AFFORDABLE HOUSING:

A NEW ENGLAND PERSPECTIVE

The New England Housing Network

May, 2012

Lead Agencies:

CT: **Connecticut Housing Coalition**

MA: **Citizens' Housing and Planning Association**

ME: **Maine Affordable Housing Coalition**

NH: **Housing Action New Hampshire**

RI: **Housing Action Coalition of Rhode Island**

VT: **Vermont Affordable Housing Coalition**

The data used in the following statements is drawn from "The Impact of Unaffordable Housing in New England" which the New England Housing Network produced in 2009.

Unsubsidized market rate housing meets just a fraction of New England's affordable housing needs- as little as 7% in NH.

One quarter of New England renters pay more than half their income for rent. Roughly one child in every five under 6 years of age lives in one of these households.

"Soft markets" do not necessarily make rental housing more affordable. Former homeowners entering the rental markets have pushed average rents up 6% nationwide and have reduced by 20% the number of units renting for under $500/mo.

A significant number of renters have been impacted by foreclosure. In some New England states, renters constitute up to half of the households losing their housing to foreclosure. Since a large proportion of renters are low income, these foreclosures disproportionately affect those least able to relocate.

Affordable housing, particularly affordable rental housing, is critical in many more ways than is commonly thought. It is often identified in United Way surveys as the *primary* need in many communities. It has a significant impact (for good or ill) on health care, law enforcement, commerce and education. It is central to the reintegration of many veterans and alleviating homelessness. As you, as policy makers, assess the importance of funding for affordable housing against other budget priorities, we encourage you to listen to the voices throughout the community who are speaking out about the importance of affordable housing.
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"Building affordable housing makes good economic sense, not only because it creates jobs, but it promotes a productive workforce and leads to a sustainable economy."

- Vermont Governor Peter Shumlin

"When health care professionals connect the dots, they discover **a strong relationship between good health and adequate housing .** As a result, we find ourselves advocating for better and more affordable rental housing, especially for families at the bottom of the income ladder."

- *Mary Valier-Kaplan, MHSA*
  Interim President, The NH Endowment for Health

"Neighborhood redevelopment is **a high-impact law enforcement strategy**. Stable families in drug-free neighborhoods make our communities a lot safer places- and our jobs a lot easier."

- *Christopher Adams, Chief of Police*
  Laconia, NH

"**Affordable housing is a concern for business**. Business needs to know that they can find employees wherever they move, and finding employees means having a place for them to live."

- *David Juvet, Sr. Vice-President,*
  NH Business & Industry Association

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Section One:

Preserving What’s Already Here

The Importance of Preserving Existing Affordable Housing

Summary

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.

Yet, rental housing affordability has eroded over the past decade, and housing burden is expected to become more severe in years ahead. The Joint Center for Housing Studies of Harvard University recently reported that, even before the recession caused housing production to depress to the lowest levels in 50 years, production of new housing had not kept pace with growth in renter demand. At the same time, loss of housing stock due to deterioration and abandonment exacerbated the imbalance between rental supply and demand. Consequently, real rents have increased, though real renter incomes have fallen over the last ten years.

These trends affect a diverse range of communities, especially minority and low income communities which represent a disproportionate share of renter households. In 2009, more than half of extremely low- and very low-income households paid more than 50% of their incomes on housing costs, and three out of four of these households had housing costs in excess of 30% of their incomes.

Unfortunately, economic recovery is projected to aggravate the mismatch between supply and demand of rental housing. While the real estate market will eventually respond by increasing rental housing production, most new construction will serve upper-income populations, with an inadequate amount of new housing affordable to lower income people relative to need. Potential increases in energy costs could place additional cost burden on all demographic groups, with lower income people living in older housing stock most acutely affected.

In short, these pressures will mean increased severity of housing burden among extremely low- and very low-income populations, as well as elevated increases in housing burden among moderate income households. This dynamic is the background for any analysis of the critical need to preserve our nation's investment in the sustainability of its existing assisted multifamily stock.

Expiring Use

Hundreds of thousands of American households occupy 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.

Project-based rental assistance

The first priority is to maintain adequate funding for the project-based rental assistance programs. HUD acknowledges that its FY13 project-based Section 8 funding proposal falls short of the actual need. The mitigations proposed by HUD are insufficient and have caused an immediate adverse reaction in the lending and

investment community. We welcome responsible measures to modulate growth in the cost of project-based Section 8. However, HUD's proposal simply defers much of the cost to a future date, a time when backfilling that gap, as well as meeting that year's full needs, will be even more difficult. We urge Congress to support full funding for project-based Section 8 (for more information, see section on Project Based Rental Assistance below).

The looming threat of "Expiring Use" properties

In the next five years, subsidized mortgages will mature containing more than 58,000 units that have no rental assistance. In many cases, owners of these properties are ineligible or unwilling to prepay the mortgage in order to generate enhanced vouchers. This regulatory gap leaves many residents facing displacement. HUD-assisted properties with state Housing Finance Agency mortgages are in a similar situation. For FY 2012, Congress provided welcome, but limited, one-year authority to provide Enhanced Vouchers, and to project-base those vouchers, to residents in properties facing the maturity of a HUD-assisted mortgage or the expiration of a rental assistance contract, Tenants in these properties were not otherwise eligible for Enhanced Vouchers or other tenant protection assistance under existing law. However, no additional funds were provided in the tenant protection account, from which the necessary Section 8 assistance is derived. As a result, HUD was understandably reluctant to use this welcome authority, which could have served only a small fraction of the units involved. We urge Congress to provide adequate funds for this limited, but critical, need. Further, we believe Congress should expressly extend this protection to tenants who have been placed at risk of displacement from mortgage maturity or regulatory expiration in previous years.

Nationally about 30,000 units of Rent Supplement and Section 236 Rental Assistance Program (RAP) contracts are beginning to expire, and until recently there was no direct authority to renew them or to protect tenants against displacement with Enhanced Vouchers. Furthermore, Section 8 Moderate Rehabilitation contracts are subject to a number of onerous limitations that have resulted in the loss of the vast majority of this inventory. We are therefore pleased that Congress enacted the Rental Assistance Demonstration (RAD) in the FY 2012 Appropriations Act. In addition to providing a new mechanism to structure public housing recapitalization, RAD enables Rent Supplement, RAP and Section 8 Moderate Rehabilitation contracts to be converted to project-based assistance in support of preservation transactions. In our view, this is the beginning of a new framework for responsible long-term sustainable preservation of properties with rental assistance. Under the Affordable Housing and Self Sufficiency Improvement Act of 2012 (AHSSIA), a version of RAD would be authorized for five years, along with the authorization of new appropriations. These measures would strengthen an already promising new program, and we therefore urge support for this proposal.

AHSSIA also contains measures to streamline the Project-Based Voucher program. These changes will facilitate affordable housing preservation, and we support them (for further information on AHSSIA, see section on Voucher Reform below.)

Finally, there is growing concern over the small but significant portion of the HUD-assisted portfolio that is distressed. Last year, Congress came within one vote of enacting an amendment that would have prohibited Section 8 payments to "slumlords". While this may appear to be good public policy, the specific language would actually have prevented HUD from supporting the many efforts that have in the past successfully turned around such properties and transferred them to responsible new ownership. We support alternative language that was recently adopted by the Senate Appropriations Committee for HUD's FY13 appropriations. This language makes clear that the intention is to cure a distressed property's problems in an orderly and responsible way while ensuring that the project-based rental assistance will not be lost.

Rural Rental Housing

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 in the United States and 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, more than 1,400 units are due to expire over the next five years.

Given this urgency, we are encouraged by the significant increase in the Administration's budget for the Multi-Family Preservation and Revitalization Demonstration Program (MPR), from $2 million in FY12 to $34 million. We also strongly support the President's proposed legislation to permanently authorize this program. We urge Congress to fund and authorize this important and effective program. NEHN also supports the President's proposed increase of RD rental assistance from $11 million to $13 million. The Rural Development Voucher Program is offered to tenants in Section 515 properties where the mortgage has been prepaid or the Agency takes foreclosure action, and is an important tool in preservation efforts.

As we have noted elsewhere, NEHN strongly opposes the elimination of Section 515 funding proposed in the Administration's budget. While preservation is a high priority, there is a continued need for new rural multi-family development, and we do not support the either/or strategy of this budget.

Section 8 Tenant and Project-Based Rental Assistance

Summary

Section 8 Rental Assistance is the nation's largest low-income housing program, and one of its most successful. The program has historically enjoyed strong bi-partisan support. Two-thirds of voucher recipients are senior citizens or people with disabilities, the remainder, families with children who, but for the program, might be at risk of homelessness. Disputes over details of implementation should not be allowed to undermine what is widely-recognized to be the lynchpin of federal affordable housing policy. The New England Housing Network urges Congress to fully fund renewal of rental assistance for the nation's most vulnerable citizens. We support many of the reforms proposed in the Affordable Housing and Self-Sufficiency Improvement Act (AHSSIA) but also have a number of concerns.

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. Over 260,000 New England households receive some another form of Rental Assistance. Fully 63 percent of these households include 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, Section 8 has enjoyed broad, bi-partisan support.

The New England Housing Network urges Congress to fully fund renewal of rental assistance for the nation's most vulnerable citizens. We were very disappointed with key aspects of President Obama's FY13 budget request and are pleased that the Senate Appropriations Committee has improved it significantly, though it still falls short in some areas. We urge the House to concur with the Senate in most respects. Our concerns are as follows:

Section 8 Tenant Based Rental Assistance (TBRA): The President's budget requested $19.1 billion for housing vouchers, including level funding for voucher renewals at $17.2 billion. Increasing market rental costs and the addition of new Veterans' (VASH) and Tenant Protection Vouchers issued in 2011 and 2012 make these funding levels inadequate. The Center on Budget and Policy Priorities estimates that an additional $440 million is needed to renew all vouchers in use in 2012, risking the loss of voucher assistance for as many as 55,000 low-income families. We appreciate that the Senate Appropriations Committee increased renewal funding by $250 million, but this is still $200 million short of what is needed. The Network calls for voucher renewal funding at $17.7 billion, $19.75 billion for TBRA overall.

