utilize this funding stream. Currently, HUD prohibits the subordination of the “federal interest” (the Declaration of Trust) in public housing dwelling units. Allowing for the subordination of the Declaration of Trust would unlock the value of public housing properties so that PHAs could raise capital necessary for modernization projects. The nation’s public housing stock is currently in a precarious financial and physical situation, and the ability to leverage the asset value under Section 30 would be an important resource for addressing the backlog of capital needs and preserving public housing for future generations.
HUD has published its revision of the new administrative fee formula for the Housing Choice Voucher (HCV) Program. The formula revises a previous formula that was recommended by the Housing Choice Voucher Administrative Fee Study, which was published by HUD in the summer of 2015. This new revised formula and the study recommended formula were both created to replace the current administrative fee formula.

The study measured the cost of operating a high-performing HCV program and recommended a new formula for calculating and distributing administrative fees to public housing authorities (PHAs). The study found that the most significant factors determining administrative costs were program size and local wages. The study also determined that employee health insurance costs, the percentage of households with earned income, a PHA’s new admissions rates, the average rents in the areas where a PHA’s voucher participants live and the percentage of HCV households living more than 60 miles from the PHA’s headquarters were also major drivers of administrative costs. Together, these seven cost factors make up the study-proposed administrative fee formula.

After releasing the study-proposed formula, HUD solicited comments on how the formula could be improved. NAHRO, along with other interested stakeholders, provided comments, which HUD read and used to revise the study-recommended formula. In July of 2016, HUD released a new revised administrative fee formula. The new revised formula was composed of six variables, instead of seven variables.

The new revised formula would calculate administrative fees on the basis of the following variables:

1. Program size;
2. Wage rates;
3. Benefit load;
4. Percent of households with earned income;
5. New admissions rate; and
6. Percent of assisted households that live a significant distance from the PHA’s headquarters.

The PHA’s fees would be calculated yearly and then have a revised inflation factor applied to the calculated fee. HUD has made three major changes to the prior formula:

1. For PHAs in metropolitan areas, the wage index formula variable is based on the average local government wage rate for the PHA’s metropolitan Core Based Statistical Area (CBSA), rather than that average local government wage rate for all of the metropolitan counties in the PHA's state;
2. The health insurance cost index formula has been replaced with a new “benefit load” formula variable, which is designed to measure the variation in costs for all benefits that are paid for HCV employees, not just health insurance costs [In NAHRO’s comments we wrote the health insurance cost index metric does not “accurately (capture) all benefit costs” and recommended “(a) proxy that measures and takes into account these higher PHA costs”]; and
3. The small area rent ratio (SARR) variable has been removed from the proposed formula.

HUD has stated that they would like to finalize the administrative fee formula by the middle of 2017 and would like to implement it by 2018. Congress must give HUD the authority to implement the formula. NAHRO will continue to work with HUD to make sure the formula accurately measures HCV program costs.

ADDITIONAL RESOURCES:
NAHRO’s Section 8 Resource Center: http://www.nahro.org/Section8
FAIR MARKET RENTS

Fair Market Rents (FMRs) are used, among other things, to determine payment standard amounts for the Housing Choice Voucher (HCV) program. FMRs are gross rent estimates that include shelter plus utilities (though they exclude tenant-paid utilities like telephone service). Normally, they are set at the 40th percentile rent (the dollar amount below which 40 percent of the standard quality rental units are rented).

In previous years, two major concerns about FMRs were that they were inaccurate and excessively volatile. The concern about inaccuracy still remains, as does the concern about excessive volatility, although the latter concern has been partially alleviated by the passage of the Housing Opportunity Through Modernization Act of 2016 (HOTMA). Creating accurate and stable FMRs would greatly enhance the efficacy of the HCV program.

