STATEMENT BY

ROSLYN PHILLIPS, CHIEF
COMMUNITY DEVELOPMENT DIVISION
CITY OF JACKSONVILLE, FLORIDA

CONCERNING FY2001 APPROPRIATIONS FOR THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

ON BEHALF OF THE

U.S. CONFERENCE OF MAYORS
NATIONAL ASSOCIATION OF COUNTIES
ASSOCIATION OF LOCAL HOUSING FINANCE AGENCIES
NATIONAL COMMUNITY DEVELOPMENT ASSOCIATION

BEFORE THE
VA, HUD AND INDEPENDENT AGENCIES
APPROPRIATIONS SUBCOMMITTEE
U.S. HOUSE OF REPRESENTATIVES

APRIL 13, 2000

Mr. Chairman and Members of the Subcommittee:

My name is Roslyn Phillips. I am Chief of the Community Development Division for the City of Jacksonville, Florida. I am testifying on behalf of the National Community Development Association, the U.S. Conference of Mayors, the National Association of Counties, and the Association of Local Housing Finance Agencies. We appreciate the opportunity to present our views on FY2001appropriations for the Department of Housing and Urban Development, and in particular, the two priority programs for local governments Β Community Development Block Grants (CDBG) and the Home Investment Partnerships program (HOME).

We thank you, Mr. Chairman and Members of the Subcommittee for your continuing support for these priority local government programs. We are especially pleased by the $50 million increase in CDBG in FY2000 to $4.8 billion, and maintaining HOME funding at $1.6 billion.

As we stated in our testimony last year before this Subcommittee, local officials continue to be concerned about setting aside funds out of CDBG to fund "boutique", or one-time programs. We particularly oppose set-asides that are unrelated to the core purpose of CDBG. Despite increases in the appropriations for the program in recent years, the fact is over the past five years actual formula amounts to urban counties and central cities have been cut as a result of set-asides and an increase in the number of entitlement communities. Between FY95 and FY 2000, CDBG set-asides rose from $95 million to $560 million, more than 10 percent of the total appropriation.

We are also concerned about HUD's proposal to extend entitlement status to smaller cities and counties, the "optional entitlement program." This could have the effect of further diluting the share of funds for current entitlement communities. Such a fundamental change in the program should not be considered until data from the 2000 census is available and analyzed, and not before there are full hearings by the authorizing committees.

We are also concerned about the continued availability of technical assistance funds to aid in the effective administration of CDBG and HOME. We want the committee to know how important these funds are to local governments, and that they should remain as authorized and appropriated, and not be re-directed for other uses.

Mr. Chairman, local government officials urge you to increase CDBG formula grants to entitlement jurisdictions by increasing the overall appropriation for CDBG in FY2001 to at least $5 billion and by scaling back funds set-aside under CDBG for special purpose grants.

WHY CDBG IS EFFECTIVE AND CRITICALLY NEEDED

Celebrating its 26th year, having been signed into law by President Gerald Ford in 1974, CDBG is the Federal government=s most successful domestic program. The CDBG program's success stems from its utility, i.e., providing cities and counties with an annual, predictable level of funding which can be used with maximum flexibility to address their unique neighborhood revitalization needs. Based on HUD=s most recent annual report to Congress, between FY1993 and FY1996 an estimated 14-17 million households benefitted from the CDBG program. During that same period an estimated 114,799 jobs was created through CDBG-funded economic development activities. In FY 1993, entitlement communities spent funds in the following manner: housing rehabilitation, assisting over 200,000 households (35.8 percent), public works and infrastructure (22.7 percent), planning, monitoring and program administration (14 percent), public services (12 percent), acquisition and clearance of property (7.3 percent), preventing or eliminating slums and blight (6 percent), and economic development (6 percent).

IMPACT OF HOME

Like CDBG, the HOME program is producing very positive results in expanding the supply of affordable housing. Enacted as the centerpiece of the 1990 National Affordable Housing Act, the program became law with President Bush’s signature.