Section 8 Project Based Rental Assistance (PBRA): The President's budget requested $8.7 billion for Project Based assistance, including $8.4 billion for contract renewals and amendments. This is $610 million below the 2012 funding level for contract renewals and about $1.1 billion below the amount needed to provide full renewal funding for all contracts. HUD acknowledged this shortfall and proposed to manage by "short-funding" 10,600 PBRA contract renewals for 739,000 households, i.e., to provide less than 12 months of funding for each

contract at renewal. As in 2007, the last time HUD short-funded PBRA, this proposal has caused deep concern among New England Housing Network members because it:

- Simply shifts part of the costs to renew expiring contracts into the following fiscal year;
- May again result in delays in rent assistance payments, requiring owners to meet expenses from project reserves or their own funds;
- Decreases owner, lender and investor confidence, resulting in more demanding underwriting requirements and potentially reducing access to the capital owners need to maintain properties in good condition;
- Could signal that Congress may decide that it will no longer fully fund contract renewals, which may discourage owners from renewing contracts at expiration, thereby accelerating the loss of affordable units;
- Substantially increases administrative costs at HUD and for PBRA contract administrators; and
- Could jeopardize the housing stability of thousands of low-income households living in properties with Project Based assistance.

The Network strongly supports the Senate Appropriations Committee's PBRA funding level at $9.9 billion and its rejection of HUD's short-funding proposal.

Mandatory Minimum Rents: The Obama budget proposed a mandatory minimum rent of $75 for all HUD-assisted households, thereby raising rents by 50 percent or more for about 400,000 of the poorest households served, exposing them to serious additional hardship. This would apply to all HUD programs involving rental subsidies. Two-thirds of the affected households are families with children. These families include 725,000 children and are disproportionately minority. About a quarter are non-disabled adults, many of whom are formerly homeless individuals who would be at risk of becoming homeless again. HUD rules include a hardship exemption designed to protect many of the poorest households from unaffordable rents, but the criteria for such exemptions are vague, their existence not widely known among tenants, and exemptions rarely granted. If approved, this policy would be almost impossible for housing agencies to implement at the beginning of 2013. Moreover, most housing agencies would find it impossible to adequately review the large number of anticipated exemption requests in time. The Network applauds the Senate Appropriations Committee's rejection of HUD's mandatory minimum rent proposal.

Medical deductions: The HUD budget proposes raising the threshold for deductible medical expenses for seniors and people with disabilities from 3 percent to 10 percent of income, thereby raising rents for more than 700,000 low-income elderly and disabled people, many of whom have significant medical conditions. This change has broad support in Congress and among stakeholders, but previous proposals have coupled the change with two measures that would mitigate the potential harm to vulnerable people: an increase in the standard deduction and a grace period before implementation. These measures have been key to acceptance of the proposal among stakeholders. The Administration's budget, however, lacks both of these mitigating measures. The Network opposes the medical deduction proposal unless coupled with safeguards.

Section 8 administrative fees are funded at the FY10 level of $1.575 billion in both the President's and Senate Appropriations' budget. This $225 million increase is a marked improvement over the 2012 funding level, which pays agencies only 74 percent of what is needed to run an efficient and effective program. Yet, the increase would cover only 81 percent of the required amount. Underfunding can lead to delays in processing new admissions or in performing housing safety inspections required before lease-up, and in vouchers left unused. The Network supports full funding of Section 8 administrative fees.

The Network is pleased to see $75 million for approximately 10,000 new Veterans' (VASH) Vouchers in both the President's and the Senate's budget. We welcome level funding for Family Self-Sufficiency Coordinators and Section 811 Mainstream Vouchers. We are, however, concerned that the Tenant Protection Voucher account may be insufficient, in spite of the Senate's $5 million increase above the President's request, and urge Congress to scrutinize carefully the actual need for funding in this account.

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. It is important to note that, even with the increases noted above, the HUD budget for FY13 would still be $900 million (2.4 percent) below the 2012 level and more than $5 billion (13 percent) below the level enacted in 2010.

Finally, the Network urges rejection of the House-passed FY13 budget resolution. The House proposal includes further deep funding cuts that would devastate housing and community development programs.

Section 8 Voucher Reforms

The New England Housing Network has long supported reforms to the Section 8 programs, including the various versions of the Section 8 Voucher Reform Act (SEVRA). The Network supports many of the reforms proposed in the Affordable Housing and Self-Sufficiency Improvement Act (AHSSIA) under consideration in the House Financial Services Committee, but also has a number of concerns.

The Network strongly supports the following measures and appreciates their inclusion in the bill:

- *Voucher Renewal Funding*: Provides for a stable funding formula based on the previous year's voucher use, including vouchers provided in excess of the housing authority's authorized amount. This will encourage agencies to serve the maximum number of families with available funds and give every agency the security of knowing it has enough funding to renew all its vouchers in use each year. Permits "overleasing."
- *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.
- *Tenant Rent Payments:* Simplifies the rules that determine what amount voucher holders and public and assisted housing tenants are required to contribute toward their rent each month. Income recertification will only be required once every three years for families on fixed incomes, and agencies and owners can rely on income determinations conducted for other public assistance programs.
- *Rent Policy:* Gives PHAs new discretion to approve higher payment standards for tenants with disabilities as a reasonable accommodation. People with disabilities who incur higher utility costs as a result of their disabilities will receive increased utility allowances.
- *Income calculation:* Increases the annual standard deduction for elderly or disabled families from $400 to $525 and the dependent deduction for families with children from $480 to $525, both to be adjusted for inflation.
- *Income Targeting:* Revises the definition of "extremely low income" 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.
- *Reserves*: Allows agencies to retain modest, stable reserves (at least 6 percent of annual renewal funding) and allows for the allocation of supplemental funds to housing authorities demonstrating

unforeseen per-voucher cost increases.

- *Re-screening:* Prohibits tenant re-screening arising from vouchers being issued in connection with issuance of tenant protection and enhanced vouchers.
- *Family Self-Sufficiency:* Expands eligibility for the program to tenants in units assisted with PBRA, which will help them achieve economic self-sufficiency through job training, education, credit repair and other necessary steps.
- *Project-Based Voucher program:* Provides much needed changes to allow greater use of this production tool, including measures that:
    - Allow project-basing of an additional 5 percent (up to 25 percent total) of authorized Tenant Based units for veterans or households who are homeless, disabled or located in areas where vouchers are difficult to use.
    - Allow Project Based vouchers to assist 100 percent of units in developments serving the elderly, persons eligible for available supportive services, and for projects that have 25 units or less, especially important for the smaller projects in rural areas.
    - Increase the terms for Project Based contracts from 15 to 20 years.
- *Rental Assistance Demonstration:* Fully authorizes this new program, which will support the preservation and redevelopment of public housing and private assisted multifamily housing in a responsible manner. It will supplement scarce federal resources by attracting private capital to older assisted properties in need of major improvements. It will also help resolve some long-standing technical obstacles to the preservation of Rent Supplement, Section 236 Rental Assistance Program (RAP) and Section 8 Moderate Rehabilitation properties. AHSSIA authorizes a total of $40 million per year for this vital redevelopment activity, greatly expanding the potential impact of this program, relative to the program authorized in the FY 2012 Appropriations Act.

<u>Areas of concern</u>:

- *Moving to Work:* The Network supports the expansion of Moving to Work (MTW) within reasonable limits, provided that there are increased tenant protections, meaningful evaluation of program performance, adequate federal oversight, and meaningful tenant participation in policy development. The proposal contained in the latest version of AHSSIA replaces the previous, open-ended expansion of the MTW demonstration, which would have risked sweeping harm to housing assistance programs and the families they assist. The revised bill includes a new permanent program to provide flexibility for high-capacity public housing agencies and, though it contains provisions the Network considers potentially harmful, represents a compromise that has the support of a broad range of stakeholders.
- *Minimum rents:* As noted above, the Network opposes mandatory minimum rents because of their harmful impact on the lowest income, most vulnerable assisted families and because they abandon the key principle that tenants should not pay more than 30 percent of income for rent. The bill mandates minimum rents at $69.45, but the latest draft includes new provisions that mitigate their impact: it substantially strengthens policies and procedures governing hardship exemptions, and allows PHAs and Project Based Section 8 owners to set lower minimum rents for good cause, unless HUD disapproves the alternative policy.
- *Expense Deductions:* Increases the threshold for deducting medical, attendant care and auxiliary aid expenses from 3 percent to 10 percent of income. However, new language gives HUD the flexibility to designate hardship exemptions for tenants who have medical expenses that present an unsustainable rent burden. The child care deduction is retained but limited to expenses exceeding 5 percent of income.
- *Earned Income:* Eliminates existing earned income disregard and does not establish a new deduction like that contained in earlier versions of SEVRA. This eliminates incentives for employment and

greater self-reliance. We do note that the bill retains the policy from SEVRA that increases in earned income cannot lead to rent increases until the following recertification, which is helpful in this regard and which we support.

Provisions To Add to AHSSIA:

- *Manufactured Homes:* Vouchers should be able to provide greater assistance to owners of mobile homes located on rented land. Under current law, subsidy payments are permitted only to meet the costs of renting the land. This makes vouchers difficult to use in mobile home parks. Assistance should also be provided for utility costs, property taxes and the costs of the loan and insurance on the home. This would restore assistance to mobile home park residents to what it was before the changes enacted under QWHRA in the late 1990's.

Public Housing

Summary

It is no exaggeration to say that New England's approximately 75,000 public housing units are the last step before homelessness for persons who cannot afford to rent in the private market, many of whom are indigent seniors or disabled. These critically-important, and in some cases irreplaceable, capital assets should not be allowed to fall into further disrepair. Policy makers must be open to strategies to enlist private capital in preserving these assets. However, they must also carefully assess the long-term budgetary implications of substituting rental vouchers in the private market for hard assets, as well as the immediate impact on the fragile households currently housed.

Making Public Housing Work

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 FY13 budget proposes $4.524 billion for HUD's public housing operating fund. This amount of subsidy would provide operating support for New England's struggling public housing communities at a level below that of FY10, 11, and 12. Many public housing communities, the best of which are operating at break-even capacity, will surely fall into further disrepair and vacancy if FY13 public housing operating subsidies are not increased. The Network supports funding HUD's FY13 public housing operating fund at its FY12 level, $4.962 billion.

