

SETTING THE HOUSING AND COMMUNITY DEVELOPMENT AGENDA FOR 2009 AND BEYOND

Rural communities without safe drinking water...small towns that lack the infrastructure to attract or keep good jobs....cities with deteriorated housing...homeless individuals and families that need shelter and support...this is America in 2008.

Threats to America's Communities Impact Essential Needs

Strong communities are the backbone of America. It is there that millions of Americans find decent housing, good jobs, education for their children, health care and the other essential elements of the quality of life we have come to expect for our citizens. Thriving communities, in both urban and rural areas, offer a safe, healthy and sustainable environment for all Americans.

When **these basic human needs are threatened**, as they are right now, by the **downturn in the economy and the far-reaching effects of the housing crisis**, communities are weakened and their residents suffer. **The housing crisis becomes a community crisis** – affecting the local, state and the national economy.

Communities Need Investment to Keep Them Strong

Our ability to create and sustain strong communities requires continued investment – in infrastructure, housing, schools, businesses and education of the workforce. Communities must be prepared to compete economically. States must assist their communities to maintain a global, entrepreneurial and innovation-based economy if they expect to provide strong growth in the standard of living for their residents.

Foreclosure effects

According to the Pew Charitable Trusts, More than 40.6 million homes across America are projected to lose value because of subprime foreclosures in their communities. Foreclosures may cost neighboring properties up to \$356 billion in home value over the next couple of years. (1)

Federal Investment in Housing and Community Development Has Decreased Dramatically

The need for federal community development assistance to state and local governments has never been higher. This assistance is crucial to enable communities to continue to provide these essential services to residents, particularly to low-income households. Federal programs, particularly the Community Development Block Grant (CDBG) Program, the HOME Investment Partnerships (HOME) Program, and the McKinney-Vento Homeless Programs are crucial tools for assisting America's low and moderate income families. The CDBG Program provides funds to state and local governments for a broad range of activities to support communities. All in all, over 5,000 communities are assisted each year with CDBG projects, including housing rehabilitation, job creation, and vital infrastructure projects such as roads, clean water, and community facilities. The HOME Program allocates funds among the states and hundreds of localities nationwide for rental and single-family housing development and rehabilitation, homeownership opportunities, and rental assistance. The McKinney-Vento Homeless Assistance Programs provide shelter and services to more than a million homeless families and individuals annually.

State and local leaders understand the importance of these resources to their community - national organizations representing state and local elected officials, such as the National Governors Association, the US Conference of Mayors, and the National Association of Counties all strongly support the CDBG and HOME programs.

New Water Supply - Springfield Township, Pennsylvania

The residents of Springfield Township in Fayette County, Pennsylvania, had never had a safe or plentiful water supply. The 70 families who lived there had to haul water in tanks in their pickup trucks, purchase drinking water at the market, carry laundry to laundromats and take children to relatives' homes for baths.

This project, funded with Community Development Block Grant funds, involved building and installing a new water system, with new pipes and hook-ups. The result of the project was that the residents had access to a safe and plentiful supply of water for the very first time.



All of these programs are funded to implement projects that are accessible and or affordable by providing decent housing for low and moderate income individuals in communities across the country. They are also designed to sustain suitable living environments and provide economic opportunities for these same individuals as well.

In a slowing economy, community development programs are not the programs that should be reduced, rather they should be the vehicles appropriated with increased funding, since they are targeted to those in greatest need. As needs and costs for public infrastructure, affordable housing, help for the homeless and community facilities have increased, funding for these vital program resources has not kept pace. Although funding for community development and housing programs has never been adequate to effectively address the need, over the past several years, the gap between needs and resources has grown considerably wider.

— Community Development —

Action Needed:

- Fund the CDBG Program at \$5 billion.

The centerpiece of the federal government assistance for community development is the **Community Development Block Grant Program**, which provides formula funding to assist states, counties and cities to revitalize communities. Even though CDBG successfully meets crucial community needs, funding has decreased by \$2 billion since FY 2004. The CDBG Program should be funded at at least \$5 billion per year. This funding is urgently needed to help low and moderate income communities meet the basic housing, public service and employment needs of their residents, especially in the context of the current increasing economic distress. Each year, CDBG creates and maintains jobs in many communities across the country.

