

New England Housing Network

Federal Budget and Legislative Priorities May 2011

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New England Housing Network Federal Budget Priorities for FY12

National Housing Trust Fund and New Project-Based Vouchers

The New England Housing Network strongly supports funding of \$1 billion to capitalize the National Housing Trust Fund (NHTF) and \$65 million for project-based vouchers to support NHTF homes.

The National Housing Trust Fund was created as part of the Housing and Economic Recovery Act of 2008, but has not yet been capitalized. Once funded, the NHTF will support the production, preservation, and operation of rental homes for the lowest income people in the United States. The NHTF is the first federal rental housing production program that is specifically targeted to extremely low income households since the Section 8 program was established in 1974. More than 2,250 organizations representing every Congressional district have signed a letter in support of this critical priority.

We urge Congress to pass the Preserving Homes and Communities Act of 2011, which capitalizes the Trust Fund at \$1 billion by using funds received from the sale of warrants provided to the Treasury by banks in exchange for receiving TARP funds. The lead sponsor of the Senate bill (S-489) is Senator Jack Reed and the lead sponsor of the House bill (H.R. 1477) is Representative Elijah Cummings.

Tenant and Project-Based Rental Assistance (Section 8)

First established under President Nixon, Section 8 Rental Assistance is the nation's largest, and one of its most successful, low-income housing programs. It covers the gap between what families can afford to pay and the HUD Fair Market Rent for a modest apartment. Nationally, Tenant and Project-Based Assistance help over 3.4 million households to rent (and in some cases own) modest housing in the private market. Approximately 258,000 New England households receive one or another form of Rental Assistance. Fully 63 percent are senior citizens or people with disabilities. Most of the rest are families with children. Housing vouchers play a critical role in providing these families with a successful foundation on which to build more independent and successful lives. They are also one of the most important tools in combating homelessness. Throughout the program's history it has enjoyed broad, bi-partisan support.

The New England Housing Network appreciates the final FY 11 appropriations of \$18.4 billion for Tenant Based Rental Assistance and \$9.3 billion for Project Based under H.R. 1473. This appears to be sufficient to fund all vouchers in use this year. We also applaud level funding for Family Self-Sufficiency Coordinators and \$50 million for roughly 7,000 new vouchers for homeless veterans' (though this is a reduction from FY 10). However:

- Tenant Protection Vouchers and Mainstream Vouchers for people with disabilities were cut by \$10.2 million (8.5%) and \$20 million (23%) respectively, while funding for new Family Unification Vouchers was eliminated completely.

- \$128 million was cut from administrative fees. Coming half way through the year, this leaves Public Housing Agencies (PHAs) with only 72 percent of funds needed to run the program for the rest of the calendar year. This cut poses a serious challenge for efficient and effective program administration and is likely to result in vouchers being lost.
- Because of budget uncertainties for much of the current fiscal year, some PHAs like the Vermont State Housing Authority were forced to stop reissuing vouchers on turnover as a precaution against having to terminate families later on. Some will come close to completely spending down their reserves to avoid having to call back existing vouchers.

The New England Network supports the President's FY 12 budget proposal for \$19.2 billion in Tenant-Based and \$9.4 billion in Project-Based Rental Assistance and urges Congress to adopt these requests. The proposed amounts should be enough to fund the 2.1 million Tenant-Based and 1.3 million Project-Based Vouchers in use. In addition, the budget funds all existing Mainstream Vouchers and provides new vouchers targeted to homeless veterans, families, and the chronically homeless. While this continues to grow the Section 8 budget, increased funding is necessary to help fight homelessness and to bridge the gap between lagging tenant incomes during economic hard times and housing costs that continue to rise in spite of the weak housing market.

We greatly appreciate that the President and Congress, amid intense pressures to cut the federal deficit, have prioritized renewal of existing rental assistance in order to avoid displacement of many of our lowest income, most vulnerable citizens. We also strongly support:

- \$1.65 billion for Section 8 administrative fees;
- \$75 million for approximately 10,500 new vouchers for homeless veterans;
- \$114 million to fully renew the 15,000 existing Mainstream Vouchers;
- \$57 million in new vouchers to assist homeless families and chronically homeless persons;
- \$50 million for new incentives that encourage housing authorities and private landlords to serve more homeless people; and
- Level funding for Family Self Sufficiency Coordinators at \$60 million.

However, the FY 12 HUD budget also contains several problematic areas:

- Only \$75 million is requested for Tenant Protection Vouchers – a \$45 million, 38 percent cut from FY 10, estimated to fund 5,500 fewer vouchers than in FY10.
- To fund all vouchers currently in use, HUD's budget relies on tapping reserves which, as noted above, many PHAs have already maxed out to sustain their existing programs.

Although the Network strongly supports HUD's Section 8 budget increases targeted at helping to end homelessness, these efforts are woefully inadequate given the enormity of unmet need. *Out of Reach 2011*, the National Low Income Housing Coalition's

(NLIHC's) recently released annual report, found that the number of very low-income renter households with "worst case needs" (pay more than 50% of income for housing and/or live in substandard housing) rose to 7.1 million in 2009, a 42% increase since 2001. Homelessness, especially among families with children, continues to rise. New England is particularly hard hit, having one of the most expensive housing markets in the country: three of our six states were among the 10 least affordable in the country, five were among the 15 least affordable, and four were among the ten least affordable for non-metro (rural) areas. New England counts over 419,000 low-income renter households with worst case housing needs.

