



National Association of Housing and Redevelopment Officials

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March 12, 2008

The Honorable Patty Murray
Chairman
Subcommittee on Transportation, HUD,
and Related Agencies
Senate Appropriations Committee
Washington, DC 20510

The Honorable Christopher Bond
Ranking Member
Subcommittee on Transportation, HUD,
and Related Agencies
Senate Appropriations Committee
Washington, DC 20510

Dear Chairman Murray and Ranking Member Bond,

Thank you for holding an oversight hearing on HUD's FY 2009 Budget. The 23,000 members of the National Association of Housing and Redevelopment Officials (NAHRO) look forward to working with you and the Committee to ensure that our nation's housing and community development needs are adequately addressed as part of the FY 2009 budget and appropriations process.

Following a detailed review of the Administration's 2009 budget presentation, we believe the request not only calls into question the underlying justification for critical program funding cuts in FY 2009, but also raises a more fundamental question regarding the administration's plans to address well-documented and long-deferred housing and community development needs. A full listing of NAHRO's funding recommendations to help address current needs is attached to this letter. We have also attached several charts demonstrating the impact of the president's budget on HUD programs. We hope you find this information to be helpful.

Housing has taken center stage of late as many families face foreclosure resulting from questionable, sub-prime lending practices. As the "first responders" to local housing needs, local housing agencies have already been called upon to assist families caught up in this crisis. Community development agencies are already searching for ways to help devastated neighborhoods to recover. Our members stand ready to continue to assist families and communities in need. Going forward, we welcome the opportunity to work with the Committee to design and later implement pragmatic responses to this crisis.

However, as the Committee is also well aware, the nation's housing and community development needs are much larger than the mortgage crisis we now face. Consider the fact that nearly 14 million American families face severe housing needs, paying over 50 percent of their incomes toward housing costs or living in substandard housing. In communities nationwide, families face daunting waits for scarce rental housing assistance. In fact, on any given night, nearly 750,000 people, many of them children, are homeless.

In short, NAHRO believes that the administration's 2009 budget request, if adopted, would continue a pattern of large scale disinvestment in our nation's irreplaceable inventory of

affordable housing and would undermine efforts to sustain vibrant communities by cutting or eliminating programs to revitalize our nation's community infrastructure.

In recent years, we have made the committee aware of our questions and concerns regarding significant funding reductions contemplated in affordable housing and community development programs. These questions are raised once again by the President's FY 2009 proposal. Going forward, we believe the larger question before the Congress is: what resources are necessary to sustain current levels of assistance to families and communities, and how as a nation do we begin to make progress toward addressing unmet needs? For example, how will we preserve 1.1 million units of public housing, renew all vouchers, maintain vital community and economic development services, and address the millions waiting for some form of assistance to secure decent housing? These are the questions your Committee, along with your colleagues on the Budget and Appropriations Committees in both houses, must, in our opinion, resolve to address.

Among the more striking examples found in this budget which we believe to be emblematic of the challenges and concerns noted above is the administration's request for basic public housing operations. The Department's own budget justification states that \$5.3 billion is necessary to subsidize the 1.1 million families living in public housing, yet its budget request inexplicably asks for just \$4.3 billion. We believe that the rationale for this and other contradictions in the budget request is best explained by the Administration and we hope that more will be learned during your hearing. It is safe to say, however, that the FY 2009 budget request, which would fund local agencies' public housing operations at just 81 percent of need, would constrain local agencies' ability to administer public housing in a responsible way and, as a result, underserve those most in need. In sum, we believe this budget denies residents the quality of life in public housing that they deserve.

