



## H.R. 3521 – Public Housing Asset Management Improvement Act

### EXECUTIVE SUMMARY

H.R. 3521 was introduced by Representative Albio Sires (D-NJ) on September 10, 2007, and ordered reported from the Committee on Financial Services, as amended, by voice vote. It is expected to be considered on the floor under a structured rule on February 26, 2008.

This legislation would change a final rule, issued by the Department of Housing and Urban Development (HUD) in 2007, that would implement a new system for allocating operating subsidies to public housing authorities.

The Congressional Budget Office estimates that “H.R. 3521 would have no significant impact on the federal budget.”

Although the Statement of Administration Policy outlines the Administration’s opposition to H.R. 3521, it does not contain a veto threat.

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### FLOOR SITUATION

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H.R. 3521 is being considered on the floor pursuant to a structured rule. The rule:

- Provides one hour of general debate equally divided and controlled by the Chairman and Ranking Minority Member of the Committee on Financial Services.
- Waives all points of order against consideration of the bill except for clauses 9 and 10 of rule XXI.
- Provides that the amendment in the nature of a substitute recommended by the Committee on Financial Services, now printed in the bill, shall be considered as an original bill for the purpose of amendment, and shall be considered as read.
- Waives all points of order against the amendment in the nature of a substitute except for clause 10 of rule XXI. This waiver does not affect the point of order available under clause 9 of rule XXI (regarding earmark disclosure).
- No amendments shall be in order except those amendments printed in the Rules Committee report accompanying the resolution.
- Provides that the amendments made in order may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question in the House or in the Committee of the Whole.
- Waives all points of order against the amendments printed in the report except for clauses 9 and 10 of rule XXI.
- Provides one motion to recommit with or without instructions.



Representative Albio Sires (D-NJ) introduced the Public Housing Asset Management Improvement Act (H.R. 3521) on September 10, 2007. The Committee on Financial Services ordered the bill reported as amended by voice vote on September 25, 2007.

H.R. 3521 is expected to be considered on the floor on February 26, 2008.

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## BACKGROUND

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In 1998, Congress enacted legislation that required the Department of Housing and Urban Development to conduct a negotiated rulemaking to develop a new operating fund formula for public housing authorities (PHAs). PHAs are eligible to receive two sources of funding from HUD: operating funds and capital funds. Capital funds are distributed to PHAs to further the core purposes of public housing, including construction, operation and maintenance of affordable housing units. Operating funds are provided to PHAs to subsidize the difference between what low-income tenants pay in rent and the amount it costs the PHA to operate the building.

In January 2007, the Department of Housing and Urban Development (HUD) issued a final rule that established a new operating fund formula. The rule encourages PHAs to move from agency-based management to project-based, also referred to as asset-based, administration in an effort to increase the transparency of operating expenditures. This requires PHAs to use project-based funding, budgeting, accounting, management, and performance management. Under this rule, PHAs that operate less than 250 units are exempt from the asset-management requirements.

The new formula provided some PHAs with additional funding and decreased the operating funds given to others. In order to give PHAs time to deal with the changes, funding increases will be phased in over two years and losses will be phased in over five years. In addition, those PHAs that experience a decline in funding would have the ability to stop that loss by demonstrating a successful conversion to asset-management.

The new operating formula was slated to begin in 2007, but was delayed due to concerns voiced by public housing authorities and Republican and Democrat Members of Congress.

There are currently more than 1.2 million public housing units that are administered by over 3,100 public housing agencies.

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## SUMMARY

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H.R. 3521 prohibits the Secretary of Housing and Urban Development from imposing any restriction or limitation on public housing authorities management related fees if the PHA has determined the fee to be reasonable. The Secretary would only be allowed to set limits on fees if the fee is determined pursuant to a negotiated rulemaking which would be convened by the Secretary no earlier than April 1, 2009, and is effective only on or after January 1, 2011.

H.R. 3521 allows public housing agencies that own or operate less than 500 public housing units to elect to be exempt from any asset management requirement imposed by the Secretary. The current rule exempts public housing agencies that own or operate less than 250 public housing units.

H.R. 3521 would continue to allow PHAs to spend up to 20 percents of their capital funds for a PHA's central office costs.



*\*Note: While the final rule allows PHAs to continue to spend capital funds on operations and management improvements, it requires the funds to be used on property operation and not central office overhead.*

In addition, this legislation requires the Secretary to encourage tenant participation in the implementation of asset management policies.

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## AMENDMENTS

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*(Below is the summary of the amendment that was made in order by the Rules Committee and may be offered on the floor of the House of Representatives)*

- 1) Representatives Barney Frank (D-MA)/Albio Sires (D-NJ): The amendment clarifies the intent of an amendment offered by Rep. Velazquez and adopted by the Financial Services Committee by ensuring that public housing authorities that apply to HUD for “stop-loss” do not have their applications rejected on the basis that the management and related fees they establish pursuant to this bill are not reasonable as defined by HUD. Additionally, the amendment is a restatement of current law with respect to the ineligibility of illegal immigrants for assistance.
- 2) Representative Kendrick Meek (D-FL): **(REVISED)** The amendment holds HUD responsible, in the case of receivership, for performing the same responsibilities that the local housing agencies have in respect to working with tenant associations before building public housing. Additionally, in the case of receivership, before building new public housing HUD must honor any formal agreements entered into before the commencement of such receivership between the local housing authority and the tenant association.

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## COST

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According to the Congressional Budget Office (CBO), “H.R. 3521 would have no significant impact on the federal budget.” ([CBO Cost Estimate for H.R. 3521](#))

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## ADDITIONAL VIEWS

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According to the Statement of Administration Policy, “the Administration is deeply concerned that H.R. 3521, as reported by the House Financial Services Committee, would severely undermine PHAs’ long-awaited conversion to asset management and the adoption of conventional business practices. For the reasons that follow, the Administration strongly opposes House passage of H.R. 3521.” The SAP does not contain a veto threat for H.R. 3521.

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## MOTION TO RECOMMIT

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Please find the Republican Motion to Recommit [here](#).

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## STAFF CONTACT

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For questions or further information contact Brianne Miller at (202) 226-2302.