

Statement of

The Honorable Javier Gonzales

Commissioner

Santa Fe County, New Mexico

and

President, National Association of Counties

Before the
Subcommittee on Housing & Community Opportunity
U.S. House of Representatives

On behalf of

National Association of Counties
National Association for County Community & Economic Development
National Association of Local Housing Finance Agencies
National Community Development Association
U.S. Conference of Mayors

On H.R. 3995, The Housing Affordability for America Act of 2002

April 10, 2002

Madam Chair and Members of the Subcommittee:

My name is Javier Gonzales, and I am a County Commissioner from Santa Fe County, New Mexico. I currently serve as the President of the National Association of Counties. I am appearing before you today on behalf of the National Association of Counties, the National Association for County Community & Economic Development, the National Association of Local Housing Finance Agencies, the National Community Development Association, and the U.S. Conference of Mayors. We applaud the subcommittee's leadership on the important issue of affordable housing, and thank you for inviting us to speak today on H.R. 3995—the Housing Affordability for America Act of 2002.

The groups that I represent here today would like to congratulate you, Madam Chair, on the introduction of H.R. 3995. We believe that this bill will help our members in better addressing their affordable housing needs and strengthen our communities. We applaud the creation of a new affordable housing production and preservation element within the existing HOME Investment Partnerships (HOME) Program, the refinements that you have made to existing HUD programs within this bill, and the new tools that you have created through this bill. More importantly, we appreciate the advocacy and leadership that you have provided over the years on the issue of affordable housing.

Today I'd like to address 4 key themes: the need for more affordable housing, elements of a housing production program, HOME program refinements, and our support of homeless assistance programs.

The Need for More Affordable Housing

It is undisputed that communities are in need of more housing that is affordable for lower-income families and individuals. Research presented in 2001 by the U.S. Department of Housing & Urban Development indicates that nearly 5 million renter households still have worst-case housing needs. "Worst-case housing needs" is defined as those families or individuals who pay more than half of their income for housing, or live in severely substandard housing. Many of these are families with children, the elderly, or the disabled.

In addition, HUD data shows that the number of housing units available to those with worst-case housing needs continues to diminish. This trend has

continued for the last 12 years. Moreover, the lack of availability of housing that is affordable increases the overall demand for it. As a result, above average rent increases may occur at the lower end of rental housing stock, further reducing the supply of affordable housing. Further, the report concludes that the private market is not producing enough affordable housing to meet demand.

It is clear that additional housing that is both affordable and available to low-income households must be produced. The federal government plays a key role in assisting local governments in addressing affordable housing challenges. Our collective organizations are strong advocates for increasing the stock of affordable housing because it contributes to the stability and viability of our communities. For these reasons, we support H.R. 3995. It is an important piece of legislation because it provides additional resources to local governments to create affordable housing.

Housing Production

Our organizations strongly support Section 101 of Title I of H.R. 3995 that creates a program for the production and preservation of rental housing within the HOME Investment Partnerships Program (HOME). We are long supporters of the HOME program since its inception in 1990, as are you Madam Chair. The HOME program is already targeted toward creating housing for low- and very-low income families, flexible in allowing local jurisdictions to address their particular housing needs, and has a demonstrated track record of success. Creating a funding stream for the production and preservation of housing within HOME makes sense and mirrors a proposal developed jointly by our organizations.

In the past couple of years, there have been a number of bills introduced in Congress to increase housing production, primarily targeted to households at or below 30 percent of an area median income. These proposals have mainly focused on creating a National Housing Trust Fund, a new and separate program from existing HUD programs that targeted all of the resources directly to States. In an effort to avoid a situation where such a program would compete with HOME, and in an effort to provide a fair share of the funds to both local governments and States, our associations strongly support a housing production/preservation element within HOME. We are very pleased that the provisions of our housing production proposal have largely been incorporated into H.R. 3995.

Our proposal seeks to dramatically increase the production and preservation of affordable mixed-income rental housing. It relies on the infrastructure currently in place within HOME. Our proposal would provide grants and loans for new construction, substantial rehabilitation and preservation of multifamily housing. All of the resources made available under our proposal would benefit very low-income families (families at or below 50 percent of area median income) with at least 50 percent of the funds benefiting those families at or below 30 percent of area median income. Funds would be apportioned 60 percent to local participating jurisdictions and 40 percent to States. This is what is proposed in H.R. 3995.

We would, however, prefer to see a specific authorization level of funding for the production/preservation program. Relying on the Section-8 project reserves would create a situation of funding uncertainty from year to year.