Capital Grants: Public housing units for our region's very low income families are a priority during these difficult economic times. Current units are precious and must be preserved; therefore, public housing capital grant monies are critical to the ongoing preservation of New England's presently occupied public housing inventory. We are pleased to see that the President's FY13 budget represents a 10.4% increase over FY12 in capital grant funds for public housing. The Network supports the President's FY13 funding request for HUD's public housing capital grant fund, $2.07 billion,

Choice Neighborhood Initiative: The President's FY13 budget proposes $140 million in funding for the Choice Neighborhoods Initiative program. The program is important to every state in our region. The Network supports this level of funding, a $20 million increase over FY12.

Rental Assistance Demonstration Program: To address the ongoing loss of critically needed public housing units, HUD is proposing to allow conversion of public housing units into Project-Based Section 8 contracts. Conversion of this nature would allow for the preservation of assisted housing units while encouraging an infusion of capital from the private sector. The New England Housing Network supports the current version of this proposal. We believe it is essential to protect the rights of renters as well as the low income housing stock, and support maximizing choice for tenants while preserving hard units of affordable housing.

Rural Housing

Summary

There is a real danger that rural housing issues will be lost in policy makers' preoccupation with designing broad initiatives to respond to the more visible – and for that reason apparently more urgent – problems in urban environments. The dispersed nature of rural poverty masks the urgent needs of a significant portion of New England homeowners and renters. This has resulted in the elimination of specifically-rural programs, or sharp decreases in program funding. Compounding this problem is the underfunding of more "generic" housing programs like CDBG and HOME as well as the disproportionately-high cost to heat older, poorly-insulated and maintained homes that are often occupied by very low income, and often elderly homeowners. The results of the recent Census may altogether exclude from funding small but growing communities whose characteristics, and housing problems, remain decidedly rural in nature.

The members of the New England Housing Network are aware that FY13 and the next few years will present economic and budget challenges even more daunting than those we have faced since the economic crisis began in 2008. Given the continuing, economic distress and soon-to-be enacted statutory budget cuts, 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 and heavy dependence on unregulated sources of fuel for heat, 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 alarmed at 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, Self-Help Housing programs, and the elimination of the Section 515 Rural Rental Housing program. The decreases in funding also affect HUD programs that work well in rural areas such as SHOP – which is zeroed out in the FY13 HUD budget, HUD 811 and Housing Counseling which, though it has seen some funding restored, remains underfunded. We are also concerned about the HUD 202 program, which, though level-funded in the Senate Appropriations bill, contains no funding for new construction. These programs have been essential to meeting the affordable housing needs of rural New England. As the National Rural Housing Coalition puts it:

> *The Administration's FY13 proposed budget follows nearly a decade of withering federal support for Rural Housing programs. Administrations from both parties have proposed significant reductions in Rural Housing direct loans and grants. Between FY04 and FY12, these programs were cut by more than one-third − or nearly $600 million − from $1.625 billion to $1.065 billion. In the last two years, the Administration has proposed*

terminating the Self-Help Housing program and virtually eliminating Section 502 Direct Loans. Although Congress rejected this proposal in FY12, it continued to cut spending from $228 million to $153 million. The impact on rural communities has been severe. These communities simply cannot withstand such drastic cuts.

- Continued underfunding of block grants such as CDBG and HOME. While the Administration's budget includes level funding for HOME at $1 billion and a small bump-up for CDBG formula grants, these programs, which provide the most flexible and useful sources of housing and community development support for rural communities, have suffered drastic cuts in the last several years. The CDBG program provides crucial support for housing and public facilities in rural communities, which is not available through other programs. 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 are also concerned about the implications of the 2010 Census results which could result in many legitimately rural communities losing their eligibility for rural programs. New England communities that would be affected include Storrs, CT, North Adams and Gardner, MA, Saco and Biddeford, ME, and Durham and Somersworth, NH, among others. We ask New England's Members of Congress to support H.R. 273 and S. 878. These bills, which are identical, would enable rural places with growing populations to remain eligible for USDA rural housing aid. The legislation is necessary because USDA's housing programs can be used only in places that are considered rural under a statutory definition based partly on population size (under 20,000 in nonmetropolitan areas and under 10,000 in metro areas). When the Census is conducted every ten years, it finds that some eligible places have grown to exceed the population thresholds. After the 1990 and 2000 Censuses, Congress changed the eligibility definition so that such places remained eligible (until their populations exceed 25,000). H.R. 273 and S. 878 would do the same for the 2010 Census. If Congress is unable to pass one of these bills, we ask that appropriate language be included in the USDA Appropriations bill.

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 not to abandon or seriously diminish these programs and the people and communities they serve.

Manufactured Housing

Summary

Manufactured housing is the largest source of unsubsidized affordable housing in the nation. In resident-owned cooperative parks it can offer the most affordable form of homeownership for families seeking to minimize their long-term housing costs. Non-profit owned parks offer similar affordable opportunities. Now in the mainstream of the nation's housing markets, it should have access to all forms of financing for homeownership and energy improvements. Policy planning and assessment should reflect its importance in creating homeownership opportunities for families of modest means.

Manufactured housing is the largest source of unsubsidized affordable housing in the nation. Much of this housing is located in our nation's over 50,000 manufactured housing communities. An increasing number of these are resident or non-profit owned and managed and, as a result, are notable for their stability of land tenure and resident control over infrastructure. In New Hampshire, for example, resident-owned communities constitute 20% of all the parks in the state.

With the launch of a national initiative to expand their numbers, it is increasingly important for Congress and federal agencies: (a) to be sensitive to those features of manufactured housing and resident-owned manufactured housing communities that can inadvertently result in its exclusion from programs designed to enhance homeownership; and (b) to ensure that all strategies for home financing reflect the unique needs of this form of homeownership. In particular, it should enjoy full access to the HOME and CDBG programs, 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, particularly in resident-owned communities. These programs should acknowledge that assistance to such communities does not constitute assistance to individual families. Allocating authorities should not be permitted to impose additional regulations on HOME and CDBG funds that result in excluding this housing from eligibility.

Comprehensive plans and HUD-required assessments of affordability should recognize the central role played by manufactured housing in creating homeownership opportunities for families of modest means.

Finally, the problem of high energy costs in New England is especially acute in older manufactured homes which are inadequately insulated, often lack complete foundations and require more expensive kerosene which doesn't freeze in outdoor storage tanks. As a result, energy consumption in a poverty-level household can account for as much as 20% its income. Regulations governing weatherization programs should be modified to allow higher levels of weatherization that could produce savings on fuel by an estimated 20% and on electricity, by 30%, resulting in average annual savings of over $600. The impact of these savings on household budgets would significantly reduce the need for LIHEAP subsidies.

Section Two:

Expanding New England's stock of affordable rental housing and essential community facilities

The HOME Program

Summary

The strength of the HOME program lies in the flexibility with which it can be used to bridge gaps left in the unavoidably -complex financing strategies required to develop affordable rental housing. Without it, few production programs would be able to reach households on the lower rungs of the income ladder. The program has been extremely effective: every $1 in HOME funding leverages another $4 in other funding and every $1M generates roughly 18 jobs. Unfortunately, criticism of HUD's administration of the HOME program, based on poorly-researched press reports, has caused the program to bear a disproportionately large- and unwarranted share of recent funding cuts.

The HOME program is among the most flexible of HUD's programs. It benefits all areas of the country - urban, suburban, and rural. It is a valuable resource for cities and states striving to provide decent, safe, and affordable housing to their residents. It can be used to create or rehabilitate multi-family apartments, rehabilitate owner occupied dwellings, help lower-income households become homeowners and provide short term rental assistance to low income renters as they wait for longer term vouchers. Its flexibility means it can be used to house the homeless, senior citizens, people with disabilities, low-income working families, veterans, and people with HIV-AIDS – all in response to local priorities. This bedrock program, that has improved the quality of life throughout New England, is the largest federal block grant in which the funds are dedicated exclusively to affordable housing.

HOME has borne a disproportionate share of the federal budget cuts with funding reduced by 12% in FY11 and by another 38% in FY12. These cuts have serious consequences for both communities and families. The President's Budget and Senate Appropriations Committee both propose level funding for FY13. We realize that restoring HOME funding to the FY'1 level is unlikely (if not impossible) this year. However, we strongly urge a restoration to a funding level of at least $1.6 billion next year and beyond.

The importance of this program cannot be overstated. Since 1992, it has helped to produce more than one million affordable homes and provided over 250,000 tenants with direct rental assistance. On an annual basis, prior to suffering the deep cuts of the last few years, the program helped approximately 143,000 households secure affordable housing each year. The HOME program has consistently exceeded its own income targeting requirements by housing many households with incomes below the 60% of median and 50% of median thresholds. Every HOME dollar invested leverages an additional $4 in other public and private resources. Every $1 million in HOME funds results in approximately 18 jobs.

We recognize that the program has come under increased scrutiny and criticism in recent years due to an unfavorable series of articles in the *Washington Post*. Despite this criticism the vast majority of HOME projects are completely successfully and produced in a timely manner. HOME projects outperformed the general real estate market during the current economic downtown with only 2.5% of HOME projects experiencing delays.

The HOME program is a critical tool for communities throughout the country to help meet the housing needs of their lower income residents. The drastic cuts that the program has faced in recent years have seriously

undermined the ability of communities to continue their programs. We strongly urge continued support for this essential program.

The Many Uses of CDBG

Summary

Like the HOME program, but with a wider reach, the Community Development Block Grant program is one of the most flexible sources of community development funding. In addition to being all-but-irreplaceable in the multi-level funding of affordable rental housing, CDBG is instrumental in local initiatives as diverse as employment training and care for abused and neglected children. Despite its essential role in leveraging substantial private investment in these projects, the program has suffered a 34% reduction in just two years.

The Community Development Block Grant (CDBG) program is one of the most flexible and valuable resources available to cities and towns. The primary objective of the CDBG program is to create viable communities by providing funds to improve housing, stabilizing and improving facilities, and providing economic opportunities for low and moderate-income persons in neighborhoods in which they live. CDBG funds can be used for a wide array of activities ranging from housing rehabilitation and down payment assistance to shelter and senior facilities, to job training and public services.

HUD reports that nationally, since 2006, the CDBG Program has provided housing assistance to 865,874 low- and moderate-income households, created or retained 259,346 jobs for low- and moderate-income persons through a variety of economic development activities, benefitted 22,998,047 low- and moderate-income households through such public improvements as development of senior centers, centers for the disabled and handicapped, health and child care centers and parks and recreation facilities, and benefitted 73,863,286 low- and moderate-income households through such public services as employment training, youth services, crime awareness/prevention, fair housing activities, mental health services, and services for abused and neglected children. Every dollar of CDBG funding leverages $1.62 in non-CDBG funding.

