The Public Housing Program is home to over 1.1 million low-income families and is a multibillion dollar public asset for local communities. Along with the Section 8 Housing Choice Voucher (HCV) Program, which houses another 2.2 million low-income families, public housing and Section 8 are the foundation of the affordable housing market. Between these two programs, administered by the U.S. Department of Housing and Urban Development (HUD), over forty percent of the individuals served are children, and approximately half of the households are headed by seniors and persons with disabilities.

For many families, the public housing and housing voucher programs are the gateway to housing stability, self-sufficiency, and economic independence. To accomplish these objectives, housing authorities are developing transformational partnerships with important and committed stakeholders to benefit children, seniors, persons with disabilities, veterans, and homeless persons. For many housing authorities, this means coordinating with the education, workforce development, health care, transportation, and social services systems at the local level to provide supports and opportunities to residents.

In addition, the nation’s investment of more than $100 billion in the public housing portfolio is at risk due to a lack of funds for capital improvement and replacement needs, as well as the cost and effect of excessive federal regulation. Consequently, transformation of the public housing portfolio to a more stable funding platform, such as Section 8, coupled with infrastructure spending, such as tax credits, capital funds, etc., is necessary to preserve public housing as a viable resource.

During the second term of the 115th Congress, the legislative priorities for the Council of Large Public Housing Authorities (CLPHA) are to: 1) secure adequate funding; 2) preserve and expand public and affordable housing; 3) ensure program and funding flexibility; and 4) reduce siloed isolation of programs and services. CLPHA will pursue legislative policies and strategies to accomplish these objectives.

I. Secure Adequate Funding

A. Public Housing Operating Fund

The Public Housing Operating Fund is the only major source of federal funds available to housing authorities, aside from tenant income, to support public housing operations. For too many years, Congress has not appropriated the Operating Fund formula at its full funding level
and instead has appropriated an operating subsidy that is deeply prorated. The Operating Fund has only been fully funded to meet the need in four of the last 18 years. For each of the last four years the Operating Fund was prorated at around 84 percent. In addition, success of the Rental Assistance Demonstration (RAD) program depends on an adequate Operating Fund and Capital Fund, which has already leveraged over $5 billion in construction financing.

- CLPHA urges Congress to reject the Administration proposal of $3.279 billion and provide full funding for the Public Housing Operating Fund at the CLPHA-recommended level of $5.269 billion in FY19. The Administration request to prorate public housing operations to 54 percent of formula eligibility is unjustifiable and unconscionable. The Administration-proposed comprehensive rental assistance reform package, simplifying program administration, and increasing local control and choice cannot make up for operating subsidy cuts of this magnitude. This proposed cut coupled with the elimination of the Capital Fund threatens housing authorities across the country with financial insolvency. Prorating operating funds jeopardizes housing authorities’ abilities to increase occupancy, reduce waiting lists, and maintain decent and safe housing.

- CLPHA urges Congress to reject the Administration proposal transferring set-aside funding from the Capital Fund to the Operating Fund (see below).

- CLPHA urges Congress to authorize public housing operating or capital funds allocated from any fiscal year to be fully fungible by housing authorities. However, CLPHA does not regard full fungibility in lieu of reduced funding as a quid pro quo. Additionally, successful conversion of public housing units under RAD is jeopardized. The success of RAD is dependent upon stable funding levels for the Operating Fund and Capital Fund in order to recapitalize properties with private sector debt and equity.

B. Public Housing Capital Fund

The Public Housing Capital Fund is the dedicated source of annual funding available to housing authorities to make rehabilitation and modernization improvements to public housing. Similar to operating fund expenses, capital fund appropriations have steeply declined, while ongoing annual accrual needs continue to be unmet. Since 2010 ongoing accrual needs are estimated at a minimum of $4 billion annually, and the capital needs backlog—estimated eight years ago by HUD at $26 billion—continues to grow. The growing backlog has led to a substantial loss for over a decade of approximately ten thousand public housing units across the country each year, resulting in fewer and fewer low income and vulnerable persons served by the program.

