West Virginia Association of Housing Agencies

2014 Housing Position Paper

Members of the West Virginia Association of Housing Agencies understand Congress' budgetary concerns and we support efforts to responsibly reduce federal spending. However, we believe that safe, decent and affordable housing is essential to the well-being of our state's families and should not be directed at vital domestic programs. West Virginia's housing authorities ask our Congressional delegation to do all they can to ensure one of the most basic of needs -- adequate shelter -- is available to West Virginia's neediest families.

We ask you, Representatives Rahall, McKinley and Capito and Senators Rockefeller and Manchin, to give 2015 spending proposals much deliberation, keeping in mind the devastating effect funding cuts will have on our tens of thousands of struggling West Virginia families. Many of our families, including the elderly and veterans, already pay a large percentage of their monthly income for rent and utilities; budget cuts will exasperate the problem. Already, more than half of renters nationwide are cost-burdened -- that is, paying more than 30 percent of their income for housing -- which is the greatest number of cost-burdened renters on record. In West Virginia, according to a 2011 HUD survey, 43 percent of all renter households' gross rent is greater than 30 percent of their household income and/or lack complete plumbing facilities, lack complete kitchen facilities, and/or have more than 1.01 persons per room.

While West Virginia's housing authorities and the families they serve are truly appreciative of all Congress and the Administration have done to rectify housing problems and issues in the past, there remains a huge need to adequately and effectively house low-income families across our state and country. We touch briefly on these needs in the summaries below.

HOUSING CHOICE VOUCHER PROGRAM

FUNDING LEVEL
Congress' adoption and the President's signing of the 2014 Consolidated Appropriations Act into law can be viewed as a mixed blessing. While the HUD budget does provide a slight increase in the Housing Choice Voucher Program funding level over the 2013 enacted level, the act uses housing authorities' CY
2013 HAP expenditures to determine their base voucher HAP renewal eligibility in CY 2014, essentially making the sequester cuts permanent. Hundreds of housing authorities assisted tens of thousands fewer low-income households in CY 2013 than in CY 2012 and spent considerable amounts of their Net Restricted Assets/HAP Reserves as a result of dramatic funding cuts topped by sequestration. As a result, hundreds of housing authorities began 2014 with little or no reserves to absorb increased Housing Assistance Payments costs throughout the year, which sets up an even more severe decline in the total number of voucher-assisted households in 2014 unless other measures are taken by Congress.

The 2014 spending bill provides only enough money to support about a 90 percent leasing rate, compared with the 93 percent leasing rate supported by 2012 funding. While funding for the Housing Choice Voucher Program gained ground dollar-wise in 2014 ($17.3 billion for Housing Assistance Payments, which will result in a 99 percent proration), the appropriated amount again falls short of need. As a result of the 2013 sequestration cuts, only 13,239 low-income households could be leased in West Virginia last year compared with 13,641 leased in 2012.

Congress' annual rebenchmarking renewal funding formula for FY 2014, which is based on housing authorities' previous year's Housing Assistance Payment expenses, results in reduced funding as represented by 403 fewer low-income households leasing (87 percent) in West Virginia in 2013. This rebenchmarking process has led to -- and will continue to lead to -- a downward spiral in the number of authorized vouchers that can be leased year after year.

As Congress and the Administration begin debating the 2015 HUD budget, the West Virginia Association of Housing Agencies calls on our Congressional delegation to seek enactment of a renewal funding formula to correct for the past harm that has been done. This can be accomplished in FY 2015 by using the higher of 2012, 2013 or 2014 families leased as represented by each housing authority's HAP expenditures, and taking into account any incremental vouchers an agency might have received. Further, we ask that our Congressional delegation be vigilant about the Administration's proposed 2015 budget for HUD and note whether the Administration's request assumes savings to be realized from enacted or proposed legislative reforms. If these reforms are not approved or do not pan out, housing authorities will once again face shortfalls in HAP dollars in 2015 and even fewer families will be served.

**HCVP ADMINISTRATIVE FEES**

Reductions in administrative fees hurt not just housing authorities, but the families agencies serve. Calendar Year 2010 saw housing authorities receive 93 percent of the administrative fees to which they were entitled. In CY 2011, that proration dropped significantly (to 85 percent) and in CY 2012, the proration slid to 80 percent. CY 2013, however, was the year of the most devastating cut of all -- a proration of only 68 percent, the lowest in the 38-year history of the program. Compounding the problem, housing authorities only earn an administrative fee for each household leased, so the downward spiral in the number of families served also adversely affects earned administrative fees.

Underfunding resulting in understaffing has begun to produce adverse program outcomes. Since FY 2003, the last year housing authorities received 100 percent of their administrative fee eligibility, more than 270 housing authorities nationwide -- or 12.5 percent of all agencies administering vouchers -- have handed back their voucher programs to HUD or transferred them to other housing authorities because they could no longer afford to administer the program. Many housing authorities that have temporarily weathered the cuts have suffered staff layoffs, furloughs and hiring freezes that have increased caseloads, in turn affecting their ability to administer the complex, regulation-ridden Voucher program.

