Federal Fiscal Year (FFY) 2019 Funding Priorities

Eighty-two percent (82%) of very low-income renter households in California receive no housing subsidy assistance - Section 8 Housing Choice Voucher subsidy, Public Housing or other federal rental assistance - and they pay too much for rent. Of these renters, 73 percent (73%) pay more than half their income for housing. Nationally, only one quarter of those eligible for rent subsidy will ever receive any form of assistance. ¹

California's Housing Authorities provide rental and homeownership opportunities, as well as critical services designed to address this crisis. Having stable funding is key to our success. We advocate a return to regular order as multiple, short term Continuing Resolutions (CRs) prevent Housing Authorities from completing critical budget-making processes, leaving agencies in limbo, threatening thousands of families with the loss of stable housing and putting at risk vital business investments in affordable housing.

CAHA respectfully urges Members of Congress to:

- Provide sufficient appropriations for housing programs in FFY 2019 to house all families currently housed and operate public housing in a sustainable manner.
- Provide relief from spending caps required by the Budget Control Act of 2011 and ensure affordable housing, community development and transportation programs receive the highest allocation of discretionary funds possible.

Administration’s Rent Reform Proposals

The Administration has transmitted its FFY 2019 budget proposal to Congress. Included are some proposed policy directions and rent reform initiatives for the Section 8 Housing Choice Voucher and Public Housing Programs:

1) Establish or increase mandatory minimum rents;
2) Simplify rent calculations and increase tenant contributions;
3) Prevent rent increases for vulnerable elderly and disabled tenants when new rent structures are established;
4) Limit income recertifications for all households to once every three years;
5) Provide a hardship exemption for tenants; and
6) Give Housing Authorities and property owners the option to choose alternative rent structures with the option to implement minimum work requirements.

CAHA welcomes discussion of these topics and does not automatically dismiss all aspects of the Administration’s proposal. Some, such as a potential tripling of the mandatory minimum rents and the increase in a tenant’s share of rent to 35 percent of income, will be too onerous for the lowest income households. Others, such as limiting income recertifications to once every three years, have long been advocated by CAHA.

However, CAHA proposes that the choice of rent reform tools in different markets be made locally. Providing additional flexibility to Housing Authorities to respond to rapidly changing local rental markets is essential. To date, only Moving to Work (MTW) agencies have been given this level of flexibility. In addition, rent reform should not lead to less Housing Assistance Payments – millions of the lowest income families in America who are eligible for housing assistance currently go unsubsidized and live in precarious housing situations and substandard housing. Furthermore, additional administrative funds may be needed to implement the proposed initiatives.

¹ Center on Budget and Policy Priorities
Section 8 Housing Choice Voucher Program

The Housing Choice Voucher (HCV) Program is the nation’s largest rental assistance program and helps more than 5 million people in 2.2 million low-income households.

- California uses 14 percent (14%) of all HCVs—about 304,500 households—the most of any state.
- In 2016, California’s landlords were paid $3.14 billion in rental subsidy through federal funding.\(^2\)
- Seventy-nine percent (79%) of Californians served by the HCV Program are children, seniors, or people with disabilities.
- Seventy percent (70%) of California’s HCV non-elderly, non-disabled households were working or had worked recently.
- California Housing Authorities administer 17,690 vouchers under the VASH (Veteran’s Affairs Supportive Housing) program for chronically homeless veterans, representing 20% of VASH vouchers nationwide.
- The HCV Family Self-Sufficiency (FSS) program promotes creation of local workforce development strategies so eligible families achieve economic resiliency. As of July 2016, 59 housing authorities in California had successful FSS programs. A recent survey of 44 of these showed that there are currently 5,497 participating households and in the last 3 years 1,645 families exited public assistance (excluding housing), an additional 406 successfully graduated from housing assistance, and 109 families became homebuyers.
- HCV renewals have decreased over the years, resulting in a continued downward spiral since each year’s funding is based on the previous year’s. Under the Administration’s FFY 2019 budget California would lose 26,978 HCVs.

