New England Housing Network - May 2016

AFFORDABLE HOUSING:

A NEW ENGLAND PERSPECTIVE

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**

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I. Introduction: Home Matters in New England

In order for the New England region to prosper, the challenges regarding housing affordability must be addressed. **Matters of home affect almost every other public issue** including: economic growth; workforce challenges; transportation; public health; childhood development and ending homelessness.

THE CHALLENGE

The cost of housing, particularly rental housing, is mismatched with how much New England families can afford. **The result of this affordability gap is housing poverty**. New England now lacks nearly 350,000 affordable rental units for our lowest income residents. The lack of affordable rental homes means most families pay over 50% of their monthly income towards housing costs, leaving little for other necessities and expenses.

Economic Growth

High housing costs in New England have created an economic imbalance. With too much going towards housing costs, little is left to invest in the regional economy. That is why affordable housing development supports a health economy. **Not only does building affordable housing create jobs, it also leaves a sustained economy in its wake** that supports local revenues and businesses.

Workforce Development

As the economy has recovered and unemployment rates have fallen, workforce shortages are challenging many sectors of the economy. Yet, **high housing costs are dissuading potential candidates from educational advancement** and opportunities to address concerning shortages in careers such as nursing and social work. While housing poverty creates economic inflexibility, access to affordable homes means residents can more easily adapt to the opportunities in a changing economy.

Transportation

Housing unaffordability is a major contributor to commuting challenges. As economic centers become unaffordable, families move further away and develop longer commutes. **Creating affordable housing close to employment eases traffic** and polluting commuting patterns and provides more balanced and diverse housing stock for all members of a community.

Public Health

Housing poverty and poor public health have always been linked. **The lack of affordable rental units gives rise to substandard housing, often the only option for many low-income New England families.** Bed bugs, rodents, lead exposure and asthma inducing environments are common in substandard housing. Building more affordable rental units through critical federal programs often helps to transition families to not only a more affordable home, but a healthier one too.

Childhood Development

A family enduring high housing costs and a tight rental market moves more frequently than families in affordable homes. Recent studies have shown that **relocating frequently affects school performance, behavior and long-term mental health**.

Homelessness

National and regional efforts to end homelessness are hampered by the lack of affordable housing stock. As homeless service providers redouble efforts to move people out of shelters within 30 days, coordinate resources and find a home for every veteran, they are frustrated by the lack of affordable homes for their clients.

FEDERAL HOUSING PROGRAMS MAKE A DIFFERENCE

The solutions to New England's housing challenges lie mostly with critical federal programs. These are the programs that will help New England preserve its current affordable housing stock and kick-start a new era of affordable housing development and rental supports.

Since 1995, the New England Housing Network has convened the leading housing advocates and providers from all six New England states. This document contains the Network's Federal priority policy recommendations. We invite you to review them in detail.

II. Homelessness

About 1.6 million people will enter emergency shelters this year, about 12% of whom are chronically homeless and have been living on the streets with mental illness and other disabling conditions for long periods of time. While at homeless shelters, they ricochet through our most expensive emergency systems. We would rather permanently house them and see that they have adequate support to remain stable. Numerous studies (urban and rural) have shown that it costs less to house people who are homeless than to leave them homeless. Federal investments in proven strategies will allow communities to continue making progress toward their goals of ending homelessness, and will save resources and stabilize lives.

We know what works.
We know exactly how to end and prevent homelessness and whenever we have the resources, we can do it. Investments in ending homelessness among Veterans have paid off with reductions in numbers across the country. This follows investments in HUD/VASH and permanent supportive housing targeting the population. It is feasible to end homelessness – most of our states have numbers of each population in the hundreds.

