

NLHA Bulletin

FEBRUARY 2012

House Re-Drafts Section 8 Revisions

THE HOUSING SUBCOMMITTEE in the House of Representatives intends to introduce a bill next month that revises earlier versions of the Section 8 Voucher Reform Act (SEVRA) and its successor, the Section Eight Savings Act. The draft bill, renamed, the Affordable Housing and Self-Sufficiency Improvement Act of 2012, also includes changes to the Section 8 project-based programs related to tenant rent calculations and conversions as well as HUD's Rental Assistance Demonstration (RAD) program that was enacted as part of the FY12 appropriations bill.

Minimum Rents

The draft bill would increase the minimum tenant rent to \$69.45. Hardship exemptions would continue to apply. The minimum rent would be adjusted annually by an inflation factor. The new draft appears to provide the Secretary the authority to allow owners to set their own minimum rents.

Rent Calculations and Review of Tenant Income

The bill includes a section on rent calculations that would affect project-based Section 8 as well as public housing and the voucher program. The intention is to simplify the rent calculation process to ease administrative burdens for reviewers and improve the accuracy of setting tenant rents.

Specifically, the bill would increase the medical deductions from \$400 to \$550 and raises the dependent deduction from \$480 to \$525 with the ability to increase annually using a HUD specified inflation factor. The child care deduction is limited to expenses exceeding 5 percent of income. The draft bill would eliminate the 24 month disregard of earnings for certain public housing tenants.

Owners and PHAs would have the discretion to use the previous year's income when calculating tenant rent for annual recertifications. Also, PHAs and owners could rely on determinations of income for other federal means tested programs.

Tenants on fixed income could be recertified every three years instead of annually with an inflation factor provided in off years and tenants self-certifying their incomes. The draft attempts to reduce the need for interim recertifications by using a 10 percent threshold for increases or decreases income. If the family has an increase of income of 10 percent or more, the PHA or owner could decide (if the increase is reported within three months of the tenant's anniversary date) to forego the interim recert and wait for the annual recertification.

Families can certify that their assets do not exceed \$50,000 and calculations of imputed income on assets that exceed that would count toward income. Families (with a few exceptions) would not be eligible for housing if they have assets exceeding \$100,000. Also generally families who own a home or have a legal right to reside in another residential unit would be disqualified from eligibility.

The bill also amends the targeting requirements to allow PHAs and owners/agents to include families that may be over 30 percent of median income in the targeting if their income is below the national poverty level. This provision is met to address the very low incomes in rural areas, where people may earn more than 30 percent of median but still have incomes below the poverty level.

The bill also appears to make it easier for owners of project-based Section 8 to adopt local preferences.

Voucher Funding

The draft would provide renewal funding based on the vouchers used during the prior calendar year, even if they were above the "authorized" level as long as they were funded from the prior year's new allocations. The ability to "overlease" is intended to encourage housing agencies to reduce their per unit voucher cost to lease up more families.

To encourage PHAs to maximize leasing, the bill would create a reserve (net restricted assets) of at least 6 percent of annual renewal funding (before proration).

Inspections

The legislation proposes to provide more flexibility with regard to unit inspections under the voucher program. An initial inspection would be required for each voucher unit when lease up, but units that were previously inspected under other Federal programs or state or local inspections would be considered to be inspected by the PHA as long as the

inspection requirements of the other programs or the state/local were at least as stringent as HQS. An example might be an FHA insured market rate property. HUD conducts inspections of FHA properties under REAC. If the building passed the REAC inspection within the last year, the PHA would not have to perform an initial inspection at their discretion.

Annual re-inspections would be every other year under the bill (although PHAs could choose to continue to do annual inspections). HQS violations reported by the tenant must be cured within 30 days (although PHA can extend to 60) or 24 hours if there is a deficiency that is life threatening.

If a unit does not pass the initial inspection because of a non life threatening condition, the PHA may elect to allow the tenant to move in and pay the landlord, but must discontinue payments if the landlord does not make the repair within 30 days.

Moving To Work

The Moving to Work demonstration program (MTW) allows PHAs to use their public housing operating and capital funds along with voucher monies without the normal regulatory limitations. In other words, provides more flexibility to housing authorities to use their funding and adopt various approaches to program administration including tenant rent setting and other issues that are currently prohibited by the public housing or voucher regulations. There are currently over 30 slots for the MTW program. The bill would make MTW a permanent program and permit HUD to accept applications and set criteria for acceptance. The draft bill does not set a limit on the number of PHAs who could participate. It would permit current MTW agencies to remain MTW agencies.

Family Self-Sufficiency

The draft would require PHAs with over 500 units (combined public housing and vouchers) to participate in Family Self Sufficiency programs either on their own or in cooperation with other PHAs. Further, owners of project-based Section 8 may request that a PHA permit their residents to participate in such a program, if no PHA consents or is not available, the owner may undertake their own program. The draft bill provides for fees to hire service coordinators, but those would be subject to appropriations. If the fees are not funded, the requirement for PHAs to participate in FSS would not be enforced.

Rental Assistance Demonstration (RAD)

The draft bill includes HUD's Rental Assistance Demonstration program (which was enacted in the FY12 appropriations bill) but would extend it through 2016 instead of the next two years and authorizes \$30 million per year for each year through 2016. RAD provides public housing authorities the opportunity to convert their public housing funding stream into

project-based Section 8 to enable the leveraging of funds using other sources like the Low Income Housing Tax Credit. The current demonstration is limited to 60,000 units. Section 8 mod rehab owners would also be permitted to apply under the demo. A key feature of the program is providing the residents the right to move from their units (after conversion) with the use of a Section 8 voucher – otherwise known as mobility.

Preservation Conversions

The draft bill includes language also included in the FY12 appropriations bill to enable tenant protection vouchers issued in connection with a mortgage maturation or other event to be converted to project-based vouchers.

Further, the bill would authorize the conversion of Rent Supplement and RAP contracts to project-based Section 8 and treat them as renewals under MAHRA. This provision would only be implemented if the appropriators provide funding.

The bill extends HUD's authority to restructure FHA mortgages under the Mark to Market program until 2015. This extension has already been enacted as part of the FY12 appropriations bill.

Project-based Vouchers

The draft bill would permit the HAP contract for project-based vouchers to have a term of up to 20 years (it is currently 15). The bill also provides PHAs the ability to project-based an additional 5 percent of its vouchers in certain situations and would amend the 25 percent limitation by applying to projects versus structures and eliminates the limitation for small properties.

Limited English Proficiency

Clarifies that HUD should be translating essential documents in various languages and requires HUD to develop and maintain a Housing Information Resource Center on its website. Further, the bill establishes a task force of various stakeholders to identify the key documents that must be translated and establish priorities for such translation.

Next Steps

The bill will likely be introduced in the House in early February with mark up in March. It is unclear if the Senate will introduce a companion bill. For a complete summary of the latest SESA draft click on the Legislation/Advocacy section of NLHA's website.