THE SECTION 8 PROGRAM—COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAMS, AND AFFORDABLE HOUSING IN OHIO

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

JULY 29, 2003

Printed for the use of the Committee on Financial Services

Serial No. 108–50

U.S. GOVERNMENT PRINTING OFFICE

92–234 PDF WASHINGTON : 2003

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

HOUSE COMMITTEE ON FINANCIAL SERVICES

MICHAEL G. OXLEY, Ohio, *Chairman*

JAMES A. LEACH, Iowa
DOUG BEREUTER, Nebraska
RICHARD H. BAKER, Louisiana
SPENCER BACHUS, Alabama
MICHAEL N. CASTLE, Delaware
PETER T. KING, New York
EDWARD R. ROYCE, California
FRANK D. LUCAS, Oklahoma
ROBERT W. NEY, Ohio
SUE W. KELLY, New York, *Vice Chair*
RON PAUL, Texas
PAUL E. GILLMOR, Ohio
JIM RYUN, Kansas
STEVEN C. LATOURETTE, Ohio
DONALD A. MANZULLO, Illinois
WALTER B. JONES, JR., North Carolina
DOUG OSE, California
JUDY BIGGERT, Illinois
MARK GREEN, Wisconsin
PATRICK J. TOOMEY, Pennsylvania
CHRISTOPHER SHAYS, Connecticut
JOHN B. SHADEGG, Arizona
VITO FOSSELLA, New York
GARY G. MILLER, California
MELISSA A. HART, Pennsylvania
SHELLEY MOORE CAPITO, West Virginia
PATRICK J. TIBERI, Ohio
MARK R. KENNEDY, Minnesota
TOM FEENEY, Florida
JEB HENSARLING, Texas
SCOTT GARRETT, New Jersey
TIM MURPHY, Pennsylvania
GINNY BROWN-WAITE, Florida
J. GRESHAM BARRETT, South Carolina
KATHERINE HARRIS, Florida
RICK RENZI, Arizona

BARNEY FRANK, Massachusetts
PAUL E. KANJORSKI, Pennsylvania
MAXINE WATERS, California
CAROLYN B. MALONEY, New York
LUIS V. GUTIERREZ, Illinois
NYDIA M. VELÁZQUEZ, New York
MELVIN L. WATT, North Carolina
GARY L. ACKERMAN, New York
DARLENE HOOLEY, Oregon
JULIA CARSON, Indiana
BRAD SHERMAN, California
GREGORY W. MEEKS, New York
BARBARA LEE, California
JAY INSLEE, Washington
DENNIS MOORE, Kansas
CHARLES A. GONZALEZ, Texas
MICHAEL E. CAPUANO, Massachusetts
HAROLD E. FORD, JR., Tennessee
RUBÉN HINOJOSA, Texas
KEN LUCAS, Kentucky
JOSEPH CROWLEY, New York
WM. LACY CLAY, Missouri
STEVE ISRAEL, New York
MIKE ROSS, Arkansas
CAROLYN MCCARTHY, New York
JOE BACA, California
JIM MATHESON, Utah
STEPHEN F. LYNCH, Massachusetts
ARTUR DAVIS, Alabama
RAHM EMANUEL, Illinois
BRAD MILLER, North Carolina
DAVID SCOTT, Georgia

BERNARD SANDERS, Vermont

Robert U. Foster, III, *Staff Director*

Page

SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

ROBERT W. NEY, Ohio, *Chairman*

MARK GREEN, Wisconsin, *Vice Chairman*
DOUG BEREUTER, Nebraska
RICHARD H. BAKER, Louisiana
PETER T. KING, New York
WALTER B. JONES, JR., North Carolina
DOUG OSE, California
PATRICK J. TOOMEY, Pennsylvania
CHRISTOPHER SHAYS, Connecticut
GARY G. MILLER, California
MELISSA A. HART, Pennsylvania
PATRICK J. TIBERI, Ohio
KATHERINE HARRIS, Florida
RICK RENZI, Arizona

MAXINE WATERS, California
NYDIA M. VELÁZQUEZ, New York
JULIA CARSON, Indiana
BARBARA LEE, California
MICHAEL E. CAPUANO, Massachusetts
BERNARD SANDERS, Vermont
MELVIN L. WATT, North Carolina
WILLIAM LACY CLAY, Missouri
STEPHEN F. LYNCH, Massachusetts
BRAD MILLER, North Carolina
DAVID SCOTT, Georgia
ARTUR DAVIS, Alabama

CONTENTS

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

FIELD HEARING THE SECTION 8 PROGRAM—COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAMS, AND AFFORDABLE HOUSING IN OHIO

Tuesday, July 29, 2003

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to call, at 1:35 p.m, at the Martin Luther King, Jr. Performing & Cultural Arts Complex, Mount Vernon Avenue, Columbus, Ohio, Honorable Robert W. Ney, [chairman of the subcommittee] presiding.

Present: Representatives Ney, Jones, Tiberi, and LaTourette.

Staff Present: Clinton Jones, Counsel; Cindy Chetti, Professional Staff; and Paula Johnson, Professional Staff.

Chairman NEY. I want to—can you hear me?

I want to welcome everyone here today for the Subcommittee on Housing and Community Opportunity. We're going to meet this afternoon to discuss housing and community development policies in the State of Ohio.

With us today are Clinton Jones, and Paula Johnson—where's Cindy?—Cindy Chetti. Cindy, raise your hand. And these three are with the housing committee staff in Washington, D.C., who have come here for this—for this hearing.

And I want to thank my colleagues who will speak in a second here, to my right, Congresswoman Stephanie Tubbs Jones from Cleveland, Ohio, Cuyahoga County; and to my left here—missing, but he'll be right back—Congressman Tiberi, everybody, I think, knows him, from Columbus, Ohio, we also share half of Licking County with Congressman Tiberi; and, also, to the far left is Congressman Steve LaTourette, who is also from Ohio, around the Cuyahoga County area. So I want to thank my colleagues for coming here today.

