



Memorandum

TO: RULES COMMITTEE

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: August 30, 2006

Approved

Kay Wines

Date

9/1/06

Council District: All

SNI: All

SUBJECT: HR 5443, HR 5576, and S 3508 LEGISLATION RELATED TO MOVING TO WORK AND REFORM OF THE SECTION 8 PROGRAM

RECOMMENDATION

It is recommended that the Mayor and City Council:

- Oppose HR 5443, the "Section 8 Voucher Reform Act of 2006," unless it is amended to remove new restrictions on the Moving to Work program;
- Support the Moving to Work provisions of HR 5576, the FY 2007 Treasury, Transportation and Housing and Urban Development Appropriations bill; and
- Support S 3508, the "Moving to Work Charter Program Act of 2006."

It is also requested that the Rules Committee permit a one-week turn around for City Council review.

OUTCOME

By supporting HR 5576 and S 3508, and opposing HR 5443 unless amended, the City will promote the City's inclusion into the Moving to Work program, participation in which would enable more flexibility in the administration of the City and County Housing Authorities' Section 8 Housing Choice Voucher program.

RULES COMMITTEE

August 30, 2006

RE: HR 5443 & HR 5576 – Moving to Work Provisions and Reform Section 8 Housing Choice Voucher Program

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COORDINATION

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


LESLIE KRUTKO
Director of Housing

For more information MELISSA WHATLEY, POLICY MANAGER, at (408) 975-4418

Attachments (3)

H.R. 5443 (NEY) – REFORM OF THE SECTION 8 HOUSING CHOICE VOUCHER PROGRAM AND MOVING TO WORK

What issue is bill is trying to address?

This bill was introduced as a reform to the federal Section 8 Housing Choice Voucher program. The Section 8 program is one of the most significant and far-reaching federal housing assistance programs in the nation. It provides deep levels of rent subsidy to tenants in the form of tenant-based and project-based rental assistance. The Section 8 program has largely been used to subsidize the rents of extremely-low and very-low income households and is one of the most significant programs targeting this vulnerable population. However, many Public Housing Authorities (PHAs) have complained about the burdens and costs of administering the Section 8 program. This bill seeks to relieve some of these burdens on PHAs in order to make it more administratively efficient and provide more local flexibility to the program.

How would this bill seek to resolve the issue?

HR 5443 primarily deals with five specific Section 8 Housing Choice Voucher reforms to the administrative procedures required under federal law.

First, the bill seeks to simplify the rent calculation process for the project-based and tenant-based Section 8 programs to ease administrative burdens for reviewers and improve the accuracy of setting tenant rents.

Secondly, it would correct inadequacies of the funding formula by using a baseline of May, June and July of 2004 adjusted for inflation. This bill proposes to fund the voucher program using the more recent data adjusted by the inflation. Additionally, HUD would be required to recapture funds that are unused and reissue this funding to PHAs and would be required to provide additional funds to PHAs that used 99% of their funds the prior year.

The third significant change is to provide more flexibility with regard to unit inspections. Currently, units are required to be inspected every year and each time a unit is leased. This bill would require initial inspection for each voucher unit when leased up, unless it had previously been inspected under another Federal, state or local government program in the 12 months. Additionally, the bill allows a PHA to inspect half of its assisted units each year during a two-year cycle.

Lastly, the most problematic section of the bill deals with changes to the Moving to Work (MTW) demonstration program. The MTW demonstration was authorized by Congress in 1996 with the purpose of giving public housing agencies "the flexibility to design and test various approaches for providing and administering housing assistance" that achieve greater cost-effectiveness in the use of federal funds, incentives for participants to develop economic self-sufficiency, and more housing choices for low-income families. This bill would increase the number of Moving to Work designated sites to 40 (currently 32 are authorized) and makes some significant administrative changes.

