

CALIFORNIA HOUSING AUTHORITIES

Legislative Agenda Fiscal Year 2007



March 14, 2006



ABOUT US

There are 120 local housing agencies (LHAs) in California that manage a total of 344,000 low-rent apartments with the help of HUD tenant-based voucher funding, Public Housing Operating subsidy, and Public Housing Capital Funds. The total consists of 44,000 public housing units and 299,000 Housing Choice Vouchers. California housing agencies house 1.3 million low-income Californians who cannot afford the rent without HUD federal subsidy. California housing agencies range in size from the largest, City of Los Angeles (managing 52,000 units of affordable rental housing), to the smallest, Plumas County (managing 450 units of affordable housing). Our combined waiting lists for affordable rental housing assistance number more than one million households. Many of those waiting lists have been closed for years.

AFFORDABLE RENTAL HOUSING ISSUES IN CALIFORNIA

While extremely high California home sales receive regular press coverage, high-cost rental markets force families to pay an inordinate amount of their income for rent, forcing them to scrimp on other necessities, and/or to double up, triple up, or go homeless. The estimated number of California homeless is 400,000 persons. Forty percent (40%) of all California households were renters in 2002¹. Compounding the problem, upper-income rents squeeze out more and more affordable rentals. This squeeze is rarely covered and reported by the press.

Sixty-four percent (64%) of California extremely low-income renters with incomes at or below 30 percent of their area median income pay more than half of their income for rent each month. Thirty percent (30%) of renters with incomes between 30 and 50 percent of area median pay more than half their income for rent.² These are extraordinary housing cost burdens that short-change other basic family necessities, like food, clothing, transportation, health care, and child care.

California ranks second among all states in terms of the hourly wage needed (\$22.09) to afford a two-bedroom apartment at the HUD Fair Market Rent (FMR)³ for the tenant-based voucher program. The California minimum wage is \$6.75. FMRs are set by HUD at 40 percent of local market rents, with higher limits for high cost markets. California extremely low-income renters, eligible for the HUD Section 8 Housing Choice Voucher program, have average household incomes at or below \$19,234 and can afford a rent payment of \$481, under the voucher program. Yet the HUD median state-wide Fair Market Rent (FMR) for a two-bedroom apartment is \$1,149.⁴



The Many Faces of Our Residents

¹ Locked Out 2004: California's Affordable Housing Crisis, California Budget Project, p. 12.

² State of California Consolidated Plan 2005 - 2010, Table 1 "Housing Assistance Needs of Low and Moderate Income Households", pg. 10.

³ Out of Reach 2005, National Low Income Housing Coalition annual report.

⁴ Out of Reach, ibid.



For example the following are the two-bedroom FMRs and "Extremely Low Income Limits" (30 percent or less of area median income) for a family of four for some California markets⁵.

MARKET	FAIR MARKET RENT	EXTREMELY LOW INCOME LIMIT
Fresno	\$702	\$14,750
Los Angeles/Long Beach	\$1,189	\$19,650
Modesto	\$734	\$15,800
Napa	\$1,098	\$22,150
Oakland/Fremont	\$1,238	\$24,850
Riverside/San Bernardino*	\$911	\$16,700
Sacramento	\$959	\$19,250
San Diego/Carlsbad	\$1,065	\$20,700
San Francisco	\$1,536	\$33,950
San Jose/Santa Clara	\$1,220	\$31,850
Santa Barbara County - North	\$1,037	\$19,400
Santa Barbara County - South*	\$1,430	\$19,400
Santa Cruz/Watsonville	\$1,343	\$23,550
Tulare County	\$625	\$14,750
Ventura County/Oxnard	\$1,379	\$24,200
Yolo County	\$879	\$18,150

*Indicates rents set at 50th percentile of local market.

The tenant-based voucher program subsidizes the difference between the family's rent payment and the FMR. Serving extremely low-income families, seniors, and disabled people whose incomes are not more than 30 percent of local area median incomes is a significant cost. Nationwide about 78 percent of all voucher holders are employed, retired, or disabled.

For seniors on fixed incomes, things are equally bleak. Monthly Supplemental Security Income (SSI) payments for an individual are \$812 in California. If SSI represents an individual's sole source of income, \$244 in monthly rent is affordable, while the average FMR for a one-bedroom is \$942.