This is our 17th hearing, and the housing committee actually started around January 21st of this year, so it's been very busy. It has two bills out of the house and six bills out of the committee, all contributing to trying to help with the area of housing.

As the housing subcommittee began a series of field hearings—this is the second field hearing outside of the capitol, the other hearings we had with our ranking member, Maxine Waters, out in

Los Angeles a couple weeks ago—I promised a series of field hearings, I promised to shift America's housing debate outside the Washington beltway to different regions of this country.

Today we focus especially on affordable housing availability in Ohio, the effectiveness of the Federal Government's Community Development Block Grant program, and the Section 8 housing voucher program for low income families.

Within the State of Ohio, affordable housing is essential for this State to continue to grow and for working families in order to prosper. The subcommittee and its members of the Ohio delegation, some of them are here today, are committed to working with State and local officials on this very, very important issue.

Today the housing subcommittee continues the process of listening, learning, and then discussing the situation.

I am certain my colleagues from Ohio would agree that the best economic development plan for any city or community consists of three factors: Effective public safety, good schools, and affordable housing. When one of these factors is lagging, the community will deteriorate.

In the previous months we've heard a variety of opinions on causes and solutions to help build communities and prevent deterioration. While we may not all agree on the possible solutions, it's important that this committee act prudently and provide an exhaustive review of all existing housing programs and determine how regulatory and legislative adjustments could provide additional housing across the United States.

At the same time, it is fair that the committee consider new ideas, provided they are fiscally prudent, maximize the taxpayers' investment, and provide accountability and results for the individuals that need assistance in this country.

Among the forms that have been discussed is an administration proposal to replace Section 8 tenant-based housing vouchers with State-managed block grants.

I introduced this bill at the administration's request and the request of Secretary Martinez so it could be debated. And that's, again, why we're here specifically today, but also to discuss other housing issues.

Rather than contracting with an estimated 2,600 separate public housing authorities, as HUD currently does, the department would like to allocate funds to the 50 States, which could then work with public housing agencies or other entities to administer the voucher program.

As well as examining the merits of this proposal, the subcommittee continues to look at other crucial housing programs, such as HUD's Community Development Block Grant program, or CDBG, which is what we also discussed in Los Angeles.

CDBG is one of the primary vehicles for local Mayors and officials to revitalize our nation's neighborhoods and provide economic opportunity and hope for millions of lower income Americans to achieve self-efficiency.

I look forward to hearing testimony from today's panelists on how the Community Development Block Grant program operates in the greater Columbus area, and how local development groups contribute to the effectiveness of the program.

And also we'll be hearing from people throughout the entire State of Ohio.

And at this point in time I want to thank and recognize the gentlewoman from Ohio, Ms. Stephanie Tubbs Jones.

Ms. JONES. Thank you. Good afternoon. I'm pleased to join Chairman Ney and my colleagues from around Ohio to discuss the issue of housing.

Actually, I used to serve on this subcommittee for four years, and had a great opportunity to talk about the issues. Now that I've had an opportunity to move to the Ways and Means Committee, I still know housing is an important part of any fabric of any community.

As we go through the upcoming years, specifically in Cuyahoga County, Ohio, we have a large number of foreclosures that come about as a result of lack of jobs et cetera, and we are going to need more and more affordable housing for people who traditionally may not have been looking for housing—or affordable housing, as well as the hundreds of people who are looking for affordable housing throughout Ohio.

I'm pleased to be here. I look forward to the testimony, and look forward to asking some questions so we can get some responses on particularly the issue of the block grant for voucher—excuse me—for Section 8 housing.

Thank you, Mr. Chairman.

Chairman NEY. Thank you.

And next is Congressman Pat Tiberi.

Mr. TIBERI. Thank you, Mr. Chairman.

I want to commend Bob Ney, the chairman of the subcommittee, for scheduling today's hearing entitled "Housing and Community Development Policies in the State of Ohio," and scheduling it especially here in my Congressional district, in the city in which I've lived my entire life. But I also want to thank my colleagues, Steve LaTourette and Stephanie Tubbs Jones, for taking time out of their busy schedules from their districts to come down here and listen to the folks here in central Ohio about the issues impacting housing.

The hearing will focus on three topics: The current operation and administration of Section 8 housing assistance to families program, Community Development Block Grant program, and housing production.

I want to thank Chairman Ney for his attention and dedication to the many housing issues that impact our country.

For this hearing today we hope to learn more about problems faced by many of our working families and determine how we might better address their housing needs.

Housing is the number one consumer product in America. And while the homeownership rate in this country is an impressive all-time high at 68 percent, there are still some that are unable to share in this American dream.

It is essential to restore confidence and accountability to our nation's housing policies by reforming programs that are underused, duplicative, or hindered by vague objectives.

Despite the fact that more and more people are sharing in the American dream of homeownership, many working families are finding it more difficult to find affordable housing.

The nation's lost more than 197,000 units of federally subsidized affordable housing over the last several years, including more than 9,500 in Ohio. More than a third of those units housed poor seniors.

It is essential that affordable housing be made available to people that need it.

Clearly, we must take steps to encourage new production and preservation of existing housing stock. Many witnesses testifying today are working hard every day to provide affordable housing to those in need. We need to make sure that they have the tools necessary to enhance and define affordable housing.

The Section 8 program serves more than 2 million people throughout the country. In Columbus alone there are 10,000 recipients of Section 8 assistance from the Columbus Metropolitan Housing Authority.

Recent proposals have been made that I believe threaten to destabilize the Section 8 program. The current proposals focus on shifting Section 8 management responsibilities to the States by converting them into block grants. This idea will not be effective, in my opinion, because the States have only limited experience with such programs. The last thing that the Columbus Metropolitan Housing Authority needs is another layer of bureaucracy upon it, which is certainly the outcome if these proposals are to be put into place.

