Affordable Housing
Hot Topics

Summer 2017

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.
**Voucher Utilization**

Despite fiscal year (FY) 2017 being the first year that Housing Assistance Payments (HAP) for the Housing Choice Voucher (HCV) Program are being prorated at below 99 percent since FY 2013 (when sequestration took effect), some PHAs may have more HAP than they realize. This topic sheet explains some of the reasons that PHAs may have more funding, in absolute terms, than they initially thought they would.

When Congress passed the FY 2017 budget, HUD estimated that there would be a HAP proration of 97.277 percent based on the amount allocated for HAP for the HCV Program in the budget. As there was a Continuing Resolution for the beginning of the year, PHAs were receiving a proration of approximately 94 percent to 95 percent of their HAP. After the FY 2017 budget was passed, the new 97.277 percent proration became retroactive, so PHAs will be receiving a proration higher than 97.277 percent for the remaining months of the year, to make up for the initial extra-low proration.

There is another reason that PHAs may have more HAP than they realize. Every year, eligibility for the HCV program HAP is calculated by using actual costs from the previous year and applying an inflation factor. This year, HUD has started using a new methodology for calculating inflation factors and the inflation factors have been higher than past years. Every PHA received an inflation factor of at least 2.6 percent, while on the opposite end of the spectrum, some, but few, PHAs in very high cost areas, received inflation factors greater than 20 percent. What this means, is that in absolute dollar amounts, most PHAs will receive a similar amount or greater amount of the money that they received in calendar year (CY) 2016.

The Department has informed NAHRO that there have been fewer vouchers issued in the beginning of 2017 than there were in 2016. To make sure that voucher utilization remains high and that PHAs continue to receive their eligible amount, PHAs should make sure that their allocated HAP is used in 2017. This will prevent lower eligibility in 2018 and will ensure that PHAs are serving as many households as they can.

Additionally, HUD has been advocating for more PHAs to use the Housing Choice Voucher Forecasting Tool to help plan their programs. The tool is now available to PHAs from HUD’s website. There are tabs for tracking disbursements, PHA-held reserves, and HUD-held reserves. There are also Year 3 and 4 projection sheets with their own funding prorations; a VASH breakout project to separately keep track of VASH vouchers; a waiting list calculator so that program managers can see how planned issuances will affect waiting lists; and a tool that breaks out project-based vouchers and rental assistance demonstration units.

A link to the forecasting tool can be found on HUD’s HCV page here: https://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv.

**2017 HAP Proration (Est.) 97.277%**

For up-to-date information on this issue and other affordable housing issues go to www.nahro.org/resource-center and follow the NAHRO blog at www.nahroblog.org
VAWA 2013 – Emergency Transfer Plan

Last year, HUD published a final rule that fully codifies the provisions of the Violence Against Women Reauthorization Act of 2013 (VAWA 2013) into HUD regulations and expands housing protections for victims of domestic violence, dating violence, sexual assault, or stalking to include HUD Community Planning and Development (CPD) programs. Most of the rule’s provisions became effective December 2016 while its emergency transfer plan (ETP) provisions, requiring covered housing providers (HPs) to allow an eligible tenant to make an internal transfer (where the tenant would not have to apply for the new unit) when there is a safe unit immediately available, became effective in June 2017. The final rule makes clear that ETP requirements do not supersede any eligibility or occupancy requirements that exist in covered housing program. Tenants seeking an external emergency transfer to a different program or provider (e.g., transfers from Public Housing to Housing Choice Voucher program) must still apply under the new program. HPs that are responsible for developing their ETP must do so in order to establish through policy what actions to take when a victim under VAWA needs an emergency transfer, while balancing the needs of other eligible individuals.

The rule establishes a low barrier certification process for transfers. A victim tenant qualifies for a transfer if: the tenant expressly requests (written or oral) the transfer; and the tenant believes there is a threat of imminent harm from further violence if the tenant remains within the same dwelling unit; or in the case of a sexual assault victim, the assault occurred on the premise during the 90-calendar-day period preceding the date of the transfer request. HPs may ask those seeking a transfer to certify their eligibility for VAWA protections, either through self-certification using HUD’s Certification Form or, if the tenant elects to do so, through one of the other documentation listed in the final rule. HPs cannot require third-party documentation for emergency transfers. HPs may also choose to require tenants to submit a written request that certifies the tenant is qualified for an emergency transfer.

