



Meeting Date: 06/12/07

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input checked="" type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

Prepared By: Melissa L. Hettena *Melin* Agenda Item No. 0-2

Reviewed By: City Manager *MMH* City Attorney *[Signature]* Finance *[Signature]* Other (Specify) _____

DATE: June 3, 2007

TO: City Council
Housing Authority Commission

FROM: S.D. Gonzalez, Housing Director *[Signature]*
Housing Department

SUBJECT: **Housing Legislative Program for FY 2007-2008**

RECOMMENDATION

That City Council and the Housing Authority Board of Commissioners:

1. Support federal appropriations of at least \$4.5 billion in funding for the Community Development Block Grant (CDBG) Program and \$1.967 billion for the HOME Program.
2. Support federal appropriations of at least \$5.0 billion for the Public Housing Operating Fund and \$3.5 billion for the Public Housing Capital Fund, with \$75 million for emergencies and natural disasters.
3. Support federal appropriations of at least \$55 million for the Resident Opportunity and Self-Sufficiency Program, and the removal of staffing restrictions on use of the grant funds.
4. Support federal legislation that would allow the Oxnard Housing Authority (OHA) to maintain the current flexibility in the management improvements and operations of the Public Housing Capital Fund.
5. Support federal appropriations of at least \$16.622 billion for the Tenant-Based Rental Assistance Program, and full funding for the Project Based Section 8 Program.
6. Support federal appropriations of at least \$20.2 million for the Fair Housing Initiatives Program and \$25 million for the Fair Housing Assistance Program.
7. Support federal appropriations of at least \$1.586 billion for the Homeless Assistance Grants, and oppose any set asides and transfer of funds to the Department of Labor for the Prisoner Reentry Initiative.
8. Conceptually support federal bill H.R. 1851, the Section 8 Voucher Reform Act (SEVRA), which would make a number of important reforms in the voucher program so that it can be administered more effectively and efficiently.
9. Support Federal Housing Finance Act (H.R. 1472), which, in addition to enacting reforms of the federal oversight of the Government Sponsored Enterprises (GSEs) such as Fannie Mae and

Freddie Mac, creates a new affordable housing fund to be used to finance the construction, maintenance, and preservation of affordable housing for very low income families.

10. Support federal bill S. 593, which would create a new program that would fund supportive services to the chronically homeless.
11. Request the U.S. Department of Housing and Urban Development (HUD) to eliminate the requirement for jurisdictions to have discharge plans as a prerequisite for receiving Continuum of Care funding.
12. Monitor federal immigration reform bills that might impact local housing conditions and provide periodic updates to City Council.
13. Support full funding for the state Emergency Services Grant, which includes funding for winter warming shelters, and the inclusion of language in the grant that allows for local control of grant funds in case the shelters are not fully funded.
14. Oppose the elimination of a state program for care of homeless and mentally ill adults.
15. Monitor bills related to the use of \$850 million for regional planning, housing and infill incentives that was approved under Proposition 1C in November, 2006.

SUMMARY

The U.S. Congress and the California Legislature will be finalizing several budget and housing legislative bills that will impact the City. Each year the City and OHA receive funds from HUD and the State that support many housing programs and related services. While some programs for which the City and OHA receive funds have been adequately funded, many programs important to the City, such as the CDBG program and the Public Housing program, are again targeted for reductions in the proposed budget, thereby threatening the future viability of these programs. Also, Congress will be considering a number of legislative bills that could impact local housing conditions and the production of affordable housing in the City. Those bills include substantial changes to the administration of the Section 8 Voucher program, the creation of a new federal affordable housing fund, changes to the Homelessness Assistance Program Funds and Continuum of Care funding criteria, creation of a new program to fund supportive services to the chronically homeless, and significant immigration reform. On the state level, the legislature is working towards establishing criteria for the use of \$850 million approved under Proposition 1C in November of 2006 for regional planning, housing, and infill incentives. This report contains an assessment of these proposed actions and a recommended response by the legislative bodies of the City.

DISCUSSION

Federal Budget and Policy Proposals

For the third year in a row, HUD proposes deep cuts for the Community Development Block Grant (CDBG) Program, this time a decrease of approximately 25 percent. Total funding for the Community Development Fund in the FY 2008 budget proposal is \$3.037 billion, with \$2.975 billion proposed for operating the CDBG program. The budget again proposes that \$200 million of the \$2.975 billion be set aside for a competitive "Challenge Grant Fund." As such, the FY 2008 funding level for CDBG formula allocations is the same as the level proposed in the FY 2007 budget: \$2.775 billion.