Changes must be made to this program as it loses 2 billion annually to fraud and other factors nationally. However, I believe the best solution to Section 8 is to give more flexibility to local housing agencies.

These local agencies, along with elected officials, landlords, and others, work together to assure Section 8 provides the proper assistance. It's a simple idea: Local residents can better address local problems.

Another important issue facing central Ohio is that of the Community Development Block Grants, CDBGs. While the criteria established by the Formula A of CDBGs in 1974 and Formula B in 1976 may have been fair and equitable at that time, continued usage of these formulas, these old formulas, have led to a tremendously unfair situation in the 21st century.

Case in point is the criteria that we deal with the age of housing stock in Formula B. Formula B establishes houses built prior to 1940 as 50 percent of the funding formula. For cities such as Columbus, which saw the bulk of their growth occur after World War II, the failure to update this criteria means aging neighborhoods built in the '40s and '50s, such as the North Linden area, the Woodland and Joyce area, other areas, are ineligible for assistance under the CDBJ—BG grant program.

While these neighborhoods were not in need of assistance in the early 1970s, now they are more than 50 years old. They are experiencing the same level of need as older cities showed in the 1970s.

Comparing Columbus to cities whose main growth was prior to World War II, you can see the disparities that have arisen.

Take, for example, Saint Louis, Missouri, with a population of just under 350,000 people, it is the 49th largest city in the United States. In fiscal year 2001, Saint Louis received over $28 million in CDBG funding. Columbus, the 15th largest city, with a population of 710,000 people, received approximately 8.8 million. Similar discrepancies can be found when comparing Columbus to Baltimore, Pittsburgh, Boston, New Orleans, just to name a few.

Yes, all these cities share one common theme, they're smaller than Columbus.

Clearly, the criteria used in the formula needs to be updated and changed. The age of housing should be indexed to maintain fairness and consistency across the country.

Mr. Chairman, Ms. Tubbs Jones, Mr. LaTourette, thank you for coming to Columbus today to be part of this hearing.

We look forward to hearing from our witnesses.

Chairman NEY. I want to thank the gentleman from Ohio.

Congressman LaTourette.

Mr. LATOURETTE. Mr. Chairman, thank you very much for the opportunity to be here today. Thank you for inviting us down here.

I was going to begin my remarks by saying thank you for having this hearing in our back yard, but it's not really our back yard. And, as a matter of fact, Congresswoman Tubbs Jones and I needed a green card to get across the border, being from the state of Cleveland; but we're very happy—we're very happy to be here.

And I also want to commend our colleague, Congressman Tiberi, he was the fellow who approached me with your guidance a few months ago, indicated that this was an issue that would be vital to the constituents that he represented, and I'm happy to be here to aid in whatever questions come about today.

And, Mr. Chairman, I want to commend you for your leadership. As you mentioned, this is the 17th hearing that the subcommittee has held, and your interest in this issue is not only known in the State, but nationally.

The Section 8 housing voucher program, which was started in the 1970s, and there's no doubt that countless Americans have benefited from this Federal assistance and have found a means to put a roof over their heads, over the years, though, this worthwhile program has fallen victim to the same plague that, in fact, many government-run programs, in some instances, inefficiency, a lack of managerial accountability, and, in some cases, a bloated bureaucracy.

There's no doubt in anyone's mind that the founding principles the Section 8 program were built upon are still intact, and are probably more relevant and necessary today than they were even a decade ago.

The proposal, however, to reform the Section 8 voucher program introduced by the Bush administration has certainly generated a tremendous amount of interest and controversy. It is unclear to me, for example, whether or not States like Ohio will manage to be successful if the State begins receiving funding for Section 8 vouchers in direct Federal block grants.

One of the tensions that sometimes exists in Washington, as we all know, is: Who is better able to take care of problems, is it the Federal Government or the State government? In this particular instance, I differ from time to time with my party and believe that the Federal Government has a role to play and needs to be an active partner with the States, and we just simply can't wash our hands and say: State, here, take this.

And I'm looking very much forward to the testimony that we receive from all of the panelists today as they help guide not only this subcommittee, but also the full Financial Services Committee and then the Congress of the United States in grappling with these important issues.

Again, Mr. Chairman, I want to thank you for having this hearing today, and I look very much forward to hearing from everyone.

Chairman NEY. I want to thank all three of my colleagues, all three members, for their time.

I would note that this is the district work period for the Congress, and a lot of these members have given up their personal time and their items that they had scheduled to do to be here, so I want to thank all of them—all three of my colleagues for that.

Chairman NEY. And could the witnesses please—please come forward, first panel.

In the first panel is Bill Faith, Executive Director of Coalition on Homelessness and Housing in Ohio; LaToya N. Fisher, a resident, Columbus, Ohio—we'll get the chair there—Steven Gladman, Governmental Affairs Coordinator, Ohio Apartment Association, Columbus, Ohio, appearing on behalf of the Columbus Apartment Association and the Midwest Affordable Housing Management Association; Dennis Guest, Executive Director, Columbus Metropolitan Housing Authority; and Cornell H. McCleary, Commander, PRO-Private Police Training Academy, Columbus, Ohio; Thomas W. Slemmer, President, National Church Residences, Columbus, Ohio, on behalf of the American Association of Homes and Services for the Aging; and Fred Zawilinski, Executive Director of the Lake Metropolitan Housing Authority in Painesville, Ohio.

I want to welcome the first panel. This is an official hearing of the U.S. House, and it's being transcribed. And also I would note that we're going to operate by the five-minute rule; each of the witnesses will have five minutes in which to present their testimony. And, also, without objection, all members' opening statements are made part of the record, any additional statements that they want to make, and each of the witnesses' statements, without objection to the written language, your statements will be made part of the record. You'll each be recognized again for five minutes, if there's additional information, without objection, to be put into the record, and the members of the committee will have 30 days in which to ask additional questions without objection of particular witnesses of the panel.