HPs should keep in mind that transfers are contingent upon whether there is a safe unit available and often it may not be feasible for a small entity to carry out transfers. HUD does not mandate specific time periods for responding to transfer requests, but may establish timelines through future rulemaking. Transfers within the same property are not prohibited, but HPs are encouraged to identify units in another property. HPs are not required to bear the costs of a tenant’s moving costs, but are encouraged to do so (or identify other ways to help pay).

HPs should note that the final rule codifies additional VAWA-related provisions within each covered house program’s regulations. For example, the rule alters the PBV program’s “family right to move” provisions so that families are not required to notify a PHA before they leave a unit in order to protect the health and safety of a VAWA victim. HPs should make sure to incorporate the rule’s program specific provisions, along with other elements that may be specific to their own programs.

Resources:
HUD VAWA 2013 Final Rule: www.federalregister.gov/d/2016-25888
NAHRO VAWA e-Briefing: www.nahro.org/nahro-estore

The final rule requires the elements below to be incorporated into an ETP:
• Policies for the measure of any priority given to VAWA victims.
• Policies for internal transfer when safe unit is immediately available and the reasonable efforts that the HP will take to assist a tenant to transfer to a safe unit.
• Policies for internal transfer when a safe unit is not immediately available.
• Policies for reasonable efforts for an external transfer, such as arrangements, including MOUs, with other HPs moves; and outreach activities to victim organizations.
• Policies that allow internal and external transfer to occur concurrently.
• Policies for strict confidentiality measures to ensure the location of the new unit is not.
• Policies for tenants receiving Tenant-based Rental Assistance to move quickly with assistance, when applicable.
• ETPs must be available upon request and publicly available when feasible. All requests and request outcomes must be recorded and retained for at least three years and annually reported to HUD-though HUD has not yet required HPs to report this information.
HUD has announced that Public Housing Agencies (PHAs) will see an increase in the proration for the Public Housing Operating Fund from 85 percent to 92.9 percent. This reflects funding included in the Fiscal Year (FY) 2017 appropriations bill, or omnibus, recently passed by Congress. The FY 2017 omnibus provides $4.4 billion to support the operation and management of public housing. This is $100 million less than FY 2016 funding levels. Although 2017 Operating Fund levels are less than 2016 levels, the amount provided by the omnibus is sufficient to fund 92.9 percent of PHAs’ anticipated formula eligibility for 2017, higher than the 2016 proration. This is due to declines in Operating Fund formula eligibility from 2016 to 2017. Eligibility is determined by project expense level (PEL), including income, the utility expense level (UEL), add-ons, and transition funding. High formula PEL income inflation factors coupled with UEL deflation due to declining oil and natural gas costs, led to a decline in income eligibility.

Less money will be made available to the Operating Fund overall due to the impact of the inflation and deflation factors on formula eligibility. As not all PHAs have seen increases in incomes or declines in utility expenses, some PHAs will experience declines in Operating Fund subsidies for 2017 as compared to 2016, even though the proration for 2017 is higher.

For 2017, HUD is applying inflation factors between 6 percent and 8 percent for 2017 formula income. This is significantly higher than HUD’s inflation factor for any other year. It is most likely that external occurrences are driving the significant increase in the income inflation factor.

HUD is also applying a 7.01 percent deflation factor for the utility expense level (UEL) due to declines in oil and natural gas costs. HUD uses data from the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (CPI-U) to determine utility expense levels. HUD applies this deflation factor at the national level, regardless of the energy source used by an AMP. Although AMPS that utilize oil or natural gas have seen savings, those that rely on other sources of energy have not.