In addition, the CDBG program also provides funding for basic infrastructure in hundreds of small and rural communities. A substantial portion of state CDBG dollars are allocated for wastewater treatment systems and extension of water lines into rural communities that do not have potable drinking water. According to the American Society of Civil Engineers, addressing the nation’s infrastructure needs over the next 5 years will cost more than 1 trillion dollars. (2) The enormous infrastructure crisis, well beyond just water and sewer needs, calls for an increase in federal funding; the state CDBG Program is a natural vehicle already being utilized by states to address some of these needs, particularly in rural areas. In addition, infrastructure investments create jobs and spur economic growth.

See the COSCDA website (www.coscda.org) for more information on the need for additional funding for the CDBG Program.

Action Needed:

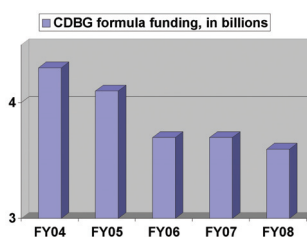
- Refine the CDBG Program

One of the hallmarks of success of the CDBG program is its flexibility, enabling states and localities to select programming which addresses their specific needs. In addition to funding, reforms to the CDBG program are needed to keep the program current and maintain its flexibility. See the COSCDA website (www.coscda.org) on how to refine the CDBG Program.

Success of the CDBG Program:

The CDBG Program, in FY 2007, made public facilities and public services accessible to over 24 million persons, assisted 23,000 households with housing, and created or retained close to 28,000 jobs. (3)

If the Community Development Block Grant Program were funded at \$5 billion, an estimated additional 5 million low and moderate income people across the nation could be served, over 20,000 more jobs created and retained, and more than 5,000 households assisted in housing rehabilitation programs. (4)



CDBG Scorecard

CDBG – since the beginning of the program (1974)
 Created or retained over 2.2 million jobs
 Generated over \$150 billion in economic benefit
 In FY2007
 Over 24 million persons were assisted with some level of access to a public facility or type of infrastructure
 Nearly 24 million persons were assisted with some level of access to a public service
 Almost 13,000 rental units were rehabilitated
 Almost 10,000 households received homebuyer assistance

— Affordable Housing —

Action Needed:

- Fund the HOME Investment Partnerships Program at \$2.2 billion.

According to the Joint Center for Housing Studies, more than 39 million American households were cost burdened by housing in 2006, including more than 18 million households who were severely cost burdened by paying more than 50 percent of their income for housing costs. This was before both the melt down in the housing market as interest rates moved higher and spiraling energy costs added to the costs of maintaining a home or apartment.

The **HOME Program** adds to the stock of affordable housing for low-income homeowners and renters alike by funding the new construction or acquisition and rehabilitation of affordable housing. In the past four years, the total HOME appropriation dropped by more than \$600 million and the formula grant amount to states and localities is currently at its lowest level since FY2000. With many former owners returning to the rental market after having their homes undergo foreclosure, the impact of costs on the rental market is only going to worsen, while the quality of the housing stock will decline as abandoned foreclosed homes glut the market. Greater HOME funding is urgently needed to address these housing issues and help the nation's low-and moderate income families with ever mounting housing burdens.

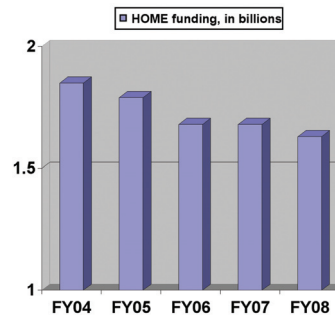
Success of the HOME Program:

The HOME Program has provided over 800,000 housing units since the program began in 1991. (5)

HOME Program Scorecard

HOME – since beginning of program (1992)

- 200,000 new housing units developed (SF and rental)
- 350,000 housing units rehabilitated
- 270,000 households received direct homeownership assistance
- 188,000 households received rental assistance



If the HOME Program were fully funded at \$2.2 billion, it could fund 24,000 additional units per year.



HOME Investment Partnerships Programs developments in Maryland financed by Department of Housing and Community Development

Chapline House in Calvert County provides 90 units of affordable housing to elderly low-income households. It was funded with \$1,271,891 in HOME funds, and leveraged over \$6 million in additional funding.

See the COSCDA website (www.coscda.org) for more information on the need for additional funding for the HOME Program.

