



COUNCIL AGENDA: 11-6-07
ITEM: 3.6

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Lee Price, MMC
City Clerk

**SUBJECT: SUPPORT FOR FEDERAL HOUSING
LEGISLATION: H.R. 1851 (WATERS)-
SECTION 8 VOUCHER REFORM ACT
OF 2007 AND H.R. 1852 (FRANK)-
EXPANDING HOMEOWNERSHIP ACT
OF 2007**

DATE: November 1, 2007

RECOMMENDATION

As recommended by the Rules and Open Government Committee on October 31, 2007 approve support position of H.R. 1851 (Waters) and H.R. 1852 (Frank) as outlined in the attached memo previously submitted to and approved by the Rules & Open Government Committee.



Memorandum

**TO: RULES AND OPEN
GOVERNMENT COMMITTEE**

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: October 25, 2007

Approved

Date

10/25/07

Council District:
SNI:

**SUBJECT: SUPPORT FOR FEDERAL HOUSING LEGISLATION: H.R. 1851
(WATERS) – SECTION 8 VOUCHER REFORM ACT OF 2007 AND H.R.
1852 (FRANK) – EXPANDING HOMEOWNERSHIP ACT OF 2007**

RECOMMENDATION

The Housing Department recommends that:

1. The Mayor and City Council support H.R. 1851 (Waters) and H.R. 1852 (Frank).
2. The Committee provide a one-week turn around for Mayor and City Council review.

OUTCOME

If the Rules and Open Government Committee and the Mayor and City Council accept staff's recommendation, the City lobbyist could begin seeking support for H.R. 1851 (Waters) and H.R. 1852 (Frank).

BACKGROUND

The 2007-2008 Federal Legislative cycle has featured many housing-related bills. Four of these bills are of particular interest to the City's Affordable Housing programs. An analysis of H.R. 1851 and H.R.1852 are attached to this memo for the Rules and Open Government Committee consideration.

October 31, 2007

Subject: SUPPORT FOR FEDERAL LEGISLATION: H.R. 1851 and H.R. 1852

ANALYSIS

A fact sheet and analysis of H.R. 1851 and H.R. 1852 are attached.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**

- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**

- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This legislative item does not meet any of the above criteria.

COORDINATION

This memorandum was coordinated with the City Attorney's Office, the Intergovernmental Relations Director in the City Manager's Office, and the City's federal lobbyist, Patton Boggs.

POLICY ALIGNMENT

The attached fact sheets and analyses are consistent with the Council-adopted 2007 Legislative Guiding Principles, and the Council-adopted guidelines.

CEQA

Not a project


LESLEYE KRUTKO
Director of Housing

For more information call Melissa Whatley, Policy Manager, at (408) 975-4418

H.R. 1851 (WATERS) – SECTION 8 VOUCHER REFORM ACT OF 2007

What's the issue the bill is trying to resolve?

H.R. 1851 (Waters) seeks to reform the Housing Choice Voucher Program under Section 8 of the United States Housing Act of 1937. Under H.R. 1851, the Housing Choice Voucher Program would be reformed in several areas, including:

1. New Formula-- Provides a new funding authorization formula for the renewal of Section 8 vouchers for Fiscal Years 2008 through 2012 that bases funding allocations on need, and that creates incentives for Public Housing Authorities (PHAs) to use their annual allocations to serve more families. The result would be a shift of resources from agencies not using all their funds to agencies willing and able to use them to serve more families.
2. Moving to Work Demonstration Program-- Expands and renames the "Moving to Work" program, which currently allows only a select group of PHAs to undertake innovative housing proposals, by identifying models and policies that might be extended to all PHAs.
3. Rules-- Streamlines a number of rules relating to: the rent a tenant in Section 8 housing must pay, unit inspections, annual recertifications of income, and voucher portability.
4. Tenant Incentives—Creates incentives for families to obtain employment, increase earned income, pursue higher education, and save for retirement, and makes it easier to use vouchers for homeownership.
5. Additional Vouchers-- Authorizes 20,000 new vouchers a year for the next five years.

