# United States Senate
WASHINGTON, DC 20510

October 12, 2001

The Honorable Thomas A. Daschle
United States Senate
Washington, DC 20510

The Honorable Robert C. Byrd
United States Senate
Washington, DC 20510

Dear Senators,

As you continue with the bipartisan effort to develop a fiscal stimulus package with the Administration, we want to bring to your attention the important role that federal spending on housing can play in helping to restore the economy to health. Recent economic data indicate that the economy is moving toward recession. GDP growth was an anemic 0.3% in the second quarter, initial jobless claims reached levels not seen for nearly ten years, and industrial production in August continued to fall. Many of these trends were in place prior to the terrible attacks of September 11th, 2001. However, those events exacerbated and accelerated many of these trends and seem to have damaged consumer confidence, in particular.

A balanced stimulus package including some targeted tax cuts, increased resources for our social safety net, such as unemployment benefits and health care protection, and new spending to help boost demand, should all be part of our response to the current crisis. To that end, we urge you to consider including approximately $4 billion for a number of key housing programs, including $1 billion for the Public Housing Operating Fund, $3 billion for the HOME Program to be used for the construction of affordable housing, and $100 million for the Emergency Food and Shelter Program. These programs are ongoing, have well-established delivery systems, can be quickly expanded, and will provide new jobs and broad-based demand for consumer and durable products.

In 1937, John Maynard Keynes wrote to President Franklin Roosevelt that housing was "by far the best aid to recovery. ... I should advise putting most of your eggs in this basket." Of course, we do not face the kind of dire economic conditions that faced President Roosevelt, but it is clear that spending for new housing has long been recognized as a highly effective counter-recessionary tool. Increasing federal spending for housing directly helps the economy by creating jobs in the construction industry, and it also increases demand for consumer products needed to equip and furnish new homes. A recent study released by the Center for Community Change indicates that a $5 billion federal investment in affordable housing construction will create 1.8 million jobs and produce over $50 billion in wages. While directly helping to stimulate the economy, spending on housing also has the important benefit of addressing a long term need in our society.

Public housing is the core federal program for serving extremely low-income families, many of whom are elderly and the working poor. The Operating Fund allows housing authorities to pay for ongoing operations, including maintenance and utilities. For years, we have underfunded the public housing program, forcing housing authorities to put off crucial project upkeep. Housing authorities have long lists of ongoing maintenance needs and projects in need of funding. An additional $1 billion will accelerate these projects, including addressing immediate and significant maintenance problems, such as replacement of old heating systems and the provision of new roofs. For example, the Providence, Rhode Island Housing Authority needs $600,000 to replace roofs and $900,000 to install new fire alarm systems. These projects can all be completed within one year. The Operating Fund is typically spent very quickly, so additional operating funds would clearly help provide the stimulus this country needs.

HOME is currently HUD's most significant affordable housing construction program. An additional $3 billion for the HOME program will help provide low-income Americans with affordable housing, and will create millions of needed employment opportunities. Any HOME funds made available through the stimulus package should waive the current local match requirement. In addition, we should require the funds to be spent expeditiously. This can be achieved, for example, by pairing HOME funds with low income housing tax credit projects. Generally, there are far more applications for tax credits than there are available credits, ensuring that there are a large number of good deals "on the shelf." Making additional HOME funds available will enable states to fund more of these projects. Moreover, once tax credits are provided, program rules require that the projects must start construction within 6 months.

Recent press reports indicate that, under current conditions, many tax credits may go unused without additional support. Therefore, providing HOME funds in the stimulus package will certainly expedite the use of these credits.

One immediate impact of the slowing economy and rising unemployment will be the need to provide temporary assistance for families to pay rent, mortgages, and utilities. This temporary help is offered by the Emergency Food and Shelter Program (EFSP). EFSP is governed by a Board of highly regarded agencies, such as the American Red Cross, Catholic Charities, and the United Way. The Board is Chaired by FEMA. EFSP delivers funds very quickly and at low cost to local agencies that distribute the funds to needy families. These small grants enable people to stay in their homes and maintain their family's stability. This is far more cost effective than allowing a family to lose its home or apartment, where it will enter the far more costly homelessness system.

We recognize the challenges you face in assembling a stimulus package that helps to put America back on track. While there are many competing priorities, we hope you will consider our recommendation that spending for housing be included in the stimulus package. Housing construction and housing sales have been key factors in this nation's strong economy. A $4 billion investment will ensure that housing continues to boost our economy, while helping to put millions of Americans to work. At this time of uncertainty, this influx of employment opportunities could be critical in keeping our economy strong.

Thank you for your consideration of our recommendations.

Sincerely,

Paul S. Sarbanes

Senator Paul S. Sarbanes

Jack Reed

Senator Jack Reed

Senator John Kerry

Patrick Leahy

Senator Patrick J. Leahy