

Memorandum



Date: October 13, 2010

To: Honorable Chairman Dennis C. Moss
and Members, Board of County Commissioners

From: George M. Burgess,
County Manager

Subject: Supplemental Information on Industry and US HUD Requests for Funding as Board
Training Materials required by MOU between US HUD and Miami-Dade County

HCD

Supplement to

Agenda Item No. 7(A)

Pursuant to the Memorandum of Understanding (MOU) between the County and the U.S. Department of Housing and Urban Development (US HUD), which was approved by the Board of County Commissioners (BCC) through Resolution R-1418-08, the County is required to have ongoing trainings for the BCC, which serves as the governing body of the Miami-Dade Public Housing Agency (MDPHA).

To date, the following workshops have been held:

- US HUD conducted a workshop for all BCC members on December 14, 2009;
- Miami-Dade County and HOPE, Inc. jointly held a fair housing workshop on April 30, 2010; and
- On June 9, 2010, MDPHA provided the BCC with information regarding its Capital Fund Program, American Recovery and Reinvestment Act funding, and a narrative on various projects currently underway.

For this reporting cycle, MDPHA is providing an overview and commentary on US HUD funding from the Council of Large Public Housing Authorities (CLPHA) as well as a comparative chart of US HUD funding, industry needs, and MDPHA's projected funding for both FY 2010 and FY 2011. Based on the attached information, it is anticipated that MDPHA will receive slightly less in its Capital Fund Program in comparison to FY 2010; however, there should be minor increases in its Operating Fund, Housing Choice Voucher (HCV) Tenant-based renewals, and HCV Administrative Fees.

Attachment


Assistant County Manager

Industry and HUD Requests for FY2010 & FY2011

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Introduction

The Council of Large Public Housing Authorities (CLPHA) is a national non-profit organization that works to preserve and improve public and affordable housing through advocacy, research, policy analysis and public education. It is the only organization that focuses exclusively on issues that concern large public housing authorities. CLPHA's 60 members represent virtually every major metropolitan area in the country, which collectively manage 40 percent of the nation's public housing program and administer 26 percent of the Housing Choice Voucher program.

MDPHA's membership in CLPHA provides the agency with an important industry perspective on funding and programmatic activities from the U.S. Department of Housing and Urban Development (US HUD) and the impact of its programs on the local level.

Earlier this year, CLPHA published a comparative funding chart for FY2011 of US HUD's FY 2011 budget request and an in-depth analysis covering the following topics:

- Public Housing Operating Fund
- Public Housing Capital Fund
- Housing Choice Vouchers
- HOPE VI
- Choice Neighborhoods Initiative
- Transforming Rental Assistance (TRA) Initiative
- Voucher Demonstration Program
- US HUD Transformation Initiative Fund

CLPHA's Report is included as attachment A to this Introduction.

What This Means to MDPHA

Below is a condensed industry and US HUD funding comparative chart, which includes MDPHA's anticipated and projected funding levels.

INDUSTRY AND US HUD REQUESTS FOR FY2010 - FY2011 (SOURCE: CLPHA) INCLUDES MDPHA'S ACTUALS AND PROJECTIONS

	FY2010 Industry Needs	FY2010 US HUD Requests	FY2010 Final US HUD	FY2010 MDPHA	FY2011 Industry Needs	FY2011 US HUD Requests	FY2011 MDPHA Projection
Operating Fund	\$5.5 B	\$4.6 B	\$4.775 B	\$33.5 M	\$5.084 B	\$4.829 B	\$34.7 M
Capital Fund	\$5 B	\$2.244 B	\$2.5 B	\$14.8 M	\$5 B	\$2.044 B	\$14.5 M
HCV Tenant-Based Renewals ¹	\$16.5 B	\$16.189 B	\$16.3 B	\$161.3 M	\$17.165 B	\$17.31 B	\$165.8 M
HCV Admin Fees	\$1.65 B	\$1.493 B	\$1.57 B	\$15.7 M	\$1.72 B	\$1.791 B	\$15.9 M

Notes:

1 - "B" stands for Billions and "M" stands for Millions.

2 - The FY 2010 MDPHA figures for "HCV Tenant-Based Renewals" and "HCV Admin Fees" are projections and subject to change with end of year adjustments.

