STATEMENT BY

THE HONORABLE JAMES A. GARNER
PRESIDENT, U.S. CONFERENCE OF MAYORS
MAYOR, HEMPSTEAD, NY

CONCERNING FY2005 APPROPRIATIONS FOR THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

ON BEHALF OF THE

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

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

MARCH 25, 2004

Mr. Chairman and Members of the Subcommittee:

My name is James Garner, Mayor of Hempstead, New York. I am currently the President of the U.S. Conference of Mayors and am testifying today on behalf of the U.S. Conference of Mayors, the National Association of Counties, the National Community Development Association, and the National Association of Local Housing Finance Agencies. We appreciate the opportunity to present our views on FY2005 appropriations for the Department of Housing and Urban Development, and in particular, the two priority programs for local governments the 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. Local government officials urge you to increase CDBG *formula* funding in FY2004 to $5 billion and HOME *formula* funding to $2.25 billion. These programs work, and they make a real difference in people's lives. It is our sincere hope that they will be funded at levels that reflect the very real community development and affordable housing needs that exist across our country.

WHY CDBG IS EFFECTIVE AND CRITICALLY NEEDED

Now in its 30th year, having been signed into law by President Gerald Ford in 1974, CDBG is the federal government's most successful domestic program. The key to its success is the inherent flexibility for it to adapt to affordable housing and neighborhood revitalization needs in our Nation's urban, suburban and rural areas.

In FY 2003, 94.8% of the CDBG funds allocated to entitlement cities and counties went to activities principally benefiting low- and moderate-income persons and 96.7% of the CDBG funds allocated to States went to activities principally benefiting low- and moderate-income persons. A total of 184,611 households were assisted through the program in FY 2003. The program created or retained an astounding 108,700 jobs. For every one dollar of CDBG funding another $2.79 in private funding and $0.77 in public funding was leveraged in FY 2003. The program has a good track record in business retention, with over 80% of the businesses assisted through the program still in operation after three years. Even though the program has performed well the annual formula allocation for CDBG has remained relatively static over the last decade, even decreasing slightly in the past two years. The program has never been adjusted for inflation, since its enactment in 1974. With the existing cuts to the program, continued project-specific set-asides in the program, inflation, and more entitlement communities receiving funds, the formula allocation is decreasing nationwide for cities and counties that administer the program. In the last two years, across-the-board reductions in all Federal programs has reduced the program even further.

We, therefore, urge you to fund the CDBG program in FY2005 at a level of at least $5 billion in formula grants.

Mr. Chairman, we are concerned and take strong exception to the Office of Management and Budget's characterization of the Community Development Block Grant (CDBG) program as "ineffective", as stated in the Administration's FY 2005 budget request. OMB reached this conclusion through application of the Performance Assessment Rating Tool (PART). In the PART review of the CDBG program, it appears that OMB chooses to interpret the statute and facts in order to support a dogmatic agenda and avoids acknowledgment of any positive achievements from the more than $105 billion in CDBG funds spent by cities, counties and states since 1975 on their most pressing affordable housing, community and economic development needs. We urge you to reject it out of hand.

HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM

The HOME Investment Partnerships (HOME) Program is also an effective block grant program with a very impressive track record of providing housing to very low-income and extremely low-income households. According to cumulative HUD data, since 1992 HOME has helped to develop or rehabilitate over 785,553 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. 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 2004, more than 81 percent of HOME assisted rental housing was benefiting families at or below 50 percent of area median income. And more than 56 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 also 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 1992, HOME funds have been committed to 151,920 homeowner units, with an additional 296,197 household receiving homebuyer assistance.

HOME is cost effective and provides the gap financing necessary to attract private loans and investments to projects. For each HOME dollar, $3.01 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.

We, therefore, urge you to fund the HOME program in FY2005 at a level of at least $2.25 billion in *formula* grants. In addition, we support the Administration's request of an additional $200 million for the American Dream Downpayment Initiative.

SECTION 108 AND BROWNFIELDS

We have serious concerns about the Administration's decision to zero out several important economic development tools in the FY 2005 budget proposal, including the Section 108 loan guarantee program and the Brownfields Economic Development Initiative (BEDI) program. These programs fund much-needed investment in our communities, helping to create jobs and reclaim contaminated sites that can be made productive again. The Section 108 program provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. The appropriations bill should provide $300 million in loan guarantee authority for Section 108. BEDI annually provides $25 million in grants to communities for brownfields projects focused on economic redevelopment.

RENEWAL OF EXPIRING SECTION-8 RENT SUBSIDY CONTRACTS AND FLEXIBLE VOUCHERS PROGRAM

Mr. Chairman, we commend the Subcommittee and the Congress for fully funding all expiring tenant-based and project-based rent subsidy contracts in FY 2004 as in previous years. We urge you to do the same this year. The need for affordable housing continues to grow as the cost of housing increase faster than wages for low-income Americans.

We oppose the administration's cut in the Section 8 voucher program. The budget request falls short by $1.6 billion needed to fully fund all vouchers now in use. Approximately 250,000 low income families could lose their vouchers. An analysis by the National Low-Income Housing Coalition of the American Housing Survey revealed that 31% of all households had housing problems in 2001. A reduced voucher program would surely add to the critical need for low-income housing assistance.

The administration's proposed Flexible Voucher Program is also of concern to us. While we agree that revisions are needed to the Section 8 program so as to reduce and contain program costs that could threaten other housing and community development programs, we are opposed to the elimination of long-standing rules that benefit low income families. Provisions that would eliminate statutory requirements such as targeting the program to the lowest income families and ending the requirement that tenants pay no more than 30% of their income for rent will have a devastating effect on families across the nation. Moreover, it is difficult to believe that a lump sum of funds to PHAs would be adequate to serve all vouchers holders.

HOMELESS HOUSING FUNDING

Mr. Chairman, we support a funding level of $1.27 billion for homeless housing programs as proposed by the Bush Administration. We support legislation that would convert the McKinney Act's homeless housing programs into a pure, formula-driven block grant program, like the CDBG and HOME block grant programs. 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 close to $1.3 billion. We support the existing Continuum of Care planning process and would recommend that this process be codified as part of the block grant. We also urge full funding of Shelter Plus Care contract renewals. We also support the Administration's proposed $50 million Samaritan Initiative. This initiative is intended to address the most pressing homeless issue chronic homelessness and is to be a coordinated effort with the Department of Health and Human Services and the Veterans Affairs and the Interagency Council on Homelessness.

PUBLIC HOUSING

Once again the President's budget proposes to zero out the HOPE VI demolition and replacement of severely distressed public housing program. We oppose this recommendation. The HOPE VI program eliminates distressed public housing and replaces it with mixed-income developments. It harnesses the private sector, working in partnership with public housing agencies. This 10-year-old grant program has generated billions of dollars in community investment and revitalized neighborhoods across the nation. Since 1993, $5.6 billion has been awarded to revitalize 193 public housing developments which have leveraged an additional $9 billion in investments.

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 2005.

Thank you.