Against this backdrop of unmet need, Congress has not appropriated funds for a significant number of new, broad-based vouchers since FY 2001. We realize that it may seem out of step with the current fiscal environment to talk about increasing vouchers, but if we are ever to become serious about ending homelessness, increasing the number of vouchers has to be part of the discussion. The New England Network thus joins the NLIHC in calling for 150,000 new vouchers, as proposed in the Section 8 Voucher Reform Act (SEVRA).

The HUD budget also contains several policy changes which the Network supports, but we request that Congress make these and other critical Section 8 reforms permanent through the long overdue passage of the Section 8 Voucher Reform Act (SEVRA).

Finally, the New England Housing Network urges rejection of the House-passed FY 12 budget resolution. The House proposal includes deep funding cuts beginning in fiscal year 2012 that would devastate housing and community development programs. The Center on Budget and Policy Priorities (CBPP) reports that the budget category containing most housing programs would be cut from 2011 funding levels by nearly 12 percent in 2012 and 18 percent by 2021. If cuts were made across the board, housing programs would be reduced by \$5 billion: \$2 billion from Tenant-Based Assistance and \$1 billion from Project-Based. CBPP estimates that 290,000 low income seniors, people with disabilities and families with children would lose their vouchers. Another 150,000 apartments, two-thirds of which are occupied by low-income seniors or people with disabilities, would lose their Project-Based assistance. Such funding cuts would destabilize both rental assistance programs and likely lead private landlords and developers to end their participation at the earliest opportunity.

The Network further urges rejection of the House proposal to impose time limits for rental assistance and work requirements for participants. As noted, 63% of New England's Section 8 families are either elderly or have a disability, live on fixed income and are unable to work.

CDBG and HOME Programs

Community Development Block Grant (CDBG) and HOME programs are highly valued resources for cities and states struggling to ensure opportunities for low and moderate income residents to live in safe and attractive homes. These bedrock programs have funded projects that improve the quality of life across New England, including rental housing, homeownership, infrastructure improvements and economic development.

The FY11 Final Continuing Resolution drastically cut CDBG by 21% and HOME by 12%. The HOME Program has helped produce more than one million affordable homes nationally since Congress created it in 1990 to provide a flexible resource to meet communities' highest priority affordable housing needs. The HOME program helps approximately 143,000 families secure affordable housing each year. Ninety percent of HOME funds must benefit families with incomes of 60% or less of the HUD adjusted median income (AMI) and rental properties with five or more HOME units must reserve 20% of the apartments for families earning 50% or less of the HUD AMI. However, HOME has consistently exceeded those requirements by assisting families with incomes well below the HOME limits. HOME funds often assist seniors, persons with disabilities and the homeless in ways which directly respond to local priorities.

CDBG was cut from \$4.45 billion in FY10 to \$3.5 billion program in FY11. The President proposed \$3.804 billion for CDBG in the FY12 budget. The region's share of CDBG funds could suffer if the formula used to distribute these funds is revised. The New England Network strongly supports funding the HOME program at the FY10 level of \$1.825 billion, raising the state minimum from \$3 million to \$5 million, and increasing the percentage of HOME funds which can be used for CHDO operating expenses from 5% to 10%. The Network supports funding CDBG Formula Grants at FY10 levels of \$3.9 billion. Any changes to the CDBG funding formula should be thoroughly vetted. If changes are implemented which shift funds, states and communities must be held harmless.

HUD Section 202 and 811 Programs

The HUD 202 Supportive Housing for the Elderly program provides capital advances and project-based rental assistance to enable private, non-profit sponsors to create secure, barrier-free, and supportive housing facilities for households age 62 or older and with incomes less than 50% of the HUD area median. The Section 811 program is similar, but it targets low income persons with physical or developmental disabilities (including those with mental illness), allowing them to live in the community as independently as possible. It is the only HUD program that produces affordable and accessible housing for non-elderly people with disabilities.

Both programs play vital roles in the delivery of housing and supportive services to vulnerable seniors and people with disabilities in all areas of New England. The region's non-profits have been highly successful in utilizing these programs. For example, we were one of first areas of the country to combine the Section 202 program with the Low Income Housing Tax Credit program. And last year, Congress passed important legislation that greatly improves upon both the Section 202 (Senate Bill 118) and Section 811 (Senate 1481) Programs.

The final FY11 Continuing Resolution slashed these programs by approximately 50% compared to FY10 levels. The New England Housing Network urges Congress to enact funding levels for the 202 and 811 programs at FY10 levels, which were \$825 million for the Section 202 program and \$213 million for the Section 811 program. (funding for Section 811 tenant-based voucher renewals was moved to the Section 8 account).

Homelessness

In recent years, many communities have substantially reduced the number of families and individuals experiencing homelessness by using successful and cost-efficient interventions. However, about 2 million people will experience homelessness this year, about 17 % of whom are chronically homeless and have been living on the street with mental illness and other disabling conditions for long periods of time. Between 2008 and 2009, there was a 3% rise in homelessness nationwide, with the largest percentage increase (4%) among subpopulations occurring family households. Federal investments in proven strategies will allow communities to continue making progress toward their goals of ending homelessness.