For FY12, Congress appropriated $2.95 billion nationally for the CDBG formula program, a 12% reduction from the FY11 amount of $3.34 billion. When compared to its $4.45 billion allocated in FY10, the program has sustained a loss of 34% over two years. While the President's proposed FY13 budget for CDBG was advanced at $2.98 billion, the Senate's marked-up FY13 HUD Bill would increase the funding allocation to approximately $3.1 billion for CDBG formula grants. While this certainly does not regain the ground lost since 2010, it would preserve this critical and flexible resource for our communities.

It is absolutely essential to the economic health and stability of our region that the CDBG program remain a robust and predictable source of funding for community development. It is available to virtually every community in New England, either directly or through the Small Cities program, and invests in the future of our region. It is critical that this resource be sustained and, whenever possible, restored to former levels.

The Low Income Housing Tax Credit Program

Summary

Drawing on private investment and enlisting private oversight of underwriting and management, the low income tax credit program is the centerpiece of federal investment in affordable rental housing. It has also been an extraordinarily successful example of public/private partnership: the annual foreclosure rate for properties funded under this program has been just 0.1 percent annually (well below the rate of comparable properties). Upcoming changes in the tax code that will result in the loss of current investment incentives could reduce by up to 20% the private equity component of the program, if this situation is not addressed.

The Low Income Housing Tax Credit (Housing Credit) program was created in 1986 when President Ronald Reagan signed the program into law as part of the Tax Reform Act of 1986. The program has been and continues to be the single most important and successful resource for creating affordable rental housing since its creation. The Housing Credit program has created more than $75 million in private equity and led to the development of 2.5 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, the program is administered by the states, and each state determines its own most effective housing policy. The program is a public-private partnership that harnesses the discipline of the marketplace to efficiently build quality, affordable housing. Because Housing Credit rental developments rely on private investors and developers, the transactions are carefully underwritten. Investors conduct on-going performance and compliance risk oversight and continuously monitor property performance and regulatory compliance. According to Ernst & Young, this rigorous approach resulted in an extraordinarily low foreclosure rate of only 0.1 percent annually.

Each year the LIHTC program is responsible for the creation of 95,000 jobs—most of which are in the small business sector. According to the National Association of Homebuilders, for every 100 units constructed with the Low Income Housing Tax Credit Program, 116 construction jobs are created and more than $3.3 million in federal, state and local revenue is generated.

The nation continues to suffer from a huge shortage of affordable rental housing. A 2011 report from the Harvard Joint Center for Housing Studies found only 11.6 million affordable homes are available for 18 million families. This gap of 6.4 million homes will only continue to grow as more families become rent burdened.

Given the fiscal challenges facing the nation, Congress will continue to explore deficit reduction and tax reform options. During these discussions, it is critical to understand that the principle beneficiaries of the Low Income Housing Tax Credit programs are not the investors, but rather the families and seniors who have affordable housing. That characteristic makes the Housing Credit especially valuable.

In order to address our nation's rental affordability challenges, policy makers must maximize the private equity raised in each development while bringing predictability to the Housing Credit market. That means that the minimum rates for the allocated Housing Credits should be made permanent. Historically, the Internal Revenue Service has calculated the 70 percent and 30 percent present value credits for newly constructed/rehabilitation

and existing properties based on medium and long-term interest rates. When applied to Housing Credit investments, this floating rate system creates uncertainty and financial complexity. The Housing and Economic Recovery Act of 2008 (HERA) provided for a 9 percent fixed floor rate for newly constructed and substantially rehabilitated properties placed in service through 2013. Making permanent the minimum 9 percent fixed floor as well as providing a minimum 4 percent rate for acquiring existing properties will boost affordable housing development by making it more financially feasible.

If these provisions are not enacted, Housing Credit-financed properties could lose 15 – 20 percent of the private equity they could have otherwise received for Housing Credit allocations starting in early 2012. This would likely have a negative impact on the number of families served, and the types of affordable rental housing developments that are financed throughout the nation.

The New England Housing Network urges support of S. 1989 which was introduced by Senators Maria Cantwell (D-WA) and Olympia Snowe (R-ME), and its House counterpart, H.R. 3661 which was introduced by Congressmen Pat Tiberi (R-OH-8) and Richard Neal (D-MA-2).

The National Housing Trust Fund

Summary

Capitalizing the National Housing Trust Fund (NHTF), with its emphasis on very low income families, should be the centerpiece of a comprehensive, long-term federal housing policy, with stable program revenue derived from TARP funding, from any of the many proposals for housing finance reform, or from reform of the Home Mortgage Interest Deduction.

The National Housing Trust Fund was created as part of the Housing and Economic Recovery Act of 2008 (HERA), 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.

We also urge Congress to support dedicated funding for the NHTF through any of the frameworks for housing finance that the Administration has outlined in its white paper on housing finance reform.

We support reform of the mortgage interest deduction as another source of long-term revenue for the NHTF. For instance, one potential reform is to convert the mortgage interest deduction into a credit which would then better target middle and low-income homeowners. Any savings generated from this change could fund the NHTF. This and other changes should be considered by Congress during the budget discussion as a means to fund the NHTF.

Section 202 Program :

Supportive Housing for the Elderly

Summary

Grant funding for the production of senior housing was eliminated last year. Program funding is now available only to operate existing properties. New production was expected to be supported by other programs (like HOME) which are themselves already stretched to their limit or even shrinking. Restoring program funding for new production is essential, given the rapidly-expanding senior population, a significant proportion of which will be unable to support themselves in today's expensive housing market. The proposal to provide operating assistance directly to states, and in the process giving state health agencies a role in setting program priorities, raises a further concern that any new projects might be limited to frail or nursing home eligible seniors, leaving unserved the rest of this vulnerable population.

Historically, the Section 202 program provided both capital funds to nonprofits for the construction of rental housing for seniors and rental assistance to ensure that the housing was affordable to very low income elders. The capital grants were significant—about $160,000 per unit in New England.

The grants and rental assistance were supported by an annual appropriation as high as $825 million in FY10. Drastic cuts were imposed in FY11 and 12 which decreased the Section 202 appropriation by 51 percent and 54 percent respectively from FY10. The funding cuts led HUD to fundamentally change how the Section 202 program created new housing to meet the rising demand of an aging population.

Beginning in FY 12, HUD stopped making capital grants. Instead, the limited Section 202 funds were to be used for on-going operating assistance in the hope that the operating assistance would leverage other funds which could be used to construct new units for seniors. The projected sources of capital funds include equity from Low Income Housing Tax Credits, HOME funds, and Community Development Block Grants—all of which were already experiencing high demand and decreased funding.

On the policy side, Congress passed the Section 202 Reform Act of 2010 which made it easier to preserve older Section 202 properties and amended the Assisted Living Conversion grant program to permit conversions to service enriched housing, a less expensive form of assisted living.

The Administration's FY12 Budget proposes $475 million for the Section 202 program. This includes $285 million to renew and amend operating subsidy contracts (PRAC) for existing housing, $100 million in operating subsidies to support new housing, and $90 million for service coordinator grants. No funds would be available for the Assisted Living Conversion program.

The Administration will also seek further legislative and administrative reforms, including a proposal which would allow HUD to provide Section 202 operating assistance directly to states. There is concern that state health agencies would have some role in the priority given to new projects which might result in limiting "new" units to frail or nursing home eligible seniors.

The New England Housing Network urges the delegation to support efforts to provide funding for new construction and also for the Assisted Living Conversion Program in order to keep pace with our growing elderly population.

Section 3:

Responding to Homelessness

Homelessness

Summary

About 1.6 million people will enter emergency shelters this year, about 17% of whom are chronically homeless and have been living on the streets with mental illness and other disabling conditions for long periods of time. Numerous studies (urban and rural) have shown that it costs less to house homeless people than to leave them homeless. Federal investments in proven strategies will allow communities to continue making progress toward their goals of ending homelessness.

Top Priority – Housing and Services
Housing:
In order to end and prevent homelessness we need to increase access to permanent, affordable housing for extremely low-income individuals and families.

The New England Housing Network supports funding for Section 8. To house this population, we need to protect funding for Section 8 Housing Choice Vouchers in FY13. We also need to pass Section 8 reform legislation streamlining the program and protecting vulnerable citizens. We are monitoring the Affordable Housing and Self-Sufficiency Improvement Act (AHSSIA) to see that it accomplishes this. Finally, we need to provide capitalization of the National Housing Trust Fund including funding for rental subsidies to allow for deep targeting as in original design.

McKinney-Vento Homeless Assistance Grants:
The New England Housing Network supports a funding level of $2.231 billion (the President's request). This will help communities to further implement the long-sought HEARTH Act, which changes the way funds are allocated and increases funding for assistance to families with children and rural programs. This Act places a priority on permanent housing, expands homelessness prevention resources, incentivizes the development of permanent supportive housing for chronically homeless individuals and families, and increases the competitiveness of rural communities.

This will allow expanded investments in homelessness prevention and rapid re-housing solutions through the Emergency Solutions block grant program. It will also avoid cuts for projects designed to get children and adults off the streets. And it will cover the cost of renewing and expanding investments for permanent supportive housing and rapid re-housing – proven, cost efficient solutions to homelessness.

Services:
Services are what allow housing to be successful. We need to increase the availability of services linked to housing for people experiencing homelessness.

The New England Housing Network supports the following three services initiatives:
1) Increasing funding for the Projects for Assistance in Transition from Homelessness (PATH) program, and for services in supportive housing within the Substance Abuse and Mental Health Services Administration (SAMHSA) administered by HHS.

2) Providing $100 million in FY13 for Department of Justice (DOJ) Second Chance Act grant programs to prevent homelessness for people leaving corrections facilities.

3) Enacting the Services to End Long-Term Homelessness Act (SELHA) and create a System of Care within HHS for homeless populations living with mental illness.

The New England Housing Network also supports the following targeted initiatives:

For Victims of Domestic Violence:
Expanding the Violence Against Women Act programs within DOJ to include a stronger focus on connecting survivors of domestic violence with permanent housing resources.