Many PHAs have already experienced subsidy decreases in 2017 due to declining formula eligibility for the Public Housing Operating Fund and a conservative Operating Fund proration. HUD employed such a conservative proration (85 percent) for the beginning of the year as Congress had yet to pass a budget for FY 2017. PHAs experienced decreases in Operating Fund subsidies earlier in the year due to HUD’s use of an 85 percent for January, February, March, April and May. The 2017 data, which included the income inflation factors and utility expense level deflation, were first applied to subsidy calculations in March. At this time, many PHAs saw an additional decrease in their subsidy. Additionally, HUD overpaid agencies in January and February because HUD was using higher formula eligibility data from 2016. As such, some PHAs saw a dramatic decline in their subsidy. A “true-up” involves HUD providing a lower or higher subsidy for one specific month due to over or underpayments in prior months.

PHAs will also see a “true-up” for June funding due to underpayments during early 2017 when HUD did not know what FY 2017 funding levels would be.
Housing Trust Fund

On June 14, HUD allocated approximately $219 million in FY 2017 formula funds to eligible grantees of the National Housing Trust Fund (HTF) program. The HTF is a new, non-appropriated federal resource that complements existing Federal, State and local efforts to preserve and expand the nation's supply of affordable homes for very low-income (VLI) and extremely low-income (ELI) households, as well as families experiencing homelessness. Authorized in 2008, lawmakers sought to establish a permanent source of affordable housing funding through annual contributions from Fannie Mae and Freddie Mac (GSEs). Eight years later, the HTF was finally capitalized through its inaugural FY 2016 allocations. HTF grantees include the 50 states, District of Columbia, and five U.S. Insular Areas. Grantees may distribute funds through subgrantees (a unit of general local government or State agency) or directly fund projects proposed by eligible recipients (including PHAs), or a combination of both.

The HTF allocation formula is based on each state's relative shortage of rental housing available to low-income families (earning below 30 percent of area median income) and the relative number of such households living in substandard, overcrowded or unaffordable units. In years where there is less than $1 billion in total HTF funds available, 100 percent of each grant allocation must benefit the greater of ELI families or families with incomes below the poverty line. At least 80 percent of an allocation must be used for rental housing while up to 10 percent for homebuyer activities. HTF dollars may be invested in public housing, but only in conjunction with Choice Neighborhoods, Low-Income Housing Tax Credits, or the Rental Assistance Demonstration.

While the FY 2017 HTF allocations were allocated as expected this year, the future of the program may be in jeopardy. Similar to previous years, Congress may introduce a bill to eliminate or divert HTF funding to other programs. Additionally, the Federal Housing Finance Agency (FHFA) holds authority over the GSE's HTF contributions and once the current FHFA Director's term completes in 2019, and if Congress moves forward with housing finance reform; the status of the HTF may come into question. The President's FY 2018 budget request proposes to eliminate the HTF entirely and redirect its funds to pay for salaries and IT upgrades at the Federal Housing Administration, citing the Administration's objective of devolving affordable housing activities to state and local governments. While the budget request does not carry the force of law, it still reflects the White House's fiscal goals and priorities. NAHRO will continue to voice opposition to any threats to the HTF, especially since this is the first federal affordable housing resource seen in decades that targets ELI renters, and currently there is a shortage of 7.2 million affordable and available rental units for America's 10.4 million ELI households.

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<tr>
<th>STATE</th>
<th>FY17 ALLOCATION</th>
<th>CHANGE FROM FY16</th>
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<td>California</td>
<td>$23,228,115</td>
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<td>MINIMUM</td>
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For up-to-date information on this issue and other affordable housing issues go to www.nahro.org/resource-center and follow the NAHRO blog at www.nahroblog.org.
NAHRO/Community Action Partnership Survey

NAHRO and the Community Action Partnership created a survey to help identify existing joint efforts to combat poverty through housing and redevelopment agencies and Community Action Agencies (CAAs). The survey aimed to examine and assess where there is crossover between the nation's existing network of CAA agencies and local PHAs and to better understand where the intersection of work now being done by PHAs, Local Redevelopment Agencies (LRAs), and CAAs are making a difference in the fight to combat poverty and income inequality at the local level.

