

Mr. Chairman and members of the Financial Services Committee, I am William D. ‘Bill’ Euille, Mayor of the City of Alexandria, Virginia. I testify this morning on behalf of the U.S. Conference of Mayors, the National Association of Counties (NACo) the National Community Development Association (NCDA), the National Association of Local Housing Finance Agencies (NALHFA), and the National Association of County Community and Economic Development (NACCED). We strongly support H.R. 2895, the National Affordable Housing Trust Fund, and urge the Financial Services Committee to adopt our recommendations and approve the legislation and the U.S. House of Representatives to pass it.

Over the last several years, mayors have called on Congress to adopt a National Housing Trust Fund. In 2002, Boston Mayor Thomas Menino, who was then President of the Conference of Mayors asked the Administration and Congress to “create a National Housing Trust Fund to meet the needs of low income

individuals and families through the production and preservation of rental housing and that cities receive a direct allocation of funds.”

This policy statement was developed following a National Housing Forum, convened by Mayor Menino, and attended by most of the organizations supporting H.R. 2895. The Conference of Mayors also adopted policy in 2003 calling for passage of a National Housing Trust Fund, and most recently (June, 2007) the organization adopted policy reaffirming its support of a National Housing Trust Fund “primarily, but not exclusively, designed to meet the needs of the very low income, i.e. 30 percent of the AMI or below, through the preservation and production of housing.”

The policy also asked that 60 percent of the National Housing Trust Fund ... be allocated to localities.” Similar policy statements have been adopted by the organizations that I testify on behalf today.

Local government interest and support for the National Housing Trust Fund is based on several reasons. Mr. Chairman, some of

these are exactly the same as those you state in purposes for the legislation. Local officials know first hand that there is a lack of affordable housing for low-income families. The U.S. Conference of Mayors annual hunger and homelessness survey has repeatedly listed the shortage of affordable housing as the major cause of homelessness in America. We believe that you have chosen a laudable goal to construct, rehabilitate, and preserve at least 1.5 million affordable housing units over the next 10 years.

There are other studies and data which will be cited by others during this hearing which will leave no doubt that more affordable housing is needed. Most can cite the staggering number of unmet housing needs in our nation, the difficulty that people with jobs have in finding affordable housing, the fact that millions of low-income families must pay more than half of their income for housing – all of these offer substantial proof of the need for a National Housing Trust Fund.

As you know Mr. Chairman, many localities have created their own housing trust funds. There is a great deal of experience across the nation in cities and counties. The growing number of local housing trust funds most certainly will provide support for H.R. 2895. With this growth, there is a strong need for dedicated funds. My city of Alexandria has formally had a Housing Trust Fund since 1993; our funding is based on developer contributions to address affordable housing. Beginning in 2006, the City of Alexandria has also dedicated one cent of the real property tax rate and authorized General Obligation Bonds to support affordable housing. As pleased as we are about these accomplishments, we realize that much more funding is needed in Alexandria to provide affordable housing for our citizens. And this is true of cities and counties across the nation.

More specifically, Mr. Chairman, and members of the Committee, provisions of the legislation that we support, and those where we recommend additions or changes are as follows:

- We support the National Affordable Housing Trust fund because it builds upon, and has many of the same features as, the extremely successful HOME Investment Partnership program. The HOME infrastructure (regulations, policies etc.) is already in place and should be utilized. Grantees should not have to learn yet another set of program rules.
- We support the emphasis on rental housing production/preservation, while at the same time also having the ability to undertake homeownership with the funds.
- We support the way the program will be funded, i.e. with the GSE affordable housing fund and the FHA surplus, but we believe it will also require appropriations to secure significant funding for a truly national program, possibly reaching \$2 billion.
- We strongly support the allocation of funds at 60% local/40% state, Indian tribes, and insular areas

- We generally support the formula factors for allocating funds among grantees set forth in the bill. As with the original HOME formula we recommend that HUD be required to consult with (perhaps through negotiated rulemaking) stakeholders in developing the formula.
- We strongly suggest that the individual formula allocations for local participating jurisdictions be calculated the same way they are under the HOME program, i.e. a threshold of \$750,000, with the ability to supplement a minimum allocation of \$500,000 with \$250,000 contributed from the local participating jurisdiction or the state to achieve the minimum threshold.
- We do not support the provision requiring that whenever the appropriation is less than \$2 million, local participating jurisdictions must achieve a minimum formula allocation of \$1 million. We need to build political support for the program, and the more localities that are funded directly will help do that.