Of the 10 least affordable metropolitan areas in the nation, six are in California:

- | | |
|------------------------------|--------------------------------|
| San Francisco | Santa Cruz/Watsonville |
| Oxnard/Thousand Oaks/Ventura | Oakland |
| Orange County | San Jose/Sunnyvale/Santa Clara |

Of the 10 least affordable counties in the nation, eight are in California⁶:

- | | |
|----------------------|---------------------|
| Marin County | Orange County |
| San Francisco County | Santa Cruz County |
| San Mateo County | Alameda County |
| Ventura County | Contra Costa County |

⁵ HUD User, Schedule B - FY 2006 Final Fair Market Rents for Existing Housing; and FY 2005 Income Limits; Federal Register February 14, 2006 [Supplemental Notice on 50th Percentile Designation](#).

⁶ Out of Reach 2005, *ibid*.



The HUD Section 8 Housing Choice Voucher program, created in 1974 by the Nixon Administration, has been a godsend for low-income renters trying to make ends meet. A public-private partnership, it relies on private landlords for apartments at reasonable rents, and subsidizes tenant rent payments in order to make the rents affordable. The program has enjoyed bipartisan support during its 30-year history and currently helps more than two million low-income households afford the rent. By making rents more affordable, vouchers help stabilize families and reduce problems such as evictions and utility cutoffs.

The largest portion of the program is "tenant-based" meaning the subsidy goes to a specific tenant who can take it with them if they move, known as "portability." A smaller part of the voucher program is "project-based" meaning the subsidy attaches to a specific apartment and is not portable. This program has longer-term contracts of 15-20 years, many of which have expired, with owners prepaying their mortgages, opting out of the program, and converting to market-rate rentals.

The Congress, through its Appropriations Committees, has repeatedly said it is committed to renewing all vouchers each year. It is only in the past three years that the Congress has reneged on this federal commitment by changing the accounting method by which these one year contracts are renewed. Attracting new landlords to the program has become more difficult as the long-standing federal commitment to renew all vouchers has been broken since the enactment of the FY 2004 HUD Appropriations Act. Landlords and their lenders are unwilling to participate in a federal program that cannot ensure the voucher subsidy will continue beyond one year. Local housing agencies have been forced by the new budget-based accounting to delay reissuing vouchers upon turnover, reduce payments to landlords, and increase tenant rent payments. Because the voucher administrative fee is pegged to the number of vouchers issued agencies have had to cut back on their landlord outreach.

Tenant rents in the voucher program are limited to no more than 40 percent of a household's adjusted annual income. In most cases, renters pay 30 percent of their income for rent. Low- and moderate-income Californians simply cannot afford the rent without help from the federal government to cover part of their rental cost.

PROPOSED FY 2007 HUD APPROPRIATIONS

Housing Choice Voucher Renewals:	\$14.7 billion
Voucher Administrative Fee:	\$1.4 billion
Voucher Program Reserves:	Two-week reserves
Family Self Sufficiency Program:	\$72 million
Public Housing Operating Fund:	\$4.35 billion (excluding set-asides)
Public Housing Capital Fund:	\$3.5 billion
Public Housing Resident Services:	\$55 million (ROSS)
Service Coordinators Elderly/Disabled:	\$50 million
HOPE VI Severely Distressed P.H.:	\$600 million
Public Housing Safety/Security:	\$310 million



Reject: proposed rescission of \$2 billion



PROPOSED FY 2006 SUPPLEMENTAL APPROPRIATION

Extraordinary Utility Costs for the 2005/2006 heating season:

Public Housing:	\$250 million
Voucher Program:	\$243 million

Regular Order, Mr. Chairman!

Too often, by default, HUD programs have been significantly modified by the Appropriations committees of Congress, something that is the responsibility of the authorizing committees, the Senate Banking Committee and House Financial Services Committee, respectively. Too often these program changes at the Appropriations level are made without hearings or consultation with the affected parties, local Housing Agencies. The changes too often appear to be driven by cost considerations at the expense of thoughtful public policy. They have resulted in untold disruption at the local level for low-income residents, applicants, landlords, and housing agencies.

