



STATEMENT BY

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**CONCERNING THE CONSOLIDATION OF
HUD'S MCKINNEY ACT PROGRAMS**

ON BEHALF OF THE

**U.S. CONFERENCE OF MAYORS
NATIONAL LEAGUE OF CITIES
NATIONAL ASSOCIATION OF COUNTIES
NATIONAL COMMUNITY DEVELOPMENT ASSOCIATION
ASSOCIATION OF LOCAL HOUSING FINANCE AGENCIES
NATIONAL ASSOCIATION OF HOUSING & REDEVELOPMENT OFFICIALS**

**BEFORE THE
SUBCOMMITTEE ON HOUSING AND TRANSPORTATION
U.S. SENATE**

MAY 23, 2000

Mr. Chairman and Members of the Subcommittee:

Good morning, Mr. Chairman and distinguished members of the Subcommittee. Thank you for the opportunity to speak before you today. My name is Barbara Richardson. I am the Community Development Director for the City of Rockford, Illinois. I am testifying on behalf of the National Community Development Association, the U.S. Conference of Mayors, the National League of Cities, the National Association of Counties, the Association of Local Housing Finance Agencies, and the National Association of Housing and Redevelopment Officials. We appreciate the opportunity to present our views on consolidation of the U.S. Department of Housing and Urban Development's homeless assistance programs.

We thank you, Mr. Chairman, for holding this hearing on such an important issue. We appreciate the opportunity to provide the Subcommittee with our views on consolidation of HUD's McKinney Act programs. It is most important, in our estimation, that Congress have the opportunity to hear directly from Mayors, County Executives, and local program administrators on this issue. Local governments (and the nonprofit organizations they support) are essential partners of the federal government in the intergovernmental endeavor to eradicate homelessness. The problem of homelessness is not solved by a "one size fits all" solution and it is for this reason that we advocate an approach which provides states and localities with the maximum flexibility to fashion a program which best suits their particular local needs. HUD's McKinney Act programs have provided a much needed resource for local governments to provide homeless assistance within their jurisdictions. We have supported consolidation of these programs for many years, and we hope that legislation to consolidate the programs will be enacted soon. My testimony this morning will focus on our recommendations regarding consolidation of HUD's McKinney Act programs. However, let me first comment briefly on another crisis, America's affordable housing crisis.

Affordable Housing Crisis

The lack of affordable housing continues to be an issue that contributes to the issue of homelessness.

Because of the lack of decent, safe, and *affordable* housing, many households whose incomes do not support the rising housing prices across the country are put into perilous housing situations, including homelessness. In its recent report, *Rental Housing Assistance – The Worsening Crisis*, HUD documents the fact that in the face of a robust and growing economy, the worst case housing needs continue to rise to an all-time level of 5.4 million households. These households pay more than half of their income for housing. The report also notes that there are 600,000 more households with worst case housing needs than there were in 1991 when the current economic recovery began.¹ Affordable housing opportunities for the lowest income Americans continues to shrink. The number of rental units affordable to extremely low-income families decreased by 5 percent since 1991 – a loss of 370,000 units.² The Federal government must take a lead role in providing more resources to programs that assist in producing affordable housing, such as the HOME Investment Partnerships Program and the Community Development Block Grant (CDBG) Program. These two programs have been effective block grants for local governments in providing flexible housing and community development funds. We know a homeless block grant will be as effective in providing the needed resources and flexibility to meet each jurisdiction's individual homelessness needs.

Furthermore, we urge both the Senate and House to work in concert to enact not only McKinney consolidation legislation, but to enact legislation that supports affordable housing efforts. We are supportive of some of the provisions included in H.R. 1776 – the American Homeownership and Economic Opportunity Act of 2000 – which the House passed last month. We hope that the Senate counterpart will focus on some of the same issues, and we would be glad to work further with the Subcommittee on our position in these areas.

Program Consolidation

We support consolidation of all of HUD's McKinney Act programs, including the Supportive Housing Program, Shelter Plus Care, Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings

¹U.S. Department of Housing and Urban Development, *Rental Housing Assistance – The Worsening Crisis*, March 2000.

²ibid.

(SRO), and the Emergency Shelter Grants program *into a single, flexible formula allocated* homeless assistance block grant program, which enables communities to provide emergency, transitional and permanent housing as well as outreach, homelessness prevention, and supportive services. Each jurisdiction should have the ability to make decisions as to how to spend the funding in a way that addresses the individual needs of the locality.

Entirely too much time is being spent applying for funding under HUD's competitive process. This not only includes the annual application process, but the enormous amount of time it takes HUD to announce the awards and distribute the funds to grantees. By consolidating the programs, localities will receive a stream of funds in a quicker and more efficient manner and will be able to award funds faster than is currently taking place under the competitive application process. Furthermore, consolidating the programs based on a formula distribution of funds would ensure a stable commitment of resources and would allow recipients to effectively plan for and address the issue of homelessness.