For Homeless Veterans:
Increasing the capacity of the Department of Veterans' Affairs (VA) and HUD to prevent and end homelessness among veterans, by: 1) providing an additional $75 million for new HUD-VA Supportive Housing (HUD-VASH) vouchers in FY 2013 to house an estimated 11,538 additional homeless Veterans, and 2) providing $1.35 billion in FY 2013 to support VA's efforts to end Veteran homelessness by 2015, including $300 million for the Supportive Services for Veteran Families (SSVF) program to support homelessness prevention and rapid re-housing interventions.

For Unaccompanied Youth:
Including $127 million for RHYA grant programs in FY 2013 to: 1) expand the use of innovative and evidence-based family intervention models to support family reunification and build on existing investments in programs serving runaway and homeless youth; 2) improve crisis response and early intervention approaches; 3) expand the reach and availability of transitional living programs to provide more youth with a stable housing foundation to act as a basis for achieving economic independence; and 4) expand data and research on the nature and extent of homelessness among unaccompanied youth, to improve outcomes for these vulnerable young people.

For General Populations:
Administer federal health care provisions to aggressively support programs for low-income at-risk populations by: 1) publishing timely regulations and guidance to implement sections of the Affordable Care Act that enhance capacity of programs for homeless and at-risk populations – especially Medicaid, community health centers, and mental health and substance use treatment programs; 2) working with states to ensure that the expansion and improvement of Medicaid includes cost-effective services to get people with disabilities off the streets and stabilize them in housing; and 3) ensuring adequate funding and streamlined processes to meet the health needs for homeless and at-risk populations.

"Mainstream" Resources:
Improve the income trajectory for homeless and at-risk, vulnerable populations by improving access to benefits and employment by 1) providing greater incentives for states to use workforce programs to serve the most vulnerable populations – including those experiencing homelessness – through improving Workforce Investment Act programs.; and 2) enhancing the ability of the TANF program to prevent and end homelessness for low-income families and unaccompanied youth.

Section Four:
Related Issues

Housing/ Foreclosure Counseling

Summary

Demand for housing counseling services is projected to remain high. As many as three-quarters of foreclosed properties in New England are rental properties, resulting in a disproportionate impact on lower income households. The proposed increase in housing counseling funds in the FY13 budget, following the restoration of funding in the FY12 budget, will facilitate an proactive response to pending foreclosures and ease the transition for renters (including both former homeowners entering the rental market, and renters living in properties subject to foreclosure) for whom foreclosure is unavoidable. Both of these will introduce greater stability in our housing markets.

Housing counseling is a critical tool in assisting low and moderate income households to become successful homeowners and to help existing homeowners and tenants impacted by foreclosures in the region. Under HUD's Housing Counseling Program, local non-profit organizations provide a variety of direct services to low-income homebuyers, homeowners and tenants, 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 receiving funds from CHAPA served over 11,000 households.

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; and
- 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.

The demand for housing counseling services is expected to remain high, particularly in the New England region, because foreclosures remain at record levels in our states. While most of the New England states reported fewer

foreclosures in 2011 than in 2010, analysts expect increases throughout the region in 2012 as banks resume foreclosing (many suspended activities in response to the robo-processing scandal of late 2010). The National Attorneys General settlement, while providing some resources to address the problem, will also likely cause the acceleration of bank foreclosure activity. Throughout the region, foreclosure rates have been particularly high in poorer cities and neighborhoods and have hit renters hard as well. The City of Boston estimates that three quarters of foreclosed units in 2009 were renter-occupied.

The expected increase in foreclosure filings in 2012 is likely to have a major impact in New England. The Mortgage Bankers Association (MBA) National Delinquency Survey for the second quarter of 2011 reported over 118,000 properties (or 7.1% of all 1-4 unit properties with mortgages) in the region were either in the foreclosure process or 90+days delinquent. Maine ranked 7th in the nation in terms of its delinquency rate both in the second and third quarters, and Rhode Island, Connecticut and Massachusetts were also among the 25 states with the highest percentage of 90+days delinquent or in foreclosure mortgages.

Congress eliminated all of the funding ($87.5 million) for the Housing Counseling program in the FY11 Final Continuing Resolution. $45 million was restored in FY12 budget. We are pleased that the President's FY13 proposes to increase this to $55 million. We urge Congress to restore the program back to at least FY10 level, particularly with the increased demand for services projected over the next few years.

GSE Reform

Summary

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, 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.

On February 21, 2012, the Federal Housing Finance Agency (FHFA), the GSEs' regulator since entering conservatorship in 2008, issued a "strategic plan" that, for the first time, outlined separate multifamily and single-family solutions for housing finance reform. For the multi-family housing sector, the FHFA specifically called for Fannie Mae and Freddie Mac to conduct an analysis of the viability of their multifamily operations without government guarantees, suggesting the possibility of separating the GSEs multifamily and single-family operations.

The Network commends FHFA for taking action to move the process forward and urges Congress to develop solutions to both the multi-family and single family issues with the following principles in mind:

- 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 include conditions such as unreasonably high down payment 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.

Sustainable Communities

Summary

Subsidized housing development should not occur in a vacuum. To achieve maximum long-term benefit from our nation's investment in affordable housing, it should be linked to transportation and other economic levers. In rural areas, this linkage should include land conservation .

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 Sustainable Communities Initiative is an essential tool to advance this mission by supporting local communities in developing long-term plans linking housing, transportation and other fundamental economic levers.
New England states have greatly benefited from the Sustainability Initiative's two grant programs: the Regional Integrated Planning and Implementation Grant Program and the Community Challenge Grant Program.

FY10 and FY11 Regional Planning Grantees included:

Capitol Region Council of Governments Hartford CT $4,200,000

Windham Region Council of Governments Willimantic CT $225,000

Metropolitan Area Planning Council Boston MA $4,000,000

Franklin Regional Council of Governments Greenfield MA $425,000

Berkshire Regional Planning Commission Pittsfield MA $590,700

Northern Maine Development Commission Caribou ME $800,000

Greater Portland Council of Governments Portland ME $1,600,000

Chittenden County Regional Planning Commission Winooski VT $995,000

Nashua Regional Planning Commission NH $3,369,648

State of Rhode Island RI $1,934,961

Northwest Regional Planning Commission VT $480,000

Two Rivers-Ottauquechee Regional Commission VT $540,000

FY11 Community Challenge Grantees included:

Town of Stamford CT $1,105,288

Town of Mansfield CT $610,596

City of Boston MA $1,865,160

City of Worcester MA $930,000

Montachusett Regional Planning Authority MA $129,500

New Hampshire Housing Finance Authority NH $1,000,000

The project benefits of these grants are numerous and range from reduced economic disparities to increased investments in water infrastructure and improved regional disaster response.

FY13 Budget

In FY13, HUD is requesting $100 million in Sustainable Housing and Communities funding**,** through the Community Development Fund (CDF). The majority of funding requested will be split evenly between the Regional Integrated Planning and Implementation Grant program, and the Community Challenge Planning grant program. This funding will provide the essential next phase in sustainable communities regional planning underway in many New England communities.

The final budget would also benefit from funding sustainable community oriented transportation projects, such as DOT's Transportation Investment Generating Economic Recovery (TIGER) grant program. The Administration's FY13 budget proposes $500 million for a TIGER-like discretionary grant program.

LIHEAP (Low Income Home Energy Assistance Program)

Summary

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. Nationally, LIHEAP provided vital energy assistance to 8.9 million households in 2011, an increase of 54 percent since 2008. The President's FY 13 budget requests just over $3 billion for LIHEAP— a 40 percent cut from the FY 09 and FY 10 amounts of $5.1 billion. This cut would present a real challenge for low-income households and will force many to choose between paying their energy bills and paying for food or medicine. The Network urges Congress to fund LIHEAP for Fiscal Year 13 at no less than the Fiscal Year 10 level of $5.1 billion.

PRESERVING THE SAFETY NET

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, LIHEAP provided vital energy assistance to 8.9 million households in 2011, an increase of 54 percent since 2008. This funding has been a lifeline during the economic downturn and rising energy costs, helping to ensure that recipients do not have to choose between paying their energy bills and paying for food or medicine.

The President's FY 13 budget requests just over $3 billion for LIHEAP— a 40 percent cut from the FY 09 and FY 10 amounts of $5.1 billion. If enacted, this would continue the precipitous decline in LIHEAP funding over the last several years. Combined with increasing heating costs, this has led to a marked decrease in the purchasing power of the average LIHEAP grant.

LIHEAP funding was already cut by 32 percent between FY 09 and FY 12, from $5.1 billion to $3.5 billion. At the same time, the number of households receiving LIHEAP remained at record levels during this period, resulting in a reduction in the average grant from $494 to $308.

Est. Households Served & Average Grant (FY 08-12)

Fiscal Year	Appropriation (in thousands)	Households (in thousands)	Average Grant
2009	$5,100,000	7,684	$494
2010	$5,100,000	8,382	$481
2011	$4,700,000	8,910	$417
2012	$3,471,672	8,910	$308

Source: National Energy Assistance Director's Assoc. (NEADA)

The decline in winter heating costs during this period, from $1,033 to $888, was not sufficient to offset the reduction in the average grant.

Est. Home Heating Costs (2007-08 to 2011-12)

Winter Heating Season	Heating Oil	Natural Gas	Propane	Electricity	All Fuels
2008-09	$1,801	$889	$1,795	$938	$1,033
2009-10	$1,833	$751	$1,674	$952	$968
2010-11	$2,300	$724	$1,817	$961	$990
2011-12	$2,238	$629	$1,658	$911	$888

Source: National Energy Assistance Director's Association (NEADA)

Est. Average % of Home Heating Purchased with LIHEAP (FY 08-12)

Fiscal Year	Heating Oil	Natural Gas	Propane	Electricity	All Fuels
2009	27.4%	55.5%	27.5%	52.6%	47.8%
2010	26.2%	64.0%	28.7%	50.5%	49.7%
2011	18.1%	57.6%	22.9%	43.4%	42.1%
2012	13.8%	49.0%	18.6%	33.8%	34.7%

Source: National Energy Assistance Director's Association (NEADA)

As a result, the purchasing power of the average grant fell from 47.8% to 34.7% of the cost of home heating. The share of home energy covered declined for all fuels, with the most significant declines registered for heating oil—the most prevalent fuel source in northern New England—declining on average from 27.4% in FY 09 to 13.8% in FY 12, as a result of record high global pricing. Other fuels also showed declines in purchasing power during this time including natural gas, electricity, and propane.