We urge the Members of the authorizing committees to continue their hearings and oversight of these essential HUD programs in a timely way. We ask that authorization committee leaders insist that their appropriations colleagues defer to them in these matters of broad national policy.

APPROPRIATIONS JUSTIFICATIONS

New Section 8 rental assistance vouchers for those on California waiting lists have been funded only four times since fiscal year 1998. Housing authorities have had to rely on turnover in the current inventory of vouchers to house new families and seniors. There are more than one million households on waiting lists for HUD-assisted housing throughout the state. Many of those lists have been closed for months and years at a time.

California housing authorities look to the Congress to keep the federal commitment to Americans of the least means. The Congress can do this by providing the funding recommended here. Renewing all authorized vouchers will ensure that we at the local level can keep our commitment to our low-income citizens. It will also reassure our private landlord partners that the voucher program is a reliable one that they can count on for planning and budgeting purposes.

Housing Choice Voucher Renewals: \$14.7 Billion. We urge the Congress to require HUD to use more accurate data to determine actual voucher costs at the local level. We urge Congress to require HUD to use one-year data from local housing agencies from the most recent 12 months to determine the base against which to calculate each agency's voucher renewal funding. This will ensure that all allocated vouchers can be leased. HUD data on voucher costs between 2004 and 2005 show that the costs of a voucher increased by 0.4 percent, less than the rate of inflation. Extrapolating from that data, average voucher costs will increase only 1.5 percent from 2005 to 2006, well below the annual rate of inflation.⁷

Voucher Administrative Fee: \$1.4 Billion. This funds landlord outreach and retention efforts; tenant screening; waiting list maintenance; annual inspection of each voucher-assisted apartment; maintaining records of eligible properties for rent and their status, and internet-based programs to help link voucher applicants and landlords with one another. Congress should calculate the fee based on the number of families served at the rate provided in Sec.8(q) of the U.S. Housing Act.

⁷ Center on Budget and Policy Priorities, Initial Assessment President's 2007 Budget, February 8, 2006.



Voucher Program Reserves: Two-Week Reserves. Reserves are an essential cushion for a large program such as the voucher program, involving many variables, such as renters and landlords leaving and entering the program at unpredictable times throughout the year. Reserves that used to equal two months of voucher subsidy for every voucher outstanding, have now been reduced to one week. LHAs are unable to manage the voucher program in a professional and responsible manner with such tiny program reserves. On the one hand HUD insists that local agencies fully lease up all vouchers, while on the other hand it penalizes agencies that temporarily over-lease during the course of a year in order to fully use their voucher allocation.

The Family Self Sufficiency (FSS) Program: \$72 Million. As its name implies, FSS enables voucher holders to keep and save part of their earned income toward the goal of moving up and out into the private rental market, or to meet other family goals such as a college education. To encourage families to participate, housing agencies counsel them, set up savings accounts, and take care of the accounting that ensures their rent will not increase as their income does. All of this costs money. Family Self Sufficiency Coordinators are employed by housing agencies to assist tenants in fulfilling their goals.

Public Housing Operating Fund: \$4.35 Billion Excluding Set-Asides. The Operating Fund makes up the difference between the rents paid by extremely low income residents and the actual cost of managing and maintaining public housing properties. Costs include insurance, utilities, repairs, and property management services. Congressional appropriators mandated a switch to calendar year accounting and funding two years ago. HUD, after a false start, has finally issued a revised final rule in September of 2005 to provide a new formula for funding LHAs based on property-based management. An appropriation of \$4.35 billion is essential to fully fund the new formula and ensure agencies can plan and budget under this new asset-based management system. Agencies received only 91% of their formula allocation for FY 2006, marking the eighth year that PHAs were under-funded (except for 2002).

Public Housing Capital Fund: \$3.5 Billion. This Fund pays for major repairs and replacements to the nation's 1.2 million units of public housing. Capital improvements include replacing roofs, windows, heating systems, kitchens, and baths. Continued investment in this public asset is essential to maintain decent living conditions for the 44,000 California families and seniors who reside in public housing.

Resident Opportunity and Supportive Services (ROSS): \$55 Million. ROSS funds job training and supportive services for public housing residents to transition from welfare to work, enabling them to gain job skills and an education. The program is an essential tool in welfare-to-work efforts at the local level.

