

HUD FY2012 Budget: Conference Committee Bill – Summary

Prepared by CHAPA (November 16, 2011)

While the Budget Control requires a 5% cut in non-security discretionary spending compared to FY2011, the Conference Committee Report (112-84) released on November 15 will cut HUD’s new budget resources by 9% overall compared to FY2011 and cuts several of programs by much more, including the Public Housing Capital Fund (-14%), HOME (-37.8%) and CDBG formula grants (-11.6).

The Conference Committee bill also includes several important policy provisions. It authorizes a “Rental Assistance Demonstration” (RAD) allowing the voluntary conversion of up to 60,000 public housing and Mod Rehab units to project-based rental assistance to help PHAs and other owners more easily finance capital improvements, though the workability of the language is unclear. The RAD language also allows the conversion of certain enhanced vouchers issued after October 1, 2006 to be converted to Section 8 Project-Based Vouchers. It does not, however, include the cost-saving administrative reforms to the Housing Choice Voucher program that the Senate had approved.

TENANT BASED RENTAL ASSISTANCE (HCV)	
<i>Renewals</i>	Provides \$17.242 billion (\$98M more than Senate proposal and original HUD request of \$17.144 billion). Frees up additional funds by eliminating \$15M setaside for Transformation Initiative. Unclear if this will provide sufficient funding to renew all vouchers currently in use. (see rescission discussion below)
<i>Use of Excess Reserves/ Rescission</i>	As requested by HUD to provide flexibility if FY2012 needs proved higher than estimated, Senate authorized HUD to reduce FY2012 PHA allocations by requiring PHAs to tap their excess reserves (but leaving them with reserves of at least one month “to the extent practicable”). However, the Senate then rescinded the \$750M from the FY2011 advance appropriation. The Conference bill does the same (\$236) but at a slightly lower amount (\$650M in to be tapped and rescinded) and drops language on one month reserves.
<i>Disaster Vouchers</i>	Authorized one-time incremental vouchers for households with current Disaster Voucher /Disaster Housing Assistance.
<i>Tenant Protection Vouchers</i>	Provides \$75 million – down from \$200M in FY2011. Includes \$10M setaside to provide enhanced vouchers to residents losing HUD assistance in situations where existing law does not provide for enhanced vouchers. These include properties when assistance is lost due to: <ul style="list-style-type: none"> • Maturation (rather than prepayment) of certain HUD-insured or HUD-held S236 or S221d3 or S202 loans; • expiration of Rent Supp or RAP rental assistance; • expiration of affordability restrictions accompanying a HUD-administered mortgage or preservation program. <p>HUD must issue guidance within 120 days of bill enactment, including defining eligible households. The National Low Income Housing Coalition reports that almost 13,000 units with subsidized mortgages will mature in 2012.¹</p>
<i>VASH</i>	\$75M for 11,000 new vouchers
<i>Admin Fees</i>	Provides \$1.35M (with a \$50M setaside for adjustments), down 6.7% from FY2011
<i>Mainstream (S811) renewals</i>	Fully funds within S8 TBA account, providing \$112 million (slightly less than House or Senate bills)
PUBLIC HOUSING	
<i>Rental Assistance Demonstration (RAD)</i>	Authorizes demonstration program to convert up to 60,000 public housing and Mod Rehab units to project-based Section 8 units. The authorization runs until Sept. 30, 2015. However, the bill provides no new funding (HUD requested \$200 million for a demonstration of up to 225,000 public housing units, 6,000 Mod Rehab units and 1,600 Rent Supp and RAP units). Instead, it directs HUD to use existing

¹ “[Senate T-HUD Bill Includes Important Policy Provisions](#)”, Sept. 23, 2011, National Low Income Housing Coalition

	<p>resources and fund increased Section 8 costs through reductions in public housing operating and capital funds directly related to the demonstration units. It is unclear if and how this would work (e.g. would funding for future Section 8 depend on future public housing funding levels)</p> <p>Eliminates applicability of one-for-one replacement rules for public housing conversions and includes extensive language to ensure long-term affordability, with special language to make use of LIHTC program feasible. Also includes tenant protection language, including a ban on rescreening.</p> <p>Special provision (for FY2012 and FY2013 only) allows HUD to convert enhanced vouchers issued for Rent Supp and Section 236 developments to project-based vouchers. Eligibility is limited to projects for which the termination of assistance and issuance of vouchers occurred after 10/1/06. These project-based vouchers will not be counted against a PHA's 25% limit. Requires GAO to study the long-term impact of this provision on the ratio of tenant-based to project-based vouchers.</p>
Capital Fund	Provides \$1.875 billion - 8% less than in FY2011 but \$342 million more than House. Includes \$50 million for ROSS
Operating Fund	<p>Provides \$3.962 billion – 14% less than FY2011 but \$100M more than House. Like President's Request, allows use of PHA operating fund reserves to offset cut. Incorporates Senate language setting limits on how HUD uses this authority:</p> <ul style="list-style-type: none"> • Caps total reserves to be used as offset at \$750M • Requires that all PHAs be allowed to maintain at least \$100,000 in reserves. • Requires HUD to set up process for PHAs to appeal their proposed offset. • Allows use of up to \$20M to help PHAs who experience financial hardship due to reserves cut • requires HUD to give PHAs flexibility in using operating reserves for capital costs • Requires pro-rata reductions if reserve offsets are insufficient; including pro-rata cuts to MTW agencies "consistent with their peer groups".
<i>Federalization</i>	No ban on assisting federalized units
HOPE VI	Zero-funds (vs. 34M in FY2011)
Choice Neighborhoods Initiative	<p>Provides \$120 million (up from \$65M in FY2011). Requires that at least \$80M be awarded to PHA-lead applications.</p> <ul style="list-style-type: none"> • Adds converting vacant or foreclosed housing to affordable housing to eligible uses • Sets minimum additional affordability term of 20 years
CDBG	<p>Provides \$3.4 billion (including \$400M added by \$239 for grants to disaster areas). Cuts formula block grants – excluding disaster funds - to \$2.948 billion (down 11.6% from FY2011). Keeps planning/admin cap at 20%.</p> <ul style="list-style-type: none"> • Provides \$60 million for grants to Indian Tribes (down from \$65M in FY2011)
<i>Sustainable Communities</i>	Zero funds (was \$100M in FY2011)
HOME	<p>Provides \$1 billion – down 37.8% from the FY2011 (\$1.607 billion). Threshold reductions do not apply. Adds new language to expedite project completions:</p> <ul style="list-style-type: none"> • Participating jurisdictions (PJs) must repay funds for any project not completed within 4 years of project funding commitment date (1 year extension allowed if delays beyond PJ's control). • PJs can't commit funds to a project unless it certifies that it has completed an underwriting review, assessed developer capacity and fiscal soundness, and assessed need for project based on neighborhood market conditions • HOME-assisted homeownership units not sold within 6 months of project completion must be rented to an eligible tenant.
Housing Counseling	<p>Provides \$45 million – compared to \$0 in FY2011 and \$87.5 million in FY2010. Requires HUD to award funds within 120 days of bill enactment.</p> <ul style="list-style-type: none"> • Committee report directs HUD to report to it within 90 days of bill enactment on reforms it proposes in establishing a new Housing Counseling Office and how HUD will focus its activities to reduce duplication of other government-funded programs and how it will streamline the grant-making process.