Testimony of HOME’s effectiveness can be found in the Committee Report accompanying the House version of the FY1999 appropriations bill where it praised the HOME program and gave it additional funding Abecause it can document results.@ The report said that Athe program tracks the performance of its grantees and measures their performance to determine whether the federal investment is worth while.@

According to cumulative HUD data, since HOME was created in 1990, it has helped to develop or rehabilitate over 495,401 affordable homes for low- and very-low income families. Ninety percent of the HOME funds used for rental housing must be targeted to families with incomes at or below 60 percent of the area median. The balance may assist those with incomes up to 80 percent of the median income.

Targeting is very deep in the HOME program. The majority of HOME funds have been committed to housing that will be occupied by very low-income people and a substantial amount will assist families with incomes no greater than 30 percent of median. As of the end of February, 2000, more than 89 percent of home assisted rental housing was benefitting families at or below 50 percent of area median income.
Sixty percent of all home-assisted rental housing (including tenant-based rental assistance) was helping families with incomes at or below 30 percent of area median income.

HOME funds help low- and very-low income families realize the dream of homeownership by providing for construction and rehabilitation of housing as well as providing the down payment and or closing cost assistance in the form of second mortgages necessary to bridge the gap. Since 1990, HOME funds have been committed to 277,334 homeowner units. All HOME funds used for homeownership must be targeted to households with incomes at or below 80 percent of area median.

HOME is cost effective and provides the gap financing necessary to attract private loans and investments to projects. For each HOME dollar, $2.37 of private and other funds has been leveraged since the program s inception. This clearly illustrates the effective and judicious use of HOME funds by participating jurisdictions.

Local officials urge you to fund the HOME program in FY2001 at a level of $2 billion.

RENEWAL OF EXPIRING SECTION 8 RENT SUBSIDY CONTRACTS

Mr. Chairman, we commend the Subcommittee and the Congress for fully funding all expiring tenant-based and project-based rent subsidy contracts last year. We urge you to do the same this year at an estimated cost of $13 billion. We note, too, that the Administration has asked for 120,000 new incremental housing vouchers, a proposal we support. Despite the booming economy the need for affordable housing continues to grow as housing prices increase faster than wages for low-income Americans. In addition, and in the absence of specific authorizing legislation, we urge that you include within the appropriations bill both the authority for, and the funding to, renew from the Section 8 fund *all* expiring rent subsidy contracts under the Shelter Plus Care program. This will make available approximately $37 million in FY 2001 in HUD's "Continuum of Care" NOFA for communities to fund additional homelessness projects.

HOMELESS HOUSING FUNDING

Mr. Chairman, we support the Administration's funding request of $1.2 billion for homeless housing programs. We have been working with the authorizing committees to craft legislation converting the McKinney Act's homeless housing programs into a pure, formula-driven block grant program. In order for such a program to give sufficient funds to communities to carry out meaningful projects at the local level, it needs an appropriation of at least $1.2 billion. In addition, we support the shifting of the Shelter Plus Care contract renewals into the Section 8 fund, as mentioned previously.

LEAD-BASED PAINT

Finally, Mr. Chairman, we would like to briefly mention HUD's Lead-Based Paint final regulation. First, let us say, we support addressing/abating lead hazards in government supported housing programs. This rule which takes effect on September 15, 2000 requires *all* housing units assisted by CDBG and HOME to be assessed for lead-based paint hazards. This is a concern for local governments in addition to the lack of additional funds available to implement the rule. Because of this new regulation, local governments will be forced to spend more of their CDBG and HOME funds in meeting the requirements of this rule, which will include hiring certified contractors to conduct the activities of the rule, providing relocation costs to families in instances where they will have to temporarily relocate from their homes, and abating the lead hazards. Because of these requirements, local governments are concerned that their rehabilitation and homeownership programs assisted with CDBG and HOME will be severely curtailed, with some smaller programs possibly being eliminated altogether because of the cost and severity of the rule.