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Attachment A

FY2011 Budget Request: A Vision for Transforming HUD and Public Housing

On February 1, Secretary Shaun Donovan outlined the FY 2011 HUD budget request to Congress at a briefing for industry groups. In his overview, he noted that a year ago, we were “facing the greatest economic crisis in a generation and an economy on the precipice of a second depression.” The crisis “called for a significant budget infusion to rescue the economy and stabilize HUD’s core programs after years of slow starvation.” But now, he said, we need to reduce the deficit, focus on long term reform of HUD, and because of the federal government’s proposed three-year freeze on domestic spending, do more with less.

Declaring this a bold budget—one that will achieve more with less - Donovan laid out HUD’s FY2011 budget objectives:

- Strengthening the housing market to bolster the economy and protect consumers
- Meeting the needs for quality affordable rental homes
- Leveraging housing as a stable platform for improving quality of life
- Putting “the ‘UD’ back in HUD” by building inclusive and sustainable communities free from discrimination
- Transforming the way HUD does business, to “make HUD the partner you all need”

However, to do more with less, the budget request proposes to reduce funding for several popular programs, including Section 202 housing for the elderly, Section 811 housing for persons with disabilities, HOME, and—of particular interest to CLPHA members—the Public Housing Capital Fund.

Public Housing Operating Fund

The administration requests \$4.829 billion for the Public Housing Operating Fund for FY 2011, \$54 million more than the FY 2010 enacted level. According to HUD’s Congressional Justifications, funding at \$4.829 billion would cover the full costs of public housing operations in 2011, the second year in a row with no proration.

The increase in the administration’s request is primarily due to the expected federalization of as many as 18,000 state funded public housing units that will be brought into the program through the American Recovery and Reinvestment Act of 2009 (ARRA). Out of that, 1% -- \$48 million -- will be for HUD’s Transformation Initiative (TI).

HUD’s request falls short of CLPHA’s estimated need of \$5.084 billion, which also includes costs to federalize the 18,000 units. The primary difference is that CLPHA’s estimate uses the methodology agreed to during negotiated rulemaking for the new operating fund rule, which includes adjustments for the cost of employee benefits. Another key difference is that CLPHA’s request calls for formula income to be frozen at the 2008 level through FY 2013, similar to the agreement made for the 2007-2009 time period.

Public Housing Capital Fund

The administration requests a disappointing \$2.044 billion for the Public Housing Capital Fund for FY 2011. This is a reduction of \$456 million from the FY 2010 enacted level, and well short of the estimated \$2.8

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billion necessary to cover annual accrual costs. According to HUD's Congressional Justifications, the request "considers the additional \$4 billion appropriated for the Capital Fund in the Recovery Act as well as the fiscal year 2011 Budget request to fund 100 percent of operating subsidies." While CLPHA appreciates the effort this administration has made by providing ARRA funding to housing authorities and fully funding the operating fund, CLPHA believes that funding at a level well below accrual is not consistent with HUD's goal of preserving affordable housing units. HUD also justifies the lower amount because PHAs have been able to use up to 10% of capital funds to close the gap in operating funds, and that fund is now fully funded.

Of the \$2.044 billion, there will be \$1.980 billion for capital fund grants, \$20 million set aside for emergencies, \$8.8 million for the cost of receiverships, \$15.3 million for REAC support, and \$20.4 million for HUD's transformation initiative. The administration is requesting that no funds from the set-aside for emergencies be eligible for safety and security as it was in 2010 because safety and security activities are "an eligible use of Capital Fund Formula grants." Moreover, the administration proposes to eliminate a set-aside for Resident Opportunities and Supportive Services (ROSS) that was funded at \$50 million in 2010 because "self-sufficiency activities are currently an eligible expense under the Operating Fund."

For FY 2011, CLPHA recommended funding the Public Housing Capital Fund at \$5 billion. \$2.8 billion would be used to cover estimated yearly capital accrual, while \$2.2 billion would be used to address the capital needs backlog, recently estimated to be \$32 billion. CLPHA also recommended funding ROSS at \$55 million and public housing safety and security at \$310 million. However, CLPHA recommends funding both ROSS and safety and security as separate, stand-alone programs, rather than as set-asides within other housing accounts.

