



## Campaign for Housing and Community Development Funding

*Working to ensure maximum federal resources for housing and community development.*

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January 8, 2019

The Honorable Mitch McConnell  
Majority Leader  
US Senate  
Washington, DC 20510

The Honorable Charles Schumer  
Minority Leader  
US Senate  
Washington, DC 20510

The Honorable Nancy Pelosi  
Speaker of the House of Representatives  
US House of Representatives  
Washington, DC 20515

The Honorable Kevin McCarthy  
Minority Leader  
US House of Representatives  
Washington, DC 20515

Dear Leader McConnell, Leader Schumer, Speaker Pelosi, and Leader McCarthy:

As members of the Campaign for Housing and Community Development Funding (CHCDF), we call on you to protect low-income Americans by ending the government shutdown and passing full year spending bills that provide strong funding for affordable housing and community development programs.

We are gravely concerned of the shutdown's immediate and long-term impacts on these programs and the low-income people they serve. The government shutdown is stopping communities from pursuing development activities that will promote local economic growth through the creation of affordable and accessible housing for low-income families, threatening to destabilize over four million households that depend on HUD's rental assistance programs and creating widespread uncertainty for affordable housing investors. We have outlined impacts on specific programs below.

We are also concerned about the shutdown's impact on the housing stability of low-wage government contractors who often live paycheck to paycheck. These employees, including janitors, security guards, and cafeteria servers, are currently receiving no pay and are at risk of being unable to cover their rent, putting them at risk of eviction, if the shutdown continues.

It is essential that both the Administration and Congress understand the important role that housing and community development programs have in supporting local economies and improving the lives of low-income households across the country. Congress should act quickly

to open the government and pass full-year spending bills that robustly fund affordable housing and community development programs administered by HUD and USDA.

Sincerely,

*The CHCDF Steering Committee*

Council of Large Public Housing Authorities

CSH

Funders Together to End Homelessness

Enterprise Community Partners

LeadingAge

Local Initiatives Support Corporation

National Alliance to End Homelessness

National Association for County Community and Economic Development

National Association of Housing and Redevelopment Officials

National Disability Rights Network

National Housing Law Project

National Housing Trust

National Low Income Housing Coalition

Stewards of Affordable Housing for the Future

## **Project-Based Rental Assistance**

### **Section 8 Project-Based Assistance**

- As of January 3rd, roughly 1,150 contracts are up for renewal but currently under suspension (i.e., not executed) in HUD's system because funds were not obligated prior to December 22nd. The 1,150 contracts that HUD didn't renew in December will affect roughly 70,000 to 85,000 low-income households. Roughly two-thirds of these households are people who are elderly or who have disabilities; on average, these households have incomes of less than \$13,000 per year. HUD is determining whether it has any available funds that could be obligated to renew these contracts and working through the processing of these contracts to determine what could be signed if funding is available.
- The number of expiring contracts will increase as time goes on, as HUD anticipates approximately 500 additional contracts (affecting another 30,000 to 40,000 households) will expire and be up for renewal in January and 550 in February. Without additional funding, HUD cannot renew these contracts or obligate funds – doing so would be in violation of The Antideficiency Act.

- As in previous shutdowns, HUD sent a notice to property owners on January 4th notifying them that they can use their reserves, where available, to cover any shortfalls.
- Anything less than 12 full months funding for project-based Section 8 contracts will limit a property owner's ability to provide supportive services to their tenants, impede or delay critical rehabilitation, or possibly increase rent burdens on fixed-income populations.
- Nearly 10,000 of the 17,723 project-based Section 8 properties are insured by the Federal Housing Administration (FHA). The estimated unpaid balance of the FHA insured debt underlying properties assisted by project-based Section 8 contracts is over \$13.5 billion. Without sufficient Section 8 rental assistance, many projects will fail and FHA will be left paying the tab.