A top priority for addressing homelessness is the renewal of all existing Housing Choice Vouchers in FY 2012. Congress also needs to provide additional funding for incremental vouchers targeted toward strategies that advance local efforts to end homelessness, such as targeting those households least likely to escape homelessness without a permanent, deep subsidy coupled with services. We also ask that Congress provide an additional \$75 million for new HUD-VA Supportive Housing (HUD-VASH) vouchers in FY12 to house an estimated 10,500 additional homeless veterans.

We also call upon Congress to provide \$2.4 billion for FY12 for HUD's McKinney-Vento Homeless Assistance Grant, which will allow communities to effectively implement the long-sought HEARTH Act. The HEARTH Act changed the way funds are allocated, and increased funding for homelessness prevention, assistance to families with children, and rural programs. This investment will enable communities to expand their homelessness prevention programs, including rapid re-housing strategies through the Emergency Solutions block grant program and expand permanent supportive housing opportunities – proven, cost-effective solutions to homelessness.

Increasing the availability of services linked to housing for people experiencing homelessness is also critical. We need to increase funding for the Projects for Assistance in Transition from Homelessness (PATH) program, including an increase in the state minimum, and for services in supportive housing within the Substance Abuse and Mental Health Service Administration (SAMHSA) administered by HHS. These services are essential to assisting both homeless and at-risk families, youth, and individuals. We also urge you to provide \$100 million in the Department of Justice Second Chance Act to prevent homelessness for people leaving correctional facilities.

Homeless youth are a critical population. In FY12, we urge Congress to include \$135 million in the budget for Runaway and Homeless Youth Programs, which are essential to preventing the exploitation of youth on the streets, and supports reconnection to families, schools, employment and housing options. America's homeless youth are denied services because communities lack outreach, shelter, and housing programs. Providing \$135 million in FY12 would allow communities to expand Transitional Living opportunities and rapid re-housing activities, as well as to achieve enhanced family reunification.

Public Housing

New England has approximately 75,000 public housing units which need ongoing funding for operations, repairs, modernization, and resident services. The region's public housing stock is generally older than in other parts of the country, placing it at greater risk of deterioration without reinvestment. This resource is extremely important because it provides permanent housing for some of the region's lowest income families, elders, and people with disabilities who could not otherwise afford to rent apartments in the private market.

Any reduction in the number of public housing units in any one of our New England states will adversely increase the number of homeless individuals and families in need of shelter housing and services. (Approximately 10,000 public housing units are lost each year at the present time, according to the Center for Budget and Policy Priorities.) We believe that reductions in HUD operating subsidies and capital grant funding for public housing authorities may currently appear to be penny-wise, but will ultimately prove to be pound foolish.

Operating Subsidies: The President's FY12 budget for HUD's public housing operating fund proposes an approximate \$813 million reduction in public housing operating subsidies nationwide. This amount represents a 17% reduction from actual funding approved in 2010 for the operating fund. Operating funds are important to the overall operation of successful public housing communities because they provide critical funds to maintain the property and pay the bills. Many public housing communities, the best of which are operating at break-even capacity, will surely fall into further disrepair and vacancy if FY12 operating subsidies are funded at levels proposed in the President's FY12 budget. The Network supports funding at the FY10 level of \$4.775 billion.

Capital Grants: The Final FY11 Continuing Resolution slashed Capital Grants by 18% (from \$2.5 billion in FY10 to \$2.040 billion in FY11). The President's FY12 public housing capital fund of \$2.4 billion is approximately \$100 million less than 2010's approved amount. Additional capital needs of the country's public housing system are estimated at \$20 to \$25 billion. The Network supports the FY10 level of \$2.5 billion.

The nation's public housing system, including the public housing communities in all of our New England states, must be maintained. Every unit of affordable housing for the lowest income individuals and families in our communities is a critical public resource that we cannot afford to lose.

Resident Opportunity and Supportive Services (ROSS): ROSS links public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient. \$50 million of the Administration's reduction in the Public Housing Capital Fund comes from its proposed elimination of ROSS, which the Network strongly opposes. The Network requests that the program be restored at \$50 million.

Choice Neighborhoods Initiative: The President's FY12 budget proposes \$250 million in funding for the Choice Neighborhoods Initiative/HOPE VI Program. The program is

important to our network. The hope it offers is the development of a comprehensive approach to community development capable of transforming distressed communities into flourishing low and moderate income neighborhoods of opportunity. Two agencies in New England, the Norwalk Housing Authority in Connecticut, and the Providence Housing Authority in Rhode Island, were each recently awarded \$250,000 Choice Neighborhoods Planning Grants, while at the same time, Boston, New England's largest city, was chosen as one of six finalists competing for \$61 million in Choice Neighborhoods Implementation Grants. We are concerned, however, that HUD's Choice Neighborhoods Initiative does not result in the loss of low income affordable housing units, that low income residents are not displaced, and that housing agencies regardless of size have equal access to the program. With these provisos, the New England Housing Network supports the President's FY12 Choice Neighborhoods/HOPE VI funding proposals.

Sustainable Development

The New England Housing Network strongly supports the mission of HUD's Office of Sustainable Housing and Communities to create vibrant, sustainable communities by connecting housing to jobs, fostering local innovation, and helping to build a clean energy economy. The President's FY12 budget includes \$150 million for HUD's Sustainable Communities Program which represents a \$50 million increase from the FY11 final funding level. It treats the Sustainable Communities Program as a separate line item, rather than as part of the CDBG appropriation, and would restore funding to the FY10 level.