Another major issue is the lack of, or the availability of trained contractors and laboratories to conduct the inspections, abatement, clearance, and testing of the lead-based paint. This will slow down programs affected by the rule and make spending of the CDBG and HOME funds a slower process. In addition, some programs need to be exempted altogether from the rule, such as volunteer programs like Christmas in April, and other minor repair programs (programs that provide less than $5,000 in repairs).

We ask that additional funding be provided to local governments to meet the requirements of this rule. We support HUD's recommended funding level of $120 million for the Lead-Hazard Control Grant Program in FY 2001. However, based on the comments and concerns we have received from local governments, a re-examination of this program and the final rule, with some recommended program changes is in order.

CONCLUSION

Mr. Chairman, local government officials believe that a strong Federal role in housing and community development programs must continue. Since the Housing Act of 1937, Congress has enunciated, and repeated in subsequent housing acts, that, as a matter of national policy, the Federal government has an obligation to assist states and local governments in providing decent, safe and sanitary housing for lower income households. Perhaps, Congress said it best in a ADeclaration of National Housing Policy@ included in Section 2 of the Housing Act of 1949:

> The Congress hereby declares that the general welfare and security of the nation, and the health and living standards of its people, require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible, of the goal of a decent home and suitable living environment for every American family.

We submit to you that, while progress has been made toward this goal, it has not been fully achieved. The Federal government must continue its commitment to this National Housing Policy, backed by the necessary resources with which to continue the battle against neighborhood deterioration and a decaying housing stock.

Mr. Chairman, we look forward to working with you and the Subcommittee in adequately funding HUD=s Housing and Community Development Programs for FY 2001.

Thank you.

Mr. Chairman and Members of the Subcommittee:

My name is Roslyn Philips. I am Chief of the Community Development Division for the City of Jacksonville, Florida. I am testifying on behalf of the National Community Development Association, U.S. Conference of Mayors, the National Association of Counties, and the Association of Local Housing Finance Agencies. We appreciate the opportunity to present our views on FY2001appropriations for the Department of Housing and Urban Development, and in particular, the two priority programs of local governments B Community Development Block Grants (CDBG) and HOME.

We thank you, Mr. Chairman and Members of the Subcommittee for your continuing support for these priority local government programs. We are especially pleased by the $50 million increase in CDBG for FY2000 to $4.8 billion and maintaining HOME funding at $1.6 billion.

As we stated in our testimony last year before this Subcommittee, local officials continue to be concerned about setting aside funds out of CDBG to fund "boutique," or one-time programs. We particularly oppose set-asides that are unrelated to the core purpose of CDBG. Despite increases in the appropriations for the program in recent years, the fact is over the past five years actual formula amounts to urban counties and central cities have been cut as a result of set-asides and an increase in the number of entitlement communities. Between FY95 and FY 2000, CDBG set-asides rose from $95 million to $560 million, more than 10 percent of the total appropriation.

Mr. Chairman, local government officials urge you to increase CDBG formula grants to entitlement jurisdictions by increasing the overall appropriation for CDBG in FY2001 to at least $5 billion and by scaling back funds set-aside under CDBG for special purpose grants.

IMPACT OF HOME

Like CDBG, the HOME program is producing very positive results in expanding the supply of affordable housing. In fact, the Committee Report accompanying the House version of the FY1999 appropriations bill praised the HOME program and gave it additional funding Abecause it can document results.@ The report said that Athe program tracks the performance of its grantees and measures their performance to determine whether the federal investment is worth while.@

According to HUD data (as of February 29, 2000), since HOME was created in 1990, it has helped to develop or rehabilitate over 495,401 affordable homes for low- and very-low income families.

Targeting is very deep in the HOME program. Again, as of the end of February, 2000, with more than 89 percent of home assisted rental housing was benefitting families at or below 50 percent of area median income. Within that 60 percent of all home-assisted rental housing (including tenant-based rental assistance) was helping families with incomes at or below 30 percent of area median income.

HOME funds help low- and very-low income families realize the dream of homeownership. Since 1990, HOME funds have been committed to 277,334 homeowner units.

HOME is cost effective and provides the gap financing necessary to attract private loans and investments to projects. For each HOME dollar, $2.37 of private and other funds has been leveraged since the program s inception. This clearly illustrates the effective and judicious use of HOME funds by participating jurisdictions.