So when you hear the tone, you've got about a minute to wrap up, and so we'll hold you to the rule so we can get all three panels.

I want to thank all of you for being here today, we'll start with Bill Faith.

STATEMENT OF BILL FAITH, EXECUTIVE DIRECTOR, COALITION ON HOMELESSNESS AND HOUSING IN OHIO, COLUMBUS, OHIO

Mr. FAITH. Thank you, Mr. Chairman. I want to thank you for taking the time to come to Columbus for this field hearing. I also want to thank all the committee members for coming; particularly, Congressman Pat Tiberi, for allowing me to testify and to offer my comments and suggestions.

I am here representing the Coalition on Homelessness and Housing in Ohio, better known as COHHIO. We're a statewide organization with over 600 member groups throughout all of Ohio's 88 counties.

There are several issues that I want to bring up today. I have more extended written comments that I've submitted, but I want to make a few highlights.

I know during this hearing you will be hearing from others who will talk more specifically about the housing needs here in Columbus. I wanted to bring to your attention a couple of more recent national studies.

The reason is this—this crisis that we face in affordable housing is national in scope and does require a national response.

The studies I want to point out to you is the most recent State-of-the-Nation's Housing Report published by the Joint Center on Housing Studies at Harvard University. One of the key points of their findings this year—and I included a graph which illustrates this—there is a 2-million-unit gap between the number of renter households in the bottom fifth of the income distribution and the number of physical units that they can afford to rent.

Also, in that same report, many households working at lower wage jobs are struggling to keep up with the escalating rents. I'll just illustrate a couple of these. Of the 2.1 million waiters, waitresses and cooks who rent, nearly half spend more than 30 percent of their incomes on housing; more than 40 percent of renter households with an earner employed in child care, home health care, cashiers, library assistants, maids, janitors, are similarly cost burdened. If they are the sole wage earner, renters in several other moderate paying occupations, like receptionists, carpenters, and electricians, also have a hard time affording their housing. And I included another graph which illustrates those dynamics.

I also wanted to point out to you another study, which may not have come to your attention, but the President's New Freedom Initiative Mental Health Commission, which was chaired by Dr. Mike Hogan of the Ohio Department of Mental Health, recently issued their report, in fact, on July 22nd, and I just want to provide in my written testimony a brief excerpt from that report, which I will summarize.

"The lack of decent, safe, affordable, and integrated housing is one of the most significant barriers to full participation in community life for people with serious mental illness. Today, millions of people with serious mental illnesses lack housing that meets their needs.

"The shortage of affordable housing and accompanying support services causes people with severe—serious mental illnesses to cycle among jails, institutions, shelters, and the streets; to remain unnecessarily in institutions; or to live in seriously substandard housing. People with serious mental illnesses also represent a large percentage of those who are repeatedly homeless, who are—or who are homeless for long periods of time.".

All over the country, local and State governments have stepped forward to provide support for the affordable housing efforts by creating housing trust funds. In fact, today there are 282 State and local housing trust funds operating throughout the United States. In an effort to leverage other resources to better address the affordable housing crisis, local governments in Ohio, such as Summit County, Montgomery County, Toledo, here in Columbus, Franklin County, as well as the State of Ohio, have established trust funds and dedicated local and State revenues to provide permanent funding.

In fact, as a result of the recently passed State budget bill, on August 1st the recording fees will be increased with the first $50 million proceeds going to the housing trust fund.

There's a similar bill that's been introduced at the national level, which would create a national version of a housing trust fund. This bill has very deep targeting, it would provide flexible resources——

Chairman NEY. That's not our tone.

Mr. FAITH. That's a really fancy tone.

Chairman NEY. That's somebody else.

Mr. FAITH. It would provide flexible resources to the State that are deeply targeted to those with the greatest housing needs.

Chairman NEY. That's not ours either.

Mr. FAITH. This legislation has tremendous grassroot support. There are now over 4,300 endorsements from across the country, and I've submitted a copy, hopefully for the record, if you will, Mr. Chairman, of all those endorsers, including 232 from across Ohio.

The national housing trust fund legislation has 204 cosponsors in the house, and I want to thank Congresswoman Tubbs Jones for being one of them, and encourage the rest of you cosponsoring this legislation.

There is, I guess, tripartisan support for the bill. 11 republicans have joined. But—and I urge you, Chairman Ney, to hold a hearing on this legislation. Surely, a bill with this level of support deserves such a hearing.

I want to add my voice—I know you'll be hearing from other members of this panel—about the HANF proposal. We are very much opposed to this proposal. As Congressman Tiberi, I think, articulated the best, this is a ill-conceived proposal that would not add any value and simply put the State bureaucracy in the middle of an already burdensome process of distributing critically needed rental assistance.

And I work a lot with the State of Ohio, and I know that they do a great job at many things. But administering a rental assistance program, I don't believe is one of them. They are good at production, they are good at tax credit, the bond programs, the home program, but administering a rental assistance program, they are entirely ill equipped for. They would need a hire literally hundreds of new staff to take on that job.

And, finally, my last comment, Mr. Chairman, is related to the Section 8 project-based. In the information I received, you're open to comments on that program, as well. And we—we are involved in this.

Ohio has 86,000 Section 8 project-based units, more than any other State outside of California and New York. As you know, we're going through massive changes in that program because of all the expiring contracts. And my organization provides a small part, but an important part, in the average technical assistance grants that we receive from HUD.

Now, HUD has held up distributing any new funds for this program, in spite of the fact that the Inspector General went through a very thorough audit, they moved into our offices for six weeks, went through all of our records, found no findings. I think the auditor almost came to tears when she realized they had no findings after six weeks.

