

Should LHAs Return Unused Vouchers to HUD?

By David Zappasodi

In late June of this year, HUD published a notice outlining procedures for local housing agencies (LHAs) to voluntarily return unused Section 8 budget authority. Unfortunately, this comes at a time when national utilization rates are increasing, bringing back support for the Housing Choice Voucher Program. Voluntarily returning unused budget authority at this time could prove damaging to the program, both locally and nationally.

The Millennial Housing Commission's (MHC) recent report to Congress states, "Because the program is flexible, cost-effective, and successful in its mission, the MHC believes housing vouchers should continue to be the linchpin of a national policy providing very low-income renters access to the privately owned housing stock." Despite this unequivocal support, return of vouchers by individual agencies could cast a negative light on the overall program, which could in turn affect Congress's funding decisions. Further, during a time when the nation has more than 4.8 million households with "worst case" housing needs, 75 percent of which pay more than half of their income toward rent, returning underutilized Section 8 funding should be an option of last resort.

LHAs have and will continue to be front-line providers of assistance for low-income families to secure decent, safe, and sanitary housing—often in very difficult market conditions and with resistance from their communities. LHAs play an important role in communities across the country, which is why considering the current and future implications of voluntarily returning unused Section 8 budget authority is so crucial.

LHAs face a difficult set of challenges as they work to both expand economic opportunities for low-income families and engender community support in the process.

I agree with HUD's and Congress's intent to have both the department and LHAs issue and utilize Section 8 vouchers in a timely manner in order to improve the national utilization rate. It is true that if Section 8 funds are not utilized to a greater degree, communities across the country may be jeopardized by future reductions in Section 8 appropriations. However, HUD's regulatory schematic oversimplifies the Section 8 program, which is a



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complex market-based program.

HUD's evaluation and reallocation system suggests, to the exclusion of other factors, that LHAs who cannot use Section 8 vouchers should just voluntarily or involuntarily relinquish them to the department for redistribution to LHAs that can use them. However, what has been forgotten is that just because Section 8 voucher holders do not successfully lease units, it does not mean that there is no need for additional rental assistance in that community or that there has been LHA mismanagement. Instead, LHA utilization rates are often adversely affected by the mismatch between available and affordable rental units and allocated vouchers.

LHA utilization rates can be dramatically affected by tight rental market conditions, among other factors. Under the best of circumstances, LHAs constantly have to enforce complex program regulations, provide services that will help low-income families succeed in securing assisted housing, and provide outreach to property owners to help retain and expand opportunities for families. It is certainly within any agency's right to voluntarily return unused budget authority, but any time an agency undertakes a decision of this magnitude it is imperative to weigh the benefits and consequences of such an action.

In terms of national implications, the funding level of "fair share" incremental voucher allocations has decreased over the years in part due to national utilization rates. Fair share incremental voucher funding in FY 2002 was 23 percent of what it was in FY 2001. If LHAs voluntarily return vouchers that Congress and HUD view as incremental vouchers, future

appropriations of fair share vouchers in FY 2003 and beyond could be negatively affected.

There are local ramifications to consider as well. LHAs face a difficult set of challenges as they work to both expand economic opportunities for low-income families and engender community support in the process. As a result, LHAs could be pressured by local officials to voluntarily return vouchers to improve the LHA's lease-up/utilization rates and "look good" on Section 8 Management Assessment Program (SEMAP) performance scores. Regulations governing

no lack of eligible families in need of assistance.

HUD and Congress should also take note of LHAs' roles in the delivery of the Housing Choice Voucher program. The Millennial Housing Commission's report to Congress stated that "HUD should allow other agencies to compete for special allocations of vouchers for certain populations but require that LHAs (or regional consortia of LHAs) perform key operations such as housing inspections, rent-setting, and payments to landlords." In June 2002, HUD published a notice requiring restricted use of Section 8 administrative fees exclusive to the Housing Choice Voucher program if utilization/lease-up rates fell under 95 percent. Among other things, each LHA's current and future commitment to the Housing Choice Voucher program will be under ongoing examination.