Local officials urge you to fund the HOME program in FY2001 at a level of $2 billion.

RENEWAL OF EXPIRING SECTION 8 RENT SUBSIDY CONTRACTS

Mr. Chairman, we commend the Subcommittee and the Congress for fully funding all expiring tenant-based and project-based rent subsidy contracts last year. We urge you to do the same this at an estimated cost of $13 billion. We note, too, that the Administration has asked 120,000 new incremental hosing vouchers, a proposal we support. Despite the booming economy the need for affordable housing continues to grow as housing prices increase faster than wages for low-income Americans. In the absence of specific authorizing legislation we urge that you include within the appropriations bill both the authority and funding to renew from the Section 8 fund *all* expiring rent subsidy contracts under the Shelter Plus Care program. This will make available approximately $37 million in FY 2001 in HUD's "Continuum of Care" NOFA for communities to fund additional homelessness projects.

HOMELESS HOUSING FUNDING

Finally, Mr. Chairman, we support the Administration's funding request of $1.2 billion for homeless housing programs. We have been working with the authorizing committees to craft legislation converting the McKinney Act's homeless housing programs into a pure, formula-driven block grant program. In order for such a program to give sufficient funds to communities to carry out meaningful projects at the local level, it needs an appropriation of at least $1.2 billion. In addition, we support the shifting of the Shelter Plus Care contract renewals into the Section 8 fund, as mentioned previously.

LEAD-BASED PAINT

Finally, Mr. Chairman, we would like to briefly mention HUD's Lead-Based Paint final regulation. First, let us say that we support addressing/abating lead hazards in government supported housing programs. This rule, which takes effect on September 15, 2000, requires *all* housing units assisted by CDBG and HOME to be assessed for lead-based paint hazards. This is a concern for local governments in addition to the lack of additional funds available to implement the rule. Because of this new regulation, local governments will be forced to spend more of their CDBG and HOME funds in meeting the requirements of this rule, which will include hiring certified contractors to conduct the activities of this rule, providing relocation costs to families in instances where they will have to temporarily relocate from their homes, and abating the lead hazards. Because of these requirements, local governments are concerned that their rehabilitation and homeownership programs assisted with CDBG and HOME will be severely curtailed, with some smaller programs possibly being eliminated altogether because of the cost and severity of the rule.

Another major issue is the lack of , or the availability of trained contractors and laboratories to conduct the inspections, abatement, clearance, and testing of the lead-based paint. This will slow down programs affected by the rule and make spending of the CDBG and HOME funds a slower process. In addition, some programs need to be exempted altogether from the rule, such as volunteer programs like Christmas in April, and other minor repair programs (programs that provide less than $5,000 in repairs).

We ask that additional funding be provided to local governments to meet the requirements of this rule. We support HUD's recommended funding level of $120 million for the Lead-Hazard Control Program in FY 2001. However, based on the comments and concerns we have received from local governments, a re-examination of this program and the final rule, with some recommended program changes is in order.

CONCLUSION

Mr. Chairman, local government officials believe that a strong Federal role in housing and community development programs must continue. Since the Housing Act of 1937, Congress has enunciated, and repeated in subsequent housing acts, that, as a matter of national policy, the Federal government has an obligation to assist states and local governments in providing decent, safe and sanitary housing for lower income households.

Perhaps, Congress said it best in a “Declaration of National Housing Policy” included in Section 2 of the Housing Act of 1949:

> The Congress hereby declares that the general welfare and security of the nation, and the health and living standards of its people, require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible, of the goal of a decent home and suitable living environment for every American family.

We submit to you that, while progress has been made toward this goal, it has not been fully achieved. The Federal government must continue its commitment to this National Housing Policy, backed by the necessary resources with which to continue the battle against neighborhood deterioration and a decaying housing stock.

Mr. Chairman, we look forward to working with you and the Subcommittee in adequately funding HUD=s Housing and Community Development Programs for FY 2001.

Thank you.