The bill requires MTWs to reapply every three years under vague renewal standards defined only as "performance standards established by the Secretary." Because current MTW sites would

have to reapply, they would risk losing the benefits of their current agreements. The bill also prohibits extensions or additional selections of PHAs under the current MTW statute. In addition, HR 5443 requires that at least 90% of families served under the MTW program do not exceed 60% of area median income (AMI). This target would actually change the current requirement to serve extremely-low and very-low income residents (currently 75% of those assisted must be at least very-low income, which is 50% or less of AMI).

How would the passage of this bill affect San José?

The Housing Authority of the City of San José contracts with the Housing Authority of the County of Santa Clara to administer and operate the City's federally-funded public housing and Section 8 Housing Choice Voucher program. The two agencies have been working in tandem over the last year on efforts to gain a Moving to Work (MTW) designation for both housing authorities.

While many provisions in HR 5443 present positive reforms to current administration of the Housing Choice Voucher Program, the bill's MTW provisions actually decrease flexibility, increase bureaucratic reporting requirements and weaken PHAs' ability to better serve low-income families. Therefore, this bill might put the designation of San José's and Santa Clara County's Housing Authorities in jeopardy of being accepted and seriously weaken the flexibility of the program.

Staff's Proposed Position:

It is recommended that the bill be amended to either remove or substantially amend the language related to Moving to Work. The City would seek for continued administrative flexibility and more permanency in the program by removing language that "re-regulates" and constrains MTW sites, limiting their chances for success. Also, HR 5443 should maintain the focus of these vouchers for those currently served and most in need of assistance, those very-low and extremely-low income residents.

Who are the bill's supporters and opponents?

The National Association of Housing and Redevelopment Officials (NAHRO) is currently working with the sponsor of H.R. 5443 to amend the Moving to Work provision of the bill, but is supportive in the other provisions of the legislation. This bill is currently opposed by the current MTW agencies, largely due to the changes related to the MTW provisions. Otherwise, NAHRO is involved in helping the legislation to "evolve."

What is the current status of the measure?

The House Subcommittee on Housing and Community Opportunity held a mark-up of the bill on June 8, 2006. The bill was forwarded to the House Financial Services Committee, which approved the bill by voice vote on June 14, 2006. The bill will next be considered on the House Floor.

**H.R. 5576 – MOVING TO WORK PROVISIONS OF THE TREASURY,
TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT APPROPRIATIONS**

What issue is bill is trying to address?

The Moving to Work (MTW) demonstration was authorized by Congress in 1996 with the purpose of giving public housing agencies (PHAs) “the flexibility to design and test various approaches for providing and administering housing assistance” that achieve greater cost-effectiveness in the use of federal funds, incentives for participants to develop economic self-sufficiency, and more housing choices for low-income families. Congress has authorized 32 public housing authorities to participate in the MTW demonstration. Several PHAs have completed or dropped out of their participation in MTW, leaving approximately 25 currently active MTW agencies. The City believes that Congress intended for the demonstration to be fully utilized with all the 32 slots filled by PHAs in order to maximize the utilization of the program, however, the Department of Housing and Community Development (HUD) contends that it lacks the authority to admit new agencies to the program. Therefore, this bill seeks to clarify that the MTW program would allow for new PHAs to enter vacant slots.

How would this bill seek to resolve the issue?

HR 5576 is the FY 2007 Treasury, Transportation and Housing and Urban Development (TTHUD) Appropriations Act. There are specific provisions currently contained in the House version of the TTHUD bill as Sections 320 and 321 related to the Moving to Work demonstration program. The provisions in HR 5576 will clarify what is defined as total program size and will direct HUD to accept and give priority consideration to San José and Santa Clara County’s Housing Authorities’ MTW application.

How would the passage of this bill affect San José?