As economic conditions continue to exert 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.

Average Full Season Fuel Liability Benefit in Vermont

Fiscal Year	Avge. Benefit	Notes
FY 10	$ 1,064	
FY 11	$ 866	
FY 12	$ 900	with $6 million from the state
FY 12	$ 700	had the state not kicked in $6 million
FY 13	$ 404	under Obama Budget

Source: Vermont Economic Services Division

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

decrease from $1,064 in FY 10 to $900 in the current fiscal year ($700 without state supplemental funding), to $404 next year under the Administration's proposed FY13 budget. With fuel oil prices approaching $4.00/gallon, that $404 LIHEAP assistance will buy 101 gallons—about one-eighth of the average seasonal consumption of 764 gallons, for a total annual cost of $3,056. Where will the average low-income Vermont household come up with the other $2,652 after we give them a $404 fuel benefit? We are left to wonder whether this deep proposed cut to LIHEAP will trigger a national health emergency for vulnerable household members. At what point in the discussion does cutting LIHEAP become a national health issue?

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. The Network urges Congress to fund LIHEAP for Fiscal Year 13 at no less than the Fiscal Year 10 level of $5.1 billion.

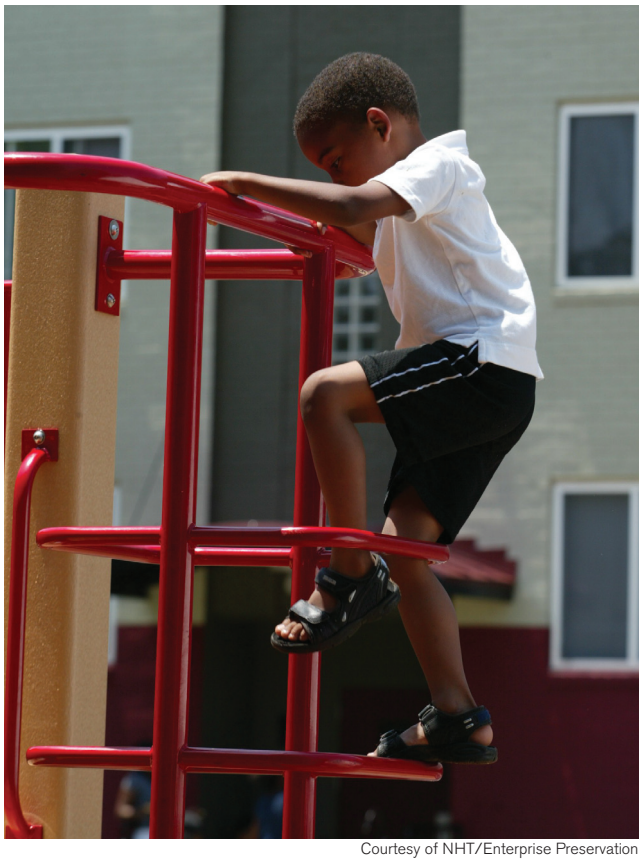
Section Five:
Resources

THE CENTER FOR HOUSING POLICY
INSIGHTS from Housing Policy Research

The Well-Being of Low-Income Children: Does Affordable Housing Matter?

Sandra J. Newman, director of the Johns Hopkins Institute for Policy Studies, has spent much of her career exploring how housing affects the lives of its occupants. Most recently, the John D. and Catherine T. MacArthur Foundation funded Newman's efforts to better understand the impacts of housing affordability on the well-being of children. Her research thus far points to the urgent need for a better understanding of how affordable housing "matters" in shaping the lives of this country's youngest residents.

Staff from the Center for Housing Policy met with Professor Newman to discuss her most recent research findings and their policy implications. The following are excerpts from this interview:



Courtesy of NHT/Enterprise Preservation

Your current research explores the impact of housing affordability on families' well-being. Why did you get involved in studying this topic?

Historically, housing policy researchers hadn't been looking at what impact housing has on its residents. Most housing policy research tends to focus on the "bricks and mortar" aspect of housing, housing finance systems and formulas for running housing programs. I was struck by the lack of focus on the residents and how various features of the housing environment affect their lives.

At present, a major policy concern is affordability. Yet, again, very little work has been done that looks deeply into how this matters for residents. My research begins to examine this question, and I'm particularly interested in effects on children and their parents. I'm relying on nationally representative, longitudinal databases that include measures of children's cognitive, health and behavioral characteristics, which I rely on as measures of children's outcomes. These databases also include measures of parent outcomes including depression, self-esteem, aggravation and economic stress.

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This policy brief was produced with the support of the John D. and Catherine T. MacArthur Foundation.

Courtesy of McCormack Baron Salazar

"What I'd like to see is a level playing field so that people have a choice about where to live and raise their families."

– Sandra J. Newman, director of the Johns Hopkins Institute for Policy Studies

Something's Gotta Give: Related MacArthur-Funded Research on Housing Affordability and Families

A MacArthur-funded report by the Center for Housing Policy, *Something's Gotta Give*, summarizes findings from two studies that set out to look at how living in affordable housing affects the quality of life of working families. The first study, by the Economic Policy Institute, examined the Department of Labor's Consumer Expenditure Survey to determine whether expenditures on food, clothing, healthcare and other necessities differed among families in affordable housing versus those in unaffordable housing. That is, to what extent does spending an excessive portion of household income on housing cause material hardship for family members?

The study found that households paying more than half of their income on housing costs commonly spend substantially less than other families on essential expenses such as food, clothing, and health care. As the size of the family increases, these hardships tend to be exacerbated. Moreover, the households most likely to experience material hardships tend to be renters (as compared to homeowners) and members of traditionally disadvantaged social and economic groups, including low-income, poor, and single-parent families, racial and ethnic minorities, immigrants and parents with low levels of educational attainment. The study also found a close relationship between housing and transportation costs. Families with high housing costs spent much less on transportation and vice-versa.

A companion study by the research group Child Trends looked at the *2002 National Survey of America's Families* to determine the effect that paying more than half of income for housing has on the well-being of children and parents. That study, though preliminary and not based on longitudinal data, found that factors such as the income and education of the parents as well as neighborhood quality, appear to affect the well-being of children in complex ways. For example, children in the poorest working families with high housing cost burdens are more likely than those in more affordable housing to report having fair or poor health. But just the opposite is true for children in the highest income groups – those with high housing cost burdens are less likely to experience these problems, possibly because their income and neighborhood offer greater access to medical care.

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Why do you think affordability has been under-studied?

Many view housing affordability, typically defined as devoting 30 percent or less of family income to housing, as an income issue because the policy argument for making housing affordable is in fact nothing more than an income argument; making decent housing "affordable" gives a household more spendable income to buy other household needs, just as a direct income supplement would. But from a real-world policy perspective, it's important to recognize that the voting public is not in favor of untied cash grants to families and prefers providing in-kind "goods" such as housing assistance. In view of this preference, we should find out whether households living in affordable housing in fact use the freed-up income for the other needs of household members, particularly children.

The findings in your research are somewhat surprising and controversial. They suggest that most children in unaffordable housing do no worse than those in affordable housing. How do you interpret these findings?

There are two different theories about what's going on. One theory is that households may trade certain necessities such as food, clothing, or healthcare in order to manage housing or utility payments, causing hardships and stress that will influence families' well-being. The second theory suggests that when you pay more for housing — whether in rents or the purchase price of an owned home — you're in a sense buying a better community. Perhaps the benefits of a better community, such as better schools, lower crime rates, and more neighborhood amenities compensate for the higher cost. Our admittedly early work does not show greater depression or aggravation among parents in the higher-priced markets versus the lower-priced markets. This suggests that parents are coping, and perhaps is an indication of the resourcefulness and resilience of low-income families.

But to fully understand this pattern, we need an in-depth study of how people make housing decisions — what are their priorities, what trade-offs are they consciously making? Then we could observe firsthand what factors constrain choices, how families rise to meet

Continued next page

How Does Housing Matter? The Complex Story

Newman's most recent work for MacArthur has been summarized in two papers. The first paper, *Does Housing Matter for Poor Families: A Critical Summary of Research and Issues Still to be Resolved* (2008) reviews housing policy research from the last quarter-century to understand how housing affects the lives of residents, particularly children. Among other findings of the review, Newman reports that there is a large body of research linking physical housing quality with improved physical health.

Researchers have also found linkages between overcrowded home environments and negative outcomes related to physical and mental health, child development, and social relationships. The best research on the impacts of subsidized housing on economic self-sufficiency suggests no differences between the earnings and work effort of households in assisted housing compared with comparable households that are not assisted, though there appears to be a greater reliance on welfare by households in assisted housing. Other studies suggest that public housing combined with services has positive effects, and two studies find that public housing may lead to beneficial educational outcomes for children.

Research consistently finds associations between homeownership and positive childhood outcomes. But, as Newman points out, it is not clear whether these positive outcomes should be attributed to homeownership per se or to other associated factors, such as the attributes of those parents who are homeowners. Finally, the review cites housing affordability as an area that is lacking in research, with Newman's own work representing one of the few contributions to understanding the impact of affordability on residents.

A paper by Newman and colleagues J. Harkness and S. Holupka, *Geographic Differences in Housing Prices and the Well-Being of Children and Parents*, is based on an analysis of longitudinal data from the Panel Study of Income Dynamics to determine whether the well-being of parents and children differs if they live in a high priced (unaffordable) or a low priced (affordable) housing market. Using a variety of statistical models to analyze the relationship between housing prices and child and parental well-being, Newman and her co-authors look at children's behavior, how well they do in school, overall health, and behavior problems. She also looks at how well parents are faring in terms of depression and overall levels of stress. Newman concludes, somewhat surprisingly, that children in high-priced housing markets are not worse off than those living in lower-priced markets.

Jackson Smith, Courtesy of NHT/Enterprise Preservation

MacArthur
The John D. and Catherine T. MacArthur Foundation

Policy briefs in this series are prepared by the Center for Housing Policy for the John D. and Catherine T. MacArthur Foundation. The Foundation's grantmaking is intended to raise the priority and profile of affordable housing policy by investing in the creation of new knowledge about the supply and demand for rental housing and affordable housing's connection to other social policy issues. This series presents key findings from affordable housing research supported by the Foundation.