Survey Results

Almost all PHAs and CAAs that responded to the NAHRO/Community Action Partnership survey are aware of their local Public Housing Authorities (PHA) or CAA. Virtually all CAAs that responded (132 of 133) were aware of their local PHAs, and 90 percent of PHAs are aware of their local CAA. Eighteen of the respondents noted that they functioned as both their local CAA and PHA. An especially high percentage of rural CAAs noted that they interact with two or more PHAs.

PHAs refer their residents to many different services provided by CAAs. Of the PHAs that were aware of their local CAA, 96.5 percent referred their residents to services. Of those that referred residents to CAAs, 68 percent reported referring their residents to energy assistance programs through the Low-Income Home Energy Assistance Program (LIHEAP), 63 percent referred their residents to a food pantry or bank, and 50 percent referred their residents to CAAs for information and other referrals. PHAs also refer their residents to other services provided through CAAs, including: Head Start and Early Head Start (48 percent), Meals on Wheels (45 percent), weatherization programs (43 percent), and case management and transportation services (40 percent each). Of the PHAs that refer their residents to services provided by CAAs, 85 percent noted that their residents utilize services provided by local CAAs even without referral. Of the agencies that were not aware of their local CAA, 86 percent noted that opportunities to collaborate with their local CAA exist. Furthermore, 46 percent reported that their residents need volunteering opportunities that could be fulfilled through programs offered by the local CAA.

Connections between PHAs and CAAs go beyond service referrals as well. Half of all CAA respondents report that they work in at least one coalition with their local PHA. Thirty-nine percent of PHAs responded that they work in at least one coalition with their local CAA. CAAs and PHAs also noted that they frequently work together through local Continuum of Care (CoC) related activities. Despite the numerous collaborations, many respondents expressed interest in partnering more.

Although PHAs and CAAs would like to work together more often, not all PHAs and CAAs are aware of the CAA Needs Assessment and the PHA 5-Year Plans, respectively. About 42 percent of CAAs reported that they were aware of their local PHA 5-year Plan, and of them just one-fifth participated in the data collection process for drafting the 5-Year Plan. About 43 percent of PHAs reported that they were aware of their local CAA Needs Assessment, however only 22 percent participated in the data collection process for drafting the Assessment.

96.5% of PHAs refer residents to CAAs
Administrative Fee Formula

In the summer of 2015, HUD published the Housing Choice Voucher Administrative Fee Study. The study analyzed over 50 potential cost drivers and recommended an administrative fee formula based on seven variables. The study’s recommended formula predicts 63 percent of the variance in agency costs for administering a Housing Choice Voucher (HCV) program. The formula currently in use predicts 33 percent of the variance in agency costs. HUD receive and integrated feedback from the first formula, and published a revision to the new administrative fee formula in July, 2016.

The new proposed formula would calculate administrative fees on the basis of six 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 from the prior proposed 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; and
3. The small area rent ratio (SARR) variable has been removed from the proposed formula.

Additionally, HUD has also posted an administrative fee formula data tool. By entering a PHA code, one can compare how much a PHA would have been eligible for under the new formula to the actual (prorated) amount the PHA received in 2015. The proration for 2015 can also be adjusted to create a more apples-to-apples comparison (i.e., compare full eligibility under the current formula to full eligibility under the revised new formula in Calendar Year 2015).

Where We Are Now
The President’s proposed FY 2018 budget instructs HUD to continue to use the current administrative fee formula, so the new formula which HUD is developing will likely not be implemented in FY 2018. Although it is unlikely that the new formula will be implemented in FY 2018, career staff at HUD are still refining the formula, but the decision to finalize the formula and request the authority to implement it from Congress, will be made by political staff who have not been appointed yet.

As before, NAHRO will continue to take a two-pronged approach in addressing this issue. First, NAHRO will make sure that legislators are aware of how any potential formula impacts their regions so that they do not rush to give HUD the authority to unilaterally change the formula, until there is a well-developed formula that takes into account all the costs of administering a HCV program. Second, NAHRO will continue to work with HUD to improve the formula to address its flaws, so that it accurately captures all costs associated with running a HCV program.

ADDITIONAL RESOURCES For up-to-date information on this issue and other affordable housing issues go to www.nahro.org/resource-center and follow the NAHRO blog at www.nahroblog.org
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

nahroblog.org

@NAHROnational