CAHA respectfully urges Members of Congress to:

- Adopt a FFY 2019 budget fully funding the Housing Assistance Payments (HAP) and Administrative Fee accounts. If Congress does not adopt a budget that funds HAP at a level that provides for rising rents and other costs in the HCV program, California could lose an estimated 24,100 vouchers. This loss affects not only the participating tenants but the landlords who rent to them and the local economy.
- Revise the Fair Market Rent (FMR) methodology so that it reflects accurate rents in high cost areas OR provide Housing Authorities with funding to pay for rental market surveys to update HUD’s data.
- Provide full administrative funding to ensure Housing Authority staff can address new challenges, such as landlord recruitment, and serving populations with high service needs, such as homeless populations.
- Increase funding for the Family Self Sufficiency (FSS) Program in order to promote workforce development and to provide participants with the tools to transition away from public assistance.

Public Housing Program

Public Housing provides safe, affordable homes for millions of Americans. In California, more than 30,000 households live in Public Housing. These families are among the lowest income families in the U.S., with 68 percent (68%) having incomes below $20,000 per year.\(^2\) Nearly half of households residing in California’s Public Housing are elderly/disabled persons receiving disability benefits or fixed retirement pensions. For years the Public Housing program has been extremely underfunded, causing needed modernization and repairs to go unattended and essential services to be cut. The deferred maintenance backlog for Public Housing was estimated to be nearly $26 billion in 2010, with an annual accrual of capital needs of $3.4 billion.

CAHA respectfully urges Members of Congress to:

- Adopt a FFY 2019 budget that fully funds Operating Subsidy for Public Housing operations.
- Fund the Capital Fund at a level that meets current annual needs and provides for some funding to address the unfunded capital needs backlog.
- Restore the ability to use administrative Capital Funds for on-site social services.
- Increase flexibility in Section 30 provisions to improve access to private capital to meet rehabilitation needs.
- Expand the Rental Assistance Demonstration program (RAD), streamlining the RAD process and simplifying non-tax credit RAD conversions.

---

\(^2\) 2016 VMS Data from HUD PD&R data set

\(^3\) HUD-REAC-PIC System Information
Homelessness in California

The 2017 Point In Time Count results reflected an increase in the nation’s homelessness numbers, now at 553,742 on a single night. California is one of two states with the largest number of people experiencing homelessness, reported as twice the national average per the 2017 Annual Homeless Assessment Report (AHAR) to Congress. On a single night, California accounted for nearly half (49% or 92,642) of all unsheltered people in the country. California also leads the nation (29%) with the largest homeless veteran population - a staggering 11,472 veterans. The spike in homeless trends is now being exacerbated by the unprecedented fire storms and mudslides that have recently hit both northern and southern California. Housing Authorities need flexibilities to develop local programs to tackle this issue as the magnitude and severity continue to overwhelm our communities.

CAHA respectfully urges Members of Congress to:

- Provide funding and flexibility to Housing Authorities to develop local initiatives modelled on National Best Practices, like Rapid Rehousing, to combat the issue at a local level.
- Provide emergency funding and flexibility to Housing Authorities to deal with disasters such as the wildfires in October and December 2017 that destroyed nearly 6,000 homes.

Regulatory Reform

Housing Authority programs are a key component of security at home while also serving as a launch pad for future individual success. With both high need and current constraints comes the need for regulatory reform to allow Housing Authorities the opportunity to create strategies that best serve local priorities and national interests.

Moving to Work (MTW) is a HUD demonstration program for Housing Authorities. MTW streamlines programs and allows a Housing Authority to design and test innovative, local strategies using federal dollars more efficiently. MTW helps residents secure employment, become self-sufficient and increase housing choice. MTW gives Housing Authorities exemptions from existing over-regulation in the Public Housing and Section 8 Housing Choice Voucher rules, providing greater flexibility in local decision-making. There is no additional funding provided under MTW—instead, federal funding is limited to a Housing Authority’s existing funding combined into a ‘block grant’ to address local programs and initiatives.

Currently, 39 Housing Authorities in the country are designated as MTW agencies and the 2016 Consolidated Appropriations Act allowed for 100 additional high performing Housing Authorities to be added over seven years. CAHA advocates that all California Housing Authorities be permitted to become MTW agencies if they choose to do so, regardless of the 100 provided for in the Act.