The FY11 appropriation reduced funding for Regional Planning Grants from \$100 million in FY10 to \$70 while providing \$30 million for HUD's Community Challenge Planning Grants. Thoughtful regional planning and engaged communities are essential if regions and communities are to successfully integrate transportation, housing, land use, energy, and economic development planning.

The final FY11 funding bill also included \$528 million for the DOT Transportation Investment Generating Economic Recovery (TIGER) grant program, which will provide federal funding for community infrastructure projects that promote livability, increase transportation choices, increase access to job opportunities, strengthen economic resiliency, and protect air and water quality. This complementary program should be level-funded in FY12.

Housing Counseling

Housing counseling is a critical tool in assisting low and moderate income households to become successful homeowners. Under HUD's Housing Counseling Program, local non-profit organizations provide a variety of services to low income homebuyers, and national and regional intermediaries assist in administering and monitoring the program on a broad level. CHAPA serves as a regional intermediary for the HUD Housing Counseling Program. Last year, the 23 New England counseling agencies that received these funds from CHAPA served 10,310 households.

Congress eliminated all of the funding for the Housing Counseling Program in the FY11 Final Continuing Resolution. We strongly urge the restoration of \$88 million in the FY2012 budget and to support efforts to minimize any funding gaps due to the loss of funds beginning on October 1, 2011.

The HUD housing counseling program is the ONLY federal program that provides explicit support for the following services:

- Pre-purchase counseling and education for first-time homebuyers
- Post-purchase counseling and education for homeowners
- Reverse mortgage counseling for senior homeowners
- Renter counseling, including for families transitioning out of homeownership
- Counseling for homeless individuals and families seeking shelter or other transitional housing

Since fiscal year 2009, HUD-Approved Housing Counseling Agencies have:

- Provided more than 4 million families with individual housing counseling;
- Counseled more than 420,000 pre-purchase households, resulting in 185,000 who purchased homes or are homeownership-ready;
- Worked to prevent mortgage delinquency for 2.6 million households, with nearly 834,000 avoiding foreclosure;
- Supported 413,000 with post purchase (non-foreclosure) services, 168,000 of whom refinanced or obtained reverse mortgages; and
- Assisted more than 590,000 renters and homeless individuals to resolve tenant issues or find shelter.

Rural Housing

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. These characteristics include poverty that is dispersed, old housing stock, significant expense for heat and snow removal, heavy dependence on unregulated sources of fuel, and lack of public transportation coupled with high real estate prices and property taxes. In rural New England, as in the rest of rural America, residents are more likely to be elderly and/or to live in poverty than the population as a whole.

We are extremely concerned about recent trends in federal funding and programs that are harmful to our rural communities, including:

- Sharp decreases in funding to rural programs and housing programs that work particularly well in rural areas – These decreases are particularly acute in many of the USDA Rural Development programs upon which rural residents and communities rely, including but not limited to Section 502 Single Family Direct Loans, Section 504 Very Low Income Repair Grants and Loans. Section 521

Rental Assistance, and Multi-Family Preservation and Revitalization. The decreases in funding also affect HUD programs that work well in rural areas such as SHOP, HUD 202 and 811 and Housing Counseling to name a few. These programs have been essential to meeting the affordable housing needs of rural New England.

- Serious funding reductions for block grants such as CDBG and HOME - These programs provide the most flexible and useful sources of housing and community development support for rural communities. The CDBG program provides crucial support for housing and public facilities in rural communities which is not available through other programs. In addition, state CDBG programs, through which most rural communities access funds, have historically targeted low and moderate income communities to a greater extent than Entitlement CDBG funds. The HOME program provides critical bricks and mortar funding for affordable housing development and rehabilitation in a way that is flexible and easy to use in rural areas.
- A focus on broad initiatives whose design makes them much more usable in urban areas – We recognize and applaud the focus of new initiatives on distressed urban neighborhoods and transit oriented development but without equivalent programs to address rural needs it is distressing to see programs that work well in rural areas cut.

In New England, as in the rest of America, one size does not “fit all.” Like urban cities, rural communities have citizens who are poor, unemployed, hungry and cold, who are homeless or pay far too great a portion of household income for housing. We urge both the Administration and Congress to recognize the essential role that federal housing programs have played in providing decent, affordable housing to poor, rural Americans, and to not abandon or seriously diminish these programs and the people and communities they serve.

Lead Paint Hazard Reduction and Healthy Homes

The appropriations for HUD's lead hazard reduction and healthy homes program was reduced by \$20 million to \$120 million nationwide in the recently passed FY11 budget. The President is requesting a continuation of the appropriation at \$140 million for FY12 (\$96 million for lead hazard control, \$40 million for healthy homes, and \$4 million for technical studies). We are pleased with the Administration's continued support for these important programs, but note that these amounts do not meet rising national demands and leave many households unfunded. New England, with its aging housing stock, is particularly in need of these resources. Funding for healthy homes has been increased and HUD is paying more attention to this important issue but without an increase in the overall appropriation for lead hazard reduction and healthy homes that funding comes at the expense of lead hazard reduction.

It is disappointing to note that the President's FY12 budget proposes to consolidate and reduce by 50% funding for the CDC's Healthy Homes/Lead Poisoning Prevention and National Asthma Control programs. These programs often work hand in hand with HUD

assisted healthy homes and lead hazard control efforts. They often provide the interface with households experiencing lead poisoning and other healthy homes issues and work to educate them regarding prevention and mitigation.