### **Section 202 Housing for the Elderly**

- Contracts that provide ongoing operating subsidies to the nation's almost 6,700 Section 202 communities are at risk of not being renewed.
- Two-thirds of Section 202 communities receive ongoing rental subsidies from Section 8 Project-Based Rental Assistance (PBRA) contracts; the other one-third receive subsidies from Project Rental Assistance Contracts (PRACs). HUD's inability to renew Section 8 PBRA contracts (see above section) directly impacts older adults in the Section 202 program. Both PBRA and PRAC need uninterrupted renewals to maintain the nation's Section 202 homes.
- The Section 202 program provides affordable housing to about 400,000 older adults with average annual incomes of \$13,300.
- Service Coordinators are essential in serving residents who rely on home and community-based services to age in place. Funded under the Section 202 Service Coordinator Grants program and Project-Based Rental Assistance (PBRA), Service Coordinators are not able to register for Standards for Success or Grant Solutions accounts, 2019 calendar year grant renewals (including a 2% cost of living adjustment) are not being processed, and HUD regional staff are not available for technical assistance or to help Service Coordinators filing their final semi-annual reports due on January 30, 2019.

### **Public Housing**

#### **Public Housing Capital Fund**

- Without a full-year FY 2019 Transportation-HUD bill in place, public housing authorities (PHAs) will not be able to access current-year (FY 2019) Capital Funds, which are allocated 60 days after a final spending bill is signed into law. This could have an adverse impact on over 2 million residents, as more than 3,000 PHAs across the country may not

have funding available to make critical repairs to units or needed upgrades. The capital backlog was last estimated in 2010 to be \$26 billion and growing.

- If PHAs have prior-year capital funds available but require manual approval from HUD, HUD staff is unavailable during the shutdown to approve those expenditures.

### **Public Housing Operating Fund**

- Though PHAs did receive timely payments for January for the Operating Fund and expect to receive payments in February, if the shutdown is not resolved by the end of February, HUD will run out of funding for this critical program, which serves 1.1 million of the nation's lowest income households.
- The Operating Fund allows PHAs to run public housing efficiently, conduct routine maintenance to units, process tenant applications and prepare units for occupancy, and make small and emergency repairs. Without Operating Funds, PHAs may not be able to provide safe and affordable housing for residents.

### **Housing Choice Voucher Program**

- Much like the Public Housing Operating Fund, PHAs did receive funding in January and expect to receive payments in February.
- If the shutdown is not resolved by the end of February, PHAs will not be able to make timely payments to landlords expecting rent subsidies on March 1. This could have dire consequences for recipients of rental assistance, who could face eviction.
- Because of the uncertainty around funding caused by the shutdown, PHAs will be unable to approve families on the waiting list for vouchers that have been turned over by families who have exited the program. As a result, these vouchers will go unused.

### **Rural Housing**

- In rural America, the USDA direct loan programs will not issue any additional funds, including Section 504, 514, and 502. USDA's shutdown plan has noted that banks are unlikely to close on these loans until the government shutdown ends, delaying homeownership at best and possibly forcing sellers to look elsewhere.
- The shutdown can cause construction delays and increase fees and interest paid for developers participating in USDA programs due to lack of inspectors and mortgage funds.
- It is not yet clear whether USDA will continue paying rental assistance or vouchers for low- and very low-income tenants.

## Grant Programs

- Ongoing review and approval of reports may be delayed, which could eventually delay funding. At some point, the federal government may not have funds available to reimburse local jurisdictions for program and project expenses, which would require cities and counties to halt funding to non-profit organizations that count on homeless assistance grants, CDBG, and HOME to serve thousands of low-income families with housing, child care, transportation, literacy, health care, and many other services.
- Any grant agreements that were not processed before the shutdown would delay funds, causing hardship to local jurisdictions, who count on these funds for housing and infrastructure projects underway and in process.
- Jurisdictions may not be able to process reimbursements for expenditures or any complex transactions that need HUD review to move forward. For non-profit organizations, contractors, and developers, programs and projects may have to halt, resulting in employee layoffs and termination of critical services to homeless and other low-income households.
- HUD website has not been updated with the latest funding notices and information. Funding and application process for homeless programs may be delayed, resulting in a gap of services for individuals who are homeless and count on rental payments from HUD funding sources.