Although we recognize the value in increased production for permanent housing, *we do not support a separate permanent housing set-aside or competition.* Permanent housing priorities should not be determined by HUD through a competitive process, but instead, should be determined by localities based on local needs. In addition, in a competitive process, permanent housing funds are likely to go to the communities that are more skilled at grant writing and developing housing projects, placing communities that have homelessness needs, but are perhaps less skilled in this arena at a disadvantage. Moreover, by dividing the already low allocation for homeless programs, a separate permanent housing program would lower the overall portion available for formula distribution. Most importantly, however, a formula grant program allows for more planning since it is easier to plan if a community knows, relatively speaking, what funding will be available on an on-going basis. 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. We urge Congress to provide at least \$1.2 billion for this homeless assistance block grant once it is enacted.

Hold Harmless Clause

We understand that transition from a purely competitive structure to a formula method may be difficult for some communities. It is for this reason that we support a temporary “hold harmless” clause for those communities that have competed and received funding through HUD’s Continuum of Care application. We recommend that these communities receive 100% of the average funding received in fiscal years 1995 through 1999 until a formula is developed. We support development of a formula within one year of enactment of legislation and we ask that local government representatives be involved in the development of an appropriate formula, along with other interest groups and HUD.

Local Government Share

We support a 70/30 split of the funds, with metropolitan cities, urban counties, and consortia receiving 70% of the funds and states receiving 30% of the funds. This would mirror the distribution of the Community Development Block Grant. According to HUD, in the FY 1999 Continuum of Care Homeless Assistance competition, a total of 3,000 applications for funding were received. Of this number, 2,581 applications were submitted by metropolitan cities and/or urban counties. Only 419 applications came from rural areas, or non-entitlement areas. There is a real need for homelessness assistance in metropolitan cities and urban counties that requires an appropriate distribution of funds through this block grant.

Continuum of Care

We support the “continuum of care” concept. We believe this offers a comprehensive approach to identifying the needs of the homeless and developing strategies to meet those needs. The continuum of care approach assesses needs, inventories resources, identifies gaps, and coordinates public and private resources to fill in the gaps and avoid duplication. It allows local governments to work in concert with their nonprofit, and in some instances state partners, to identify homelessness needs, available resources and develop strategies to meet those needs. It is an approach that allows for collaboration among different stakeholders including state and local governments, nonprofit providers, for profit providers, local businesses and charities and homeless and formerly homeless individuals. We also support including the “Continuum of Care” process in a jurisdiction’s local Consolidated Plan process.

Local Match

We recognize the importance of promoting public, private and non-profit partnerships in addressing the homeless problem and have supported a 25 percent match in the past. We support a flexible definition of match which includes cash and noncash contributions, supplementation from the subgrantees or project sponsors (this is currently allowed under the Emergency Shelter Grants program), volunteer services and labor, time and other contributions, other federal funds (as currently permitted under the Emergency Shelter Grants program). We also support the inclusion of a fiscal distress waiver and its recognition of those jurisdictions for which a match will be prohibitive to the operation of a homeless assistance program.

Formula

Use of a formula-driven block grant program is the foundation of the consolidation approach. We support using the greater amount of a hold harmless based on the annual average of grants received from FY 1995-1999 or the CDBG formula until a better formula is developed in partnership by HUD and the industry groups. We support a new formula being developed within one year of enactment of legislation, and as previously mentioned, we recommend that Congress, HUD, and the national industry groups work in tandem to develop an appropriate formula.

Allocation Units of General Government

We are supportive of the definition of units of general local government (who are eligible for a direct formula share of funds) to include not only metropolitan cities and urban counties, but consortia as well. The inclusion of consortia supports regional approaches to homelessness and will also provide an avenue for funding for those communities who presently serve the homeless through the competitive process, but would not receive funds through a formula grant.

We do urge Congress to allow states to spend homeless assistance funds in entitlement areas. States must be allowed the flexibility to use limited dollars in communities most in need, which in some states may include entitlement areas.

Eligible Activities

We support a broad list of eligible activities that include emergency assistance, prevention, outreach and assessment, emergency shelter, transitional housing, permanent housing, single room occupancy, housing acquisition, rehabilitation, new construction, operating costs and leasing, rental assistance, and supportive services. This far reaching list of activities will enable communities to implement a Continuum of Care system for the homeless which best caters to the needs of the particular community.

We are opposed to the placement of spending caps on any of the eligible activities. Caps limit local decision making and the ability to respond to specific community needs. Communities should be allowed to determine the nature of their homeless assistance programs based on their homeless housing plans rather than federal dictates.

Administrative Costs

We support permitting jurisdictions to use up to 10 percent of their annual formula grant for administrative costs. Homeless programs tend to be more administratively complicated than many other programs due to the number of nonprofit organizations involved in the program and their various levels of expertise. We also support the allowance of additional funds for technical assistance for grantees.

Project Renewals

The McKinney programs, such as Shelter Plus Care, have already begun to experience escalating project renewals and this will only likely to increase in the years to come. These renewals are in both operating and supportive service categories as well as, more importantly, in rental assistance. A possible solution would be for the rental assistance renewals to be funded through HUD's Section 8 line item. We ask Congress to enact this important step this year.

Mr. Chairman, that concludes my testimony. We look forward to working with you and the Subcommittee in consolidating HUD's McKinney Act Programs into a formula allocated block grant that provides discretion at the local government level. Thank you for the opportunity to speak before

you today. I would be glad to answer any questions at this time.