LIHEAP (Low Income Home Energy Assistance Program)

LIHEAP is a vital safety net for millions of vulnerable low-income households—the elderly and disabled living on fixed incomes, the working poor, and families with young children. This is especially true in New England with a long heating season and a heavy reliance on high-cost home heating oil, kerosene and propane (for example, during the 2009-2010 heating season, 82% of Vermont’s LIHEAP clients relied on these three fuels).

Nationally, the number of households requesting LIHEAP assistance has increased for the third consecutive year to 8.9 million households, 3 million more than in 2008.

The President’s FY12 budget appropriates \$2.57 billion for LIHEAP— about half of the FY 2010 amount—and does not re-propose the mandatory funding trigger that was included in prior budgets.

As the current economic crisis exerts additional pressures on low income households, energy assistance will become increasingly vital. The strain families are experiencing is mirrored at the state level where each LIHEAP dollar buys less fuel and burgeoning applications reduce the average level of assistance.

The Vermont experience provides an illustration of how the economic squeeze would affect LIHEAP recipients. As illustrated in the table, average fuel assistance will

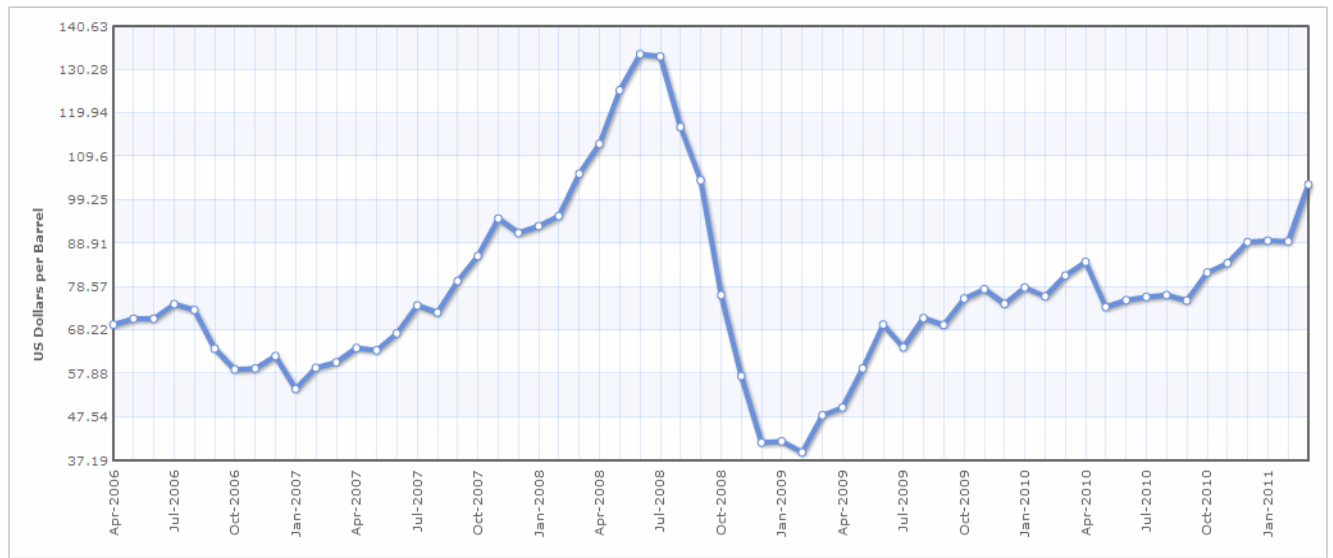
Vermont Average Seasonal Assistance	
FY 2010	\$1,060
FY 2011	\$900
FY 2012	\$400

decrease from \$1,060 in FY 2010 to \$900 in the current fiscal year, to \$400 next year under the Administration’s proposed FY12 budget. With fuel oil prices approaching \$4.00/gallon, that \$400 LIHEAP assistance will buy 100 gallons—about one-eighth of the average

seasonal consumption of 764 gallons.

In defending the proposed cut, the Administration noted that *“current energy price forecasts predict relatively moderate price increases for winter 2011-2012 compared to this winter with prices remaining well below the peaks experienced in 2008. For example, the West Texas Intermediate spot price for crude oil is expected to be \$95 per barrel in the fourth quarter of 2011 compared to a peak of nearly \$124 per barrel in the second quarter of 2008.”*

However, as illustrated in the chart below, the price of West Texas Intermediate is rising rapidly with the March 2011 price higher than any time since September 2008.



There can be no doubt that millions of low income families and seniors are facing hard economic realities as gasoline, heating oil, and electricity prices increase. We urge the New England Congressional delegation to support LIHEAP funding at a level no less than \$5.1 billion—the FY10 amount.

Manufactured Housing

Manufactured housing is the largest source of unsubsidized affordable housing in the nation. Much of this housing is located in our nations 50,000 to 60,000 manufactured housing communities, commonly referred to as “parks,” with an increasing number found in communities that are resident-owned and managed. For example, in New Hampshire, resident-owned communities constitute 20% of all the parks in the state. It is important for Congress and federal agencies to be sensitive to the unique features of such housing to avoid the exclusion of such communities from policies and programs. It is also important that the particular needs of financing these homes gets properly addressed in the greater examination being given home finance generally.