As in previous years, NAHRO does not believe that the FMRs represent accurate on-the-ground rental market prices. The accuracy of FMRs is a function of the underlying data set and the methodology used to convert the data set to the FMRs. The source of the data remains the same as last year. The methodology for calculating FMRs also remains the same from the final FMRs published in FY 2016, though HUD was right to adopt a “forward trending” methodology between the proposed FY 2016 FMRs and the final FY 2016 FMRs, which made the final FY 2016 FMRs more accurate. While a step in the right direction, this change was not drastic enough to create fully accurate FMRs—especially in those instances where a place may have a tight rental market.

The provision in HOTMA that allows PHAs to hold harmless payment standards when there has been a reduction in an area’s FMR partially alleviates some concerns about volatility. Although the provision is self-implementing, HUD should promulgate guidance as soon as possible.

While the HOTMA provision is welcome, it does not completely solve the problems associated with volatility. Reforming the FMR methodology to ensure smaller year-to-year shifts in FMRs is still required. HUD has previously indicated that it takes FMR volatility seriously, and it should continue to think about ways that it can reduce volatility.

Small Area Fair Market Rents

HUD’s proposed rule to mandatorily implement Small Area Fair Market Rents (SAFMRs) in certain metropolitan areas should not be implemented as currently written. SAFMRs are FMRs that are determined on the basis of a zip code, instead of on the basis of an entire metropolitan area. All PHAs should have the option to voluntarily implement SAFMRs—including in their Project-Based Voucher (PBV) program—according to the needs of their local communities, but none should be forced to implement them.

The mandatory imposition of SAFMRs has the potential to cost burden many current or future program participants because many zip code based SAFMRs will be lower than metropolitan based FMRs. Due to the low vacancy rates in many areas, a voucher holder will not be able to move to a neighborhood with a higher SAFMR and will be more heavily cost-burdened. Although HUD has committed to monitor the effects of the shift to SAFMRs, since this policy has the potential to have such a large deleterious effect on the lives of hundreds of thousands of people, it should not be implemented as an experiment. Given the large number of people and large effect on their lives, it is too early to implement this policy without further empirical evidence of its effects.

ADDITIONAL RESOURCES:

NAHRO’s Section 8 Resource Center: http://www.nahro.org/Section8

HUD’s FMR page: https://www.huduser.gov/portal/datasets/fmr.html
HUD’s Office of Community Planning and Development (CPD) administers a number of programs that support the efforts of states and local governments to provide decent housing, revitalize communities, and expand economic opportunities for low- and moderate-income families, including the Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME). Overall, NAHRO's membership brings in over $1.5 billion a year in CDBG and HOME formula funding to their communities, and housing authorities often utilize their community's CPD dollars to support their affordable housing and community service efforts.

For over 40 years, CDBG has helped almost 1,300 state and local governments to rebuild their local economies, strengthen public infrastructure, provide needed services, and recover from disasters. This flexible program emphasizes local decision-making and prioritization of local needs, and ensures accountability through citizen participation and performance measurement. For 20 years, the HOME program has empowered over 600 states and localities, called participating jurisdictions (PJs), to design and implement affordable housing strategies that respond to locally determined needs. HOME can be used for new construction, rehabilitation, down payment assistance, and tenant-based rental assistance. Robust funding for both CPD programs is critical to ensuring our nation's economic recovery continues by creating jobs, providing public services and supporting the affordable housing stock.

Despite CDBG and HOME's proven track records, Congress continues to fund CDBG and HOME at stagnant levels that reflect a 25 percent and a 48 percent decrease from FY 2010, respectively. Furthermore, the Administration continues to propose statutory changes that would “target” funding by revising program eligibility thresholds, which would result in funding being stripped away from hundreds of CDBG entitlement communities and PJs that receive small annual allocations.

NAHRO opposes any program reforms that would strip or deny a community's access to critical federal resources. Instead, legislative changes that would provide greater flexibility in how funds are utilized would be more commonsense. For example, PJs without access to local Community Housing Development Organizations (CHDOs) with the appropriate capacity to develop and preserve affordable housing should be provided the discretion to dedicate their CHDO set-aside funds to other local affordable housing entities that do have the capacity.