The Housing Authority of the City of San José contracts with the Housing Authority of the County of Santa Clara to administer and operate the City’s federally-funded public housing and Section 8 Housing Choice Voucher program. The two agencies have been working in tandem over the last year on efforts to gain a Moving to Work (MTW) designation for both housing authorities. The Housing Authority of the City of San José, along with the Housing Authority of the County of Santa Clara, is well situated to be named a MTW Demonstration site. Together, these agencies serve an urban area with extremely high housing costs, and have a longstanding reputation for excellence in administering Section 8 programs and for innovation and success in developing and managing affordable housing. With passage of this measure, with the MTW provision, we can ensure that San José and Santa Clara County Housing Authorities will become one of the next MTW sites.

Staff’s Proposed Position:

It is recommended that the City **support the Moving to Work provisions contained in H.R. 5576**. Specifically, this language would ensure that the directives included in last year’s Appropriations bill and adopted by Congress allowing the City of San José and County of Santa

Clara to be given priority consideration for inclusion in the Moving to Work program, are implemented by HUD.

Who are the bill's supporters and opponents?

The Moving to Work provision in this Appropriations bill is opposed by the National Low Income Housing Coalition (NLIHC) because of its concern about how public housing authorities might use its administrative flexibility and generally oppose expansion of the MTW program.

What is the current status of the measure?

The Senate Appropriations Committee approved its version of HR 5576 on July 20, 2006. This version did not include the relevant administrative language (Sections 320 and 321) from the House version; however, these provisions can be included during the House/Senate conference negotiations. However, Congress may not take final action on appropriations bills until after the November elections.

S. 3508 (Sununu) – MOVING TO WORK CHARTER PROGRAM ACT OF 2006

What issue is bill is trying to address?

The Moving To Work demonstration was authorized by Congress in 1996 with the purpose of giving public housing agencies (PHAs) “the flexibility to design and test various approaches for providing and administering housing assistance” that achieve greater cost-effectiveness in the use of federal funds, incentives for participants to develop economic self-sufficiency, and more housing choices for low-income families. Congress has authorized 32 public housing authorities to participate in the MTW demonstration. The program was originally authorized by Congress as a demonstration project, meaning that it is only a temporary program, to a very limited number of agencies. This bill seeks to gain permanence of the program and expand the number of participating PHAs.

How would this bill seek to resolve the issue?

After ten years of demonstrated success, the bill essentially expands and makes permanent the current MTW program. Introduced in mid-June by Senator John Sununu, the bill would allow up to 250 housing authorities to participate in the program and requires HUD to develop reasonable monitoring and reporting processes to better gather and analyze program and participant data from MTW agencies.

How would the passage of this bill affect San José?

The Housing Authority of the City of San José contracts with the Housing Authority of the County of Santa Clara to administer and operate the City’s federally-funded public housing and Section 8 Housing Choice Voucher program. The two agencies have been working in tandem over the last year on efforts to gain a Moving to Work (MTW) designation for both housing authorities. The Housing Authority of the City of San José, along with the Housing Authority of the County of Santa Clara, is well situated to be named a MTW Demonstration site. Together, these agencies serve an urban area with extremely high housing costs, and have a longstanding reputation for excellence in administering Section 8 programs and for innovation and success in developing and managing affordable housing.

This bill reflects the success of the MTW demonstration program and seeks to ensure that the program will not only continue but be made available to the many housing agencies that are interested in participating, including the City of San José’s Public Housing Authority.

Staff’s Proposed Position:

It is recommended that the City **support S 3508**.

Who are the bill's supporters and opponents?

The bill is currently supported by National Association of Housing and Redevelopment Officials (NAHRO), Public Housing Authorities Directors Association (PHADA), and the Council of Large Public Housing Authorities (CLPHA). The bill is opposed by National Low Income Housing Coalition (NLIHC), primarily out of skepticism about how individual housing authorities will use their administrative flexibility.

What is the current status of the measure?

S. 3508 will next be considered by the Housing and Transportation Subcommittee of the Senate Committee on Banking, Housing and Urban Affairs.