In particular, the HOME program, CDBG Program, multifamily mortgage insurance programs such as HUD 207(m), and the single family programs such as 502, 502-Direct, FHA Title I and II, and other conventional home finance programs need to permit and encourage full access by manufactured housing generally and resident-owned communities in particular, where there is stability of land tenure and resident control over infrastructure. HUD should insist that all comprehensive plans address the role of manufactured housing as affordable housing in the jurisdiction. Allocating authorities should not be permitted to impose additional regulations on the use of HOME and CDBG funds that result in excluding this housing from eligibility under these programs. Program rules should also clearly recognize that assistance to resident-owned communities does not constitute assistance to individual families.

Community Services Block Grant (CSBG)

The Community Service Block Grant funds the core operations of local Community Action Agencies (CAAs), which include providing access to affordable housing, emergency food assistance, early childhood education, health care, employment support, energy assistance and preventive or crisis intervention. They fight poverty by investing in self-sufficiency for low-income individuals, families and communities. The 1,100 CAAs are found in 99% of all counties nationwide.

The demand for CSBG services has never been greater. During this time of economic uncertainty, more families are turning to Community Action Agencies to meet their basic needs. CSBG helps strengthen communities by assisting low-income individuals and families to become self-sufficient. Community Action Agency programs serve more than 15 million individuals in 6 million low-income families yearly, including approximately four million children, and 1.2 million people with disabilities. Nearly half these families are working while they participate in Community Action programs.

CSBG was funded at \$700 million in FY 10 and reduced to \$680 million for FY 11. The President's FY 12 budget proposal calls for a radical, 50 percent cut of \$350 million, which would devastate Community Action programs across New England and the rest of the country, precipitating even greater crises for the millions of struggling low-income families that rely on their support for many of their basic needs. CSBG is *the ONLY federal program focused on comprehensive services to fight poverty*. If it is eliminated, more than a thousand Community Action Agencies across the country will be forced to slash programs, or even to shut their doors. The Network is requesting that CSBG be level-funded at the 2010 level of \$700 million.

Department of Energy Weatherization

The Department of Energy (DOE) administers the Weatherization Assistance Program (Weatherization, or WAP), which funds improvements that reduce home energy consumption and costs. The program serves low-income households, and until last year primarily served those living in privately owned single-family or small multifamily homes. One of the top issues for the program this year is improving services to eligible renter households and larger multifamily buildings. The New England Housing Network supports the Administration's \$394 million request for Weatherization for FY 12. The 2012 budget also continues support for DOE's Innovations in Weatherization activity to demonstrate new ways to increase the number of homes weatherized in partnership with non-traditional weatherization providers. Weatherization received a \$297 million appropriation in FY 2010 and a \$269 million appropriation in FY 2011.

New England Housing Network Federal Legislative Priorities for 2011

Section 8 Voucher Reforms

The Section 8 Voucher Reform Act (SEVRA) proposes major legislative changes to the voucher program – the first since 1998 when Congress enacted "QHWRA," the Quality Housing and Work Responsibility Act. Many organizations in the Network have been working with this program since before QHWRA, and have seen the program grow and evolve into a successful and critically important resource for nearly 140,100 New England low-income households receiving tenant-based assistance, including families, elders, and people with disabilities. SEVRA would build on that record of success by improving and streamlining program rules while retaining core program characteristics.

In recent sessions of Congress, SEVRA has generated significant bipartisan support but has failed to win passage.

In this Congress, SEVRA (H.R. 1209) was introduced in the House on March 17th and referred to the House Committee on Financial Services. The introduction of a companion bill in the Senate is expected to occur soon.

The New England Housing Network strongly supports SEVRA and urges Congress and President Obama to approve it this year. Some of SEVRA's most important provisions include:

Funding Formula: Provides for a stable funding formula, which will encourage agencies to serve the maximum number of families with available funds because it bases funding on cost data for the most recent calendar year. This would ensure that every agency has the security of knowing it has enough funding to renew all its vouchers each year.

In addition, SEVRA would allow agencies to retain modest reserve funds, reallocate excess unspent funds to agencies that can use them, and provide agencies facing unexpected shortfalls with temporary advances that would be repaid the following year.

Authorization of Incremental Vouchers: Authorization for a one-time appropriation of 150,000 incremental vouchers (both tenant-based and project-based) in fiscal year 2012. New vouchers would provide desperately needed housing for the thousands of households currently on Section 8 waiting lists nationwide.

Administrative Fees: Ties each agency's administrative fee payments to its voucher utilization, thereby creating an incentive for agencies to lease the maximum number of vouchers that can be funded within the agency's budget.

Tenant Protection Vouchers: Directs HUD to issue tenant protection vouchers to replace all lost federal housing subsidies, whether or not the units are occupied at the time the subsidy was eliminated.

Re-screening: Prohibits re-screening arising from vouchers being issued in connection with issuance of tenant protection and enhanced vouchers, and protects local eviction protections from federal preemption.

Rent Burdens: Requires annual reports on rent burdens and encourages public housing authorities (PHAs) to increase payment standards to reduce undue rent burdens and prevent excessive voucher utilization in higher poverty neighborhoods, by requiring HUD to approve payment standards up to 120% of FMR when rent burdens exceed reasonable limits.

Tenant Rent Payments: Streamlines the rules that determine the amount voucher holders and public and assisted housing tenants are required to contribute toward their rent each month, while maintaining income-based rents and the key principle that tenants should not pay more than 30 percent of income for rent.

Income Targeting: Revises the targeting requirement to the higher of (a) 30 percent of the local area median income or (b) the federal poverty line. This change would give agencies in the lowest-income areas added flexibility to serve low-wage working families.

