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 www.nahro.org/resource-center and on the NAHRO blog at www.nahroblog.org.
UNIFORM PHYSICAL CONDITION STANDARDS FOR VOUCHERS (UPCS-V)

HUD is in the process of transitioning its inspection protocol from the current Housing Quality Standards (HQS) to the new Uniform Physical Condition Standards for Vouchers (UPCS-V) protocol. The new protocol would have a new system for describing and classifying deficiencies. The protocol would also include a new data transmission tool that would allow data taken from the inspection to be turned into a unit condition index, which would provide information about the state of the unit to tenants, homeowners, and PHAs. The protocol would also allow for greater information technology integration. HUD envisions the use of a handheld portable device, which would capture deficiencies, photographic evidence, and other inspection findings.

Currently, HUD is in the process of conducting a UPCS-V Demonstration. Data collected from the Demonstration will be used to refine the protocol and make necessary changes. There are 234 agencies that are participating in the UPCS-V Demonstration. Of these, four agencies are currently doing UPCS-V inspections. Fifteen additional agencies are scheduled to begin doing UPCS-V inspections in April 2017. HUD has been gathering feedback from PHAs to improve the usability of the inspection software and has identified 39 items to improve in the software. Additionally, the protocol and decision trees are being updated from feedback from PHAs.

HUD has noted that there are a limited number of electronic devices that will be available for the Demonstration and is prioritizing PHAs who need them and do not have them. The application that will be installed on these devices is free, though users will have to be trained on the Salesforce environment. PHAs will have the choice of using an Android or Apple tablet. While HUD anticipates eventually creating the app for a Windows tablet, the creation of the Android and Apple applications are the current priority.

HUD has also shared a timeline about the UPCS-V Demonstration. Currently, HUD is expanding the adoption of UPCS-V to a larger number of PHAs; doing in-person and online training; and incorporating weekly updates from their weekly trainings. From now until June, HUD plans to increase the number of inspections for a statistically valid sample; better understand potential issues that may arise in PHAs implementing UPCS-V; release the next version of the protocol with a refinement of the decision trees based on feedback from PHAs; improve the software user experience, and have IT vendor days. Between June and early January (2018), HUD plans to work toward an online training tool; continue training PHAs; and continue evaluating data from PHAs.

NAHRO is closely monitoring the demonstration to see how the UPCS-V protocol is being implemented and is working with HUD to make sure that any final protocol takes into consideration the viewpoints of our membership. In addition to working with HUD, NAHRO will continue to bring its members the latest developments about the UPCS-V protocol.

234 agencies participate in the UPCS-V Demonstration.
COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME INVESTMENT PARTNERSHIPS PROGRAM

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.

Since 1974, CDBG has helped almost 1,300 states and local governments 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. Since 1990, HOME 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 funds can be used for new construction, rehabilitation, down payment assistance, and tenant-based rental assistance. Robust funding for both HUD programs is critical to ensuring our nation’s economic recovery continues.

Despite CDBG and HOME’s proven track records, and strong support by mayors and county executives across the country, Congress continues to appropriate CDBG and HOME funding at levels that reflect a 25 percent and a 48 percent decrease from FY 2010, respectively. Furthermore, the Trump Administration recently published its FY 2018 budget request to Congress which proposes to completely eliminate CDBG and HOME in order to offset increases in defense spending. It is important to note that while the President’s budget marks an important step in the overall budget process that sets the tone for the appropriations process, it is primarily a political document and it does not carry the force of law. Congress can choose to adopt or ignore the President’s proposal and historically CDBG (and to a smaller degree, HOME) has received strong support in Congress.

As the FY 2018 budget process continues, NAHRO will continue to collaborate with members and industry partners to support full funding of CDBG and HOME.

Within President Trump’s first 100 days in office, the new administration issued a number of executive orders (EOs) aimed at decreasing regulatory red tape. These EOs may ultimately impact the regulatory process for HUD’s affordable housing and community development programs, including CDBG and HOME. One such regulation issued last February directs each federal agency to “alleviate unnecessary regulatory burdens” by creating a regulatory task force to evaluate existing regulations to repeal, replace, or modify. NAHRO appreciates the administration’s goals to streamline those regulations that are outdated, unnecessary, ineffective, or impose costs that exceed benefits. NAHRO looks forward to working with Congress and the new administration to implement legislative or regulatory changes that would support the flexible and effective administration of CDBG and HOME, such as eliminating the HOME program’s statutory 24-month commitment of funds requirement.