Over the last four years, because of declining federal appropriations, the City of Oxnard has seen a decline in CDBG funds from \$3,363,000 in 2003-04 to \$2,820,986 in 2006-07. For the next year (2007-08) the City will see a further decline to \$2,810,804. Locally, the CDBG program has been one of the most effective federal programs, helping the City support neighborhood revitalization, housing rehabilitation, mobile home replacements, the PAL Program, after-school programs, code enforcement and homeless employment programs, and other youth-at-risk programs. Staff recommends supporting funding at \$4.5 billion for the CDBG formula grants in FY 2008, a funding level that the National Association of Housing and Redevelopment Officials (NAHRO) and other industry groups feel better represent the needs of state and local governments.

The budget recommends \$1.967 billion for the HOME program, including \$1.917 billion for HOME formula grants. The request is an increase of \$223 million over the FY 2007 levels. The FY 2008 budget also seeks an additional \$50 million for the American Dream Downpayment Initiative (ADDI). In addition to the development of affordable housing, these funds can be used for housing rehabilitation, tenant-based assistance, and acquisition. Also, because activities under the ADDI program are eligible activities under the HOME program, staff believes that it is more efficient to distribute these funds through the formula grants. Under the program the City received \$1,075,966 in HOME funds for FY06-07, which have been used for homebuyer downpayment assistance, housing rehabilitation, and the administration of the City's affordable housing program. Thus, Staff recommends full funding for the HOME program.

The proposed budget provides \$4.0 billion for the Public Housing Operating Fund, while HUD's estimate for the FY 2008 operating subsidy is \$5.0 billion. The proposed budget would cover only 80 percent of the amount necessary to serve residents and cover administrative costs. The budget proposes \$2.024 billion for the Capital Fund, a \$415 million (17 percent) decrease compared with FY 2007. Of this amount, just \$1.96 billion is available for capital improvements; the remaining funds are devoted to various set-asides. In addition, the budget eliminates funding for emergencies or natural disasters, citing the availability of FEMA or insurance dollars. Staff recommends supporting funding for the Public Housing Operating Fund of at least \$5.0 billion, and funding of \$3.5 billion for the Public Housing Capital Fund as recommended by the NAHRO and other industry groups, in addition to adequate funding for unforeseen emergencies and disasters at the former level of \$75 million annually.

HUD proposes no funding for the Resident Opportunity and Self-Sufficiency (ROSS) Program for FY 2008. The ROSS Program provides for needed service coordinators for families, seniors, people with disabilities, and the Family Self-Sufficiency programs in public housing. Since 2005, funding for the program has declined precipitously, from \$55 million to \$38 million, and under the proposed budget has reached the point where no funding is allocated. Staff recommends that funding be restored to \$55 million annually. Also, restrictions in the grant on the hiring of residents of public housing, and the limitation that only 25% of the grant funds be used for staffing, should be eliminated. This restriction limits the delivery of direct services to residents by staff, and favors contractual services, which constrains the City's ability to continue in these successful programs with experienced staff. Under the program the City received \$400,000 for FY06-07. Thus, staff recommends supporting funding for the program at \$55 million and the elimination of limits on the use of grant funds for staffing purposes.

The new Asset Management/Project Based Accounting of Public Housing will apply to all Public Housing programs, including the Capital Fund. Included in the Capital Fund budget are line items for

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Public Housing Operations (account 1406) and Management Improvements (account 1408). These items have, in past years, been available to help fund some administrative costs of running the programs (i.e. professional development trainings for all levels of staff, agency wide software funding, etc.). Under the Asset Management rules, these types of costs would no longer be eligible expenses, causing further strain on an already over-burdened Central Office. Staff recommends support for legislation that would allow the OHA to maintain flexibility in those accounts.

The proposed budget recommends a total of \$16 billion for the Tenant-Based Rental Assistance voucher program, just \$80 million more the FY 2007 appropriation. Within the total, \$14.445 billion is earmarked for housing assistance payment (HAP) renewals, \$9 million more than the FY 2007 appropriation. Also provided are \$1.351 billion for administrative fees, \$48 million for FSS coordinators, \$150 million for tenant-protection vouchers and up to \$100 million set aside for additional rental subsidies for unforeseen exigencies or portability. Staff recommends based on NAHRO and other industry group consensus, support for funding at \$14.9 billion for HAP renewals, \$1.351 billion for administrative fees, and \$72 million for FSS coordinators. Under the program, the City and OHA receive approximately \$13.8 million for housing assistance payments, \$60,000 for an FSS coordinator, and \$1.3 million for administration of the program.

The Fair Housing Initiatives Program and the Fair Housing Assistance Program are funded at \$20.2 million and \$25 million respectively. The City contracts with the Housing Rights Center (HRC) in Los Angeles to provide fair housing services to the residents of Oxnard. The HRC relies on federal funds under these programs to subsidize the cost of providing services to clients, such as the City. Thus, Staff recommends that the funding be supported at a minimum at the proposed levels.