There are several additional recommendations in this budget request that merit reversal. For example:

- **Disinvestment in Public Housing Infrastructure:** The budget proposes \$2.024 billion for the Capital Fund, a \$415 million (17 percent) decrease compared with the amount provided by Congress for FY 2008 (\$2.438 billion). This recommendation has been put forward for the second year in a row despite the fact that the HUD's own estimates of long term deferred maintenance are between \$18 and \$20 billion dollars.
- **No Disaster Planning for Public Housing:** Within the Capital Fund account, the budget does not request funding for public housing disaster relief. The budget narrative states that "FEMA disaster assistance is available for any needs that are not covered by the required property insurance." Despite HUD's assertion, however, disaster assistance from FEMA for PHAs has not been forthcoming in recent years. Differing HUD and FEMA interpretations of the agencies' Memorandum of Understanding (MOU) have meant that neither agency has stepped in to provide the funding necessary in a major disaster, save HUD's limited allocation of emergency capital funds.
- **HOPE VI Eliminated:** The President's budget proposes, once again, to zero out funding for the HOPE VI program. Instead, the administration intends to spend out the "remaining balance" in the program, which amounts to more than "\$1.4 billion as of the

end of 2006." Except for unawarded grants from FYs 2007 and 2008, however, this \$1.4 billion is already committed to previously awarded grants. It is not available for new projects and awards as the administration seems to imply.

- **Deep Reductions in CDBG Formula Grants:** The President's FY 2009 proposal would fund Community Development Block Grant formula grants at \$2.934 billion, a \$659 million (18 percent) cut. This proposed cut is actually \$865 million (24 percent) if one considers the administration's unrealistic proposal to offset FY 2009 funding by rescinding \$206 million in prior-year, special-purpose grants. Amounts available to local communities would be further reduced if Congress adopted the Administration's proposal to set-aside \$200 million of the remaining CDBG funding to support competitive "challenge grants" for communities pursuing targeted neighborhood revitalization.
- **Elimination of Economic Development Programs:** The budget proposes to eliminate the Section 108 Community Development Loan Guarantee program, the Brownfields Economic Development Initiative (BEDI), and the Rural Housing and Economic Development (RHED) program, arguing that "these programs are duplicative" and that "their activities are eligible to be funded by CDBG and other federal programs." Because they are valuable components of the federal community and economic development toolkit and should remain available to states and localities, NAHRO has consistently called upon Congress to fully fund HUD's economic development programs. The Section 108 program, for example, allows an entitlement community to borrow up to five times the amount of its most recent CDBG formula allocation in order to finance large-scale physical improvement projects. HUD's own Office of Community Planning and Development, during a recent briefing for public interest groups, suggested that the Section 108 program could be valuable to communities as a "source of funding to address problems created by the sub prime crisis" noted above. All three programs received funding under the FY 2008 omnibus appropriations act.
- **Insufficient Housing Voucher Assistance:** HUD's budget assumes \$14.161 billion in FY 2009 appropriated funds for rental housing assistance voucher renewals, to be augmented by \$600 million in agencies' net restricted assets, for a total of \$14.8 billion. NAHRO's preliminary estimate is that \$15.4 billion will be needed to support the voucher program in FY 2009. When compared with PHAs' voucher expenditures in calendar year 2008, HUD's budget request would leave the program significantly underfunded at levels insufficient to cover inflation, let alone the renewal of approximately 14,000 incremental vouchers appropriated in FY 2008.
- **Underfunding Effective Administration of the Voucher Program:** HUD's budget request includes \$1.4 billion for Housing Choice Voucher administrative fees, including \$1.34 billion for ongoing fees of existing vouchers and up to \$40 million for PHAs that need additional funding to administer new vouchers in FY 2009. The nominal increases in these accounts, however, will be insufficient to fully pay for needs for both ongoing and new vouchers, leading to likely downward prorations of administrative fees. Without sufficient funding for administration, local agencies will not be able to maximize the efficiency of available rental assistance dollars, will not be

able to maintain program integrity, and will not be able to provide families with the services and support necessary to find appropriate housing.

- **Short-funding Project-Based Section 8 Contracts:** HUD's budget would provide \$7 billion for the Section 8 project-based multi-family housing program for FY 2009, representing a \$682 million increase (10.8 percent). In addition to the \$7 billion, the budget proposes a \$400 million advance appropriation, which would become available on Oct. 1, 2009, to bridge renewal funding into FY 2010. Recent HUD estimates of the amount needed to fully fund renewals for the full twelve-months of the contract term rather increments through September 30, 2009, have cited the need as \$8.1 billion. NAHRO is concerned that the short-funding of contracts as proposed by the Department may increase owner uncertainty and hasten the loss of affordable housing.