Resident Services Coordinators for Elderly/Disabled Public Housing Residents: \$50 Million. These coordinators assure that seniors and disabled persons living in public housing get the services they need enabling them to age in place and avoid more costly institutional settings.

Hope VI Severely Distressed Public Housing: \$600 Million. This program has successfully transformed hundreds of concentrated public housing sites into new communities of mixed incomes. It has helped to transform the lives of low-income residents who return to the new communities with a new sense of purpose.

Public Housing Safety/Security: \$310 Million. From 1988-2001, LHAs effectively reduced crime in and around their properties using the Public Housing Drug Elimination Grant program (PHDEP). In FY 2002, HUD eliminated \$310 million funding for PHDEP for more than 900 LHAs. Since then, public housing residents have experienced a resurgence of criminal activity in their communities. Separate line-item funding will enable local housing agencies to provide youth preventive and deterrence programs that focus their energies on productive after-school activities, including homework and sports. It can also fund installation of security cameras and controlled access to buildings, along with LHA policing.

Finally, we urge Congressional appropriators to reject HUD's proposed cancellation of \$2 billion in prior year voucher funding; to require an exact accounting from HUD of those prior year funds and their program source; and to reprogram those funds to support the many HUD programs that are short-changed in the Administration's proposed FY 2007 budget.



*Computer Learning Center
Housing Authority of the County of San Joaquin*

RESTRUCTURING THE HOUSING CHOICE VOUCHER PROGRAM

We support our national organization, the National Association of Housing and Redevelopment Officials (NAHRO), in its efforts with the authorizing committees of Congress to restructure the voucher program.

We do not believe the voucher program is "broken" or that a block grant would solve anything. Indeed, had HUD's block grant proposal been enacted in FY03, California would have lost cumulatively 121,000 vouchers since that time.

HUD charges that the costs of the tenant-based voucher program are "unsustainable." Yet it was HUD and the Congress that changed the program during the past eight years, including enactment of QHWRA in 1998 that resulted in those increased costs. Among those changes were shortening the term of voucher renewals from 5, to 3, to 2, to one year increments. This resulted in significant increases in the costs of renewing vouchers every year as more and more of them expired on an annual basis. Deeper income targeting of the program (QHWRA) to the poorest of the poor, those whose incomes do not exceed 30 percent of area median income, added to federal subsidy costs. Inflation in local housing rental markets across the country have led to increased Fair Market Rents, exception rents, and payment standards that determine the amount of subsidy. These are facts that all parties must recognize. We must not blame the voucher program for costs that public policy makers and the private housing market, in large part, created.

We believe the Moving to Work program has demonstrated one way of making the voucher program more workable, successful, and flexible. We urge its expansion from the current 30 Housing Agencies to 100 agencies, based on a competition.

AFFORDABLE HOUSING PRODUCTION

Local communities have struggled to try and provide affordable rental housing to their lower income residents as well as provide workforce housing for their own firemen, policemen, and teachers. Unfortunately, the federal partner has not been there to help because of other more pressing national security costs.

We believe one promising means of assuring a funding source for low income rental housing production is to require a small contribution from the two giant federally-chartered secondary mortgage market companies, Fannie Mae and Freddie Mac. GSE Reform legislation pending before the Congress could require a small percentage of after-tax profits of the two companies be devoted to an Affordable Housing Fund.

