April 11, 2014

The Honorable Tom Latham
Subcommittee on Transportation, Housing
and Urban Development, and Related
Agencies
2217 Rayburn House Office Building
U.S. House
Washington, D.C. 20515

The Honorable Ed Pastor
Subcommittee on Transportation, Housing
and Urban Development, and Related
Agencies
2465 Rayburn House Office Building
U.S. House
Washington, D.C. 20515

Dear Chairman Latham and Ranking Member Pastor:

We appreciate this opportunity to provide testimony in support of HUD’s HOME Investment Partnerships (HOME) program. HOME program funding is vital to the production and provision of housing affordable to low-income families. Yet, HOME has received devastating cuts—cut almost in half in just the past few years. To begin restoring funds for HOME, we implore you to fund HOME in FY 2015 at $1.6 billion, equal to its FY 2011 funding level. We ask that you resist additional, disproportionate cuts to HOME and recognize both the successful track record of the program and the need for its continued funding at a time when our housing market, and broader economy, continues to struggle and the need for affordable housing continues to grow.

Just since FY 2011, HOME appropriations have been cut by 38 percent from $1.6 billion to $1 billion in FY 2014. Cuts to the HOME program are being felt deeply across the country. For example, the FY 2014 HOME funding allocation to the state of Iowa is 35 percent less than its FY 2011 allocation, and the FY 2014 allocation to the state of Arizona is 29 percent less than its FY 2011 allocation.

Authorized in 1990, the HOME program provides grants to state and local governments to produce affordable housing for low-income families. HOME funds are a vital and unique source of financing for numerous affordable housing developments—many of which would not be possible without HOME assistance. States and localities use HOME for affordable housing production and rehabilitation, preservation, and rental and homeownership assistance.

HOME uniquely empowers states and localities to respond to the housing needs they judge most pressing by flexibly working with and supporting many critical federal housing programs, including the Low Income Housing Tax Credit and rural housing programs. States and localities use HOME to serve the whole spectrum of housing need, from homeless to ownership to disaster recovery, from urban to rural areas, and all low-income populations, including families with children, the elderly, veterans, and persons with special needs. HOME also enables for-profit and nonprofit developers to provide affordable housing in their communities.

In its 20 years of existence, the HOME program has successfully produced more than 1.1 million affordable homes, in addition to making homes affordable for hundreds of thousands
of families with direct rental assistance. HUD’s February 2014 HOME National Production Report shows since 1992, states and localities have used HOME funds to produce 485,639 homebuyer homes, 452,406 rental homes, and 226,302 rehabilitated owner-occupied homes. Another 287,023 families have received tenant-based rental assistance through the HOME program. States and localities leverage HOME funding by generating more than $4 in other private and public resources for every $1 of HOME. Over the program’s lifetime, HOME funds have been used to leverage another $110 billion for affordable housing.

Based on projected production levels included in HUD’s FY 2015 Budget request, if HOME is funded in FY 2015 at the Administration’s proposed level of $950 million, we expect approximately 31,000 fewer affordable homes will be produced than if HOME is funded at its FY 2011 funding level. This means fewer homebuyer and rental units, fewer homeowner rehabilitation projects, and fewer tenants assisted.

A strong investment in the HOME program is necessary to address the increasing demand for housing affordable to low-income families. The National Housing Conference’s Housing Landscape 2014 reports that in 2012 15.6 percent of all U.S. households, or 18.1 million households, were severely cost burdened, spending more than half their income on housing costs, with one in five working households facing severe housing cost burdens. Furthermore, nearly eight in ten extremely low-income working households, with incomes of 30 percent or less of area median income (AMI), and more than a third of very low-income working households, with incomes of 50 percent or less of AMI, are severely housing cost burdened.

HOME funding is used exclusively to create affordable housing for low-income households, those earning incomes of 80 percent or less of AMI. While the statute requires that at least 90 percent of families receiving rental assistance through HOME have incomes at 60 percent of AMI or less, almost 100 percent of those receiving HOME tenant-based rental assistance and 97 percent of families living in HOME-assisted rental units have incomes of 60 percent of AMI or less. One out of three families helped with HOME are extremely low-income.

In addition to providing needed affordable housing, HOME funds contribute to job creation, especially in the hard-hit construction sector. Every $1 billion in HOME creates or protects approximately 18,000 jobs. Restoring funding to $1.6 billion in FY 2015 would support approximately 28,800 jobs.

As we face decreased investment in the production of affordable housing, we face a continued growing need for supply. According to HUD’s latest Worst Case Housing Needs report, in 2011 nearly 8.5 million very low-income families—who received no government housing assistance—paid more than half their monthly income for rent, lived in severely substandard housing, or both. This number is up 2.6 million, or 43.5 percent, since 2007.

Recent analysis conducted by the National Low Income Housing Coalition, found that there are only 57 affordable rental homes available for every 100 very low-income renter households, and for the 10.2 million households with extremely low incomes, there are only 31 affordable
homes available for every 100 households. Currently, only one in four households eligible for federal rental housing assistance receives it due to limited resources.

As a capital program, HOME is a vital resource for addressing this growing housing need. HOME funds produce new units of affordable housing and thus are necessary to increasing the overall supply of affordable housing. The Bipartisan Policy Center's Housing Commission in its recent report entitled Housing America's Future: New Directions for National Policy, called for an increase in HOME appropriations to serve as the gap financing needed to support new developments that would expand the supply of affordable rental housing. Further, HOME’s use for rehabilitation activities helps to keep low-income families in safe and decent homes they can afford and prevents additional losses from the supply of affordable rental housing. For example, in rural areas, the HOME program has been a vital source of funding for the preservation of an aging portfolio.

By enabling states and localities to address a variety of housing needs, HOME plays a unique role that cannot be filled by other programs. This is why we disagree with the Administration’s suggestion that its proposed HOME funding reduction is mitigated by funding for the Housing Trust Fund. First, there is no current funding for the Housing Trust Fund. Second, the Housing Trust Fund’s focus is narrower than that of HOME and therefore its funding does not make up for a loss of HOME funding. Consequently, we urge the Subcommittee to view the Housing Trust Fund as a complement to, not a substitute for, HOME and other affordable housing programs.

A HOME program appropriation of $1.6 billion in FY 2015 would only go partway towards restoring HOME program funding, but it would provide states and local communities with the critical resources needed to help address the spectrum of affordable housing needs they face. Therefore, we urge you to support the proven outcomes of the HOME program by providing a FY 2015 appropriation of $1.6 billion. Thank you for this opportunity to testify on the need for HOME funding. Please do not hesitate to contact us with any questions.

Sincerely,

CSH
Consortium for Citizens With Disabilities Housing Task Force
Council for Affordable and Rural Housing
Council of State Community Development Agencies
Enterprise Community Partners
Habitat for Humanity International
Local Initiatives Support Corporation
Mercy Housing
National Alliance of Community Economic Development Associations
National Alliance on Mental Illness
National Association of Home Builders
National Association of Housing and Redevelopment Officials
National Association of Housing Cooperatives
National Council of State Housing Agencies
National Housing Conference
National Housing Trust
National Low Income Housing Coalition
National Rural Housing Coalition
Practitioners Leveraging Assets for Community Enhancement
Stewards of Affordable Housing for the Future
The Community Builders, Inc.