



# Federal Update

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## NATIONAL ELECTIONS

The national elections in November scrambled House and Senate leadership and committee assignments for the coming session and may garner more support for affordable housing issues. Representative Barney Frank (D-Massachusetts) is now the Chair of the powerful House Committee on Financial Services. This Committee oversees all components of the nation's housing and financial services sectors including banking, insurance, real estate, public and assisted housing, and securities. It reviews all laws and programs related to the U.S. Department of Housing and Urban Development and also ensures the enforcement of housing laws such as the U.S. Housing Act, the Housing and Community Development Act and the Community Reinvestment Act. Representative Frank was recently asked on PBS' Nightly Business Report (November 30, 2006) what his top priority was now that it appeared he would be chair. He responded: "Affordable housing is the single biggest one. We have a terrible housing crisis in this country and I think we now understand that housing is not simply a social good, but it's an economic practice."

Florida lost Rep. Katherine Harris from the House Committee on Financial Services because she did not seek re-election; however, the two new Democratic representatives from Florida, Rep. Tim Mahoney and Rep. Ron Klein, have replaced her. With Rep. Mahoney and Rep. Klein, Florida now has a total of six members on this Committee, including Rep. Debbie Wasserman-Schultz (D), Rep. Tom Feeney (R), Rep. Ginny Brown-Waite (R), and Rep. Adam Putnam (R), giving this state a strong voice.

## FEDERAL BUDGET

In December, incoming leaders of the House and Senate Appropriations Committees decided to continue funding government programs via a year-long funding resolution until the next fiscal year beginning October 1, 2007. Congress currently has nine appropriations bills that were not passed, including the Transportation, Treasury, HUD (TTHUD) bill. The measure will be called a "joint funding resolution" because unlike a continuing resolution, it will not adhere to the funding formula of the lowest of the House-passed, Senate-passed or FY-06 spending levels but will take into consideration the needs of individual programs.

While a joint funding resolution is not an ideal solution, it will allow HUD along with other agencies and organizations that receive federal funds to plan for this fiscal year and allows housing activist to advocate for increased spending for housing programs since funding is not fixed at the lowest levels. However, if HUD funding is capped at the FY-06 level, the National Low Income Housing Coalition claims that:

70,000 households will be at risk of losing their subsidies in the voucher program and HUD will not have enough resources to fund the renewal of 107,000 project-based Section 8 units in this fiscal year. Without increases above FY06 levels, public housing will continue to operate with only 75% of necessary funding. In addition, without a \$185 million increase to homeless assistance programs, 14,000 people will continue to be homeless who would otherwise become housed in FY07.



Representative Barney Frank



Representative Ron Klein



Representative Tim Mahoney

Democratic leadership plan to enact the joint funding resolution by February 15th so there is currently an intense focus by advocates on increasing spending for housing related programs in this resolution.

## SECTION 8

The Section 8 Housing Choice Voucher program continues to garner attention in both the House and the Senate. Housing Choice Vouchers, or Section 8 tenant based assistance, allow eligible families to rent units from private landlords and will pay the difference between 30% of the family's income and the gross rent of the unit. Section 8 is usually administered by Public Housing Authorities and the PHA determines the maximum rent allowed for a unit. Since 1998, 75% of all new voucher holders must be allocated to families earning less than 30% MFI; the remaining vouchers can be used for families with incomes up to 80% MFI. In FY05, Congress cut funding to the Section 8 program by almost \$570 million so that 80,000 authorized vouchers for low-income families went unused because of this shortfall. In FY06, Congress authorized funding to renew 96.5% of the vouchers but because the funding formula is based on the FY05 Section 8 program with its shortfall, approximately 30,000 authorized vouchers were not fully funded.

Reforms to the Section 8 Housing Choice Voucher program, contained in H.R. 5443, the Section 8 Voucher Reform Act of 2006 (SEVRA), failed to pass the last Congress. The bill passed the House Financial Services Committee but was never considered by the full House. The House Bill contained a much improved funding formula as well as incentives to encourage housing agencies to serve as many families as their funding allows. The Senate included some but not all of the changes in its version that was incorporated in the Transportation, Treasury, HUD (TTHUD) appropriations bill which, as is mentioned above, also died at the end of the session. However, a similar package of reforms will likely be reintroduced in the new Congress and it provides an opportunity for Florida Public Housing Agencies and tenants to have input into the process. The National Low Income Housing Coalition (NLIHC), the Center for Budget and Policy Priorities (CBPP) and others have been taking the lead in insuring that any proposals guarantee the continued vitality of the Section 8 program. Both NLIHC and the CBPP have significant additional information on their websites ([www.nlihc.org](http://www.nlihc.org));([www.cbpp.org](http://www.cbpp.org)).

## PRESERVATION

During the upcoming 110th Congress, Senator Gordon Smith (R-Oregon) plans to re-introduce "exit tax" legislation. A similar bill was introduced in the 109th Congress by members of both the House and the Senate but no action was taken. This legislation addresses the potential exit tax consequences associated with the sale of specific federally assisted affordable housing, including Section 8, Section 221(d)(3), Section 236 and USDA Section 515 programs. The bill will provide for exit tax relief if investors sell their federally assisted property to a "qualified preservation entity" who agrees to keep it affordable for an additional 30 years and who agrees to invest new capital into the property. Exit taxes upon sale of an affordable property can total hundreds of thousands of dollars and this legislation can provide an incentive to keep these properties affordable after the original restrictions have expired.

In addition, The National Housing Trust, a national non-profit committed to preserving affordable housing, is calling on the federal government to create a database of federally assisted properties whose owners have decided to pre-pay their federally assisted mortgages or opt-out of their Section 8 contracts. Currently the federal government is given notice by the owners but this information is not made public. The National Housing Trust wants to use this database as an "early warning system" so that purchasers committed to preservation have the opportunity to acquire these properties.

Both of these proposals could have a significant impact on preserving affordable housing in Florida. Currently, the Shimberg Center for Affordable Housing at the University of Florida estimates that there are more than 2,300 assisted housing developments in Florida providing over 300,000 units of affordable housing for low-income families. These units have received federal, state or local subsidies usually in exchange for restrictions for a set period of time on the income of the tenant and the rent that can be charged - typically for 15 to 50 years. Providing exit tax relief for purchasers and a notification system listing properties that are planning to opt-out of federally subsidized programs will give Florida organizations interested in preservation additional information and financial incentives to keep these units affordable. For additional information on preserving affordable housing in Florida, please visit the Shimberg Center website at [www.shimberg.ufl.edu](http://www.shimberg.ufl.edu) and select "Fla Housing Data." 

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