Housing Choice Vouchers

Although budget summary tables indicate a request of \$17.310 billion for Housing Choice Voucher contract renewals, HUD plans on transferring \$195.5 million to the Transformation Initiative (TI) account, for a net request of \$17.115 billion. This is \$50 million less than CLPHA's request for \$17.165 billion. Both figures include a \$150 million set-aside to fund significant unforeseen costs and other needed funding adjustments.

HUD additionally requests the flexibility to offset renewal allocations by a PHA's Net Restricted Assets (NRA), with offsets not to exceed 6% of that agency's CY2011 budget authority prior to proration. These offsets would be used to make up any shortfall in renewal funding that results in proration below 100%. The Department also requests that if contract renewal funding is at or above 100% of eligibility, the Secretary could reallocate offset funds for other purposes.

The budget indicates support for the Moving to Work (MTW) program, stating "the Department seeks to continue to expand the MTW program." While noting that each of the past two years' Appropriations Acts allowed HUD to add three more agencies, however, there is no specific request for expansion.

The budget request would determine 2011 renewal funding eligibility based on CY2010 leasing and costs. The Administration made that proposal in the last budget cycle, but congressional appropriators had concerns about timely and accurate data. Whether that shift in eligibility occurs may depend on the appropriators' views on progress of the Business Process Reengineering/Business Process Improvements plan developed in 2009. The budget identifies the major goals of that plan, which is focused on improving data and system accuracy, including reducing redundancies and simplifying processes.

Other major HCV goals beyond improving the Department's IT systems include:

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- Continuing the study on developing a better formula for allocation of administrative fees, for which an RFP has been released and a contract award tentatively scheduled for June 2010

Developing a study on evaluating Housing Quality Standards and improving the unit inspection process

Removing the authorized cap on the number of families that a PHA can serve with its allocated funding

The Administration requests \$1.79 billion for HCV administrative fees. According to HUD, the projected increased leasing driven by incremental special-purpose vouchers funded in recent years means a continuation of the 90% proration rate. CLPHA's request is for \$1.72 billion. Of HUD's requested \$1.79 billion, \$50 million would be set aside for adjustments for increased need associated with administering special purpose, tenant protection, and disaster assistance vouchers.

The budget also includes \$60 million for Family Self-Sufficiency Coordinators, up to \$66 million for renewal of Disaster Housing Assistance Program Vouchers for Hurricanes Ike and Gustav (with these vouchers not being re-issued when participants leave the program), and \$125 million for new Tenant Protection Voucher needs in 2011. HUD does not seek new incremental vouchers for programs such as the Veterans' Affairs Supportive Housing (VASH) Program, the Family Unification Program (FUP), and Non-Elderly Disabled Vouchers. The Department notes delays in lease-up and award of the incremental vouchers over the past three years and plans to focus on effective administration of previously appropriated amounts. Two new demonstration projects for support of homeless families and single people with special needs [see page 8] are proposed, with \$85 million budgeted for 10,000 incremental vouchers.

Finally, HUD proposes moving Section 811 five-year Mainstream vouchers into the Tenant-based Rental Assistance/Housing Choice Voucher account and budgets \$114 million for the renewal of those vouchers.

HOPE VI

In a disappointing reprise from last year, the Administration is once again proposing no additional funds for the HOPE VI (Revitalization of Severely Distressed Public Housing) program in the FY 2011 budget. CLPHA's request was \$800 million. While not requesting new funds, HUD asserts that they will "continue to build on the success of the HOPE VI program through the continued implementation of its Choice Neighborhoods Initiative." In their budget justification, HUD says they will focus on completing the existing pipeline of HOPE VI grants and expect the balance of \$750 million in pipeline projects to spend out over the next several years. Last year, Congress rejected the Administration's request to not fund HOPE VI and provided \$135 million for the program, with an additional set-aside under HOPE VI of \$65 million for a Choice Neighborhoods demonstration program.

Choice Neighborhoods Initiative (CNI)

The Administration requests \$250 million for the CNI, \$185 million more than the \$65 million awarded in FY 2010. According to HUD, the "program will fund competitive grants to transform neighborhoods of extreme poverty into sustainable mixed-income neighborhoods with well-functioning services, schools, public assets, transportation and access to jobs." As in FY 2010, HUD states Choice Neighborhoods will build on the successes and lessons learned in the HOPE VI program.