ISSUES TO SOLVE:

Chronic Homelessness

1) HUD's new definition is focused on delineating long term homelessness based on cumulative nights which better corresponds to efforts to delineate and focus rental subsidies and support services on our longest stayers. One concern is that success will leave states unable to access resources such as Shelter Plus Care for longest stayers. **The NEHN recommends that HUD allow states to:**
   (1) Consider our longest stayers as meeting the chronic homelessness definition so we can continue to direct resources and house them, and
   (2) Determine who is the most vulnerable and serve them with chronic homeless resources as exceptions to that longest stayer definition (some may be apparently headed to chronic homelessness, but have been homeless less than 6 months).

2) Some states have difficulty placing chronically homeless populations with landlords when HUD requires one year leases. Landlords are much more agreeable to occupancy agreements that don't commit them for a year. **The NEHN recommends that HUD allow occupancy agreements to be structured so that we can more readily house our chronically homeless populations.**

POLICY AND BUDGET PRIORITIES:
Housing and Services are what we need to end and prevent homelessness.

Housing:

- Section 8. We need to increase funding for Section 8 Housing Choice Vouchers in FY17 by supporting the President's Budget request of $18.447B for renewals, an additional $88M for new/restored tenant-based rental assistance, and $15M for the Voucher Mobility Demonstration Program. We also support HOTMA (the "Housing Opportunity Through Modernization Act").
- McKinney-Vento Homeless Assistance Grants. We support the President's Budget request of $2.664B. This will help communities to further implement the 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.

Services:

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

- We support the President's budget request of $64.635M for the Projects for Assistance in Transition from Homelessness (PATH) program, and $69M for services in supportive housing within the Substance Abuse and Mental Health Services Administration (SAMHSA) administered by HHS. We also support the President's budget request of $95M for the Department of Justice (DOJ) Second Chance Act grant programs to prevent homelessness for people leaving corrections facilities, and for victims of domestic violence.

III. Section 8 and Public Housing

Federal rental assistance enables over 5 million low-income households to live in safe, stable and affordable housing. Three major programs – Section 8 Housing Choice Vouchers (HCVs), Section 8 Project-Based Rental Assistance (PBRA), and Public Housing – assist about 90 percent of these households. Over 5 million Americans in 2.2 million low-income families use HCVs, the nation's largest rental assistance program, yet fewer than one in four families that qualify for federal rental assistance are assisted. HCVs, PBRA, and Public Housing sharply reduce homelessness and other hardships, lift people out of poverty, and give families an opportunity to move to safer neighborhoods with better opportunities. These effects are closely linked to educational, developmental, and health benefits that can improve children's long-term life chances and reduce costs in health care, child welfare, mental health, corrections, and other public programs.

Section 8 and Public Housing assist roughly 330,000 New England households. Region wide, nearly 70 per cent of these folks are senior citizens or people with disabilities. Most of the rest are families with children. HCVs, PBRA, and Public Housing are especially important in the high cost housing markets of the region, which has over 460,000 *severely cost-burdened* low-income renter families, meaning they pay more than 50% of their income for rent. In addition to helping the region's low-wage working families make ends meet and reducing homelessness, they increase access to stable, independent housing for people with mental illness and and/or substance abuse disorders. Rental assistance also helps New England's economy: Private owners received nearly $1.4 Billion in HCV payments in 2013, helping them to pay property taxes and maintain properties in good condition.

Major Rental Assistance Programs in New England
(# of households in each program)

	Housing Choice Vouchers	Project Based Section 8	Public Housing	Total
Connecticut	34,746	23,543	15,334	73,623
Maine	11,442	8,118	4,071	23,631
Massachusetts	76,926	57,862	35,675	170,463
New Hampshire	9,157	5,814	4,103	19,074
Rhode Island	8,961	15,486	9,398	33,845
Vermont	5,727	3,401	1,787	10,915
New England	**146,959**	**114,224**	**70,368**	**331,551**

Source: Center on Budget & Policy Priorities, August 2015

Unfortunately, funding for rental assistance has fallen sharply over the last six years, increasing hardship for low-income families and hampering efforts to reduce homelessness. Progress has certainly been made against the devastating cuts resulting from Sequestration – about half of the nearly 100,000 housing vouchers lost have been restored – and while ***we are generally encouraged by the Senate's THUD budget***, much work remains to be done if we are to make true progress in reducing poverty and homelessness.