But in spite of no findings, this administration has failed to issue a NOFA for the past two years for any new funds for this program. And I encourage you to add an amendment to the bill which would require them to issue a NOFA to get this program back up and running.

I know Ms. Jones has spent a fair amount of time—actually an unfair amount of time—trying to resolve this issue. And I think the only solution at this point is some additional legislation to require the administration to get back on the right track.

So with that, I'll close.

Thank you for your patience, and I'll be happy to respond to any questions.

Chairman NEY. Thank you.

[The prepared statement of Bill Faith can be found on page 93 in the appendix.]

Chairman NEY. Ms. Fisher.

STATEMENT OF LaTOYA N. FISHER, RESIDENT, COLUMBUS, OHIO

Ms. FISHER. Testimony of LaToya N. Fisher before the House Subcommittee on Housing and Community Opportunity.

Chairman Ney, Ranking Member Waters, and the distinguished members of the subcommittee, thank you for allowing me to testify on the subject of the Housing Choice Voucher Program and the role of the Columbus Metropolitan Housing Authority and how it has been beneficial to me.

My name is LaToya N. Fisher. I reside at 3035 Osgood Road West, Columbus, Ohio 43232. I am a 26-year-old single parent to four children, two of which I have adopted. I am currently employed at Ross Laboratories, and I attend Ohio State School of Cosmetology. My future goals are to complete the courses at this school to receive a certificate of completion in technology and further my education to obtain a degree in nursing.

At this point, I do not have the knowledge to comment on the national implications of changing the Housing Choice Voucher Program; but I would like to share with you my experience about being a participant in CMHA's Housing Choice Voucher Program.

I applied for Section 8 assistance in 1996. At the time my son and I were living at home with my mother and father, and I wanted to live on my own. I received my voucher several months after completing my application, and I was successful in finding an apartment that could fulfill my living needs at that time.

Two years later, I had another child and moved into a house. I enrolled in the Family Self-Sufficiency Program in February, 2003. I was able to obtain information about this program through my realtor. This program was the beginning of my becoming a first-time homebuyer.

I was able to achieve the goal May 23, 2003. Without CMHA's homeownership program, I would not have been able to achieve this goal so soon in my life. Because of the benefits from this program, I was able to find a home in a nice neighborhood and a stable environment for my children. I am grateful to HUD and CMHA for the assistance provided for my family and myself.

With the housing assistance, I am able to pay for school and afford the cost of everyday living for my family.

Since I have started this program, I have built a strong relationship with the coordinators of the FSS program, Ms. Carol Winchester and Ms. Michelle Barthelemy. Throughout the process of finding my home, I have had to speak with either one or both of these ladies on a daily basis, so I would know which steps to take next.

I am proud to say that I am very pleased with my relationship with CMHA staff—with the CMHA. The staff is friendly, courteous and professional.

CMHA has provided a valuable resource to our community. I would not want any changes to the Housing Choice Voucher Program that would reduce its current impact upon the thousands of Housing Choice participants who reside in Columbus, Ohio.

However, I would like to make a few suggestions on how to improve the program and weed out the people who don't plan to better their lives with this—with the help of this program.

One, require all able-body individuals to work or attend at least 30 hours per week at school or work. With responsibility, these people can feel a sense of self-importance in their lives and not live by society's standards, but want to achieve more in life.

Number two, take more of an aggressive against participants and landlords that are not following the CMHA rules.

Number 3, have the landlords attend the inspection with the inspectors so that they will understand clearly what needs to be fixed and for which reason. Hold payment on landlords that do not keep up on routine maintenance.

Number 4, find a way to acknowledge the workers for their hard work.

And Number 5, if possible, give more CMHA vouchers to assist families that are motivated to better their lives and current situation so that one day they can also live out the American dream and become a homeowner, also.

I would like to thank you once again for your time and interest. And I would be happy to answer any questions that you may have about my comments and suggestions.

Chairman NEY. I want to thank you for your fine testimony.

[The prepared statement of LaToya N. Fisher can be found on page 100 in the appendix.]

Chairman NEY. Let's move on to Mr. Gladman.

STATEMENT OF STEVEN D. GLADMAN, GOVERNMENTAL AFFAIRS COORDINATOR, OHIO APARTMENT ASSOCIATION, COLUMBUS, OHIO, APPEARING ON BEHALF OF COLUMBUS APARTMENT ASSOCIATION AND MIDWEST AFFORDABLE HOUSING MANAGEMENT ASSOCIATION

Mr. GLADMAN. Thank you, Chairman.

Chairman Ney and distinguished members, my name is Steve Gladman. I serve as the Executive Director of the Columbus Apartment Association as the Governmental Affairs Coordinator for the Ohio Apartment Association. Both organizations are affiliated with the National Apartment Association.

I also am the Executive Director of the Midwest Affordable Housing Management Association, which is affiliated with the National Affordable Housing Management Association.

All three of these organizations represent companies dedicated to provide quality rental housing.

My involvement in these three associations provides me unique insight into the Section 8 rental assistance program.

I believe it's critical to meet the housing needs of low and moderate income families, and that improving the Section 8 program is a central part of meeting those needs. However, I urge Congress and HUD to enact reforms to the existing Section 8 program that will encourage apartment owner participation; and, in turn, increase housing availability to voucher holders.

Although it is well intentioned, I think HANF will not reduce administrative costs to participating rental owners and will not maximize program benefits to—for residents.

I support the Section 8 program as a means for private housing owners to provide affordable rental housing to families who need it.

More apartment owners would participate if the costs of renting to voucher residents were more comparable to the costs of serving unsubsidized residents. Eliminating transactional barriers will encourage more owners to participate in the program. More owner participation will result in greater housing choice and increased voucher utilization rates.

But do I think the Section 8 program needs to be improved? I think there are four simple things:

First, fund the program adequately; second, ensure that the rental property owners are paid on time; set fair market rents so they're truly fair; and, finally, eliminate inspections and replace them with a process that is helpful to the resident and owner alike.