$1.5B
NAHRO’s membership brings in more than $1.5 billion a year in CDBG and HOME formula funding to their communities.
The Low-Income Housing Tax Credit (LIHTC or “Housing Credit”) is our nation’s most successful tool for encouraging private investment in the production and preservation of affordable rental housing. LIHTCs have 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. Virtually no affordable rental housing development would occur without LIHTC, and the Housing Credit is now a vital financing component for many of the federal, state and local affordable housing programs that NAHRO members are engaged. In 2015, advocates of affordable low-income housing 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 credits and the well documented lack of affordable housing throughout the nation, additional improvements to LIHTC must be made.

Following the outcome of the 2016 Presidential election, the increased likelihood of major changes to the federal tax code, including a reduction in the corporate tax rate, has introduced uncertainty into the LIHTC market. Investors are wary of participating in this affordable housing program and are reassessing the value and benefits of investing in LIHTC projects. As a result, there are disruptions in the LIHTC equity market and projects in the pipeline are being delayed, closed with less equity, or canceled due to funding gaps. However, it is important to note that this current issue involves Housing Credit pricing and individual States are taking beginning steps to address this issue (e.g., providing additional sources to fill funding gaps, changing equity assumptions for 2017 applications and in the awards cycle). There is no shortage of demand for LIHTCs and there is still strong bipartisan support for LIHTC in Congress.

On March 7, Senator Maria Cantwell (D-WA) and Senate Finance Committee Chairman Orrin Hatch (R-UT) introduced the Affordable Housing Credit Improvement Act of 2017 (S. 548,) a comprehensive and bipartisan bill that would strengthen and expand LIHTC. This legislation is very similar to a previous version that was introduced by the same Senators last year, but with minor modifications. The Act takes steps toward addressing the affordable housing deficit by increasing the overall Housing Credit allocation authority and establishing a permanent 4 percent Housing Credit rate. The legislation also includes provisions that would streamline and modernize LIHTC, increase financial feasibility for projects, and encourage development in underserved areas. The bill would also support the development of rental units that use LIHTC in conjunction with multifamily Housing Bonds, which currently provide important financing to about 40 percent of all Housing Credit apartments.

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. NAHRO serves on the steering committee for the ACTION Campaign - a national, grassroots coalition of over 2,000 national, state, and local organizations and businesses calling on Congress to protect, expand and strengthen the Housing Credit. As Congress deliberates comprehensive tax reform, NAHRO will continue to join industry partners to call on Congress to support the provisions of S. 548.
Published in January 2017, HUD’s lead-based paint final rule ("Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance; Response to Elevated Blood Lead Levels") amends HUD’s lead-based paint regulations on reducing blood lead levels in children under age 6 who reside in federally-owned or -assisted housing that was built pre-1978, and formally adopts the revised definition of “elevated blood lead levels” (EBLLs) in children under the age of 6 in accordance to the guidance of the Centers for Disease Control (CDC). The rule applies to project-based assistance provided by non-HUD federal agencies, project-based assistance, HUD-owned and mortgagee-in-possession multifamily property, public housing, and tenant-based rental assistance.

After the final rule’s compliance date (July 13, 2017,) PHAs will be required to conduct an environmental investigation of the dwelling unit in which the child lived at the time the blood was last sampled ("index unit") and of common areas servicing the index unit. Once the PHA performs the environmental investigation, the PHA or owner is required to conduct interim controls designed to reduce temporarily human exposure or likely exposure to lead-based paint hazards. If the risk assessment of the index unit and common areas servicing the unit identifies lead-based paint hazards, PHAs are required to conduct a risk assessment of other units that house children under the age of 6 within the building. For public housing, PHAs conduct interim controls of identified hazards. For tenant- and project-based vouchers, the owner conducts interim controls. This is required even if previous evaluations of the building did not identify lead-based paint or lead-based paint hazards.

Risk assessments have to be conducted within 30 calendar days after receipt of the environmental investigation report if there are 20 or fewer such units, or 60 calendar days if there are more than 20 such units. If lead-based paint hazards are found in any of these other units, they have to be controlled within 30 calendar days, or within 90 calendar days if more than 20 units have lead-based paint hazards, such that the control work would disturb painted surfaces that total more than the de minimis threshold. However, a PHA is not required to do this if a PHA has performed hazard evaluation and reduction activities and has provided the HUD field office with documentation of its regulatory compliance in the previous 12 months.

In the fall of 2016, NAHRO submitted comments to HUD that discussed HUD’s planned implementation of the proposed rule, requiring units that have already undergone hazard control to be subject to changes to CDC guidance, HUD’s proposed lead-abatement schedule, holding PHAs accountable for determining and eradicating lead-based hazards that remain outside of the control of the PHA, and the need for adequate funding for PHAs to ensure that they can properly implement and comply with the proposed rule.