Taken together, the budget request provides no assurance that well-documented housing and community development concerns will be resolved in FY 2009. This, in our opinion, places our invaluable affordable housing infrastructure at risk and thwarts our ability to undertake necessary revitalization of our neighborhoods and communities. Some will contend that larger, unrelated budget pressures necessarily limit funding for these accounts. However, those familiar with the nation's housing and community development assets fear that we will pay an even greater price for years of disinvestment in this infrastructure if we fail to recognize the economic downside of our inaction and continue to underfund these accounts.

Our public housing stock represents a seventy-year commitment to provide decent, safe, and affordable housing in this country. Local housing agencies, with few exceptions, preserve this inventory in a responsible and cost-effective manner. However, this is an older inventory that, like any other form of real estate, will deteriorate if its needs are unmet. The longer these needs are unaddressed, the more the cost of repairing the infrastructure grows. If let go too long, the price tag to sustain this inventory will become too great a burden on the federal budget. At that point, absent a plan to provide new affordable housing, families will, quite possibly, be displaced.

Thank you for this opportunity to outline our concerns and advance our recommendations on the FY 2009 HUD budget. Under your leadership, the committee has worked hard in recent years to improve upon a series of bad HUD budgets. We look forward to working with you once again this year to ensure that America's affordable housing and community development needs are addressed in FY 2009.

Sincerely,



Saul N. Ramirez Jr.
Executive Director

Attachments

NAHRO FY 2009 Funding Recommendations			
Program (\$ in Millions)	'08 Enacted	'09 Proposed	NAHRO Recommendation ^a
Public Housing Operating Fund	\$4,200	\$4,300	\$5,300 ^b
Elderly & Disabled Service Coordinators	[\$15]	[\$16]	\$50
Public Housing Capital Fund	\$2,439	\$2,024	\$3,500
Resident Opportunity & Supportive Services	[\$40]	[\$38]	\$55
HOPE VI	\$100	\$0	\$800
Safety & Security	\$0	\$0	\$310
Tenant-Based Rental Assistance (Sec 8 Vouchers), Total	\$16,391 ^c	\$15,881 ^c	
Housing Asst. Payments	[\$14,695] ^c	[\$14,161] ^c	\$15,400 ^d
Admin Fees	[\$1,351]	[\$1,400]	\$1,540
FSS Coordinators	[\$49]	[\$48]	\$72
Tenant Protection Vouchers and Administration	[\$200]	[\$150]	Fully Fund
Project-Based Section 8	\$6,382	\$7,000	Fully Fund
Community Development Fund	\$3,866	\$3,000 ^e	
Community Development Block Grant formula grants	[\$3,593]	[\$2,934] ^e	\$4,500
Brownfields	\$10	\$0	\$25
Rural Housing/Econ. Dev.	\$17	\$0	\$25
Sec. 108 Loan Guarantees	\$5	\$0	\$7
HOME	\$1,704	\$1,967	
HOME Formula Grants	\$1,628	\$1,901	\$2,000
ADDI set-aside in HOME	[\$10]	[\$50]	
HOPWA	\$300	\$300	\$300
Homeless Assistance Grants	\$1,586	\$1,636	At least \$1,636 ^f
Affordable Housing Production			\$1,000 ^g

^a NAHRO requests are for stand-alone programs only. Blank indicates no position.

^b Reflects the administration's own estimate of need.

^c TBRA figures displayed on a program-year basis, consistent with appropriations bill language. HUD documents display figures on a fiscal year basis, which blends program years.

^d Renewal of existing and incremental vouchers based on 2007 calendar year voucher leasing and cost data through September 30, 2007, inflated by blended BLS Consumer Price Index, Urban (CPI-U), Rent of Primary Residence component. Assumes a 96% utilization rate.

