



HOUSING PRESERVATION NEWS

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Federal Budget Priorities for FY2008 A California Perspective

California advocates of affordable housing helped our colleagues in the nation's capitol score an important victory last month with the passage of the FY07 Joint Funding Resolution, which added \$500 million to the Section 8 voucher program and \$300 million to the public housing operating fund as well as \$939 million in additional funds for renewing expiring Section 8 contracts and an additional \$114 million for homeless assistance grants. With a budget for the half-finished FY07 finally in place, Congress then turned its attention to the President's proposed \$2.9 trillion FY08 budget, an impressively large number that somehow shrinks to almost nothing when the need to help lower income Americans access the housing market comes up. The President's request for HUD is \$35.2 billion, which represents an 8% cut when compared to the \$38.3 billion appropriated for FY07. (Contrast this with the proposed increase of more than 10% in the \$553 billion for "security-related" funding.)

The House is just completing the first phase of its evaluation of the President's proposed HUD budget and the Senate is scheduled to discuss it starting the week of March 19. It is important to remember that the only numbers that Congress sets in stone right now are the overall budget ceilings for each subcommittee. Each subcommittee will then hold hearings to determine how to allocate its funds among the programs in its budget area. Nonetheless, it is important for housing advocates to begin forming recommended funding levels for the HUD programs now so our representatives are aware of the impact the decision on setting the overall HUD budget will likely have on specific programs. The following is an analysis of some of the most important areas in the HUD budget for California and recommendations for California's Congressional delegation to consider in their deliberations.

Section 8 Housing Choice Voucher Renewals

The Section 8 voucher program is far and away the most important federal housing program to California. There are more than 300,000 vouchers in use in California, more than one seventh of the national total. The President's budget requests just \$9 million more for voucher renewals than the amount appropriated in FY07. This is not enough to cover even the cost of inflation. The Center on Budget and Policy Priorities estimates that this level of funding would force housing authorities to cut 40,000 - 80,000 vouchers. Full funding of vouchers would cost another \$300 - \$600 million depending on whether PHAs use all of their available funding on their authorized vouchers and whether voucher costs stay within inflation forecasts for 2007 and 2008.

Congress should fully fund the voucher program by adding an additional \$500 million to the amount requested by the President.

Incremental Section 8 Housing Choice Vouchers

Full funding of the voucher program should not be our only goal for this program this year. It has been more than five years since Congress last provided incremental vouchers. In the meantime, as HUD's own statistics show there has been a dramatic rise in the number of households unable to afford shelter in California and other high cost states and a consequent rise in the number of homeless, particularly homeless families, veterans and refugees of national disasters. In addition, 12 years of disinvestment in public housing (see below) has made revitalization of these properties a priority. *Congress should authorize 100,000 incremental vouchers to address the nation's most pressing needs: veterans, housing the homeless, Katrina refugees, and the project-basing of vouchers to enable one-for-one replacement of public housing. The added cost of the 100,000 incremental vouchers would be approximately \$750 million.*

Project-Based Rental Assistance

The HUD budget requests \$5.8 billion for project-based rental assistance for FY08 with \$5.5 billion for contract renewals. These are significant cuts over the FY07 funding. FHA Commissioner Montgomery acknowledged to Congress earlier this year that HUD had been partially funding some of the 80% of the 22,000 contracts that come up for renewal each year but that HUD's Office of General Counsel had recently decided that such partial funding could no longer occur and that full funding is necessary. Ranking minority member Mr. Knollenberg said in a recent hearing that if HUD's request for FY08 project-based renewals were enacted, HUD would not have the funds to renew contracts representing 124,140 units. *Congress should fully fund renewals of all Section 8 contract renewals.*

Public Housing Capital Fund

There is an estimated \$20 billion in deferred maintenance at public housing developments around the country caused by years of conscious underfunding by HUD and Congress. For FY08 the President requests \$2.024 billion for the public housing capital fund. This is a 17% reduction from the \$2.439 billion allocated in FY07. *Congress should increase the Public Housing Capital Fund to \$3.5 billion as recommended by The Public Housing Authorities Directors Association (PHADA), the National Association of Housing and Redevelopment Officials (NAHRO) and the Council of Large Public Housing Authorities (CLPHA).*

Public Housing Operating Fund

The FY08 budget request calls for \$4.0 billion for public housing operating funds. This is \$136 million higher than FY07 but only 85% of need in FY08 as calculated by HUD. *Congress should fully fund the Public Housing Operating fund at \$4.7 billion.*

HOPE VI

The Administration continues to request no funding for HOPE VI. The FY08 request also calls for rescinding the \$99 million provided by Congress in FY06. *Congress should fund HOPE VI at the same level as last year of \$99 million.*

Community Development Block Grants

The President's budget again proposes deep cuts to the CDBG program. The proposed \$3.037 billion represents a \$700 million cut over FY07 and more than \$1 billion less than was enacted for FY06. While CDBG would remain at HUD, the CDBG allocation formula would be changed "to better target funds to communities with the greatest need and to hold communities accountable for the results." *Congress should support full funding of the CDBG program at a level of \$4.3 billion and retain the current allocation formula (until such time as HUD has demonstrated that the proposed alternative will produce greater public benefit).*

HOME

The budget proposes an increase of \$223 million over FY07 to \$1.967 billion, of which \$1.903 billion is for HOME grants. An additional \$50 million is provided for the American Dream Down Payment Initiative. The President requests \$40 million for the Self-Help and Assisted Homeownership Opportunity program, which became a separate account in FY06. *The proposed increase to \$1.967 billion is acceptable given the other pressing housing funding needs.*

Section 202 Housing for the Elderly

The budget proposes to reduce funding for the Section 202 Housing for the Elderly program from \$735 million to \$575 million, a 22% cut. *Congress should fund the 202 program at least at the same level as last year.*

Section 811 Housing for Persons with Disabilities

For the third year in a row, the President's budget proposes to cut the Section 811 Housing for Persons with Disabilities program almost in half from \$237 million to \$125 million. Of this amount, \$74.7 million would be for tenant-based assistance contracts, including contract renewals and amendments. The budget allows for \$15 million for a demonstration program to leverage project awards with other sources of development financing such as low income housing tax credits. *Congress should fund the 811 program at least at the same level as last year.*

Rural Rental Housing (USDA)

The President's FY08 budget turns its back on rural rental housing programs. The only programs proposed for increases are the shallow subsidy guaranteed loan programs and tenant protection vouchers. The budget proposes zeroing out funding for the Section 515 rental housing program from the \$99 million funded in FY07 and cutting funding for Section 514 farm labor housing loans and 516 farm labor housing grants to one-third of the FY07 level. None of these cuts are due to a decrease in need or finding a better approach. The budget also proposes reducing Section 521 rural rental assistance to \$567 million from \$616 million in FY07 and limits contracts to one-year terms.

The change to one-year contracts while logical given similar changes to the Section 8 renewal budget, is of concern to rural housing advocates in that it will cause a spike in the Section 521 budget in upcoming years as existing longer term contracts funded in prior years come up for renewal. Another issue is the lack of resources in the budget to facilitate preservation transfers. In FY06 \$61.8 million in Section 515 funds were used for preservation and even so, USDA was able to fund less than 2% of the revitalization applications it received at a time when USDA's own studies show the requests for owners to prepay their loans and exit the program are likely to escalate significantly. *Congress should fund all USDA housing programs at FY07 levels and add an additional \$100 million to the preservation demonstration program.*