



National Association of Housing and Redevelopment Officials

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NAHRO Responds to FY 2005 Housing Budget Proposal

(Feb. 4, Washington, D.C.) -- The FY 2005 budget proposal for housing released by the Administration this week attempts to balance fiscal responsibility and limited funding for domestic discretionary programs with the need to address a larger and more economically diverse population of American families with housing needs. Proposals to increase homeownership opportunities, particularly among minority households, represent a place where the National Association of Housing and Redevelopment Officials (NAHRO) believes common ground can be found in this budget.

Questions arise, however, about meeting the rental housing needs of low-wage earner families, and supporting programs designed to stimulate community revitalization and local economic development. Rental housing is the stepping stone to home ownership, and community and economic development programs complement housing. The Administration's FY 2005 budget if approved would severely restrict the ability of local housing agencies (LHAs) and communities to promote safe, affordable housing. Proposed cuts would limit essential help for the growing number of families who need financial assistance and programmatic support for the most basic housing needs.

Today, one in seven American families are either paying more than 50 percent of their incomes for housing or are living in overcrowded or substandard conditions. The threshold question that must be asked is whether Congress and the Administration can meet existing funding needs as well as the growing demand for new housing assistance, while providing resources no greater than those agreed to in FY 2004.

In short, NAHRO believes that program flexibility and methods that increase LHA ability to conform to local market demands are not a solution for a reduced federal commitment to housing. In addition, we believe that programs proven to stimulate housing and community and revitalization should be preserved and expanded in order to more effectively link housing to other vital objectives such as job creation, access to transportation and responsible growth practices.

Among the more pressing issues and concerns contained in this budget request are the following:

The proposed **Flexible Voucher Program**, while providing administrative flexibility, would also cut funding in 2005 by an estimated \$1.1 billion in direct appropriations. The reduction means an estimated 150,000 families would lose services. This funding cut would require LHAs to make painful decisions: they would be forced to find additional non-federal funds in order to serve the current number of families, or serve fewer families, or increase the rent burden. NAHRO believes that the significant funding cuts implicit in the adoption of this proposal will undermine the ability of LHAs to meet the needs of low-wage earner families.

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The budget indicates that the **Community Development Block Grant Program (CDBG)** needs improvement based on a presumed lack of clarity in its purpose and design, weak targeting and a lack of sound performance measures. NAHRO believes that the CDBG program has been a critical resource for communities across the nation. Over the last 30 years, CDBG funding has stimulated necessary community revitalization projects, which have encouraged economic growth. Accordingly, we have serious questions regarding the Administration's concern. Any process changing the program's flexibility or its formula must include an open and extended dialogue with stakeholders who recognize the needs of local communities.

The budget proposes for a second straight year to eliminate HUD's **economic development portfolio** of programs including Section 108, Brownfields, Empowerment Zones and Empowerment Communities, and Rural Housing and Economic Development. Congress restored funding for each of these programs in 2004. These programs have been demonstrably successful and the resources they provide help states and local government with limited funding to accomplish vitally important community redevelopment activities. These programs should be restored to FY 2004 appropriated funding levels at a minimum.

Similarly, the budget proposal again would eliminate funding for the **HOPE VI Program**. Although the Administration raised many of the same concerns and objections last year about HOPE VI, Congress agreed to ongoing funding for this valuable program as part of the FY 2004 omnibus appropriation bill. The report to accompany S. 1584, the Senate's version of the 2004 appropriations bill, called upon HUD to reconsider the elimination of HOPE VI, stating that the program had funded "innovative projects that work as both public and mixed income housing as well as building blocks to revitalizing neighborhoods." NAHRO and other interested parties support the continued funding for HOPE VI at \$625 million.

The **Capital Fund** has remained flat since 2002, with no change for FY 2005. As proposed at \$2.674 billion, the fund incorporates \$189 million in set-asides. These set-asides would effectively drop the amount available for the formula to \$2.485 billion pending HUD adjustments, which is insufficient to cover annually accruing capital needs and does not address backlogged needs. NAHRO believes that reducing the amount of funds available to LHAs under the formula is counterproductive and will undermine efforts to improve and preserve the existing inventory as costs continue to rise. Some larger housing agencies have employed the program's provision to use capital funds for debt service in order to extend scarce capital funds, but this does not make up for inadequate funding.

The public housing **Operating Fund** contains a new \$15 million set-aside for a "**voluntary graduation program.**" Housing agencies would receive a bonus for helping move families off of federal housing subsidy by providing supportive services and economic opportunities. However, there is no funding for these special programs, and agencies must operate within the confines of the program to achieve the goal.

The **Moving to Work Demonstration** program permits up to 32 LHAs to pursue innovative housing programs. Last year, the Senate voted unanimously to instruct HUD to extend expiring Moving to Work Demonstration contracts in local communities and conduct further study of the program. The administration should institute a more rigorous evaluation of the programs and share best practices with all agencies to foster innovation throughout the public housing program. Building upon the Senate's bipartisan recommendations, HUD should extend current demonstrations and expand the total number of participants to 100 agencies.

NAHRO stands ready to work with Congress and the Administration to address the above concerns and welcomes the opportunity to find pragmatic and cost effective solutions to meet the nations housing needs.