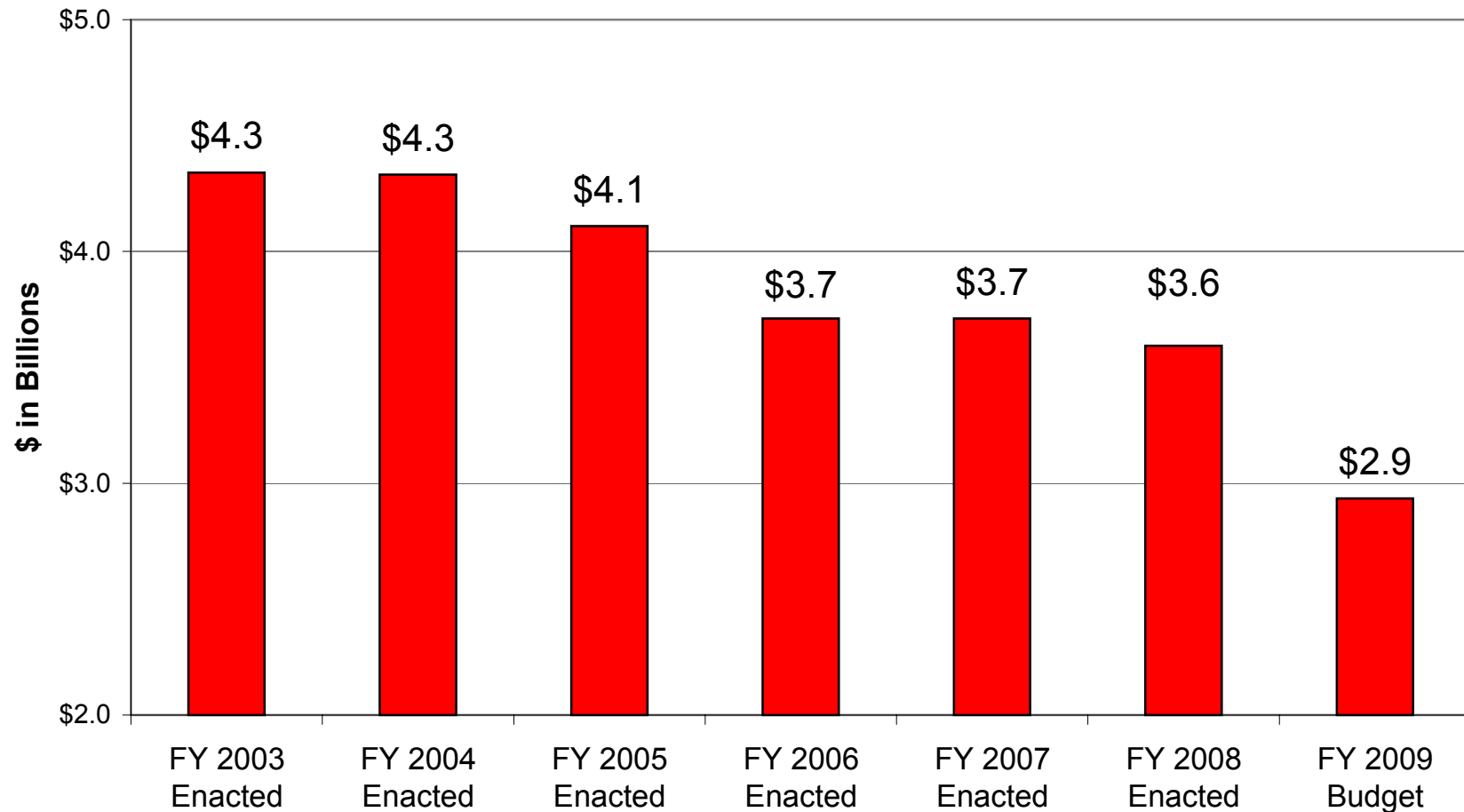
^e The President's budget nominally requests \$3.000 billion for the CD Fund for FY 2009. However, it offsets this amount by presuming the cancellation of \$206 million in FY 2008 Economic Development Initiatives and other earmarks within the fund. The combination of the request and rescission results in a net FY 2008 appropriations request of just \$2.794 billion for the CD Fund.

^f NAHRO's proposed funding level for Homeless Assistance Grants is for existing McKinney-Vento programs and does not include the administration's proposed \$50 million set-aside for the Samaritan Initiative.

^g Affordable Housing Production should be derived from sources other than appropriations if possible.