- With respect to match we generally support the provisions in the bill, particularly the ability to use other federal funds as well as the match reduction for fiscal distress. There should be added to this section a mandatory reduction of match for disaster areas designated by the President. We also support the provisions that allow services to be counted as match and the discretion given to the Secretary to reduce or waive the match for communities that provide zoning waivers and/or reduction of regulatory requirements.
- We strongly believe that the allocation plan should be included in the Comprehensive Housing Affordability Strategy (also known as the Consolidated Plan) and considered by HUD in that context, rather than as a separate plan with its own approval/disapproval process. The allocation plan should be simplified as it is too prescriptive and we would welcome the opportunity to work with the Committee to this end.

- The legislation needs to be clarified to explicitly permit grantees to use the funds themselves as appropriate, rather than having to allocate all of them to other for profit and non profit entities.
- We support the targeting requirements in the bill, i.e. at least 75% of the funds made available to households at or below 30% of area median. However, the only way such households can be served is with a rent subsidy either through additional incremental Section 8 vouchers or through "thrifty production vouchers" as recommended by the Millennial Housing Commission. These vouchers would equal the project's operating costs, rather than being based on the Fair Market Rent.
- We support the utilization of HOME's cost limits for the new programs well as the use of HOME's definition of rental housing. We also support the provisions related to the forms of assistance and the the coordination of trust fund with other federal housing programs. The HOME program should be

included among those programs to be coordinated. We further recommend an exception in the section that prohibits use of trust fund dollars for travel. Funds should be permitted to be used to fund travel for training/technical assistance in connection with program administration.

- We urge an increase in the program administration allowance to 20%, the same as we recently recommended for the regular HOME program. Ten percent will be insufficient once grantees undertake the extensive monitoring that will be needed to insure compliance with the new program's requirements.
- We support the emphasis on mixed-income projects that the legislation would encourage. This is positive national housing policy.
- The accountability and tracking of funds requirements should be consistent with HUD's other community planning and development projects.

- Finally we recommend that Section 300 "Inapplicability of HOME Provisions" be deleted from the bill.

Mr. Chairman, and members of the Committee, we want to thank-you once again for H.R. 2895, the National Housing Trust Fund.

We look forward to working with you for its passage.



SUPPORTING THE CREATION OF A NATIONAL HOUSING TRUST FUND

WHEREAS, housing is at the core of strong communities, promoting neighborhood stability, improving educational opportunity, employment stability, and helping owners to build wealth; and

WHEREAS, the U.S. Conference of Mayors 2006 Hunger and Homelessness Survey found that one of the primary causes of homelessness is the lack of affordable housing; and

WHEREAS, a 2006 National Low Income Housing Coalition study found that there are roughly nine million renter households nationwide who pay half or more of their income for housing; and

WHEREAS, safe, decent, and affordable housing is at the foundation of strong families and communities; and

WHEREAS, unmet housing needs have reached an all-time high;
And

WHEREAS, working people in our cities are having a difficult time finding affordable housing and 9.6 million of the lowest income families in the U.S. pay more than half of their income for housing; and

WHEREAS, since 1976, new federal spending on housing has decreased substantially; and

WHEREAS, housing represents 23 percent of the U.S. gross domestic product, is an economic stimulus and creates jobs;
and

WHEREAS, affordable housing must be a national priority;
and

WHEREAS, nearly 600 state and local housing trust funds have been created, which serve as models for what can and should be done at the national level; and

WHEREAS, a national housing trust fund should be established to construct, rehabilitate and preserve housing; and

WHEREAS, local governments have played a significant role in the development of affordable housing and that role is recognized and supported by the proposed national housing trust fund, and

WHEREAS, the three decade long housing trust fund movement continues to grow to where there is now more than 600 state and local housing trusts that collectively generate 1.6 billion dollars a year; and

WHEREAS, federal legislation recently passed the U.S. House of Representatives' Financial Services Committee authorizes the creation of an Affordable Housing Fund based on the revenues of the government sponsored enterprises Fannie Mae and Freddie Mac; and

WHEREAS, it is anticipated that the Affordable Housing Fund will become a part of the National Housing Trust Fund, providing for even more funding capacity for the production and preservation of housing; and

WHEREAS, the Conference of Mayors has already adopted strong policy for a National Housing Trust Fund;

NOW, THEREFORE BE IT RESOLVED, that the Conference of Mayors reaffirms its policy by calling for the passage of a National Housing Trust Fund primarily, but not exclusively, designed to meet the needs of the very low income, i.e. 30 percent of the AMI or below, through the preservation and production of housing;

BE IT ALSO RESOLVED, that The U.S. Conference of Mayors strongly supports that 60 percent or more of the funding of the National Housing Trust Fund should be allocated to localities.