Housing Quality Inspections: Requires inspections every two years rather than annually; allows PHAs to rely on comparable inspections performed for other housing assistance programs; and permits a household to move into a unit that fails initial inspection for a non-life-threatening reason with the first month paid.

Portability: Directs HUD to issue regulations addressing administrative and financial barriers to voucher holders making “portability” moves from the jurisdiction of one agency to the jurisdiction of another.

Project-Based Voucher program: Provides some much needed changes to allow greater use of this production tool, including provisions to allow project-basing of 25% (rather than 20%) of funds, plus 5% for households who are homeless, disabled or located in areas where vouchers are difficult to use.

Project-Based Enhanced Vouchers: Would create the option to convert portable Enhanced Vouchers to either a new form of project-based Section 8 or project-based vouchers.

Deconcentration of Poverty: Establishes deconcentration as a performance goal.

Earned Income Disregard: Promotes work by disregarding a percentage of the earned income of all employed individuals.

Preservation of Existing Affordable Housing

In times of budget cuts, economic stress and hard choices, the preservation of the existing affordable housing stock is more important than ever. Housing preservation is a high priority for the Network because it is cost-efficient and effective, and because low-income communities cannot afford to lose ANY existing affordable housing. The Joint Center for Housing Studies of Harvard University recently reported that 12% of the national low-cost rental housing stock was permanently lost from 1999 to 2009. Housing

starts in 2009 were one third of the average during 1995-2004, and new rental construction primarily serves the upper end of the rental market.

Hundreds of thousands of American households live in rental units that were developed with mortgages and/or project based rental assistance contracts from either HUD or USDA Rural Development (RD). Many of those units were developed in the late 1970's or early 1980's, and their mortgages are beginning to mature or are subject to prepayment. In addition, Section 8 contracts continue to expire and are renewable at the owner's discretion. A recent GAO report noted that there are 23,000 HUD subsidized properties nationwide, of which 11,267 have HUD-assisted mortgages.

In the next five years, HUD-assisted mortgages in properties with more than 75,000 units will mature. HUD-subsidized properties with state Housing Finance Agency mortgages are in a similar situation. There is no way under current law to preserve these units permanently, and many residents will be left unprotected against displacement. The housing crisis and deep recession of the past several years have made the continued need for affordable rental housing even more urgent. Rural rental housing is equally at risk and serves very low-income tenants in markets where other rental options are extremely limited. There are approximately 16,000 RD-assisted multi-family properties; according to testimony from Rural Housing Service Administrator Tammye Trevino last year, the average household income of residents of these properties is \$11,000.

As of 2004, nearly 10,000 RD 515 properties were eligible for prepayment. In the New England states of Maine, New Hampshire, and Vermont, there are over 12,000 units of 515 housing. In Maine alone, nearly 1,900 units are due to expire over the next several years.

Given this urgency, we are very concerned about the possible elimination of the Multi-Family Preservation and Revitalization program (MPR). The proposed FY2012 budget eliminates all funding for this program and for the Preservation Revolving Loan Fund. These small programs are important tools in the preservation of valuable affordable multi-family developments previously funded by Rural Development. The high cost of creating new units and the social and economic cost of displacing low income residents when properties are not preserved argues persuasively for federal funding of preservation efforts. One important element of the MPR program is its flexibility, flexibility that does not exist in the Section 515 multi-family rental program. It is for this reason that the plan to designate a portion of 515 funding for preservation will not achieve the same ends. For example, unlike the 515 program, the MPR program allows for deferral of principal payments. In rural New England, these projects are often the only affordable rental housing available – and sometimes the only multifamily rental housing – in a community.

It is our understanding that one reason for this cut may be the continuing “pilot” status of this program. We urge Congress and USDA Rural Development to work together to put forward legislation that will finally authorize this valuable program. We also urge the restoration of 521 Preservation Rental Assistance, which was zeroed out in the 2011 continuing Resolution and in the Administration's budget. Many of these properties cannot be successfully preserved without additional rental assistance.

Similarly, nationally about 30,000 units of Rent Supplement and Section 236 Rental Assistance Program (RAP) contracts are beginning to expire, with no direct authority to renew them or to protect tenants against displacement with Enhanced Vouchers.

Last year, House Financial Services Committee Chairman Barney Frank (D-MA) introduced H.R. 4868, the Housing Preservation and Tenant Protection Act. This bill would have: encouraged long-term and responsible ownership of HUD subsidized housing; prevented the displacement of tenants and improved the physical conditions of subsidized housing; reduced blight and strengthened neighborhoods; protected residents' rights by increasing and improving disclosure; strengthened senior housing; and preserved the rural housing stock.

While this bill did not advance to a final vote, we continue to support those major goals, which are now no less urgent. We were encouraged that Title VII of H.R. 4868 was enacted as the Section 202 Supportive Housing for the Elderly Act of 2010, which among other things provides for improved tools to refinance and recapitalize Section 202 housing for the elderly, including providing for a new form of project-based rental assistance for the oldest and most vulnerable of these properties.

Although comprehensive housing legislation is not likely this year, we note that HUD is voluntarily implementing a number of the provisions of H.R. 4868, and that both HUD and USDA have conducted significant stakeholder outreach to improve delivery of preservation resources and to guide future policies. Nevertheless, not every programmatic issue can be addressed solely by administrative decisions. We therefore want to emphasize several high authorization priorities for preservation.