The FY 2008 budget proposed \$1.586 billion for HUD's Homeless Assistance Grants, a \$144 million increase over the FY 2007 level. The request includes \$35.5 million in set-asides, including a proposed \$35 million transfer to the Department of Labor for the Prisoner Reentry Initiative. Staff recommends support for the funding request of \$1.586 billion. However, staff does not recommend support for the set-asides and a transfer of funds to the Department of Labor for the Prisoner Reentry Initiative, so that the maximum amount of funding is available for the Homeless Assistant Grants. The City typically receives approximately \$1.5 million in Homeless Assistance Grants, which are used to support a variety of services to the homeless population in the City, including shelter, food, and supportive services.

The Section 8 Voucher Reform Act (H.R. 1151/SEVRA) proposes significant reforms in the administration of the Section 8 Housing Choice Voucher program and some related changes in the laws governing public and assisted housing. Many aspects of this bill provide welcome regulatory relief for housing authorities and help the voucher program perform even more effectively in meeting its mission of providing access to affordable housing.

In summary, SEVRA would: revise and simplify the manner in which incomes and rents are calculated; require recertifications of incomes at least once every three years for participants on fixed incomes; require biennial inspection of assisted units instead of the current annual inspections; require closer monitoring of participants who are paying more than 30 percent of their income for rent; exclude assistance for participants with more than \$100,000 in assets or own a home; limit initial and continuing eligibility to low income families to those who make 80 percent or less of the area median income (in Ventura County, a family of four with an annual income of \$42,840 or less is considered low income); and compensate housing authorities for issuing vouchers to new participants.

Several amendments have already been adopted by the House Financial Services Committee. It is expected that more changes will be made to the bill before it is ultimately adopted. But, given the reductions in funding for the administration of the program and the need for the elimination of redundant and complex requirements, staff recommends conceptual support of the reform bill. It is also important that the bill be monitored closely to avoid the enactment of provisions that would undermine the goal of simplification and reform.

Staff also recommends support for the Federal Housing Finance Reform Act (H.R. 1427) which in addition to enacting reforms for the federal oversight of the Government Sponsored Enterprises (GSEs) such as Fannie Mae and Freddie Mac, creates a new affordable housing fund that would be used to finance the construction, maintenance and preservation of affordable housing for very low income families. Funds for the affordable housing fund would come from a portion of the GSEs investment portfolios without the need for Congress to appropriate the funds. Only the Gulf states would receive funds under the affordable housing fund during the first year; after the first year funding would be distributed nationally to cities and states. If enacted, this will be the first federal housing production program since the 1970s.

The Services for Ending Long-Term Homelessness Act (S. 593) would create a new program to fund supportive services to the chronically homeless. Many service providers that serve the chronically homeless in the City could benefit from this new program. Staff recommends support for this bill as long as the bill does not reduce the current funding for Continuum of Care funds and jurisdictions receiving Continuum of Care funds can be in receipt of both sets of funding.

Staff also recommends that the City request HUD to eliminate the requirement for jurisdictions to have a discharge plan that includes individuals discharged from correctional facilities, in order to receive Continuum of Care funding. HUD requirements are in conflict with the City's policy goals of providing safe neighborhoods in the City.

Currently, Congress is considering portions of the immigration reform bill introduced in the last session of Congress. Neither the Senate nor the House's version of the immigration reform bill introduced in the last session of Congress was enacted into law. The bills currently being considered might impact local housing conditions. However, the legislation is in its early stages. Staff recommends that the City separately monitor this legislation and provide City Council with periodic updates.

State Budget and Policy Proposals

Two state budget proposals could potentially impact the City's homelessness program. The Governor's proposed budget currently includes full funding for the Emergency Shelter Grant (ESG), which includes funding to support the winter warming shelters. Each winter, the City supports operations of a winter warming shelter for the homeless that is funded by the ESG grant. Staff recommends support for full funding of the ESG grant and for incorporation in the language of the ESG grant that allows for local control of the ESG grant funds in case the winter warming shelters are not fully funded. The Governor's budget proposes to eliminate all funding for a successful adult system of care for homeless, mentally ill adults. Programs under this system have helped reduce expenditures on costly emergency care and jails. More pressing in nature, the budget cut could result in as many as 4,900 persons

throughout the state becoming homeless almost immediately. Thus, Staff recommends opposing the budget cut for this program.

About thirty competing bills have been introduced in the State Legislature on the \$850 million for regional planning, housing, and infill incentives, with unresolved issues over the definition of "infill" and income targeting. These issues have caused the Legislature to consider delaying consideration of all bills on this matter. For this reason and because the bill process will undoubtedly be a long process, staff does not recommend that the City take any position on the bills but recommends that the City continue to monitor these bills. City Council may, at some point, in the near future, want to hold a study session on this legislative need and develop a position for the State Legislature to consider.

FINANCIAL IMPACT

The adoption of the recommended legislative program will not have a financial impact upon the City or the Housing Authority.