BUDGET PRIORITIES

- **Housing Choice Vouchers** – $20.854 billion to renew all vouchers in use and fund new vouchers for homeless families with children, Homeless Veterans, Family Unification, Housing Mobility, existing Tenant Protection and Mainstream vouchers ($110M each), and administrative fees ($2.077B to fully fund).
- **Project-Based Rental Assistance** – $10.9 billion to renew all rental assistance contracts and avoid raising the medical deduction threshold for seniors and people with disabilities.
- **Public Housing Operating Fund** – $5.464 billion.
- **Public Housing Capital Fund** – $1.925 billion.
- **Choice Neighborhoods** – Support President's request of $200 million.
- **Resident Opportunity and Self-Sufficiency (ROSS)** – $35 million.

POLICY PRIORITIES

- ***Strongly support*** **Senate passage of H.R. 3700 without any changes.** The bill's long awaited, bi-partisan rental assistance reforms such as streamlining income re-certifications, expediting inspections, expanding project-based vouchers, assisting mobile home owners, and encouraging higher income growth and economic mobility.
- **Medical expense deductions** – Oppose proposals to increase the deduction threshold to 30%.
- **Rental Assistance Demonstration (RAD)** – Remove cap on units, include Section 202, make tenants eligible for ROSS.
- **Moving to Work** – Oppose further expansion until current expansion has been completed and evaluated.
- **Fair Market Rents (FMRs)** – Require HUD to change methodology for setting FMRs in rural areas, allow for greater reliance on local rent survey data, and expedite review of exception payment standards.

IV. Capital Programs (HOME, CDBG, and NHTF)

HUD's capital programs provide critical funding for increasing the supply of affordable housing, rehabilitating existing structures, and making essential community improvements. Two bedrock programs–HOME and the Community Development Block Grant Program (CDBG)–are used extensively throughout New England. A third, the National Housing Trust Fund (NHTF), was authorized in 2008 but is only now poised for the first release of funds this summer.

HOME and CDBG are block grants to the states and larger municipalities and can be used for a variety of purposes to meet housing, and in the case of CDBG, other community development needs in response to state and local priorities. Together they respond to local priorities to create healthy, viable communities.

The budget agreement reached last year will continue to provide some relief from sequestration restrictions. Nonetheless, spending levels for CDBG and HOME remain significantly below pre-sequestration levels. For example, CDBG formula grants to states and municipalities were funded at $4 billion in FY10 while the Administration's FY17 budget request would set an appropriation level at only $2.88 billion. HOME funding has decreased from $1.8 billion in FY11 to $950 million in both the Administration's and the Senate Appropriation Committee's proposals.

In December 2014, Federal Housing Finance Agency Director, Mel Watt, lifted the suspension on setting aside a very small portion (2.73 basis points) of the business volume at Fannie Mae and Freddie Mac for the NHTF. This summer, HUD will make $173 million available nationally under the first round of NHTF funding. New England's share will be $18.4 million, which will chiefly benefit renter households with incomes less than 30% of the HUD area median income.

BUDGET PRIORITIES

- **Appropriate at least $1 billion for HOME** with the goal of increasing funding over the next few years. Do not eliminate formula grants for small Participating Jurisdictions by increasing the minimum grant qualification threshold.
- **Restore CDBG funding** to at least the FY15 level of $3 billion and protect the program from further cuts. Over time restore CDBG to pre-sequestration levels.
- **Resist CDBG formula changes and attempts to consolidate the CDBG and HOME programs** as well as other potential reforms that would decrease the resources currently going to New England.
- **Fund the Administration's Upward Mobility Project, which would allow up to ten states to fund projects that would blend HHS and HUD financing.** As more communities recognize the links between healthy homes and communities, we need to provide flexible resources, which cut across traditional program areas.