Compliance Date

July 13, 2017
MTW Expansion

In its FY 2016 Appropriations Act, Congress directed HUD to expand the Moving to Work (MTW) Demonstration to include one-hundred additional high-performing public housing agencies (PHAs) over the next seven years. Congress also called on HUD to establish a federal research advisory committee that includes program and research experts from HUD agencies with an MTW designation and independent subject matter experts in housing policy research. NAHRO has long called for meaningful expansion of the MTW Demonstration and is deeply supportive of the Congress's efforts.

In the Spring of 2016, HUD published a request for specific policy proposals and methods of research and evaluation for the MTW expansion from the public. NAHRO cautioned HUD about including policy proposals that limit PHA flexibility and fungibility, as these components are what make MTW successful for currently participating agencies.

Over the course of 2016, HUD met with the MTW Research Advisory Committee. The committee discussed potential policy proposals for each of the three statutory MTW objectives. The Advisory Committee also discussed methods that could properly evaluate policy interventions, while simultaneously maintaining the flexibilities and local discretion that are inherent to the MTW program. The Advisory Committee focused on research evaluation methods for a variety of policy interventions that included general MTW flexibilities, rent reform, project-based voucher caps, sponsor-based housing, landlord incentives, and place-based models.

On January 23, HUD published in the Federal Register a notice titled “Operations Notice for the Expansion of the Moving to Work (MTW) Demonstration Program Solicitation of Comment.” The draft notice establishes the requirements for the implementation and continued operations of the MTW Demonstration program pursuant to the MTW Expansion Statute. The notice discusses three categories of waivers and the associated activities that MTW agencies may pursue. The expansion will grant general waivers, conditional waivers, and cohort-specific waivers. General waivers would be available to MTW expansion agencies without HUD review, conditional waivers would require HUD review and approval. Cohort-specific waivers would be defined in a series of notices soliciting applications for participation in the MTW expansion. HUD will also operationalize the regionalization provision included in the FY 2016 Appropriations Act through the same terms and conditions as the notice. NAHRO's comments on the draft Operations Notice stress our concerns that the new Operations Notice does not provide the same flexibility as the current MTW Standard Agreement, which may prohibit PHAs in the Expansion from being able to easily craft policies that meet the needs of their communities.

HUD had also posted PIH Notice 2017-01, “Request for Applications under the Moving to Work Demonstration Program for Fiscal Year 2017” on HUD's MTW expansion website. However, due to President Trump's freeze on pending regulations, the notice has not yet been published and may be changed before publication. According to the currently removed request for applications, the four cohorts HUD will be measuring include: will measure the overall impact of MTW flexibility, rent reform, work requirements and landlord incentives. However, this may change moving forward.
Inspections of Dwelling Units

The new notice provides an exception to existing regulations that require Housing Choice Voucher (HCV) units to meet Housing Quality Standards (HQS) prior to the PHA making a Housing Assistance Payment (HAP). This notice allows PHAs to approve an assisted tenancy and begin housing assistance payments if the unit fails inspection, but has only non-life threatening HQS deficiencies. The rule provides a list of life-threatening conditions and defines non-life-threatening conditions as those which would fail to meet HQS standards, but are not life-threatening conditions.

The notice authorizes occupancy of a unit prior to the PHA’s inspection being completed if the unit has passed an alternative inspection method in the previous 24 months. The notice states that “PHAs must inspect the unit within 15 days of receiving the Request for Tenancy Approval.” A PHA may rely on home inspections performed under the HOME Investment Partnerships program or housing financed using Low-Income Housing Tax Credits. The notice outlines the procedure to be followed, if a PHA wishes to rely on an alternative inspection method other than the two listed above or inspections performed by HUD.

Project-Based Vouchers

The notice also implements several of the HOTMA statutory changes with respect to project-basing. First, it changes the project-based caps in a variety of ways. It gives PHAs the option to change the project-basing limitation from a 20 percent funding limitation to a 20 percent unit limitation calculation. There is also a provision that increases the project-basing limitation an additional 10 percent for “homeless families, families with veterans, supportive housing for persons with disabilities or elderly persons, or in areas where vouchers are difficult to use.” The notice also implements the change in the income-mixing cap that was included in HOTMA. The number of project-based vouchers allowed in a project is now “the greater of 25 units in a project or 25 percent of the units in a project.” It changes all references of the word “structure” to “project.” It also extends the PBV contract to 20 years and allows PHAs to extend the term for an additional 20 years. There are several other PBV provisions.

There are also provisions clarifying unit ownership and provisions on using vouchers for manufactured housing.
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.

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