Funding: I urge continued funding for the existing program structure administered by HUD. Historically, many have criticized the Section 8 appropriation structure because too much funding remained unused each year. Effective this year, Congress enacted changes to minimize recaptures and national utilization rates have risen to nearly 96 percent.

I believe that the existing successful appropriations structure should be supported.

Timely payment: PHAs are required to make prompt subsidy payments to apartment owners. However, subsidy payments are sometimes untimely because of antiquated systems or processing delays. Just as owners would not regularly accept late rental payments from conventional residents, they should not be asked to accept late subsidy payments.

Some PHAs already use automated systems, but it would be helpful if HUD would provide technical assistance, funding, and other support so all the PHAs have the capability to utilize automated payment systems. HUD should also establish some incentives to make sure that the owners are paid on time.

Fair market rents: I urge that HUD enact a more efficient process for PHAs to apply for higher fair market rents that are more reflective of the submarket rents. I also propose changes that would allow PHAs to raise the payment standard to 120 percent of FMR without HUD approval and to afford PHAs increased flexibility in requesting higher payment standards when necessary. FMRs must be set high enough to encourage owner participation; and, in turn, create a sufficient supply of apartments and choices for voucher holders.

I thank HUD for raising the current FMR level to the 50th percentile in 39 high-cost areas. But that level is insufficient in areas with outdated FMRs and in certain high-cost submarkets. In many areas of Ohio, FMRs have not been updated in years and are well below market rates in both high-cost and moderately priced areas.

Inspections: Finally, I propose eliminating what many owners see as the greatest barrier to program participation, the inspection process.

The current inspection requirement is a losing proposition for all involved. The owner doesn't like the inspection because it delays resident move-in. The PHA struggles to keep up with the demand for inspections, and realizes that the inspection requirement discourages many rental owners from participating in the program. The resident has to wait to move in and has fewer housing options because of the limited owner participation.

Rental housing is a competitive business, and housing quality is market driven. Local housing codes and State landlord-tenant law already provides adequate protections for residents.

I urge that the inspection requirement be eliminated and the funds currently used for inspection be used to establish resident-owner liaisons. These liaisons would be PHA staff that work with both the resident and the owner to ensure both parties are benefiting from the Section 8 rental assistance program.

If a housing quality issue exists, the liaison could intervene on behalf of the resident; if appropriate, a housing quality inspection could be performed. If there's a payment or resident relationship issue that exists, the liaison would work with the owner to resolve these problems.

This process would focus on establishing a long-term relationship with owners and residents rather than focusing on a once-a-year inspection process.

I believe the existing Section 8 program, with the improvements I've just noted, will make affordable housing available for more Americans.

Thank you.

Chairman NEY. Thank you for your testimony.

[The prepared statement of Steven D. Gladman can be found on page 108 in the appendix.]

Chairman NEY. Mr. Guest.

STATEMENT OF DENNIS S. GUEST, EXECUTIVE DIRECTOR OF THE COLUMBUS METROPOLITAN HOUSING AUTHORITY, COLUMBUS, OHIO

Mr. GUEST. Chairman Ney and other distinguished representatives of the Subcommittee on Housing and Community Opportunity.

I'm Dennis Guest, I'm Executive Director of the Columbus Metropolitan Housing Authority, which is responsible for the operation of 3,814 units of public housing and the administration 9,732 budgeted Section 8 vouchers throughout Columbus and Franklin County.

I might also add, since one of our residents talked about the self-sufficiency program, that we currently have 500 residents registered in the program with over $480,000 in escrow accounts.

There are three issues on which I will comment:

A, the HANF block grant proposal; B, the potential improvements to the Section 8 program; and C, PHA selected project-based vouchers.

First, let me state that CMHA is opposed to the current proposal to block grant the voucher program.

And I dare say, most other State PHAs would be in the same boat. And there are three reasons for my opposition.

Number one, the concept of the voucher program could or should be coordinated with the TANF program is weak. Specifically, of the 10,000 vouchers currently under lease with CMHA, only 24 percent of households, heads of households with TANF, in Ohio called Ohio Works First, income, the majority, 76 percent, of our clients are seniors, the disabled, pensioners, and those working with modest incomes.

Number two, it is proposed that the States could better administer the program because they are more aware of the local needs, and by allowing increased regulatory waivers could more adequately meet such needs.

Members of the subcommittee, by passing the QWRA bill and by allowing the PHAs to utilize vouchers in a project-based manner, you have already encouraged the customization of the voucher program to the community level, an outstanding achievement.

For example, CMHA has customized its program to meet the needs of the City of Columbus, Franklin County, the Alcohol Drug and Mental Health Board, MR/DD, Community Shelter Board, United Way, et cetera. In one instance specifically, The Ohio State University and CMHA have partnered to provide housing assistance to young mothers with children who are students at OSU. Special supportive services provided by the University will allow these mothers to pursue degrees and begin successful careers without the need for TANF.

I have attached a list of our partnering agencies and nonprofits.

I am hard pressed to understand how a State-administered program could function more effectively at our city/county level. Rather, this committee should consider allowing PHAs more flexibility provided there is local governmental and community and private sector support.

Number three, it is difficult to comprehend the transition of the voucher program to a State block grant program being anything other than a time-consuming burden. If the State of Ohio alone were to administer the program, absorbing just our portfolio of housing would require inspecting 14,000 to 15,000 units a year, conducting 14,000 to 15,000 annual recertifications a year, processing 30,000 individual landlord checks, establishing relationships with over 2,200 owners of property, hearing a thousand grievances, and negotiating 12,000 unit rents. Plus, dealing with 27,000 residents currently in our program.

I might add, if you let the State of Ohio take all of these numbers and multiply them by about eight, then you'll find out what the volume of work would be at the State level.