- CLPHA strongly opposes the Administration’s proposal eliminating all funding for the Public Housing Capital Fund, urges Congress to reject the Administration proposal, and supports fully funding the program at the CLPHA-recommended level of $5.0 billion in FY19. The Administration proposal demonstrates a callous disregard for the condition of the nation’s public housing and a serious threat to successful efforts to recapitalize the portfolio. We have repeatedly called attention to the fact that chronic underfunding of the Capital Fund contributes to a deteriorating housing stock, greatly diminished health and other life outcomes for public housing residents, especially children and seniors, and the
loss of approximately 10,000 public housing units per year. The capital backlog of more than $26 billion continues to grow; annual accrual needs continue to be underfunded; and successful conversion of public housing units under RAD are jeopardized. The success of RAD is dependent upon stable funding levels for the Operating Fund and Capital Fund in order to recapitalize properties with private sector debt and equity.

- CLPHA supports the Jobs Plus Initiative of $15 million in FY19, opposes funding the program out of the Capital Fund, and urges Congress to reject the Administration proposal to transfer this account to the Operating Fund.

- CLPHA urges Congress to retain the legislative priority for safety and security measures to address crime and drug-related activity in housing authority communities with targeted funding of $22 million in FY19, and reject the Administration proposal to transfer this account to the Operating Fund.


C. Housing Choice Voucher Program

The Housing Choice Voucher (HCV) Program is an essential component of the affordable housing continuum and continues to be an important, cost-effective delivery system for providing much-needed rental assistance to the country’s lowest-income residents. The HCV program allows families to stabilize their lives and frees up resources so that they can make choices, not only about where to live, but about how to best support their interests in economic mobility, self-sufficiency, education, and employment opportunities. However, the demand for HCV far exceeds the supply of available vouchers. Additionally, HCV Administrative Fees are critical and necessary funds to enable housing authorities to effectively administer the HCV Program.

- CLPHA urges Congress to reject the Administration proposal of $18.749 billion and provide full funding for HCV renewals at the CLPHA estimated level of $20.429 billion in FY19. Additionally, the proposed package of comprehensive rental reforms the Administration plans to send to Congress cannot adequately substitute for the appropriate levels of funding support that the federal government can and should provide.

- CLPHA urges Congress to reject the Administration proposal of $1.55 billion and provide funding for Administrative Fees at the CLPHA recommended level of $2.465 billion in FY19. A recent HUD study shows administrative fees remain significantly underfunded.

- CLPHA strongly opposes the authorization of offset authority to reduce any downward proration or to prevent terminations due to insufficient funding. MTW agencies must be funded according to their contracts; both adjustments to their funding for savings, and offsets of reserves are violations of their agreements.
• **CLPHA supports funding tenant protection vouchers (TPV) at $165 million in FY19, thereby enabling public housing authorities sufficient TPV funds to use in conjunction with RAD and other redevelopment strategies to make more conversions feasible.**

• **CLPHA supports funding HUD-VASH vouchers at $75 million in FY19. HUD-VASH has been enormously successful and is a good example of cross-sector inter-agency partnerships.**

• **CLPHA supports funding Family Self Sufficiency (FSS) vouchers at $95 million in FY19. FSS is a part of the arsenal of programs helping families achieve self-sufficiency.**

II. **Preserve and Expand Public and Affordable Housing**

A. **Transforming and Preserving Public Housing**

Over the years, public housing has suffered deep appropriations cuts, with funding for maintenance and operations at only a fraction of what HUD’s own formulas say is required. Every year, congressional appropriations fall far short of the amount necessary to meet just the additional needs which accrue on an annual basis, much less address the accumulated backlog of repair, improvement, and replacement requirements. Yet, portions of this vital resource have already been transformed into viable affordable housing assets through local public-private partnerships that preserve or replace projects and stabilize operations through access to private financing and the transition to a Section 8 funding and regulatory platform through RAD.

Building upon the transformative process begun by RAD, we have a rare opportunity with modest, targeted investments, which leverage private sector funding and expertise where needed, to implement a plan that finishes what we have started by improving and securing this critical public infrastructure investment once and for all and minimizes the need for future federal funds. This plan could foster deregulation, local control, and more flexible use of federal, state, and local resources to enable public housing providers to use more of their resources to connect residents to jobs, health care, and educational opportunities to better improve life outcomes for them and their families.

