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Obama Gets Housing Reform Bill

In a rare moment of congressional bipartisanship, both chambers approve legislation reforming housing assistance, sending HR 3700 to President Barack Obama for his signature. Obama is expected to sign the Housing Opportunity Through Modernization Act of 2016.

The bill's primary thrust is an expansion of project-based Section 8 housing vouchers. The change comes in advance of the major HUD expansion of project-based housing under the department's Rental Assistance Demonstration initiative.

RAD is designed to attract private investment in the nation's public housing stock to help erase a \$26 billion plus backlog of public housing maintenance. Eventually, the 2 million current public housing tenants would become tenants of the new public-private housing concept with private managers maintaining the physical structures jointly owned by public housing authorities and private investors subsidized by Section 8 payments.

Under the new bill, a Section 8 administrative agency-PHA would be able to project-base up to 20% of its voucher allotment, plus an additional 10% of its vouchers to assist families in areas where vouchers are difficult to use or to assist people with disabilities, formerly homeless people, veterans or seniors. The baseline now for project-based voucher allotment is 15% of total vouchers.

The bill also lengthens the maximum term of an initial management contract or extension from 15 to 20 years. The disadvantage of project-based vouchers is their lack of portability. Unlike voucher-holding tenants, project-based tenants cannot move to a more desirable apartment or house using their subsidy as cash.

The measure allows PHAs to project-base a greater share of units within a development. It changes the tenant income review process to allow families to keep 100% of increased earnings over a longer period. The goal is to provide incentives for families to seek work and retain their employment without facing criticism for earning too much to keep their public subsidy.

HR 3700 changes the Family Unification Program by expanding access for youth aging out of foster care who are at risk for homelessness. The bill allows eligibility to be extended for former foster children up to age 24 and to otherwise eligible youth who will leave foster care within 90 days and are homeless or at risk of homelessness.

The bill also extends to three years the period for which young people who have left foster care are eligible to receive housing subsidies. It imposes housing assistance limits on families with incomes above 120% of the poverty level.

Another change in the legislation includes streamlining of tenant income deductions, but families negatively affected by the change will be eligible for hardship exemptions. The bill also changes the distribution formula for Housing for Persons with AIDS (HOPWA).

The legislation includes reforms to current Federal Housing Administration restrictions on condominium financing. The change was pushed by the National Association of Realtors which described current restrictions on condominium financing as a significant hurdle for one of the country's most affordable housing options.

The changes make FHA's condominium recertification process easier by lowering the current owner-occupancy requirement from 50% to 35%. The change will allow 65% of a condo's units to become eligible for rentals.

Info: See HR 3700 at www.cdpublications.com/docs/8927

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