Of course, the State could elect to subcontract their work to the PHAs, or the State could even decide not to participate in the program. All three scenarios are possible.

It is unlikely that this will create anything less than an administrative nightmare for HUD.

B, if the goal is to improve this section, the voucher program, I suggest the following for your consideration, and Mr. Gladman and I are probably on the same page:

We have variations of this, but we would allow PHAs to inspect units every two or three years, rather than yearly, based on unit history upkeep by landlords.

At least 85 percent of the landlords here in Columbus, I would say, are diligent, professional and maintain quality units. Annual inspections of their property is wasteful of their time and the PHAs' time and of the residents' time.

Fewer inspections should result in cost savings for both the public housing authorities and eventually to HUD, and result in more individual landlords participating in the program.

Number two, rent recertifications for senior citizens could be done every two years instead of yearly. For most senior citizens, you're seeing very little, if any, change in their annual income on a year-to-year basis. And rather than hauling them in on a yearly basis, money could also be spent and time saved, in terms of administrative savings in just doing that every two years.

Number three, this is where we get into some real technical stuff that some people may or may not be interested at this hearing right now, establish a LOCCS system of funding for Section 8. LOCCS stands for Lines of Credit Control System, and it's the method in which housing authorities draw down money. It could be set up on a yearly basis schedule. It's very similar to the way we get subsidy and other funds right now, rather than individual requests for often only two months at a time, which are paperwork intensive.

Finally, I would like to emphasize that the project-based program is tremendously successful locally. Because of the use of vouchers as financial backing, CMHA has been able to work with the Community Shelter Board and other nonprofit housing providers and support service agencies to develop over 200 units of housing for the homeless. Additionally, 48 new family units and 30 senior units are being developed with National Church Residences by utilizing project-based vouchers.

Thank you very much for allowing me to make this presentation.
Chairman NEY. Thank you.
[The prepared statement of Dennis S. Guest can be found on page 115 in the appendix.]
Chairman NEY. Mr. McCleary.

STATEMENT OF CORNELL H. McCLEARY, COMMANDER, PRO-PRIVATE, POLICE TRAINING ACADEMY, COLUMBUS, OHIO

Mr. MCCLEARY. Honorable Members of the Subcommittee on Housing and Community Opportunity.

I want to thank subcommittee chairperson, Bob Ney, committee members, and Congressman Pat Tiberi for bringing it to Columbus.

Columbus, Ohio is a community under siege, and it's quickly becoming the murder capital of America. Our children are getting shot while they play and while they sleep. During daylight hours, people's homes are being broken into where they're either raped, robbed or both. Just recently, three young people were tied up and shot in the head, for the lack of a better description, executed.

In our war on terrorism, we are not as worried about Saddam Hussein as we are worried about the boys in the hood, little Jermaine and Booboo.

Dead center of this horrific development in Columbus is the Section 8 low income housing communities. These communities have become unintended breeding grounds for violent and destructive criminals.

The public housing program was designed to provide safe, decent and affordable housing to low income families. In reality, the program has evolved to become a multibillion-dollar growth industry for politically connected developers, an economic nightmare for small and emerging property owners, and pure hell for too many low income families.

The Bush administration advocates shifting most of the management responsibility of the program from the Federal Government to the States by converting the program into block grants. Currently, the program loses billions of dollars to fraud and other factors. If Congress were to, in fact, reshift management of the program to inexperienced States, fraud and waste factors in the program would go through the roof. Not to mention the possibility of States, for budgetary reasons, never earnestly attempting to resolve community crime issues associated with the program.

My formal written testimony that I have presented to the subcommittee for consideration in the matter of achieving to the community's ability, making a factual argument that we must earnestly go after the boys in the suites, as well as the boys in the streets; the blood flow—and I must say, mostly the blood of African-Americans—must be stopped; the omissions of powerful and politically connected developers and property owners, quote, their respectability, must be reconciled in favor of safe and stable communities, and this reconciliation must be done by the Federal Government. If this challenge is left up to the States, God would have to be the Governor to get the job done.

Thank you for your invitation to speak.

And I will at this time entertain any questions that the subcommittee may have.

Chairman NEY. Thank you.

[The prepared statement of Cornell H. McCleary can be found on page 167 in the appendix.]

Chairman NEY. Mr. Slemmer.

STATEMENT OF THOMAS W. SLEMMER, PRESIDENT, NATIONAL CHURCH RESIDENCES, COLUMBUS, OHIO, ON BEHALF OF THE AMERICAN ASSOCIATION OF HOMES AND SERVICES FOR THE AGING

Mr. SLEMMER. Chairman Ney, Members of the Subcommittee.

Thank you for inviting me today. I'm President of the National Church Residences, but today I'll be speaking on the American of Association of Homes and Services for the Aging. We think we have a unique voice as it relates to affordable housing and services for affordable housing for seniors.

Also, as affiliate, is the Association of Ohio Philanthropic Homes and Services for Aging, and it represents 350 not-for-profit primarily faith-based organizations statewide.

I want to call your attention, my original testimony where we address several issues, including the Section 202 production programs, social service coordination, affordable housing and preservation and production. But first let me echo some of the sentiments of the panelists here as it relates to concerns of the administration's proposal to block—block grant Section 8 voucher programs as reflected in HR 1841.

I have a couple of practical examples I thought you might be interested in, as relates to Columbus. In your district, Congressman Tiberi, under construction right now is a 300-unit affordable housing development on Waggoner Road, east of 270, in the eastern part of Columbus, in a recently annexed property.

In that development we've established a partnership with the Columbus Metropolitan Housing Authority to develop 75 units of high-quality, affordable, service enrichment housing for senior citizens, and we've used HOPE VI funds, tax credits, tax exempt bonds, home funds from the city and State, as well as city TIF funds. Really, a complex development.