Eligible applicants will include local governments, assisted housing owners, community development corporations, nonprofits, and for-profit entities as well as

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public housing authorities. Grants will primarily fund the transformation, rehabilitation and replacement of HUD public and assisted housing that cannot be funded through current annual formula or contract payments. By partnering with the Departments of Education, Labor, Transportation, Health and Human Resources, Agriculture, Commerce and the Environmental Protection Agency, the program is expected to support affordable housing and community development activities in surrounding communities and improve the lives of area residents by creating job opportunities, improving schools and providing work and other incentives that promote family self-sufficiency.

In comments at the budget briefing, Secretary Donovan explained that CNI fits into the Obama Administration's emphasis on place-based strategies to achieve sustainability and livability, asserting that HUD-subsidized housing "is the most place-based of all federal programs." He noted that of the 66,000 census tracts in the country, 58,000 have HUD housing.

HUD "estimates there are approximately 242,000 public housing and 83,000 multifamily housing units in over 1,000 neighborhoods of high poverty that are potential candidates for Choice Neighborhoods. While not all of these neighborhoods will ultimately qualify for Choice Neighborhoods, a significant share will qualify. At \$35-45 million per grant, funding at \$250 million will reach 5-7 neighborhoods a year. Up to 10 percent of the appropriation will be used for Planning Grants, which will assist local partnerships to develop strong proposals for future fiscal year grant competitions."

We expect HUD to offer authorizing legislation for Choice Neighborhoods. CLPHA has commented on a draft.

Transforming Rental Assistance (TRA) Initiative

TRA is a sweeping, multiphase initiative intended to:

- Address the huge capital backlog in public housing and tackle the preservation needs of the assisted housing stock
- Break down the silos of HUD's 13 different deep rental assistance programs and move them towards a single, more uniform funding stream
- Promote residential mobility ("real choice") for HUD-assisted tenants

Its guiding principles include financial and physical sustainability; increased administrative efficiency; maintaining affordability for extremely low-income households; and greater mobility for participants—while retaining project-based subsidies for owners. The program will be voluntary.

The first phase would begin in 2011, with \$350 million budgeted to transform 300,000 units of public and assisted housing. PHAs and private owners would have the option of converting their subsidy to a long-term property-based rental assistance contract with a residential mobility feature. HUD bases its proposal on the project-based voucher model, which will be improved by a new rule expected this month. For the TRA, the Department plans on reworking that base model with new authorizing legislation to be conveyed to Congress in the spring of 2010. One of the key issues in shaping the form of this program will be defining its mobility feature. Changes will not be made with respect to public ownership of the properties (retained in properties that are currently public housing), income-based rents, or the overall population of assisted tenants.

Of the \$350 million request, \$290 million will go towards filling the gap between currently available assistance and the first-year contracts for the 300,000 converted units, for both rental assistance and

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administration costs. CLPHA is concerned that these gap cost estimates are low. HUD estimates that these funds will allow property owners to leverage an additional \$7.5 billion in private debt to support rehabilitation efforts. All conversions will be voluntary.

Of the 300,000 units to be converted in the first phase, HUD has set a goal of conversion of 150,000 public housing units owned by the primarily small 1,600 PHAs that provide only public housing. Awards for these conversions will be funded through a noncompetitive process with threshold requirements.

Another 130,000 public housing units will be converted with awards being made through a competitive process for which eligible applicants will include:

- PHAs with public housing and vouchers HCV assistance; preference will be given to properties owned by PHAs that agree to combine voucher operations
- PHAs that own assisted housing properties
- Voucher-only PHAs (only for one-time grants to offset costs of forming consortia and to promote mobility)

The final 20,000 properties included in HUD's goal of 300,000 unit conversions will be privately owned properties assisted under the Section 8 Moderate Rehabilitation, Rent Supplement, or Rental Assistance programs. The application process for these private owners has yet to be determined.

Of the funds not designated for first-time costs of the new contracts, \$50 million will be made available for two program administration functions. They will be used in part to offset one-time costs of combining HCV administrative functions where PHAs submit locally designed plans to increase efficiency and effectiveness. They will also be used for landlord outreach in a broad range of communities and services to support expansion of families' housing choices. The final \$10 million is designated to fund rent comparability studies, technical assistance, and program evaluations.