Community Development Block Grants Cut Dramatically FY 2003 - FY 2009

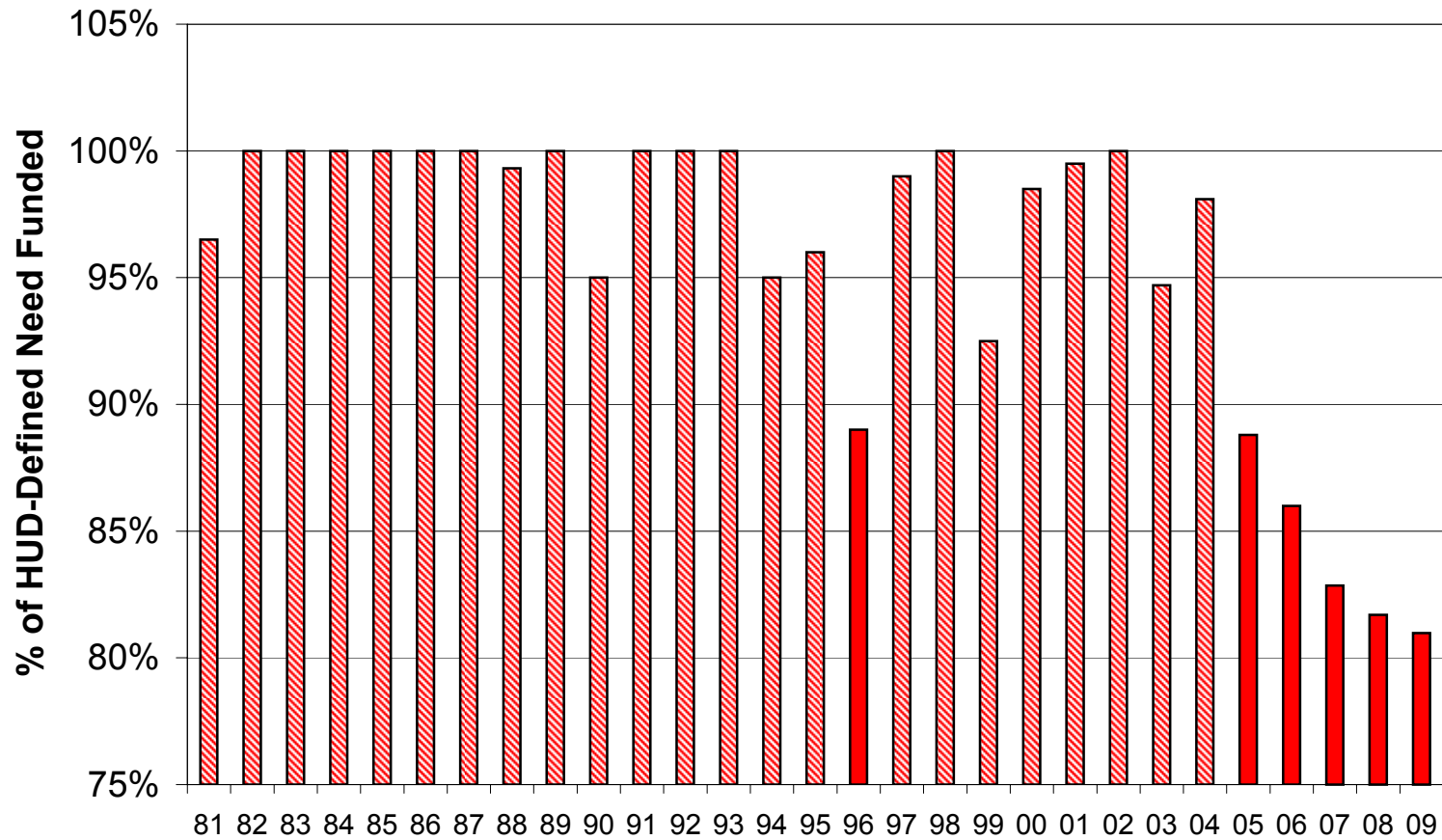


Note: CDBG *formula* grants only. President's FY 2008 Budget proposes \$2.934 billion for CDBG formula grants, but assumes \$206 million of that amount would be funded through rescission of prior-year earmarks.