Homeless Assistance Grants	Provides \$1.901 billion (same as in FY2011), including at least \$1.593B for Continuum of Care grants and the Rural Housing Stability Program, \$7M for homeless data collection, \$5M for project-based rental assistance and at least \$250M for Emergency Solutions Grants (vs. \$225M in FY2011). The Committee report requires any excess funds be used for ESG and Rural Housing Stability.
PROJECT-BASED Rental Assistance	
Contract Renewals	Provides \$9.05 billion – up 1.3% from FY2011 but \$89 million less than House and Presidents’ request.
Contract Administrators	Provides up to \$289 million
Housing Certificate Fund (rescission)	Rescinds \$200 million (vs. \$0 in FY2011)
Rental Housing Assistance	Provides \$1.3 million (down from \$40M in FY2011 and less than the \$15.7M HUD request) for amendments, extensions or one-year renewal of Rent Supp and Section 236 contracts in state-aided non-insured projects.
Rent Supplement (Rescission)	Rescinds \$231.6 million, up from \$40.6 million rescinded in FY2011.
Housing for the Elderly	Provides \$374.6 million, down 6.2% from FY2011 (\$399.6 million) , including: <ul style="list-style-type: none"> • \$0 for new capital advances • \$25M for assisted living conversion grants \$91M for service programs
Housing for Persons with Disabilities (Sec. 811)	Provides \$165 million (up 10.2% from FY2011) to amend existing project-based contracts and capital grants, for supportive services and for a new rental assistance demonstration <ul style="list-style-type: none"> • \$0 for capital assistance to build new units • Requires HUD to conduct demonstration program making project-based rental assistance (PRA) available to State housing finance agencies and other appropriate entities. The Technical Assistance Collaborative (TAC) estimates this level of funding could support over 2,000 new units (compared to 800/year funded by the traditional capital advance program in recent years).²
Transformation Initiative	Provides \$50 million appropriation (rather than funding through transfers from various program lines) to research, evaluation, program demonstration, etc. Committee Report recommends funding a number of specific activities including <i>biennial NOFAs</i> , <i>continuation of the pre-purchase counseling study</i> , and a rent reform demonstration. Includes \$23 million setaside for OneCPD initiative.
ADMINISTRATIVE PROVISIONS	
Transfer of Multifamily Project Based Assistance to Other Projects	§212 revises language authorizing transfer of multifamily assistance. Revisions: <ul style="list-style-type: none"> • allow transfers to be phased • add S811 to eligible project-based assistance • allow a reduction in units assisted (only for unoccupied units) when a reconfiguration of bedroom sizes is needed to meet current market demand and no increase in project-based S8 authority is required • allow HUD to waive requirement that any new financing be subordinate to any FHA lien transferred or placed on a receiving project, and eliminate the requirement that transfer reduce financial risk to the FHA and/or not increase federal liability
S8 for students	§215 makes minor changes in eligibility rule
HECM	§216 extends program another year (through September 30, 2012)
HOPE VI	§222 extends authorization another year (through FY2012).
Preservation	§226 Requires HUD to report quarterly to the Appropriations Committees on status of all project-based Section properties, units preserved and units lost.

² “[Update on Section 811 Appropriations for FY 2012](#)”, Technical Assistance Collaborative, October 2012

CDBG and HOME studies	<p>§231 requires Comptroller General to report to Congress within 90 days on the effectiveness of HUD block grant programs and evaluate program metrics</p> <p>§232 requires HUD to report to Congress within 1200 days on its actions to improve CPD programs and activities and how it has addressed problems identified by the HUD IG since 2006</p>
Mark to Market	§237 extends Mark to Market another four years (through Sept. 30, 2015).
FHA Loan Limits	<p>§238 temporarily raises FHA loan limits (for mortgages assigned a case number between the date of bill enactment and 12/31/2013) to the lower of \$729,750 or 125 percent of the highest median home price in each MSA, effective the date of enactment of the bill through December 31, 2013. (The limits fell to the lower of \$625,500 or 115 percent of the highest median home price on October 1, 2011). It does NOT raise the limits for Fannie Mae or Freddie Mac.</p>