The FY 2014 Consolidated Appropriations Act does provide some relief: the ongoing administrative fees line item goes from a FY 2013 enacted level of $1.258 billion to $1.485 billion for FY 2014. Even with the bump in fees, however, HUD is estimating housing authorities will still face a proration of approximately 74 to 75 percent of eligibility.
The West Virginia Association of Housing Agencies believes housing authorities can more efficiently serve families with their housing needs if Congress will provide $1.782 billion for administrative fees in 2015, enough to bring these fees up to around a 90 percent proration of eligibility.

**PROGRAM REFORMS**
The passage of the 2014 appropriations act saw some programmatic changes that will benefit housing authorities administratively and at the same time help cut HAP costs, and for that we thank Congress and the Administration for allowing those changes to be included in the approved budget. There are, however, other actions Congress and HUD can take to cut HAP and administrative costs:

- Three-year Recertification for Fixed-Income Households: For Section 8 tenant-based voucher, public housing and project-based programs, enact a provision allowing a three-year recertification for households with a fixed income. This would modify annual certification requirements to permit housing authorities to recertify fixed-income families (those with more than 90 percent of income from a combination of Social Security, SSI, governmental and private pensions, and similar periodic payments) only every three years. This will result in some administrative savings and would not increase rental subsidy costs.

- Because of the time-consuming nature of annually collecting utility consumption and cost data, we ask that Congress mandate that HUD allow housing authorities to develop their utility charts based on only one structure type. Currently, most housing authorities must determine utility costs for four different types of structures (detached, semi-detached, row and mobile homes).

- Allow housing authorities to implement reduced voucher payment standards in a more timely manner. We recommend Congress require HUD to reduce the current time frames required of agencies to implement reduced payment standards from the households’ second reexamination to the greater of 90 days from the date the household is notified or a household’s lease anniversary date. This would provide housing agencies with the opportunity to more quickly remedy their funding shortfalls within the existing HAP amounts provided while not imposing undue hardships on families or owners.

**SMALL HOUSING AUTHORITY REFORM PROPOSAL (SHARP)**
The WWAHA encourages passage of S. 576, the Small Public Housing Agency Opportunity Act, a variation of the previously considered Small Housing Authority Reform Proposal designed to provide regulatory relief to 80 percent of the 3,200 public housing authorities that administer only a small fraction of the financial resources provided under public housing and Voucher programs. These small agencies (those operating fewer than 550 public housing units and vouchers combined) would be the primary beneficiaries of the Small Public Housing Agency Opportunity Act of 2013, which introduces a number of significant reforms, including revised assessment systems, alternative rent structures, fungibility of housing assistance, and other time- and cost-saving measures. We encourage West Virginia’s House of Representatives members to sponsor similar legislation in the House and ask that our Senators encourage a vote on S. 576.

**PORTABILITY**
The portability procedure in the Housing Choice Voucher Program is broken. Current portability procedures as outlined in HUD’s PIH Notice 2012-42 describe 24 steps an initial housing authority must take and 21 steps for the receiving housing authority. In addition, many of these steps must be taken multiple times. This demonstrates the portability system is unwieldy, confusing and administratively time consuming. Unfortunately, HUD’s proposed portability reform rules, where comments were filed nearly two
years ago, remain outstanding. The WVAHA calls on Congress to authorize or direct HUD by a date
certain to put in place viable options to reform the portability process.

The portability option Voucher holders can exercise hurts in particular small housing authorities with low fair
market rents/payment standards and the needy families in their small communities. Essentially, when a
voucher holder "ports" to a higher cost area and that voucher is not absorbed by the receiving authority, the
initial housing authority's housing assistance payment to the receiving housing authority may be double or
more for that family than what it would be in the initial housing authority's jurisdiction. The result is that

small housing authorities are unable to assist as many local families and their administrative fee problems
are worsened in that initial housing authorities receive just 20 percent of prorated fees for port-billing
vouchers (with the effective administrative fee proration in 2014 being 15 percent).

The WVAHA proposes that Congress amend the law by requiring receiving housing authorities to
immediately absorb incoming vouchers if their unit or budget authority utilization is less than 95 per cent. In
any case, receiving housing authorities should be required to absorb ported families within 90 days of the
initial lease as these households will be residents of their communities for at least one year and often
longer. Further, it should be at each agency's option whether it will allow a port to an area where the
receiving housing authority's Fair Market Rent (FMR) exceeds the initial authority's FMR by more than 10
percent.