• **CLPHA urges Congress to enact necessary statutory changes and infrastructure investments, along with tax incentives and public-private partnerships, to promote and enable private investment and sustainable operations in support of the long-term affordability of this portfolio. (see accompanying paper “Transforming and Preserving the Public Housing Infrastructure - An Action Plan for a System in Crisis”)**

• **CLPHA is strongly supportive of efforts to transition public housing to a more sustainable funding platform, a position we have long advocated; however, we are deeply alarmed by the Administration’s approach to shift the cost-burden to residents and state and local governments.**

B. **Rental Assistance Demonstration**
The Rental Assistance Demonstration (RAD) is a preservation program focused on protecting and improving the nation’s at-risk public housing stock. RAD allows housing authorities to leverage private capital through a variety of proven financing tools as a key solution in tackling over $30 billion in unmet capital backlog needs in the Public Housing Program. Originally enacted in the FY12 appropriations bill with a 60,000 unit cap, RAD was over-subscribed with applications for 85,000 units over the authorized cap languishing on a waiting list. Consequently, at CLPHA’s and other stakeholders’ urging, the unit cap was first raised to 185,000 units, and subsequently raised to its current cap of 225,000 units.

CLPHA and other stakeholders are seeking to completely eliminate the unit cap. The arbitrary cap on the number of units creates artificial limits on unit conversions; interferes with long-term portfolio planning; impedes the alignment of timeframes for additional funding sources; and hinders full portfolio conversion over multiple years. Additionally, during its initial authorization, HUD, CLPHA and other stakeholders requested incremental funding to enable housing authorities with high-cost, high-needs properties the opportunity to more fully participate in RAD.

Since its start, RAD has already spurred over $5.0 billion in construction financing and successfully converted more than 88,000 units through public-private financing partnerships. Another 17,000 units are in the final stages of conversion, and more than 86,000 units are on the waiting list to convert.

• **CLPHA strongly supports the Administration’s proposal and urges Congress to permanently eliminate the authorized unit cap for the RAD program in FY19. However, the Administration’s FY19 proposal to eliminate funding for the Capital Fund and drastically cut funds for the Operating Fund severely jeopardizes the ability of housing authorities to transition to RAD.**

• **CLPHA urges Congress to support the Administration proposal of $100 million for the RAD program in FY19 to enable housing authorities with high-cost, high-needs properties the opportunity to more fully participate in RAD.**

• **CLPHA strongly supports the Administration’s proposal to repeal the sunset date for the RAD program.**

**C. Infrastructure**

As one of the nation’s largest sources of affordable housing, public housing plays a central role in the nation’s infrastructure. Similar to roads, bridges, and waterways, affordable housing is a long-term infrastructure asset that helps communities and families thrive. Public housing represents a significant investment on the part of the federal government. However, like roads, bridges, and waterways that lack adequate resources to be properly maintained, HUD estimates over 300,000 units of affordable public housing were lost since 1990 due to chronic underfunding.
Under the last infrastructure investment bill, housing authorities were efficient, effective and innovative in using capital funds by quickly spending their funding on ready-to-go projects that bolstered economic growth, created jobs and improved opportunity and quality of life for residents. A subsequent U.S. Government Accountability Office analysis also confirmed that housing authorities were timely and efficient in using infrastructure funds.

The Trump Administration and Congress have signaled that restoration of the nation’s infrastructure is critical to the nation’s economic vitality, health and safety. A significant federal investment in housing infrastructure should be a top priority.

- **CLPHA urges Congress to provide $10 billion total funding to housing authorities for infrastructure projects.**

### D. Low-Income Housing Tax Credit (LIHTC)

Generating over three million housing units since its authorization in the 1986 tax reform bill, LIHTC is the federal government’s primary vehicle for producing affordable rental housing. It provides budget authority to state and local housing agencies as an incentive to private developers and investors to help produce new and rehabilitated rental housing for low-income households. Nearly 72 percent of tenants living in federal public housing are extremely low-income, meaning their incomes are at or below 30 percent of area median income. The Senate-proposed Affordable Housing Credit Improvement Act would provide up to 50 percent additional LIHTC equity for properties serving this population.

LIHTC is also a primary financing tool for RAD, which enables public-private partnerships to preserve at-risk public housing. Utilizing LIHTC through October 2017 has leveraged nearly $3.8 billion in private financing to help convert over 33,000 units through RAD, more than any other single source of financing for the RAD program.