To accomplish that, CAHA proposes the following regulatory reform agenda:

- Make the provisions of MTW the basic template for Housing Authority operations or, alternatively, create a statewide pilot with voluntary access to MTW for all California Authorities.
- Require final implementation of all provisions of the unanimous Congressional approval of HOTMA via HUD implementing regulations.

Affordable Housing and Community Development Infrastructure

HUD programs such as the Community Development Block Grant (CDBG) Program and HOME Investment Partnership Program (HOME) help preserve and sustain our nation’s affordable housing stock, provide community investment and revitalization, jump start private capital investment and create jobs.

4 2017 Annual Homeless Assessment Report
CDBG provides funding for community development programs - assisting rural, urban, and suburban communities in improving infrastructure, housing and living conditions, expanding economic opportunity through job creation and the retention or expansion of businesses. Communities use the flexibility of CDBG to support projects meeting local priorities for community development. Today, for every $1 of CDBG funds, an estimated $4.07 is leveraged in non-CDBG funds and over the last decade CDBG has created or retained 353,000 permanent jobs and sustained an additional 861,000.

Since 1990, HOME has invested $26.3 billion to build and preserve nearly 1.2 million affordable homes and provide direct rental assistance to more than 270,000 families. Estimates show this investment has supported 1.5 million jobs and generated $94.2 billion in local income. In California, from 1992 to 2016, $3.82 billion in HOME funds have leveraged over $22 billion in other funds to create or preserve 112,303 homes and assisted 37,740 families with rental assistance. Additionally, every $1 of HOME leverages $4 in additional investments. HOME has a proven track record of effectively leveraging funds to address local housing needs and should be supported in the FFY 2019 budget.  

CAHA respectfully urges Members of Congress to:

- Fund HOME and CDBG at 2010 levels to support affordable housing and community investment.
- Waive the 15% CHDO (Community Housing Development Organization) set-aside requirement for smaller entitlement communities—those that receive $500,000 or less in HOME funding.
- Amend the final HOME Rule to allow Housing Authorities to be CHDOs by right.
- Revise commitment and expenditure deadline rules for the HOME program— to eliminate the commitment timing requirement while retaining the expenditure deadline, including the set-aside, to be set at 7 years.

Tax Reform: Affordable Housing Tax Credit Program

Congress created the Low Income Housing Tax Credit (LIHTC) program in 1986 to provide the private market with an incentive to invest in affordable rental housing. Today, the LIHTC program is the largest source of infrastructure capital supporting our nation’s affordable housing inventory.

In California, since LIHTC program inception, 335,090 affordable housing units have been built or preserved using the Housing Credit. Two very essential tools utilized under the Housing Credit program are the 4% LIHTC and private activity bonds. California is the largest beneficiary of the 4% Housing Credit and tax-exempt private activity bonds in the country. In 2016, affordable housing projects in California received $2.2 billion worth of 4% Housing Credits and the state deployed more than $6 billion of private activity tax-exempt bonds. Combined, these two funding sources created or preserved more than 20,600 affordable homes in 2016. Nationwide, the LIHTC program has produced nearly 3 million units and has provided affordable homes to over 7 million low-income families, seniors, veterans and people with disabilities, making it the most successful affordable housing program in our nation’s history. Forty-six percent (46%) of these units provide housing to extremely low-income residents (i.e., those at 30% of area median income or less). The LIHTC program has had the ancillary benefit of creating over 96,000 jobs annually—3 million jobs since the inception of the program.

CAHA respectfully urges Members of Congress to:

- Improve upon the Affordable Housing Tax Credit program to stabilize and expand it by:
  - Setting the 4% LIHTC rate at a floor rate of 4%; and
  - Expanding the volume cap by 50% to increase the availability of affordable housing to every state-phased in over 5 years.

Mary Ellen Shay, CAHA Manager • meshayco@gmail.com • (916) 444-0288

---

5 The HOME Coalition 2017 – California Fact Sheet
6 Enterprise – Affordable Housing A.C.T.I.O.N Campaign
7 PHADA LIHTC fact sheet