Public Housing Operating Fund in Historic Decline

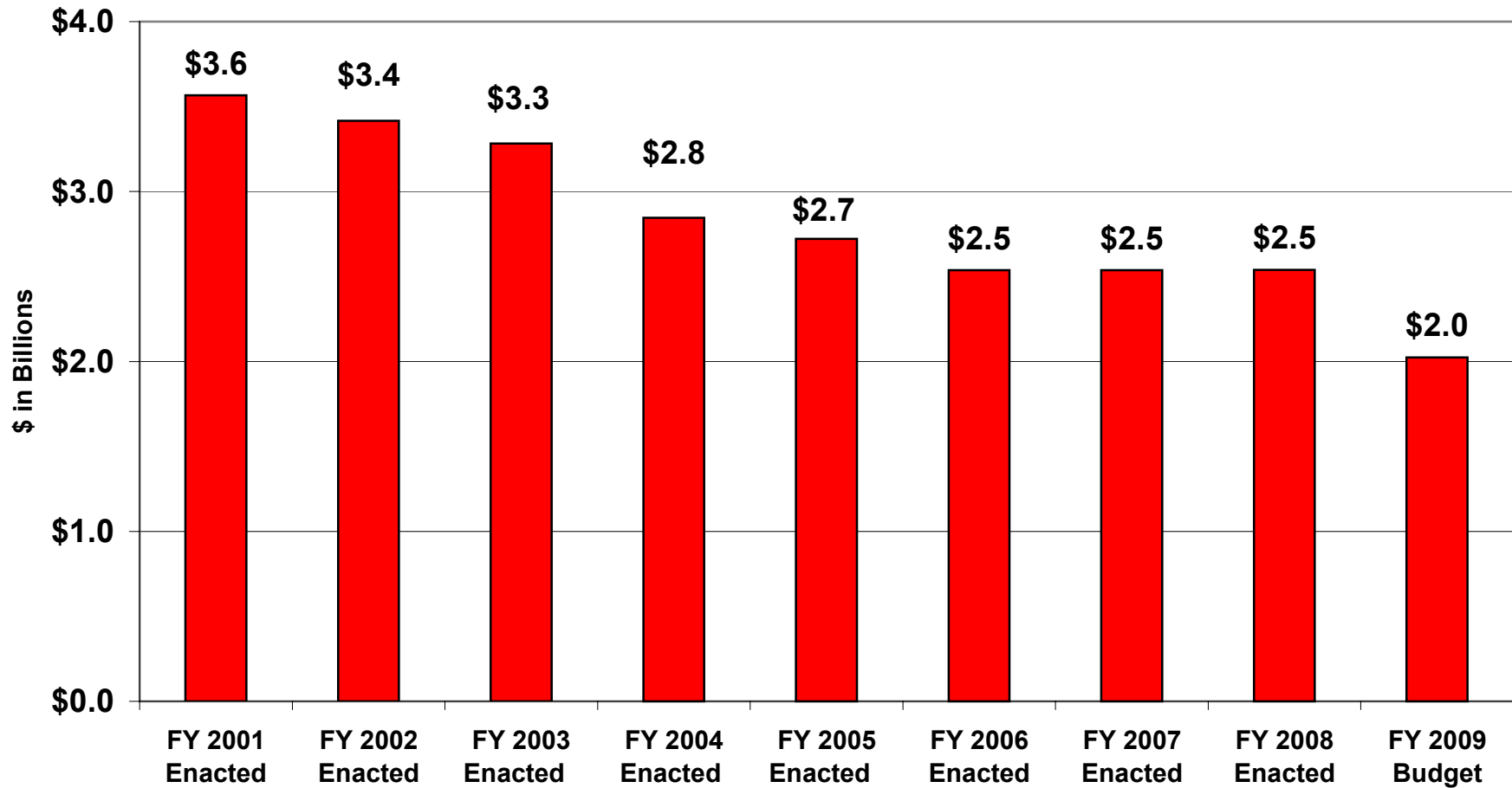
Operating Fund Prorations, FY 1981 - FY 2009



Note: The Proration is the percentage of HUD-defined Operating Fund needs covered by available appropriations. Source: HUD Operating Fund data. Fiscal Year 2009 = President's budget; all others enacted