The recently-enacted tax reform bill, while preserving the LIHTC program, lowered the corporate tax rate from thirty-five percent to twenty percent reducing the value of losses from LIHTC investments, thereby reducing LIHTC prices by about fifteen percent. This will diminish the amount of equity capital invested, resulting in fewer public housing units preserved and affordable housing constructed.

- **CLPHA urges Congress to enact the Affordable Housing Credit Improvement Act, to make changes to strengthen the Low-Income Housing Tax Credit program.**

- **CLPHA urges Congress to expand the LIHTC allocation authority by 50 percent and give states greater ability to direct credits towards public housing recapitalization as well as many other competing needs.**

- **CLPHA urges Congress to enact a 50 percent boost for certain developments designated to serve extremely low-income households; remove the population limit on qualified census tracts; increase the population limits to 30 percent for difficult to develop areas;**
and expand the housing credit agency designation to include properties with 4 percent LIHTCs and tax-exempt bond financing. These changes will make additional 4 percent developments feasible and allow LIHTC properties to be built in higher cost areas.

- CLPHA urges Congress to offset the impact of a lower corporate rate on the value of LIHTC.

III. Ensure Program and Funding Flexibility

A. Moving to Work Flexibility for Large Housing Authorities

For over twenty years, Moving to Work (MTW) has served as a public housing laboratory for innovation and flexibility in program administration and utilization of program funding to meet local needs. Many of the innovations developed through MTW have been adopted into legislative and regulatory reforms for all public housing. Also, recently the first comprehensive evaluation of the Moving to Work (MTW) program found that MTW agencies do better than comparison agencies on most performance measures, particularly those related to the MTW program goals of self-sufficiency and housing choice, while also meeting the standard PHA requirements for serving extremely low-income households.

The Consolidated Appropriations Act of 2016 allows expansion of the MTW demonstration to an additional 100 housing authorities over 7 years and extends the existing contracts of current MTW agencies to the year 2028. While the expansion and extension were welcome and supported by CLPHA, the expansion severely limits the number of large housing authorities who can participate in the program. There remain a significant number of large housing authorities interested in attaining the type of flexibilities that MTW status offers.

- CLPHA urges Congress to increase the number of large, high-performing housing authorities, or housing authorities who have otherwise demonstrated high-capacity, as agencies designated with MTW-flexibility.

IV. Reduce Siloed Isolation of Programs and Services

A. Choice Neighborhoods Initiative

The Choice Neighborhoods Initiative (CNI) is considered a broad place-based solution to help address the housing, transportation, energy, education, workforce, environmental, health, business, and development needs of neighborhoods and communities. CNI is built upon the success of the HOPE VI program, whose purpose was to transform the most severely distressed public housing developments into revitalized neighborhoods. While much has been accomplished, there is still considerable need for revitalization in public housing developments across the country.

- CLPHA urges Congress to reject the Administration proposal eliminating all funds for the Choice Neighborhoods Initiative program and provide funding at $200 million in FY19 with not less than two-thirds of the amounts made available for public housing.
• **CLPHA urges Congress to permanently authorize the Choice Neighborhoods Initiative program with continued focus on designating not less than two-thirds of the amounts made available in any fiscal year, or two-thirds of the units assisted under Choice Neighborhoods, for public housing.**

**B. Housing Is**

The *Housing Is* Initiative, led by CLPHA, is based on the premise that fragmented service delivery systems and siloed policymaking often fail to address the needs of low-income individuals and families holistically, resulting in stagnant outcomes and costly inefficiencies. In order to solve challenges associated with poverty and other social and societal determining factors, we must break down silos and create opportunities for different systems and sectors (public, private, and nonprofit) to collaborate and better meet these needs and improve life outcomes.

Public housing offers many low-income children, families, and seniors stability. Research has shown that stable, healthy housing has a profound positive impact on public health and can help improve life outcomes. *Housing Is* connects public housing authorities with the education and health sectors to improve life outcomes for low income households. In line with the objectives of the *Housing Is* Initiative, other legislative actions can be—and should be—initiated to improve policies and practices that directly impact low-income residents and those experiencing housing instability.

  a. **Affordable Housing for Educational Achievement Demonstration (AHEAD) Act**

The Senate-introduced AHEAD Act is designed to encourage housing authorities, school districts, and community partners to work together in unprecedented ways to address children’s housing and education needs in a coordinated fashion. Under this program, school districts would apply individually or in consortia with other school districts and local housing authorities for a grant from the Department of Education and HUD for projects to address and prevent child and family homelessness; increase socioeconomic and racial diversity; and, increase academic achievement for low-income, at risk children.