NAHRO also believes there are ways HUD may provide administrative relief to grantees, who must operate under strict administration and planning funding caps. The Department should provide a streamlined and simplified Affirmatively Furthering Fair Housing (AFFH) Assessment of Fair Housing (AFH) Tool for use by small local governments, since the current Local Government Tool are still far too burdensome to complete. The Department should also abstain from implementing unfunded mandates, such as the recent regulatory proposals to include the analysis of broadband access and natural hazard risks mitigation in the Consolidated Planning process.

**ADDITIONAL RESOURCES:**

NAHRO’s Community Development Resource Center: [www.nahro.org/community-development](http://www.nahro.org/community-development)

HUD’s CDBG and HOME program pages: [www.hudexchange.info/community-development](http://www.hudexchange.info/community-development) [www.hudexchange.info/programs/home](http://www.hudexchange.info/programs/home)
The Low-Income Housing Tax Credit (LIHTC) has been a critical source of equity for almost 3 million affordable housing units over the last 30 years, providing affordable homes to 6.7 million low-income families and supporting 3.25 million jobs. Moreover, Housing Credits have become vital financing component for many of the federal housing programs that NAHRO members are engaged in, including: RAD, Choice Neighborhoods, HOME and CDBG.

In 2015, affordable housing advocates won a significant victory when Congress approved a minimum 9 percent LIHTC rate for new construction and substantial rehabilitations. However, given the competitive nature of obtaining tax credits and the well documented lack of affordable housing throughout the nation, additional program improvements must be made.

In May 2016, Senators Maria Cantwell (D-WA) and Orrin Hatch (R-UT) introduced the Affordable Housing Credit Improvement Act of 2016 (S. 2962), a comprehensive bill that would expand and strengthen LIHTC. Many of the bill’s provisions are supported by NAHRO, including:

- **Expand the overall LIHTC allocation authority by 50 percent:** Despite LIHTC’s success, it has been over 16 years since Congress last increased the program’s overall allocation authority. The expansion in LIHTCs would be phased-in through 2020, constituting the largest change to the program’s allocation authority since 2001 and allowing housing authorities more access to Housing Credits.
- **Establish a minimum 4 percent credit rate:** Housing authorities often turn to the non-competitive 4 percent credit to preserve their distressed housing stock and the current floating rate is an impediment to LIHTC projects. A permanent rate would enable stakeholders to more efficiently finance affordable housing projects.
- **Enable income averaging in LIHTC developments:** This new income averaging election would allow projects maintain financial feasibility by allowing the 60 percent area median income (AMI) ceiling to apply to the average of all apartments in the property instead of every individual LIHTC apartment. This provision would allow renters earning up to 80 percent AMI to offset the cost of the units with lower affordable rents.

Over the last decade the U.S. experienced the largest gain in renter households compared to any 10-year period on record. An unprecedented 9 million renter households were added to the overall housing share. Currently, one in four renter households spends over 50 percent of their income on housing, and there is no state in the U.S. where a worker earning full-time minimum wage can afford a modest, one-bedroom apartment. The growing housing needs of low-income families is an imminent reality that Congress and policymakers cannot ignore, and NAHRO will continue to work with the ACTION Campaign (a national coalition of roughly 1,300 organizations and businesses) to call on Congress to expand and improve the LIHTC.

**LOW-INCOME HOUSING TAX CREDIT**

**TERRACE @ BRUCE STREET (FRANKLIN, VA.) BEFORE AND AFTER.**

**ADDITIONAL RESOURCES:**

- **ACTION Campaign:**
  www.rentalhousing.org

- **HUD’s LIHTC Database:**
  www.huduser.gov/portal/datasets/lihtc.html

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NAHRO's Policy and Program Development department conducts public policy analysis, formulates regulatory recommendations, and interacts with the U.S. Department of Housing and Urban Development on behalf of the Association's members.

**Georgi Banna**  
Director of Policy and Program Development

**Jenny Hsu**  
Community Development Policy Analyst

**Tushar Gurjal**  
Section 8 Policy Analyst

**Eric Oberdorfer**  
Public Housing Policy Advisor

nahropolicyblog.wordpress.com  
@NAHROnational