— Assistance to Homeless —

Action Needed:

- Fund the McKinney-Vento Homeless Assistance Programs at \$2.5 billion

The U.S. Department of Housing and Urban Development reported more than 1,150,000 total persons used emergency or transitional shelter sometime between January 1, and June 30, 2006. Children represented about 20 percent of these people, and 38 percent of the sheltered population was disabled. Data for 2007 and 2008 have not been released, however it would not be surprising given the rise in energy costs and the problems in the housing markets if these figures were to increase.

Action Needed:

- Consolidate the McKinney-Vento Homeless Assistance Programs
- Provide Flexible Funding

See the COSCDA website (www.coscda.org) for more information on the need for additional funding for Homeless Programs and these two important issues.

Success of the McKinney-Vento Homeless Assistance Programs

The McKinney Vento programs were created more than twenty years ago and now serve more than 1 million persons each year. Of that total, more than half are families with children. More than 300 jurisdictions – states, counties and localities – have developed 10-year plans to end homelessness.

Homeless Program Scorecard

Homeless Assistance – FY 2007

Nearly 6,000 local programs were funded with about \$1.5 billion in Homeless Assistance Grants. Funding increased nearly 40% from 2001 until 2008. Declines in chronically homeless reported for the first time between 2005 and 2006.

If the McKinney-Vento Programs were funded at \$2.5 billion, more than 600,000 additional homeless persons could be served.



Kentucky Safe Havens Program

The Safe Havens program of the Kentucky Housing Corporation provides temporary housing assistance to households currently seeking to leave a shelter or who are otherwise in critical need of housing. The program provides vouchers to disabled individuals, victims of domestic violence and families with children and insures that participants receive appropriate case management services, leading to economic self-sufficiency and independence. Since 2006, the program has assisted more than 1,000 households.

State Community Development Agencies Use Federal Programs To Serve Rural Areas

The CDBG and HOME programs are distinctly suited to provide funding to small rural communities. These programs are needed to supplement other federal assistance and do not duplicate programs elsewhere in the federal government. For example, the U.S. Department of Agriculture Rural Development (USDA) funds housing programs for rural areas, however, most of the programs are loan guarantee programs, and public and private lending sources are decreasing in rural areas. Small communities are relying more on CDBG and HOME due to the decreased USDA funds, particularly for traditional community development projects, such as street improvements, infrastructure and community health centers.

Housing and Community Development Programs Need Streamlining

While CDBG, HOME and homelessness programs are used in conjunction with other programs, such as Rural Development programs, low-income housing tax credits, and mortgage revenue bonds, there are often conflicting and duplicative requirements associated with these other programs, and other overall federal requirements. The need continues to streamline the multiple requirements for all federal community development programs to make them run more efficiently and effectively. For example, when there are multiple funding sources for projects, Congress and the new Administration should allow the rules of the largest federal funding source to prevail.

State Budgets are Inadequate to Meet Community Development Needs

The effectiveness of state governments in the delivery and administration of community development programs must be emphasized. States are uniquely positioned to judge their most pressing needs and allocate limited assistance to address them wherever they exist and in amounts sufficient to make a difference. Through the development of regional comprehensive strategies, states can coordinate the resources of various state agencies and partner with local governments, nonprofits, the private sector, resident and community groups, and service providers to build capacity and address the diverse community challenges they confront. However, since states' budgets are severely squeezed by dwindling tax revenues and continued weakness in the national economy, continued federal assistance is crucial.

COSCD A strongly urges the next Administration and Congress to fully support the efforts of communities to address their housing and community development needs by reversing the decline in funding for these critical programs, and provide leadership at the Department of Housing and Urban Development that will elevate the importance of housing and community development and adequately provide for the needs of our most vulnerable citizens.

(1) Pew Charitable Trusts : "Defaulting on the Dream: States Respond to America's Foreclosure Crisis" p.4

(2) American Society of Civil Engineers

(3) HUD, "Preliminary Analysis of Performance Measurement Results"

(4) "Consequences for American Communities", NAHRO, March 15, 2006
"More Than Bricks and Mortar – The Economic Impact of the Community Development Block Grant Program", NAHRO, 2000

(5) HUD, HOME Program web page

<http://www.hud.gov/offices/cpd/affordablehousing/reports/production/043008.pdf>



The Council of State Community Development Agencies (COSCD A) represents state community development and housing agencies responsible for administering the Department of Housing and Urban Development (HUD) programs, including the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships (HOME) program and the McKinney-Vento Homeless Assistance Programs. These programs meet critical housing and community development needs and transform neighborhoods in all fifty states.