

Affordable Housing in Rural New England HUD Programs and the FY12 Budget

Introduction

In these times of budget constraints, difficult choices and continuing economic distress, we are more concerned than ever that programs serving rural communities be protected and sustained. We are particularly concerned about programs that have been successful in rural New England, which has characteristics that are distinct from many other rural areas.

Poverty in rural New England is dispersed, rather than concentrated, making it less visible and sometimes more challenging to address than in cities or in other rural areas. Our housing stock is older, contributing to high maintenance expenses and lead paint issues. Our long, cold winters result in significant expenses for heat and snow removal. The region's heavy dependence on unregulated sources of heat (e.g., fuel oil, propane and kerosene) combined with the lack of public transportation makes the rural poor especially vulnerable to spikes in the cost of fossil fuels. These expenses, combined with low incomes and high real estate costs and property taxes lead to a large housing affordability gap for homeowners and renters.

Because of these characteristics, programs designed to focus on high poverty census tracts do not work well for rural New England. Affordable housing entities in rural New England successfully use federal programs that target properties or households as opposed to concentrated neighborhoods. These programs include, but are not limited to, HUD's 202 and 811 programs, project- and tenant-based rental assistance, and block grants such as CDBG and HOME. We do not compete as successfully for the more metro-focused programs or those programs in which scoring favors high concentrations of poverty in a particular neighborhood or geographic area – yet the rising level of rural homelessness attests to the struggles faced by rural New England households.

We are extremely concerned about recent trends that are harmful to our rural communities:

1. Sharp decreases in funding to rural programs;
2. A move away from block grants, which provide the most flexible and useful sources of support for these communities; and
3. A focus on broad initiatives whose design makes them much more usable in urban areas.

The FY'12 HUD Budget

For rural New England to successfully create, operate and sustain affordable housing certain elements are crucial:

- capital funds for new developments;
- public housing and preservation projects;
- project-based operating subsidies;
- portable rental assistance; and
- housing counseling and education.

Programs that contain these elements – including HOME, CDBG and Section 202 and 811– are all slated for substantial cuts in the HUD budget. While we understand that the Administration’s budget would restore the Housing Counseling program to its FY10 level of \$88 million, we are alarmed that this program was eliminated in the final FY11 budget. This is a move that will devastate housing counseling agencies in New England.

CDBG

The Administration’s FY12 budget calls for a decrease from FY10 levels of more than \$700 million, from \$4.5 billion to just under \$3.8 billion. While the budget does represent an increase from the FY11 allocation, the FY11 cut was drastic and will certainly cause harm to many low-income communities. Most of rural New England accesses CDBG funds through the State program, not CDBG Entitlement. These funds provide crucial support for housing and public facilities for New England’s rural communities. This support is not available through any other programs, and is highly targeted to low- and moderate-income communities – more so than Entitlement CDBG funds.

HOME

The Administration’s FY12 budget reduces HOME by \$175,000,000, or about 10% from FY10. While we understand the need for budget cuts, we feel strongly that this is not the place for reductions. A 2010 survey by the Housing Assistance Council showed that 77% of HAC’s rural affiliates use this program, which provides critical administrative and bricks-and-mortar funding for affordable housing development and rehabilitation, much of it to smaller organizations with otherwise limited resources.

Section 202/811

The HUD 202 and Section 811 capital advance and rental assistance for new developments are essential and proven funding sources for rural New England. These programs serve elderly and disabled residents, and their design allows smaller and geographically dispersed rural projects to compete on an equal level with their urban counterparts. These two programs took a major hit in the FY11 Continuing Resolution; we urge their full restoration in FY12.