Partnerships would apply for either a two-year planning grant to begin collaboration efforts and develop a memorandum of understanding or a five-year implementation grant to implement projects that assist families in addressing housing needs and provide education and community-based services for low-income, at-risk children.

  • **CLPHA urges Congress to enact the AHEAD Act, a demonstration that will help both public housing agencies and the general public support and evaluate innovative ideas at the intersection of housing and education policy.**

  b. **Interagency-Funded Pilot Programs**
There is a need to reach across federal departments and agencies to more effectively and efficiently serve and deliver services to residents. “Breaking down the silos” for housing stakeholders could involve eliminating duplication, marshaling proper resources, colocalizing administrative functions, consolidating physical structures, and identifying and deploying appropriate personnel. It could also involve providing training and education across systems and silos aimed at treating housing as a cornerstone in the foundation of social and supportive services. It could require the development of interdisciplinary resources to support sustained collaboration, such as cross-system data sharing agreements; goal-oriented memorandums of understanding; and interagency agreements. The need is to foster new enterprises, and strengthen existing partnerships for improved, sustained alignment and collaboration across systems and sectors to improve life outcomes for residents.

For example, CLPHA launched a recent project with service providers, healthcare providers and a philanthropic foundation that seeks to improve health outcomes for Medicaid beneficiaries served through managed healthcare and living in publicly-assisted housing. In addition to improving health outcomes, a shared goal of this joint venture is to reduce costs to the health system, and help residents stay independently housed if their housing and services are delivered more effectively. It is broadly agreed that having a decent, safe, stable home environment is fundamental to reducing emergency and inpatient health costs, improving access to care and helping to control chronic health conditions.

Just as CLPHA and other stakeholders have initiated this limited pilot program, the federal government with its wide-ranging resources and extensive interdisciplinary and interagency network should do no less.

- **CLPHA urges Congress to initiate a series of pilot programs aimed at breaking down the silos between housing and health; housing and education; housing and transportation; and housing and workforce systems to help improve life outcomes and enable residents to achieve housing stability, self-sufficiency, and economic independence. Examples could include initiatives on inter-agency cross-collaboration point system in awarding federal grants; enhanced service coordinators and wellness nursing services for public housing residents; data-sharing agreements with housing and health systems, housing and education systems, and others.**
Transforming and Preserving the Public Housing Infrastructure
An Action Plan for a System in Crisis

The nation’s investment of more than $100 billion in the public housing infrastructure, which houses more than two million of our poorest, most vulnerable people, is at risk due to a lack of funds for capital improvement and replacement needs, as well as the cost and effect of excessive federal regulation. The vast majority of these households include seniors, persons with disabilities, and working families who have nowhere else to turn. Public housing has suffered deep appropriations cuts, with funding for maintenance and operations at only a fraction of what HUD’s own formulas say is required. Even more alarming is the failure to provide enough capital funding to preserve this investment. Every year, congressional appropriations fall far short of the amount necessary to meet just the additional needs which accrue on an annual basis, much less address the accumulated backlog of repair, improvement, and replacement requirements.

Even leaving aside the impact of this disinvestment on low-income families, it makes no sense from an economic perspective for the federal government to neglect its stewardship of an investment it has made for over 80 years, and which it could never replace. Further, despite that under-funding, federal rules and requirements have continued to grow and deepen under an antiquated regulatory structure which misdirects scarce resources into regulatory compliance and away from housing.

Yet, at the same time, there is some reason to hope that an immediate, self-sustaining solution is within reach. Portions of this vital infrastructure have already been transformed into viable affordable housing assets through local public-private partnerships that preserve or replace projects and stabilize operations through access to private financing and the transition to a Section 8 funding and regulatory platform through the Rental Assistance Demonstration (RAD) and other means. Deregulation, local control, and more flexible use of federal, state, and local resources also enable providers to use more of their resources to connect residents to jobs, health care, and educational opportunities so they and their families have a better and more independent future, as in the Moving to Work (MTW) program.