How would the passage of this bill affect San José?

Over 11,000 San José residents hold Housing Choice Vouchers. The City of San Jose contracts with the Housing Authority of Santa Clara County (HASCC) to administer the San Jose Housing Authority's Section 8 Voucher Program. H.R. 1851 would enable the HASCC to become a "Moving to Work" jurisdiction, something that the City has long supported. Additionally, the legislation may help the area get additional funding and resulting vouchers, since the HASCC is a high-performing Housing Authority and may benefit since it fully allocates its vouchers to tenants. Simplifications in program administration will help the HASCC by reducing unnecessary administrative costs. And, the addition of new vouchers, while small—only 20,000 nationwide—may add to the number of voucher available.

What is staff's Proposed Position?

Staff recommends that the City support H.R. 1851.

Who are the bill's supporters and opponents?

The Bush Administration opposes a number of provisions in H.R. 1851, including the addition of 20,000 vouchers, and the changes to the funding allocation formula. While not formally

registered as opposition, the Department of Housing and Urban Development has expressed concerns about its ability to forecast the budgetary needs of the Voucher program.

What is the current status of the measure?

H.R. 1851 was passed in the House of Representatives on July 12, 2007. The bill was received by the Senate and referred to the Committee on Banking, Housing, and Urban Affairs on July 16, 2007.

H.R. 1852 (FRANK) – EXPANDING HOMEOWNERSHIP ACT OF 2007

What's the issue the bill is trying to resolve?

H.R. 1852 (Frank), the “Expanding American Homeownership Act of 2007,” contains a number of provisions designed to expand the use of and improve the efficiency of Federal Housing Administration (FHA) insured loan programs. FHA offers mortgage loans at affordable rates to homebuyers who don't qualify for the most competitive mortgage rates and terms offered by private lenders. By statute, an FHA single family loan cannot exceed the lower of 95 percent of the local area median home price or 87 percent of the national GSE conforming loan limit. In 2007, this means that no FHA loan may exceed \$362,790. As a result, FHA is of little or no practical value in higher cost areas where median home prices exceed this limit. The bill would address this limitation by raising the maximum FHA loan limit up to the GSE conforming loan limit (currently \$417,000). The bill also raises FHA multi-family loan limits, enabling the loans to fully fund construction costs in high cost areas. Four years ago, Congress raised the maximum loan limit for FHA-insured multi-family loans in high cost areas, but did not provide the increase needed to fully cover construction costs. This bill raises the maximum loan limit in high cost areas from 140 percent of the basic loan limit to 170 percent of such limit, and by raising the maximum loan limit on a case-by-case basis from 170 percent of the basic loan limit to 215 percent of such limit. Additionally, up to \$300 million a year in excess FHA profits would be distributed to affordable housing through the National Affordable Housing Trust Fund (NAHTF) instead of returning funds to the General Treasury. H.R. 1852 makes several other changes to FHA loan programs.

How would the passage of this bill affect San José?

Some San Jose homebuyers would get better rates and terms as a result of the increase in the FHA loan limit, though it is still very low for San Jose at \$417,000. Multi-family housing owners would qualify for larger loans, reducing the cost of owning rental property. Also, by increasing funds available to the National Affordable Housing Trust Fund (NAHTF), San Jose may receive more funding for its affordable housing efforts. While it is still uncertain whether the NAHTF will be signed into law, it is currently planned that funds will be distributed to cities and counties by via an entitlement, similar to the Community Development Block Grant Program.

What is staff's Proposed Position?

Staff recommends that the City support H.R. 1852.

Who are the bill's supporters and opponents?

As of September 19, 2007, no supporters or opponents of H.R. 1852 have been identified.

What is the current status of the measure?

H.R. 1852 passed the House of Representatives on September 18, 2007. The bill now goes on to the Senate for consideration.