POLICY PRIORITIES

- **Urge HUD to adopt risk-based monitoring of grantees as a more efficient strategy for monitoring grantees.** The "one size fits all" approach wastes scarce resources.
- **Urge HUD to provide further guidance that is not overly burdensome, regarding HOME standards** for buildings, inspections, and monitoring.
- **Urge HUD to modify the HOME regulations to enable CHDOs to participate as co-general partners in Housing Credit limited partnerships and still qualify for the 15% CHDO set-aside.**
- **Urge HUD to modify environmental review procedures for HOME, CDBG and the NHTF which add months and sometimes years, to the predevelopment process.** Redefining "choice limiting actions" to allow for the use of conditional purchase will advance housing production.

V. Rural Housing

The New England Housing Network is very encouraged by this Administration's apparent renewed focus on some key rural housing programs. In particular, we want to applaud USDA Rural Development for taking some important steps forward to create and sustain partnerships, develop and disseminate better data and increase transparency, and to address some of the critical issues facing rural housing before the end of this Administration's term. In addition, the Administration's proposed FY17 budget contains some encouraging news for most rural housing programs, and the House Appropriations budget even includes increases, which we support. We note, however, that the amount of funding proposed is still much lower than the relatively robust levels of 2011 - levels at which these essential programs were able to make a significant difference in the lives of rural Americans. In addition, if Congress does not address the Budget Control Act caps, even modest proposed funding increases face a challenge. Compounding this problem is the significant underfunding of programs like CDBG and HOME, and the elimination of Section 202 capital grants, which are critical flexible tools for rural states and communities. With our reliance on high-cost, unregulated fuels and the prevalence of older housing, cuts in the LIHEAP and Weatherization Programs also hit low income rural New Englanders especially hard.

According to U.S. Census data, in 2014 the non-metro poverty rate was 18.1% - a full 3 points higher than the metro rate. The national poverty rate was 15.1%, yet the rural poverty rate was even higher –at 18.1%. Many rural households are in counties classified as high poverty with a rate of 20% or more. According to recent USDA research, income inequality is exacerbated in rural America, resulting in high child poverty rates. From 2003 to 2012, the rural child poverty rate grew by 6.6 points from 20.1 to 26.7 percent, the highest rate since at least 1968.

These alarming numbers underline the need to build new rural rental housing and prioritize programs that serve low- and very low- income people. USDA's rural housing direct loans and grants for housing and community facilities have been cut substantially over the past six years to the point where they are significantly less powerful tools to meet housing and community development needs. For example, the 515 Rural Rental Housing Program is now at a level that virtually precludes using that program to produce new units of housing, and the 502 Direct homeownership loan program has largely been replaced by the Guarantee program that serves higher income homebuyers. In addi-tion, a crisis in the 515 program is at hand as old mortgages mature and tenants lose their accompanying rental assistance and face displacement.

BUDGET PRIORITIES:

- **$1.405 billion for Section 521** Multi-Family Rental Housing Rental Assistance Program
- **$1 billion for Section 502** Direct Loans
- **$40 million for Section 515** Rural Rental Housing Program
- **$40 million for the Multi-Family Housing Preservation and Revitalization Program (MPR)**
- **$10 million for Section 533** Rural Rental Preservation Grants
- **$4 million for the Rural Community Development Initiative**

POLICY PRIORITIES:

- **Preserve** 515 properties with maturing mortgages
- **Protect residents** by finding ways to preserve tenant subsidies for properties with maturing 515 loans
- **Work to restore the 514 and 515 programs and accompanying rental assistance to a point where those programs can again be used t**o create new housing in rural areas
- **Continue and expand innovative program pilots** including those involving housing non-profits
- **Ease very low-income targeting** in the Section 502 Single Family Direct Program
- **Increase flexibility** in REO disposition, with first offer to nonprofits that preserve affordability
- **Continue** improvement of data systems, transparency, sharing of information, and partnerships across agencies and departments and with private non-profit and for-profit entities
- **Work on innovations** to facilitate the use of RD programs to house certain populations such as people leaving correctional institutions or those addicted to substances