**HUD-VETERANS ASSISTED SUPPORTIVE HOUSING (HUD-VASH)**
West Virginia's housing authorities support incremental HUD-VASH vouchers for FY 2015 in the amount of
$75 million, the same amount as was provided this year. By working closely with Veterans Administration
hospitals, housing authorities are able to provide affordable housing in the private market for veterans who
are both homeless and receiving supportive services from the Veterans Administration. Absent
incremental vouchers, housing authorities will be hard-pressed to use their scarce supply of Housing
Choice Vouchers to serve homeless veterans in FY 2015.

**PUBLIC HOUSING**

**OPERATING FUND**
Congress is providing housing authorities additional money for Public Housing operations in 2014 when
compared to 2013 appropriations. However, housing authorities still must try to manage their public
housing programs with insufficient funding. Congress and the Administration agreed to $4.4 billion for the
Operating Fund for 2014, an amount that provides housing authorities with only an estimated 84 percent
proration of the amount to which they are entitled. Congress and the Administration dug a deep hole for
housing authorities in 2012 when funding was deliberately shorted $1 billion in an effort to force housing
authorities to spend their reserves to make up the shortfall. Agencies are still trying to dig their way out of
this hole, but will likely be unable to do so in 2014 because of the 84 percent proration of eligibility. Housing
authorities still will have to work with less staff, forego certain maintenance projects, and try to make the
insufficient funding they receive cover increasing expenses.

The WVAHA urges Congress and HUD to consider the adverse impact decreased funding has had over
the last several years and work together to provide at least $5 billion in operating funds in 2015, which
would still require prorated subsidies, but the proration would be somewhere between a manageable 95 to
98 percent of eligibility.
CAPITAL FUND
As it has for a number of years, a huge need remains for Capital Funds to preserve our public housing stock. Congress approved only $1.875 billion for capital funding in 2014, far less than the estimated $3.4 billion of annually accruing capital needs. As the need for capital improvements increases due to the aging housing stock, appropriations continue to dwindle -- a decrease of nearly $1 billion over a 10-year period. The WVAHA believes the least Congress should provide for capital funding is $3.4 billion in 2015, otherwise, the physical needs of our public housing properties will continue to grow, threatening its viability. We also urge Congress to create protected capital reserve accounts to allow housing authorities to plan responsibly for future needs.

HOUSING PRODUCTION
Congress has not funded a program for the construction of public housing units since 1995. The number of households needing assistance has increased over time yet the number of available affordable housing units has remained basically unchanged or has decreased. WVAHA members urge Congress to take steps to ensure an adequate supply of affordable housing in 2015.

HOUSING TRUST FUND
The Housing Trust Fund is one method of spurring housing production. The WVAHA urges Congress to provide $1 billion in funding in 2015 for the Housing Trust Fund, which was authorized under the Housing and Economic Recovery Act of 2008 and would provide formula-based allocations to states to finance the development, rehabilitation and preservation of affordable rental and homeowner housing. Unfortunately, in the six years since it was created, the Housing Trust Fund has never been capitalized. The WVAHA urges Congress to not only capitalize the Trust Fund, but to ensure housing authorities have access to the Trust Fund for the preservation of their public housing stock.

COMMUNITY DEVELOPMENT BLOCK GRANTS
Community Development Block Grants (CDBG) are the cornerstone of community revitalization efforts. The 2014 budget provides $3.30 billion, or about $48 million less than in 2013. Unfortunately, CDBG formula funding has declined 31 percent from FY 2004 to FY 2014. The CDBG Program is one of the most effective forms of federal assistance available to local governments because of its flexibility and local determination of community needs and it should be sufficiently funded.

LOW-INCOME HOUSING TAX CREDIT PROGRAM
The Low-Income Housing Tax Credit Program is a vital tool for those working to expand the affordable housing inventory. The WVAHA urges our state's lawmakers to permanently extend the minimum four and nine percent credit rates enacted in the 2008 recovery act.

HOME
The WVAHA strongly encourages Congress to restore HOME Program funding to the 2010 level of $1.5 billion. Over the past several years, funding for HOME has been reduced dramatically when the need for more affordable housing units is greater than ever before. As a result of one or two poorly managed Participating Jurisdictions, Congress has gutted the only flexible housing production program while the vast majority of the country suffers. The WVAHA desires Congress to reestablish cooperative relationships between Community Housing Development Organizations (CHDO) and local housing authorities to maximize program effectiveness and housing production (in a 2013 rule revision, HUD removed business and cooperative agreements between housing authorities and CHDOs). In rural and small market areas like most of West Virginia, this action greatly hampered CHDOs' ability to use housing authority resources
to assist in housing development and program operations.

FLOOD INSURANCE

The Biggert-Waters Act of 2012, if enacted, will have a potentially damaging effect on the Housing Choice Voucher Program. The bill will result in rental property owners facing huge increases in flood insurance premiums. This will result in rent increases that will be above the amount Fair Market Rents will cover, thus decreasing the supply of affordable rental units for voucher holders. The Senate has already voted to delay the implementation of Biggert-Waters for four years and the WVAHA asks our lawmakers in the House of Representatives to also seek a delay in its implementation.