In addition to existing regulations that enable LHAs to increase their utilization rates (see June 27 *DirectNews* at www.nahro.org/members/news/2002/jun/27_DN_s8.cfm), NAHRO has advocated for and secured other provisions in the Senate bill that would allow LHAs more discretionary authority to set payment standards up to 120 percent of the FMR without HUD approval; make use of up to 2 percent of unutilized Housing Assistance Payments for housing search counseling, credit repair and counseling, security deposits, landlord outreach, etc.; and provide a grace period in calculating LHAs' lease-up/utilization rates as their Section 8 Project-based units come on line following completion of new construction or substantial rehabilitation.

NAHRO also advocated successfully for a provision in the

FOR MORE INFORMATION

A summary of each semiannual period's baseline unit reallocations, including lists of LHAs from which and to which units and annual budget authority were reallocated, will be posted on HUD's Web site at the same location as the semiannual invitations, www.hud.gov/offices/pih/programs/hcv. In light of the growing affordable housing crisis, this information will likely receive local and national media attention when it gets published.

SEMAP [CFR 985.107 (f)] do not have specific timeframes or sanctions for LHAs that receive "troubled" performance scores. Voluntarily returning unused budget authority would result in the permanent reduction of an agency's Consolidated Annual Contributions Contract.

While the factors contributing to the number of low- and extremely low-income families residing in any city or town are complex, it would be a new watermark in the history of the program if LHAs were to contribute to a widespread redistribution of scarce rental vouchers in areas where there is

Senate's Housing Voucher Improvement Act of 2002 that would allow LHAs to ask HUD to perform a local rent survey before being able to reallocate unused budget authority from them in instances where an LHA is at 110 percent payment standard and has demonstrated management proficiency in areas completely within its control (excluding leasing and utilization rates). This provision recognizes that the Section 8 Housing Choice Voucher program is market-based and gives LHAs a greater degree of control over utilization rates.

Deciding whether or not to voluntarily return unused budget authority is yet another challenge for LHAs to face.

Deciding whether or not to voluntarily return unused budget authority is one of many decisions entrusted to LHAs. Following the Quality Housing and Work Responsibility Act of 1998, devolving decision-making to the local level is an important aspect of the Housing Choice Voucher program. Often faced with difficult decisions, I believe LHAs should be able to decide what is in the best interest of their local communities as well as the greater good of low-income affordable housing interests at the national level.

Deciding whether or not to voluntarily return unused budget authority is yet another challenge for LHAs to face. It is not the first or the last challenge for them, and in the end, I believe agencies will prevail and national utilization rates will continue to rise. ■

Administration Releases Report on New Freedom Initiative

The Bush administration has released a progress report detailing the accomplishments of the New Freedom Initiative and outlining the next steps that the administration will take in meeting the Initiative's goals.

The New Freedom Initiative, President Bush's comprehensive plan to reduce barriers to full community integration for people with disabilities, was launched in February 2001. *Progress Report on Fulfilling America's Promise to Americans With Disabilities* is available online at www.whitehouse.gov/newfreedom.

The U.S. Department of Health and Human Services (HHS) also announced a new Web-based resource that provides information on available technical assistance related to community-integration issues. The *Compendium of HHS Technical Assistance Activities Related to the Administration's Community-Integration Initiative* is available online at <http://aspe.hhs.gov/daltcp/reports/Citarpt.htm> and will be updated regularly.

Bush Honors Welfare to Work Graduates

In a White House event honoring 125 Welfare to Work graduates, President Bush called the graduates "strong, proud, successful women" and said that "the hardest job in America is being a single mom."

Two of the event's participants had been helped by the Pinellas County (Fla.) Housing Authority, highlighting the fact that many Welfare to Work participants have been assisted by local housing agencies. Stacey Benjamin and Linda Waters, both single mothers, were able to buy their first homes with the help of the Pinellas County agency.

Housing Project Launched in Eastern China

The Chinese Ministry of Construction and the U.S. Department of Housing and Urban Development (HUD) launched a

model housing project in Jinan, the capital city of Shandong Province in eastern China.

The project, part of the housing cooperation program that resulted from former U.S. President Bill Clinton's visit to China four years ago, is expected to introduce U.S. advances in sophisticated housing development designs, technologies, and practices into China. Similar projects are also underway in Beijing and Shanghai.

Black Homeownership Rates Grow in D.C. Area

Homeownership rates among African Americans in the Washington, D.C., area grew more than twice as fast as rates in the rest of the country during the 1990s, according to a study of 2000 Census and Internal Revenue Service data compiled by the Fannie Mae Foundation and the Urban Institute.

The black homeownership rate

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