CALIFORNIA HOUSING AUTHORITIES SECTION 8 AND PUBLIC HOUSING ALLOCATIONS

Housing Authority	Section 8 Allocation	Public Housing Allocation	Total Allocation	Housing Authority	Section 8 Allocation	Public Housing Allocation	Total Allocation
Alameda City	1,675	120	1,795	Pasadena	1,315	0	1,315
Alameda County Housing Authority	5,557	232	5,789	Paso Robles	0	148	148
Anaheim	6,108	0	6,108	Pico Rivera	517	0	517
Baldwin Park	882	12	894	Pittsburg	948	0	948
Benicia	372	75	447	Placer County Housing Authority	276	0	276
Berkeley	1,841	63	1,904	Pleasanton	0	50	50
Burbank	1,014	0	1,014	Plumas	335	114	449
Butte	1,864	345	2,209	Pomona	894	0	894
Calexico City	244	303	547	Port Hueneme Housing Authority	279	90	369
California Dept of Hsg & Com Dev	47	0	47	Redding Housing Authority	1,528	0	1,528
California Dept of Hsg & Comm Dev	738	0	738	Redondo Beach	593	0	593
Carlsbad Housing Agency	703	0	703	Richmond	1,750	584	2,334
Compton	803	0	803	Riverbank	0	90	90
Contra Costa County	6,781	1,050	7,831	Riverside County	8,477	477	8,954
Crescent City	590	0	590	Roseville Housing Authority	562	0	562
Culver City	384	0	384	Sacramento City	6	2,072	2,078
Dublin	0	151	151	Sacramento County	11,217	1,096	12,313
EL Dorado	374	0	374	San Bernardino County	8,244	1,745	9,989
Encinitas	136	0	136	San Buenaventura City	1,189	718	1,907
Eureka	0	198	198	San Diego County	10,552	121	10,673
Fairfield	851	0	851	San Diego Housing Commission	12,339	1,366	13,705
Fresno City	6,286	1,010	7,296	San Francisco Housing Authority	7,801	6,056	13,857
Fresno County	5,587	1,008	6,595	San Joaquin	4,871	1,075	5,946
Garden Grove	2,337	0	2,337	San Jose City Housing Authority	6,482	0	6,482
Glendale	1,592	0	1,592	San Juan Bautista	25	0	25
Hawaiian Gardens	132	0	132	San Luis Obispo	1,825	170	1,995
Hawthorne Housing	686	0	686	San Mateo County	4,122	1,148	5,270
Hollister	319	0	319	San Pablo	0	141	141
Humboldt	1,222	0	1,222	Santa Ana	2,558	0	2,558
Imperial Valley Housing Authority	1,583	511	2,094	Santa Barbara City	1,955	498	2,453
Inglewood	1,002	0	1,002	Santa Barbara County	3,396	544	3,940
Kern County	3,282	895	4,177	Santa Clara	9,578	534	10,112
Kings County Housing Authority	688	268	956	Santa Cruz County Hsg Authority	3,944	234	4,178
Lake County Housing Commission	224	0	224	Santa Fe Springs	224	0	224
Lakewood	215	0	215	Santa Monica	1,092	0	1,092
Lassen County	113	0	113	Santa Paula	577	0	577
Lawndale	212	0	212	Santa Rosa	1,402	0	1,402
Livermore	719	128	847	Shasta County	644	0	644
Lomita	86	156	242	Solano	250	0	250
Long Beach	6,244	0	6,244	Soledad	0	26	26
Los Angeles City (HACLA)	44,647	7,423	52,070	Sonoma	2,722	0	2,722
Los Angeles County (HACoLA)	20,968	2,959	23,927	South Gate	654	0	654
Madera	725	260	985	South San Francisco	0	80	80
Marin Housing	2,109	496	2,605	Stanislaus	3,995	647	4,642
Mariposa County Housing Auth	165	0	165	Suisun City Housing Authority	318	0	318
Mendocino County	925	145	1,070	Sutter	803	203	1,006
Merced	2,705	488	3,193	Tehama	144	0	144
Monterey	3,854	694	4,548	Torrance	690	0	690
NAPA	1,218	0	1,218	Tulare County Housing Authority	2,830	710	3,540
National City	1,044	0	1,044	Upland Housing	624	97	721
Needles	20	52	72	Vacaville	1,143	0	1,143
Nevada County Housing Authority	294	0	294	Vallejo	2,266	0	2,266
Norwalk	705	0	705	Ventura County	2,532	355	2,887
Oakland Housing Authority	10,998	3,158	14,156	Wasco Apartments	0	25	25
Oceanside	1,313	0	1,313	West Hollywood	97	0	97
Orange County	9,619	0	9,619	Yolo County Housing Authority	1,466	518	1,984
Oxnard Housing Authority	1,659	782	2,441	Yuba County Housing Authority	449	0	449
Paramount	203	0	203				
Allocated Section 8 Total:	299,164						
Allocated Public Housing Total:		44,714					
Combined Total:	343,878						

Allocation information was acquired from the HUD web site "Housing Profiles" updated between 2/25/06 and 2/28/06.