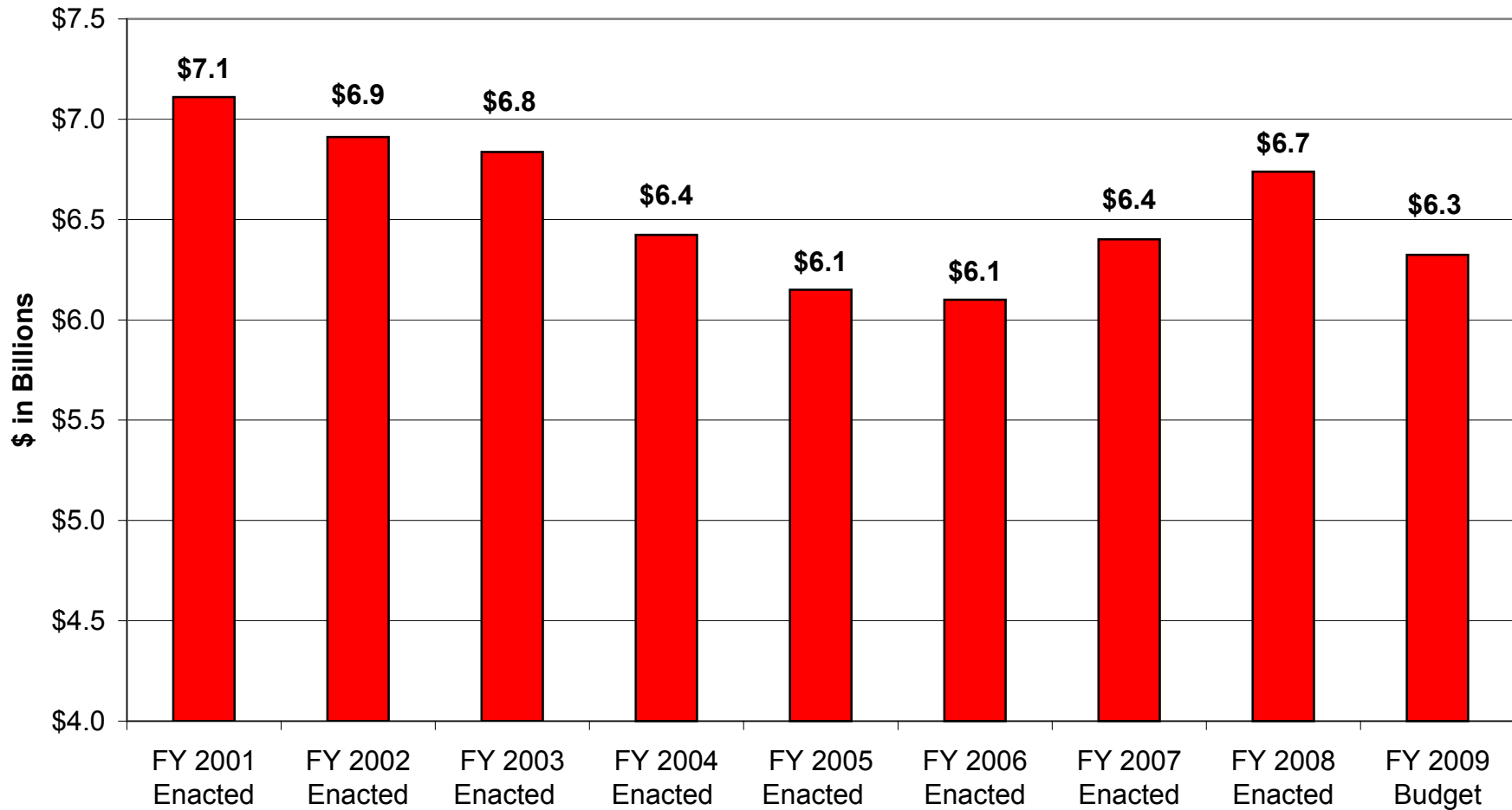
Public Housing Capital Investment Eroding FY 2001 - FY 2009



Note: Total includes the Public Housing Capital Fund and HOPE VI.



President's FY 2009 Budget Continues Public Housing Disinvestment



Total funding includes Public Housing Operating Fund, Capital Fund, Drug Elimination Grants and HOPE VI. Enacted dollars not adjusted for inflation. FY 2005 annualized to correct for a one-time shift in the Operating Fund program year.