CENTER FOR HOUSING POLICY

As the research affiliate of the National Housing Conference (NHC), the Center for Housing Policy specializes in developing solutions through research. In partnership with NHC and its members, the Center works to broaden understanding of the nation's housing challenges and to examine the impact of policies and programs developed to address these needs. Combining research and practical, real-world expertise, the Center helps to develop effective policy solutions at the national, state and local levels that increase the availability of affordable homes.

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the challenges of constrained choice, or how they accommodate their financial circumstances. Our early affordability work suggests that families are managing high costs. But we need a much clearer understanding of how or why they're doing better.

Also, I view this work as a program of research, not one project. These results are a product of a particular database, covering a specific time period with a particular sample. The next step is to stress test these models and findings. That's why I'm going to repeat the study with a different source of longitudinal data (the National Longitudinal Study of Youth). In my view, we're only at the very beginning of trying to unravel the mystery of housing affordability effects. We don't know the answer, and we have to be patient as we carefully pursue it. But it is important to recognize that the conventional view [of affordability] may just not be correct.

How do you hope your research will help to shape the future of housing policy?

What I'd like to see is a level playing field so that people have a choice about where to live and raise their families. The ultimate goal of my research, and that of many other researchers, is to put hard evidence on the table about what sorts of housing policies are needed, and what changes should or should not be made to current housing policy. Housing policy research has lacked the support needed to develop this evidence base.

What is your general message to practitioners?

One of the traditions that natural science has — that social science doesn't — is the understanding that finding something once doesn't make it so. We've got to replicate, and to apply careful and rigorous research designs and methods to what are typically very complex housing policy questions, and to keep testing until we get it right. I think that's terribly important. We need to develop this tradition in housing policy research because if we don't, we won't be serving the low-income population — or the U.S. taxpayers — very well. For example, research indicates children who grew up in public housing in the 1970s and 1980s achieved greater economic self-sufficiency than comparably poor children who never lived in public housing. But we need to examine whether these benefits continued through the 1990s and persist today, whether outcomes have changed, and if they've changed, what changes in the public housing program occasioned this change in effects. Without such an updated analysis, it's anyone's guess whether changes in public housing policies over the last few decades have made things better or worse for the children who live there. I view this as a key question.

Moving forward, I also place a very high priority on measurement. Even if we had the wherewithal to do all the housing policy studies that I believe we need to do, there would still be an elephant in the room: untested housing measures. At the very least, we should develop and thoroughly test a basic set of housing measures — sort of a minimum dataset on housing. We should then disseminate it widely, and encourage its use in all major surveys. I think these steps could make a huge contribution to our understanding of housing effects.

THE CENTER FOR HOUSING POLICY
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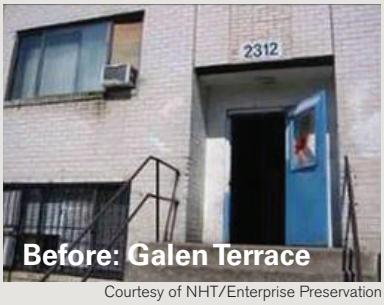
Taking Stock: The Role of "Preservation Inventories" in Preserving Affordable Rental Housing

Nationwide, some 1.5 million families live in privately owned rental units that receive ongoing federal subsidies to keep rent levels affordable to low-income families.

Nationwide, some 1.5 million families live in privately owned rental units that receive ongoing federal subsidies to keep rent levels affordable to low-income families. Millions of additional families live in housing developments operated by public housing authorities, funded by the low-income housing tax credit or supported with subsidies provided by state or local governments. As a result of changing market conditions, heightened demand for rental housing, and physical deterioration, this crucial part of the housing portfolio is at risk of loss as eligible owners "opt out" of subsidy programs, raise rents to support needed capital improvements, or allow older buildings to deteriorate beyond repair. Similar threats also jeopardize the ongoing affordability of unsubsidized rental units that help house millions of additional families.

Responding to threats from these and other factors, states and localities have started compiling "preservation inventories." These inventories collect available data on the existing affordable rental housing stock, facilitating analysis of the portfolio and identification of at-risk properties. Armed with accurate, up-to-date information, communities can act quickly to preserve this irreplaceable resource. This review collects lessons learned from preservation inventories developed in five areas with support from the John D. and Catherine T. MacArthur Foundation — Cook County, Illinois; the District of Columbia; Florida; New Jersey; and New York City. While each of these data collection efforts is at a different stage of implementation, together they offer some initial lessons about how preservation inventories can be developed and the ways in which they can be used to advance preservation policy objectives.

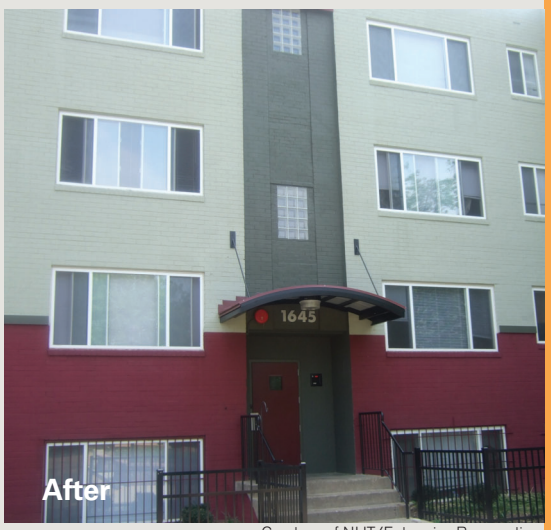
Galen Terrace: Before and After



Before: Galen Terrace

Courtesy of NHT/Enterprise Preservation

Facing poor management, increasing criminal activity, and physical deterioration, Galen Terrace Apartments, an 84-unit project-based Section 8 property in the Anacostia neighborhood of Washington DC, had been one of the District's most troubled properties. In 2006, members of the Galen Terrace Tenants Association exercised their right of first purchase and, in partnership with The National Housing Trust/Enterprise Preservation Corporation and Somerset Development Company, began making substantial renovations.



After

Courtesy of NHT/Enterprise Preservation

Improvements to the property include better lighting, secure key card building entry systems, and new kitchens and baths. With support from Enterprise's Green Communities Initiative, Galen Terrace is also now energy efficient. Units feature Energy Star appliances and lighting, efficient heating and cooling systems, and water collection rain barrels. An on-site community center provides after-school and summer programs for youth and computer, financial literacy, and parenting classes for all residents. The property's Section 8 contract has also been renewed, ensuring it will remain affordable for at least another 20 years.

This policy brief was produced with the support of the John D. and Catherine T. MacArthur Foundation.

Once information has been collected and assembled, state and local agencies often choose to focus attention on a subset of properties that appear to be at elevated risk of loss from the affordable housing stock.

Data Collection: An Essential First — and Recurring — Step

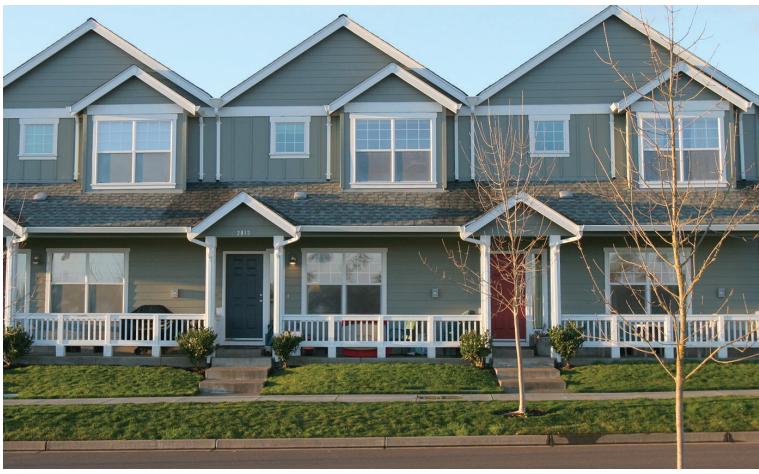
While challenging and time consuming, ongoing data collection is key to maintaining an accurate, up-to-date preservation database. As Bill O'Dell, manager of Florida's Housing Data Clearinghouse, points out, "Do not marginalize the importance of data collection. Analysis is important, but collecting the data and maintaining it over time is crucial."

Preservation inventories are typically compiled by research institutions or public agencies that have housing affordability and preservation as part of their mission. These databases include basic characteristics of the subsidized housing portfolio, including, but not limited to:[1]

- Project name
- Address
- Housing type (senior, family, etc.) or target population (e.g., income-level served)
- Total number of units
- Number of affordable units
- Years affordability restrictions begin and expire
- Funding sources
- Physical condition of the property

Other information may be added depending on the desired scope of the database; the availability of the necessary data; and the ways in which the inventory will be used.

All of the data collection initiatives examined for this brief rely heavily on data from the U.S. Department of Housing and Urban Development (HUD), which tends to be more complete and readily available than information from state or local sources. Nevertheless, even assembling the "basics" listed above can be a formidable challenge. Existing data sets often have gaps or lack critical information. Database administrators may encounter



inconsistencies or duplicate records when combining records from more than one source, even for seemingly uncomplicated attributes such as the property name, address, or number of units receiving rent subsidies. Often, data used in preservation inventories is gathered by multiple agencies and departments that adhere to different standards and use a variety of software programs. Combining this information into a single database can create major logistical complications. Tracking down unavailable or hard-to-find information, some of which may be protected or proprietary, presents yet another obstacle.

In response, researchers have developed an array of creative solutions and work-arounds that address these and other challenges. In Florida, for example, database managers use "business rules" to resolve the inconsistencies that appear when matching and merging data from multiple sources. One business rule establishes a ranking system for data sources: HUD has been determined to be the most reliable source, followed by the Florida Housing Finance Corporation, USDA Rural Development, and local housing finance agencies. When minor variations in project characteristics are reported, administrators accept the figure from the most reliable source first. Major discrepancies are resolved on a case-by-case basis before being added to the inventory.

[1] In most places, the scarcity of project-level information on the unsubsidized stock limits comprehensive data collection and analysis of this part of the market. However, researchers in Cook County are making efforts to capture data on this market segment using data from the County assessor's office, real estate brokers and property management companies.