However, while we have proven that this new model works, we also fear that it could be undermined by inadequate capital incentives and excessive federal regulation. We now have a rare opportunity with modest, targeted investments, which leverage private sector funding and expertise where needed, to implement an Action Plan that finishes what we have started by improving and securing this critical public infrastructure investment once and for all and minimizes the need for future federal funds.

The following components are needed to implement this Action Plan, to be carried out by local public housing agencies (PHAs) with private sector affiliates and partners:

- A one-time federal infrastructure investment of $10 billion to be used as capital or operating assistance that addresses immediate capital improvement needs and can leverage private
financing. Conservative estimates show that this amount would leverage at least another $100 billion in private funds. The RAD program, in only a few years, has already leveraged substantial private funds for every dollar of federal funding. Further, PHAs have clearly demonstrated their ability to effectively and efficiently deploy such funds when they were provided under the American Recovery and Reinvestment Act (ARRA).

- Tax incentives to encourage private investment in affordable housing by expanding and enhancing the Low-Income Housing Tax Credit (LIHTC), which has become the primary federal housing production and rehabilitation program. Public housing infrastructure needs cannot be met without it. Specifically, Congress must enact the Affordable Housing Credit Improvements Act (S. 548), sponsored by Senators Hatch and Cantwell, to:
  - Increase by 50% the amount of tax credits allocated to states for projects
  - Set a minimum 4% rate for acquisition credits and bond-financed projects
  - Incentivize serving the lowest income households through an increase in eligible basis
  - Encourage income mixing in projects through an average income test
  - Adopt an explicit purchase option to strengthen long-term affordability

- Streamline the use of 4% LIHTCs and recycle unused bond volume cap for affordable housing

- Authorize local control and deregulation under a package of statutory and regulatory waivers to promote investment and sustainable operations, as in ARRA, RAD, and MTW

- Continue to build on the success of the RAD program by:
  - Eliminating the cap on the number of units which may convert and making RAD permanent so that PHAs and their partners can secure necessary financing and use RAD when and how it makes the most sense in their communities
  - Continuing to streamline the RAD process, especially for smaller PHAs
  - To enhance project stability, further enabling PHAs to convert prior to undertaking complex financing transactions
  - In consultation with housing providers, pursuing additional options in addition to RAD to convert public housing to a private sector Section 8 contract model

- Provide adequate Tenant Protection Vouchers (TPVs) and reform federal policy to use TPVs as necessary to fill financing gaps for rehabilitation projects after other private and public investments have been maximized

- Allow PHAs to determine the appropriate mix of hard units and housing vouchers in their communities to match local housing market conditions and exploit investment opportunities
• Modernize the contractual relationship between HUD and PHAs and their affiliates and partners, consistent with HUD subsidy contracts used for private owners and developers, so that both obligations and remedies align with the level of funding provided and applicable use restrictions are designed to promote and enable private investment and sustainable operations

• Provide adequate support and technical assistance to PHAs which are new to private financing to ensure long-term affordability is preserved after use restrictions and LIHTC compliance periods end

• Require HUD to:
  - Immediately and fully implement existing law on the demolition and disposition of public housing, which vests decisions in local communities, and rescind HUD policies that force PHAs to spend scarce resources on projects which should be removed from the inventory
  - Fully implement the Housing Opportunities Through Modernization Act (HOTMA), which Congress enacted to enhance the use of project-based vouchers, without imposing unnecessary HUD regulation
  - Work with other federal agencies to break out of existing funding silos so that federal resources targeted to the same populations are used more effectively and efficiently
  - Within 6 months, produce a plan in consultation with housing providers to reduce and streamline federal regulation, including recommendations for legislation
  - Reorganize its own structure and operations consistent with these reforms

• Encourage matching grants for infrastructure improvements from states and localities, including from other federal funds allocated to them, as well as regulatory waivers to expedite projects

• Ensure that the Government Sponsored Enterprises (GSEs) – Fannie Mae and Freddie Mac – fully implement their “duty to serve” low-income communities under existing law by offering products that facilitate the transformation of public housing

We are confident that if this Action Plan is implemented, the existing public housing portfolio, as well as PHAs and HUD, will be transformed into a system that addresses the housing needs of low-income families as efficiently as possible, providing high-quality housing, sustainable operations, and economic opportunity which minimizes the need for future federal appropriations.