We also support the creation of the Thrifty Production Voucher, a project-based voucher proposed within H.R. 3995, that can be used with capital subsidy programs such as HOME, the Low-Income Housing Tax Credit and the Community Development Block Grant program to support new construction or substantial rehabilitation of affordable housing. This new voucher will work particularly well with the new HOME production and preservation program by providing a means for housing voucher recipients to access housing units made available through the program. It is absolutely essential if we are to serve households at or below 30% of median income. We support use of the HOME allocation formula as a means to distribute these funds, and we also support the use of 15-year contracts and the ability to set up project-specific waiting lists.

Madam Chair, and members of the Subcommittee, the new production and preservation provisions, coupled with thrifty production vouchers in H.R. 3995 would create new affordable housing opportunities for those families most in need. It would help re-build our existing affordable housing stock, while producing new units for needy families on an ongoing basis. We urge you to pass this bill as quickly as possible.

HOME Program Changes

Besides Section 101 of the bill, we are also very supportive of most of the changes to the HOME program that are included in the bill. We are particularly

supportive of Section 110, which allows participating jurisdictions to charge compliance monitoring fees to cover the increasing costs of monitoring and program compliance. We are also supportive of Section 108, which allows participating jurisdictions to report their HOME program match on a program year basis, instead of a federal fiscal year basis. This one simple change will greatly simplify grant administration for hundreds of grantees across the country.

We do suggest that Section 103 of the bill be amended to take into account the needs of those jurisdictions with high housing costs and tight housing markets. Section 103 would remove the Fair Market Rent (FMR) as a component of calculating HOME rents. This would serve to help those areas with depressed markets, mainly rural areas, where the FMRs are low in relation to incomes. However, in areas with high costs and tight markets, the situation is reversed, and the FMRs are well above the income-based HOME limits. We propose that rather than eliminating the use of the FMR as a standard, the bill simply revise the limit to the higher of the 30% of 65% standard or the FMR. This would solve the problem in both kinds of areas by allowing the localities the flexibility to establish their own reasonable limits.

Besides the HOME program changes included within H.R. 3995, there are several others that we strongly encourage the Subcommittee to include. The first is a provision creating a loan guarantee program within HOME similar to CDBG's Section-108 loan guarantee program. Allowing jurisdictions to use up to five times their annual HOME allocation would create a large pool of funds for jurisdictions to undertake large-scale affordable rental housing production. Because grantees must put their own funds at risk, this initiative would allow states and local governments to more effectively leverage their HOME grants, while not actually increasing the amount of money the Federal government appropriates for housing. It would allow jurisdictions to address their affordable housing needs more quickly, rather than waiting years to address them on a piece meal basis.

We also recommend that the additional changes be made to the HOME program: (1) Allow the date of the termination of a lease that involves health or safety concerns or serious repeat violations to be based on State or local lease termination laws, instead of the current 30-day notice to terminate a lease required by the HOME statute; (2) Allow participating jurisdictions to substitute environmental reviews, including state and local reviews, which are substantially

equivalent to HOME standards for the HOME environmental review; (3) Allow participating jurisdictions the ability to use risk management techniques to determine when, and how often, they should conduct on-site monitoring of projects, with projects being monitored at least once every three years. H.R. 3995 would allow participating jurisdictions to use this approach for HOME projects that are financed with the Low-Income Housing Tax Credit; however, we would like to see this approach used for all HOME projects, whether tax credit financed or not; and (4) Allow grantees to waive the HOME rent restrictions in cases where the tenant was receiving a Section-8 voucher or a state or local rent subsidy. This would mirror a provision in the Low-Income Housing Tax Credit program.

Homeless Assistance

Our organizations also support aspects of the bill addressing homeless housing assistance. We believe that federal resources allocated toward programs that create temporary and permanent housing as well as supportive services for the homeless will enable local governments to better serve their communities.

We are very supportive of provisions in H.R. 3995 that shift the Supportive Housing Program permanent housing rent subsidy renewals and the Shelter Plus Care rent subsidy contract renewals to HUD's Housing Certificate Fund. This shift will allow more of HUD's homeless assistance funding to be used to create new permanent housing for the homeless, as well as provide a consistent source of renewal funding.

Conclusion

In conclusion, I want to commend the committee for bringing attention to the issue of affordable housing. As local government leaders and community development practitioners, we are aware that decent, affordable housing is crucial to the health, safety and welfare of the citizens whom we represent. We appreciate the opportunity to be with you today to bring the local government perspective to you. Thank you for your leadership, and for inviting our testimony. I would be happy to answer any questions you may have.