Managers of the District of Columbia's preservation catalog invite users to submit comments and corrections for individual properties, which are then included in a Notes field to supplement the more formal data gathering process. In New Jersey, difficulties combining data from incompatible sources were resolved by limiting the sources used to those agencies with similar data collection standards and methodologies. As more states and localities become involved in preservation initiatives and refine their data collection processes, it is likely that wider cooperation will generate more solutions to these challenges.

What's All the Data For? Using the Inventory

Once information has been collected and assembled, state and local agencies often choose to focus attention on a subset of properties that appear to be at elevated risk of loss from the affordable housing stock. This process generally involves three steps:

1 Identifying properties at risk of loss from "opting out" — The most basic criteria for assessing risk of loss as a result of owners' decisions to "opt out" of rent-restricted subsidy programs is whether a property is approaching the end of its use-restriction requirements due to contract expiration, bond or mortgage maturity and/or eligibility for prepayment of a subsidized or insured mortgage. Some practitioners further narrow the list of priority properties to those with characteristics that have been shown to be associated with a heightened risk of loss from the affordable housing portfolio, including project rents that are substantially lower than local market rents, family occupancy, and for-profit ownership.[2]

2 Identifying properties at risk of loss from deterioration — Properties may also be at risk of loss as a result of physical deterioration that renders them uninhabitable, although the data available to assess physical condition are limited and can be difficult to access. One measure used by database administrators is a building's REAC score — a number assigned to all multifamily properties that are subsidized or insured by HUD by the Department's Real Estate Assessment Center (REAC), based on the properties' physical and financial condition. Until recently, submission of a Freedom of Information Act request was often needed to obtain this information; however, in November 2007 HUD published for the first time REAC scores for nearly 25,000 projects. The release identifies projects by name, city, and state, but does not include street addresses — an omission that may limit the usefulness of the data.

3 Collecting project-specific data elements for high-risk properties — Once the overall database has been narrowed to a sub-set of properties deemed to be at heightened risk of loss from the subsidized inventory, practitioners can begin to collect detailed information about each at-risk property, assess the actual risk of loss and, when needed, take preventive action to keep units in the affordable housing inventory. In Cook County, Illinois, for example, an initial analysis of the assisted housing stock has helped to winnow down a list of 400 subsidized properties to a manageable inventory of fewer than 100 at-risk properties that can be addressed on an individual basis.

Policy Implications — Early Identification and Better Response

Assembling a preservation inventory is not an end in and of itself, but rather a means to the policy end of preserving and maintaining affordable rental housing. Ultimately, the real measure of success is the extent to which these data collection and analysis efforts help to achieve these goals. The databases allow communities to take stock of their preservation challenges and prioritize where action is needed, both at the project level — "What properties need to be contacted and offered incentives to remain affordable?" — and at the community level — "In what neighborhoods do we need to target efforts to preserve affordable rental housing?"

In areas where at-risk properties are concentrated, localities may choose to craft and implement broader revitalization strategies that can help to reduce these losses on a community-wide basis. In New York City, for example, information about the properties most vulnerable to loss through "opt outs" has been linked to a mapping application, allowing easy identification of neighborhoods where the risk of housing loss is greatest and a broader approach to preservation may be appropriate.

Practitioners and those who compile the databases suggest that preservation databases can also influence public policies in meaningful ways, including:

- **Increased awareness of the at-risk affordable housing stock —** Decision-makers may be able to better understand the need for preservation-related initiatives when presented with a comprehensive

[2]These characteristics are identified as primary risk factors in Multifamily Properties: Opting In, Opting Out and Remaining Affordable. 2006. Prepared by Econometrica, Inc. and Abt Associates, Inc. for the U.S. Department of Housing and Urban Development Office of Policy Development and Research.

Both Mayor Bloomberg in New York City and Governor Corzine in New Jersey have implemented broad affordable housing plans that include goals related to housing preservation.

database containing the number of subsidized housing units and the number with affordability covenants due to expire in the near future. This increased awareness can lead to greater allocation of resources for preservation purposes. In Florida, for example, for the first time the Housing Finance Corporation recently reserved a share of Low-Income Housing Tax Credits for preservation deals. According to Patricia Roset-Zuppa of the Shimberg Center for Affordable Housing, "That [decision] came out of the work we do, maybe not directly, but as a result of us all spending time talking about preservation and having the data there to demonstrate that we have an issue."

- **Increased support for a comprehensive housing strategy —** Many local jurisdictions have adopted comprehensive housing strategies that address the spectrum of housing needs, including preservation. Both Mayor Bloomberg in New York City and Governor Corzine in New Jersey have implemented broad affordable housing plans that include goals related to housing preservation. Development of an assisted housing inventory can provide data that help explain why rental housing preservation may be needed to achieve city- and state-wide housing goals.

- **Increased capacity and resources for preservation initiatives —** In New Jersey, Home and Mortgage Finance Agency staff have plans to use information gathered in their data warehouse to make the case for increasing resources allocated to preservation and related activities. In addition to creating a consolidated database of assisted properties, researchers in New York City will also assess the existing capacity of local housing organizations to manage preservation activities and determine the need for an independent preservation entity.

- **More sophisticated policies and systems to facilitate transfer of ownership —** Non-profits and other mission-driven organizations may have difficulty assembling adequate funds on a very short timeline, but with sufficient notification, properties have a better chance of being successfully transferred to an owner that is vested in preserving affordability. The Interagency Council in Cook County is developing an outreach system that will enable agency staff to contact the owners of high-risk subsidized properties and, when appropriate, refer potential deals to preservation-minded organizations.

See **PRESERVATION** page 6

What About the Unassisted Stock?

States and localities also face the loss of units that do not receive subsidies but, as a result of market conditions, age, or other factors, are affordable to low-income households. While analysis of data on broader rental housing market trends is less common among preservation practitioners, many have expressed an interest in collecting this level of information to enable identification of communities that are "heating up." The early identification of such communities could help prevent the loss of unsubsidized affordable rental housing units to condo conversion and substantial rent increases by giving city officials the opportunity to act quickly and offer incentives to private owners who agree to keep a portion of units affordable to low- and moderate-income households. In addition, identification of at-risk unsubsidized rental units in cities that have weak markets or an older housing stock can help prevent the deterioration and loss of units in need of capital investment. When accompanied by outreach from the local housing finance agency or other organization equipped to offer a refinancing package or broker a transfer of ownership, early identification can help to preserve market-rate affordable housing.

Abstracts

The following table summarizes the types of rental housing data and other features included in the five initiatives reviewed for this brief.

	DATA SOURCES INCLUDED, BY TYPE OF ASSISTANCE				NOTES
	Federal	State	Local	Unassisted	
Cook County, IL data clearinghouse (developed by the Interagency Council, a partnership of local, state and federal agencies)	X	X	X	X	Data on unassisted properties will be obtained primarily through cooperation with the County assessor's office and private property management companies
District of Columbia Preservation Catalog (available at http://www.nlihc.org/doc/dcpreservationcatalog.pdf)	X	X	X		In addition to data gathered from published reports, the Preservation Catalog is supplemented with input from local advocates and technical assistance providers
Florida Housing Data Clearinghouse (available at http://flhousingdata.shimberg.ufl.edu/)	X	X	X		A separate database contains data on public housing and units that receive assistance through project-based Section 8
New Jersey Data Warehouse (maintained by the Housing and Mortgage Finance Agency [HMFA])	X	X			Market analyses by The Reinvestment Fund for areas surrounding HMFA-assisted properties will supplement the Data Warehouse and be used by HMFA to identify neighborhoods in which to focus preservation efforts
New York City consolidated database (to be maintained by the Department of Housing Preservation and Development)	X	X	X		In New York City, data on high-risk properties has been linked to mapping technology, allowing identification of areas where the risk of loss is greatest and implementation of a neighborhood-level approach to preservation may be appropriate

Data from federal sources may include information on developments that receive assistance through HUD or the United States Department of Agriculture's Rural Development programs, as well as properties in the Low-Income Housing Tax Credit database. Data from state sources may include information on developments that receive assistance through housing bond issues and other state–administered programs, such as housing trust funds, as well as recipients of state-level HOME Investment Partnerships Program funds (federal matching block grants reserved exclusively for affordable housing). Data from local sources may include information on developments that receive assistance through local level programs, including recipients of local HOME funds.

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- **Early identification of these properties is made possible through use of the local data clearinghouse.** Keeping track of the affordable housing stock over time also allows program administrators to track trends in the inventory and evaluate the effectiveness of preservation initiatives. Over time, subsidized housing inventories may also help researchers and advocates better understand the effectiveness of various methods of housing assistance in providing sustainable affordable housing opportunities. With a clear and comprehensive account of the outcomes related to various policies and programs, policymakers can make better-informed decisions about the design and re-design of new and existing programs. In Florida, for example, administrators of the Florida Housing Data Clearinghouse regularly prepare reports on the characteristics of the state's assisted rental stock and households in need of affordable housing for the Florida Housing Finance Corporation. The 2007 report included for the first time a risk assessment based on data from the preservation inventory.

Additional Resources

The Shimberg Center for Affordable Housing at the University of Florida has compiled a comprehensive collection of resources, all of which are available at *http://preservation.shimberg.ufl.edu/ResearchAndReports.html.* Selected documents include:

- **Creation of a National Preservation Data Infrastructure Final Report —** Reports on the proceedings of a meeting in May 2007 on the creation of a national preservation data infrastructure.
- **Affordable Housing Preservation: Building a National Data Infrastructure —** Summarizes responses to a survey on the state of preservation-related data collection completed by housing-related organizations.

The National Low Income Housing Coalition is researching the feasibility of creating a national database of subsidized rental properties, and has undertaken case studies in 4 states to inform this research. Reports below are available at *www.PreservationCatalog.org.*

- **An Exploration of State- and Local-Level Subsidized Housing Catalogs: Initial Findings —** Presents responses to interviews with 15 organizations involved in the creation and/or maintenance of a subsidized housing catalog.
- **The Preservation Catalog: Findings from Two Case Studies —** Compares efforts to assemble a preservation catalog in the District of Columbia and Florida, including lessons learned.

The HUD publication Opting In, Opting Out and Remaining Affordable was prepared by Econometrica, Inc. and Abt Associates, Inc. to facilitate identification of HUD-assisted properties likely to "opt out" of federal subsidy programs. The full report is available at *http://www.huduser.org/Publications/pdf/opting_in.pdf.*