HUD acknowledges that the details of this initiative have yet to be decided. CLPHA will be discussing the proposal with our members and other stakeholders.

Voucher Demonstration Programs

HUD proposes two competitive demonstration programs to prevent and reduce homelessness. A total of 10,000 new vouchers would be awarded.

The first program is geared toward people with special needs, based on research showing the potential of housing to improve residents' health, and reduce their use of publicly funded health and social services. HUD will partner with the Department of Health and Human Services (HHS) to provide 4,000 vouchers to low-income, single, childless adults enrolled in Medicaid through either Section 1115 waivers or state-only initiatives. HUD and HHS will also leverage grants administered by the Substance Abuse and Mental Health Services Administration to provide wrap-around support. Proposals will need to show that PHAs are partnering with eligible Medicaid agencies and state behavioral health entities; the selection process will be

handled jointly by HUD-HHS.

The second initiative is a joint effort of HUD, HHS, and the Department of Education (DOE) and is based on research showing critical links between housing and education. PHAs and state-level voucher agencies

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will be eligible to compete for the 6,000 vouchers. To ensure place-based targeting, winning proposals will have to show how vouchers will be targeted to communities with high concentrations of homeless families. They will also have to outline a well-coordinated and collaborative program with the local TANF agency, public schools and other community partners. HUD, HHS and DOE will design the selection process.

HUD Transformation Initiative Fund

For FY 2011, the administration is again requesting authority to transfer up to 1% of the total program funds from several housing programs for the HUD Transformation Initiative Fund (TI). This includes \$195.5 million from Tenant-Based Rental Assistance, \$20.4 million from the Public Housing Capital Fund, \$48.3 million from the Public Housing Operating Fund, and \$2.5 million from the Choice Neighborhoods Initiative (CNI). HUD projects that the total amount to be transferred in FY 2011 is \$456 million.

In FY 2010, HUD requested authority to transfer up to 1% from several housing programs totaling \$435 million. Congress instead provided set-asides in various programs. In 2010, \$100 million was set aside from the Tenant-Based Rental Assistance account, \$15 million from the Public Housing Operating Fund, \$25 million from the Public Housing Capital Fund, and \$2 million from the HOPE VI program. CLPHA recommends that funding for the Transformation Initiative be a separate, stand-alone request.

HUD proposes to use these funds in four general areas including:

- Research, Evaluation, and Performance Metrics – Moving-to-Work (MTW) Evaluation; Housing Discrimination Study; Moving to Opportunity Data Archive; Rental Assistance Modeling; and a Preservation Database
- Program Demonstrations – Rent Reform; Homeless Families Demonstration; Family Self-Sufficiency Demonstration; and a Choice Neighborhoods Demonstration
- Technical Assistance and Capacity Building – Combining all technical assistance funding into one broad technical assistance effort
- Next-Generation Information Technology – Next generation Voucher Management System

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	FY2010	FY2011 CLPHA Request	FY 2011
	Final		HUD Request
Operating Fund	\$4.775 billion	\$5.084 billion	\$4.829 billion
Capital Fund	\$2.5 billion	\$5 billion	\$ 2.044 billion
[Service Coordinators & for the Elderly and Disabled] ¹	[\$50 million]	[\$50 million]	[\$0]
[Safety and Security] ¹	[\$20 million]	[\$310 million]	[\$0]
[Resident Opportunity and Supportive Services] ¹	[\$40 million]	[\$55 million]	[\$0]
HOPE VI	\$200 million	\$800 million	\$0
Choice Neighborhoods Initiative	\$65 million ²	\$0 ³	\$250 million
Housing Choice Voucher Renewals	\$16.3 billion	\$17.165 billion	\$17.31 billion
HCV Administrative Fees	\$1.57 billion	\$1.72 billion	\$1.791 billion
Section 8 Family Self Sufficiency Program	\$60 million	\$72 million	\$60 million

¹ In FFY 2010, safety and security in public housing, service coordinators, and supportive services were funded as set-asides within various housing programs. Each of these programs should be funded as a separate, stand-alone program.

² This amount for the Choice Neighborhoods Initiative would come from the \$200 million dollar HOPE VI allocation.

³ To date, this program has not been authorized. CLPHA supports dedicated funding for the revitalization of severely distressed public housing.