Housing Counseling

The damage caused by the elimination of this program in the FY11 Continuing Resolution cannot be overstated. Rural communities have been hard-hit by the foreclosure crisis, and in rural New England, a majority of foreclosure prevention counseling is provided by HUD-certified and funded agencies. In Maine, there are only two counseling agencies receiving National Foreclosure Mitigation Counseling support through NeighborWorks, and the bulk of foreclosure prevention work is provided by CHAPA affiliates with HUD funding. We urge Congress to restore these funds in 2012, and to work with HUD to find ways to minimize the funding gap that will occur as of October 1.

Rural Innovation Fund

We are glad to see this new program included in the Administration’s budget, as it is a rare example of rural focus at HUD. However, we have concerns about the program’s design, particularly the scoring of “need and extent of the problem,” which is formulaic and makes it nearly impossible for rural New England to score well. We urge HUD to consider more flexible scoring criteria that take into account the nature of poverty in rural New England – widely dispersed, and skewed by pockets of wealth.

SHOP

We are very concerned to see the Self-Help Homeownership program eliminated in the Administration's FY12 budget. This very small (\$82 million) program is an important resource in rural communities. SHOP uses a sweat equity, self-help approach to create homeownership for rural families.

Housing Assistance Council

For the past several years, a small amount has been budgeted within SHOP to support the very important work of the housing Assistance Council (HAC). For FY10 and FY11, the HAC amount was \$5 million. Created in 1971, the Housing Assistance Council offers seed-money loans, grants, training, technical aid, applied research, and information to local community groups who are building decent, safe and affordable housing in underserved rural areas. Much of HAC's work has focused on self-help housing, working, for example, with organizations such as Maine's Community Concepts. HAC also works to serve groups that shelter the rural homeless and farmworkers, including several organizations in New England. The loss of this organization would mean the loss of an important provider of technical assistance and a voice for rural housing.

Other Issues for Affordable Housing in Rural New England

As HUD rolls out new initiatives, we urge the agency to consider rural needs up-front in program design. Many recent initiatives (such as the Choice Neighborhood Initiative, Catalytic Investments, and to a certain extent Sustainable Communities) focus on distressed urban neighborhoods and neighborhoods served by public transit – a resource that is scarce in rural New England and the rest of rural America. The HUD Green Retrofit grants program excluded projects with fewer than 80 units, which barred most rural projects from even applying. HUD programs must be designed with an understanding of and sensitivity to the differences between rural and urban poverty. Alternatively, we need small state minimums or rural carve-outs.

HUD should continue to recognize housing preservation as an important component of its programs. Adequate funding for expiring use projects and capital improvements for existing dwellings must be provided. Rural New Englanders face limited choices of housing that is both decent and affordable. Often the federally assisted housing in a small town is the only decent affordable rental housing in that community. As HUD designs new programs and unveils new initiatives, the needs of rural communities should be recognized and programs developed and appropriately scaled to address those needs.

HUD should work with other federal agencies to develop programs or institute changes to existing programs to promote a home-centered long-term care system for seniors. Rural households often have limited or no choices for such long term care as assisted living, and more intensive long term care facilities are usually non-existent in those communities. Extending the time seniors can remain at home is a cost-effective way to maximize health care resources.

We understand that over the past year HUD has engaged in a series of inter-agency discussions around "harmonizing" its programs with those of USDA Rural Development, DOE and others. We applaud this effort and urge it to continue. We ask that these discussions and their results be shared with stakeholders, and that stakeholders be given an opportunity to provide input.

Finally, we were pleased to see the Housing Trust Fund included once again in the Administration budget at \$1 billion, and urge Congress to appropriate these funds in FY12.

Conclusion

To a certain extent, many of the issues and problems that we have outlined can be addressed with rural carve-outs, pilot programs specifically for the northern New England region, flexibility where possible to allow existing programs to effectively serve rural areas, and reasonable small state minimums. Without such specific remedies, we have serious concerns about reducing or eliminating programs that are working well for the low-income households whom we assist. We are grateful for the opportunity to offer our observations and experience, and are eager to provide whatever support and advocacy is required to make both existing and new programs work better for rural New England.