First, the issues of maturing subsidized mortgages and expiration of "orphan" rental assistance contracts require immediate attention in order to avoid the certain loss of these affordable units. Second, recapitalization of many HUD-assisted affordable units can be facilitated by authorizing the project-basing of Enhanced Vouchers, a measure that provides leverage of private capital at no additional cost to the federal government. Third, given the reality of delays in comprehensive preservation legislation, the ability of states to enact their own preservation measures should be protected from federal preemption, as long as such state laws are constitutional. Fourth, as discussed above, authorization of MPR to create a permanent mechanism for the preservation of rural rental housing.

Low Income Housing Tax Credits

The Low Income Housing Tax Credit (LIHTC) program was created in 1986 when President Ronald Reagan signed the program into law. The program has been and continues to be the single most important and successful resource for creating affordable rental housing since its creation. According to the National Council of State Housing Agencies, the LIHTC program has led to the development of 2.4 million affordable housing units for American families.

The program's success rests partly on the unique mix of governmental and private partners. While the Federal government provides the tax credits, 1) the program is

administered by the states, and each state determines its own most effective housing policy; and 2) the program is a public-private partnership that harnesses the discipline of the marketplace to efficiently build quality, affordable housing. Because LIHTC-funded affordable housing developments rely on private investors and developers, the transactions are carefully underwritten. Because investors conduct on-going performance and compliance risk oversight, property performance and compliance are continuously monitored.

Each year the LIHTC program is responsible for the creation of hundreds of thousands of construction jobs, the overwhelming majority of which are small business construction subcontractors. According to the National Association of Homebuilders, for every 100 units constructed with the LIHTC program, 116 construction jobs are created and more than \$3.3 million in federal, state and local revenue is generated. The LIHTC program represented about half of all multifamily housing starts in 2010.

The nation continues to suffer from a huge shortage of affordable rental housing. According to the National Low Income Housing Coalition, “there is no county in the United States in which a full-time minimum-wage worker can afford a one-bedroom apartment at the fair market rent.” Moreover, nearly a quarter of all renting households pay half of their income in rent. Hence, Americans continue to need the rental housing being produced by the LIHTC program.

The economic crisis had a significant impact on the LIHTC program. Thankfully, some positives have also emerged: 1) Congress provided short term remedies; and 2) the financial services industry has started to recover, thereby increasing capital available for the LIHTC program.

As Congress and the Administration look at addressing our country’s fiscal challenges, there has been discussion about the LIHTC program’s future. We ask for support on critical bills to strengthen the program, including increasing investor incentives through carry back and other provisions, extension of the rural income flexibility to 4 percent (“bond”) deals, and making the 9 percent rate permanent for the allocated LIHTC. The Network supports the Administration’s proposal to allow a 30 percent “basis boost” for bond-financed LIHTC projects that involve the preservation, recapitalization and rehabilitation of existing federally assisted housing.

Community Reinvestment Act

The Community Reinvestment Act (CRA) is an essential tool for providing resources needed to create and preserve affordable housing for lower-income families, seniors and those with special needs. By requiring banks to provide this funding, the CRA has resulted in direct bank loans and investments to our communities. In addition, CRA funds have leveraged even more funds for community development. It is essential to understand that the CRA remains the primary motivation for many community development loans and investments that serve lower-income people, including investments in the low-income housing tax credit program (LIHTC).

While the program remains successful and crucially important, the CRA regulations have not kept pace with the extensive changes in the financial services industry since 1977

when the CRA was passed. We encourage Congress and the CRA regulators to continue an open dialogue on how the CRA can be modernized while ensuring the CRA continues to serve its vital role for our communities of all sizes, lower-income people who need help with housing, and the groups who work to provide that housing.

We support a vigorous and open dialogue between housing groups, CRA regulators and Congress. Any CRA action must:

- send the clear message that CRA activities are a core responsibility for banks and other financial institutions;
- require CRA regulators to perform a more comprehensive community needs assessment;
- first serve the area in which the banks are doing business;
- continue to require that CRA activities be safe and sound investments;
- consider the impact that any proposed changes could have on low-income housing and low-income communities;
- be creative to enable community needs to be better met; and
- ensure that all markets, including smaller and rural communities, have full access to CRA credit and capital.

We recognize that, at this time, the key CRA modernization work will occur via the CRA regulators (OCC, FDIC, Federal Reserve and OTS). Yet, we also know that Congress has a key role to play in considering potential legislative solutions and representing its constituents' perspectives to the regulators.

GSE Reform

The Network is in favor of a balanced federal housing policy addressing the significant needs in the areas of rental housing and homeownership. We believe it is important for the federal government to maintain its historic role in providing stability and liquidity to markets for residential credit. Without this involvement, we believe that the private sector alone would be unable to adequately and dependably serve the financing needs of single-family and multi-family housing for low and moderate income households.

We support access to affordable and sustainable home mortgage financing for all Americans, particularly low- and moderate-income Americans and other disadvantaged, or historically underserved, groups. This financing should not feature conditions such as unreasonably high downpayment requirements or other underwriting considerations that have the effect of unfairly excluding low and moderate income and other low-wealth households from homeownership.

We support access to reliable multifamily financing that can fund conventional and affordable developments – particularly those that result in housing at rent levels affordable to low and moderate income households throughout New England in urban, suburban, and rural locations.

We support dedicated funding for the National Housing Trust Fund or other similar vehicles as part of any GSE reform legislation.