

The Current Situation

The Amherst Housing Authority (AHA) is facing a serious projected shortfall in the Housing Assistance Payments (HAP) which funds the Housing Choice Voucher Program, often referred to as the "Section 8" Program. This projected deficit is a direct result of Federal budget cuts to this program as part of the enactment of sequestration. For the past two years AHA has made up the shortfall in this program through its reserve funds and through a one-time Federal shortfall appropriation from HUD. Subsidy reserves have been depleted over the prior two years, and the expectation of additional HUD shortfall funds for fiscal year 2014 are unrealistic at this time. The projected funding shortfall for AHA is estimated at approximately \$154,000 for FY2014 but the exact amount cannot be known at this time.

Reductions in the Housing Choice Voucher Program are a burden that falls squarely on some of the most vulnerable households in our community. The result of this Federal budget cut is negatively affecting low-income residents in Amherst and around the nation. This is a situation not of the making of the Amherst Housing Authority or the residents it serves. However, it is the responsibility of the staff and Board of Commissioners of the AHA to act responsibly in the face of these budget cutbacks.

Actions Under Consideration

A number of actions are under consideration that includes lowering the Fair Market Rent (FMR) payment standard from the current Federal HUD approved "exception" rent for Amherst of 120% of FMR to a lower standard (115% and 105% is being considered). This would mean some of the households currently served by the Housing Choice Voucher Program (HCVP) would pay a greater percent of their household income for rent. Currently the change in the payment standard is allowed at the second annual recertification of the assisted household. The AHA is considering requesting a waiver from HUD to put this change in to effect immediately as a response to the projected and on-going program shortfall.

The impact of a lower payment standard is being analyzed. If no changes are made and no additional funds are forthcoming for this program it is possible that current voucher holders could lose their vouchers. This is a dire situation that AHA is trying to avoid.

Other cost saving measures under consideration are: implement the reduced payment standard immediately for households to all new admissions (although no new admissions are allowed under current circumstances), all movers, and families remaining in their units with a new HAP contract (e.g., when the owner offers or requires a new lease); and a lower payment standard of 90-95% FMR for the extended service area of Belchertown, Granby, Hadley and South Hadley.

At the public meeting of the AHA Board of Commissioners Oct. 3, 2013, a number of program participants and other concerned members of the community spoke about the hardships that could result from either a lowering of the payment standard or the elimination of vouchers for some households. A number of people mentioned ideas for raising additional local funds to help fill this federal funding gap. While many of these ideas might bear fruit and hopefully will be pursued by the appropriate parties, none of them are definite at this time.

One subject of focused discussion was the AHA attrition rate—the number of program participants leaving the program each month. Attrition can contribute some cost savings to the program, as the AHA share of that households rent will be eliminated for the remainder of the calendar year. While attrition rates are calculated based on past trends this number is not fixed but best guesstimates place it close to one household per month. Every household who leaves the program represents a different rent factor saved, in some cases even representing no savings. The cost saving from attrition are unpredictable and by AHA's best estimating not nearly adequate to address the current funding crisis.

The AHA currently has approximately \$165,000 in administrative reserve funds for the Housing Choice Voucher program and has been using an average of \$4,500 of these reserve funds each month. As we look to FY2014 and the absence of the FY2014 HUD stop-gap funds, the demands on these reserve funds will increase and we can only be confident of them covering about 6 more months of spending deficits for this program. The Board of Commissioners will closely review the administrative budget for this program.

The Board of Commissioners has scheduled a Public Hearing to discuss the current budget shortfall in the Housing Choice Voucher Program and to specifically consider the following proposed changes to the AHA 5-Year Plan, the Administrative Plan for the Section 8 Program and other payment standard changes for the extended area served by the AHA. **Public comments can be made at the Public Hearing, Tuesday, Dec. 3, at 5 p.m., Town Room, Town Hall and written comments can be submitted at the hearing or sent to: Executive Director, Amherst Housing Authority, 33 Kellogg St., Amherst, MA 01002, by Friday, Dec. 6, 2013.**

Proposed Changes

1. Changes to the AHA 5-Year and Annual Plan on Page 2 of 2

9.1 Strikeout the following sentence:

The AHA will request, from HUD, exception payment standards of 120% for the FMR for the Section 8 program to ensure that households seeking housing under the Voucher Program will be successful in locating appropriate housing.

2. Changes to the Section 8 Administrative Plan for the Housing Choice Voucher Program, May 29, 2013, on Page 6-55, after Step 3: Add the following language:

AHA Policy:

The AHA may opt to lower payment standards for all or some unit sizes. A lower payment standard will immediately apply to all new admissions, all movers, and families remaining in their units with a new HAP contract (e.g., when the owner offers or requires a new lease). For all other HCV participants, decreased payment standard amounts are not applied until the second regular reexamination after the payment standard is lowered (see 24 CFR982.505(c)(3)), unless the AHA has requested a waiver for good cause and is approved by HUD so the payment standards may be applied sooner than provided by regulation.

3. Changes to the payment standard for the extended service area of the AHA including Belchertown, Granby, Hadley and South Hadley as follows:

The AHA will lower payment standards to 90-95% of the published FMR for AHA extended area of Hadley, Belchertown, Granby and South Hadley.