We also have on that same location 55 units of senior housing that's been developed under the Section 202 program, in cooperation with the local HUD office, and a 176-unit family affordable housing development, which includes 50 four-bedroom houses. And in that family development, we have worked very closely with the Columbus Metropolitan Housing Authority to—and, Dennis, you said 48, but 50—53 Section 8 vouchers on that property to serve the poorest of the poor.

And the emphasis I want to place on this was the close cooperation and working relationship with the Columbus housing authority, and their understanding of the local situation really brought that about, and especially as it relates to the need for four-bedroom housing industry for families.

A second development in Westerville, Ohio, is starting construction as a 75-unit senior housing facility that was developed in partnership with CMHA. They've purchased the land and are leasing it back to us to help us with our targeted development costs. Furthermore, they provide 30 project-based Section 8 vouchers so that we can serve the poorest of the poor in those developments.

Both of these developments, I think, speak to the success of the current program. It's operating well. Section 8 vouchers are being administered well. And the need for close local cooperation between the development community and the public housing authority has been met and really is working well.

It's our opinion that implementing HR 1841 will not improve the program. It is exactly the situation here in Columbus that really enables us to customize and meet the special local needs, which I think will be lost if this is administered at the State level.

It's hard to imagine that transitioning the voucher program to the States will be anything more than a time-consuming burden, as Mr. Guest mentioned.

It's really our experience that the existing program currently operated locally provides the flexibility and the partnership and the local coordination that you need.

If I could speak just briefly about the Section 202 program that your committee oversees. Many not-for-profits, that's their primary vehicle for developing affordable senior housing for services. And in our written testimony we have several specific suggestions on how to make the program work better.

But one of them, I thought I would bring to your attention, HUD has still not implemented, after three years, your committee's intent, which was passed in the legislation, which allows us to combine the 202 program with tax credits so we can expand affordable housing supply in this country. I would submit to you that that's embarrassing.

Furthermore, HUD needs to speed up the process of refinancing its older portfolio of Section 202 housing. Some of those loans are financed at 9-1/2 percent interest. Right now, I think today, you could refinance those at 4-1/2 percent interest, and that money could be used to expand services and improve those properties. To date, that program has not been implemented. There's only been three applications approved so far in Washington.

I submit that this committee ought to really look into that, and instead of HUD dragging its feet on those applications, they ought to be pushing sponsors to refinance and take advantage of that lower interest rate environment.

Finally, we're grateful for your support of the Social Service Coordination program. It is vital for senior housing. I know you know it. But on the written testimony, we express concerns that are also shared by the American Association of Service Coordinators, that the 203—2003 NOFA on service coordination we think adversely affects both the quality and the training program of service coordinators. We would urge you to take a look at that.

Again, we want to thank you for your time.

Chairman NEY. Thank you.

[The prepared statement of Thomas W. Slemmer can be found on page 176 in the appendix.]

Chairman NEY. Mr. Zawilinski.

STATEMENT OF FRED ZAWILINSKI, EXECUTIVE DIRECTOR, LAKE METROPOLITAN HOUSING AUTHORITY, PAINESVILLE, OHIO

Mr. ZAWILINSKI. Thank you, Congressman Ney and Congressman LaTourette for the invitation to speak to the entire subcommittee this afternoon here in Columbus.

My name is Fred Zawilinski, and I'm the Executive Director of the Lake Metropolitan Housing Authority headquartered in Painesville, Ohio. We are a suburban county to the east of Cleveland.

The first point I'd like to make about the HANF proposal is that you're not going to see the results that the TANF proposal and welfare reform did in the last several years. First of all, you're not going to see the decrease in caseloads that has been celebrated as the success of TANF. The reason is, is that we're not operating an entitlement program; we're operating a program in the Housing Choice Voucher which has extensive waiting lists in most communities, if the housing authority's, indeed, even taking applications at all. Successes will be replaced by other folks from that waiting list. And sanctions do not carry the same impact under the Section 8 program that they would under welfare reform.

Simply put, sanctioning a family for not fulfilling work requirements not only penalizes the family for that, but also jeopardizes the business relationships housing authorities and those tenants share with landlords dependent on that steady stream of income that is promised through the contract that we sign with them.

The Housing Choice Voucher is not a failing program. It's—its primary emphasis is not on families in the sense of TANF recipient cash assistance. There are approximately only 14 percent of our families that we assist that are receiving cash assistance, and a much higher percentage of our families are receiving Social Security and disability assistance.

The Lending for Housing Commission has referred to the program as flexible, cost effective and successful under the commission. And the Housing Choice Vouchers' already administered at the most local level possible here in Ohio. Flexibility offered to us in preferences, payment standards allow us to adapt to the local needs of our community.

And our governance is local as well. Our boards are appointed by locally elected officials, they are responsive to their communities, and—and offer the opportunity to provide input to every individual in our community.

Additionally, housing authorities uniquely have the opportunity to administer Section 8 because of our—of our experience in public housing. Simply put, landlords have a greater trust for us because we share many of the responsibilities of a landlord through our public housing program.

I serve on the board of the National—or I'm sorry—the Lake County Apartment Owners Association, and that participation, from the landlord's perspective, allows me to have greater input into apartment policies in our community; but also has provided the trust needed to develop the business relationships needed to expand our program over the last several years.

One of the justifications for making the HANF program is that there are hundreds of pages of HUD regulation and guidance that would be pared down at the Federal level. Indeed, that probably would happen. However, some of that guidance is offered to us through the Housing Choice Voucher Guidebook, which was designed in the last year, and provides tremendous relief as far as guidance to offering the program on a national basis.

If given to the States, the opportunities for technical assistance and guidance is diminished because we are now dependent upon Columbus for that same guidance as every housing authority or administrator of a Section 8 voucher program would be dependent upon their State capital.

The myriad of regulations that housing authority and, more importantly, the families that receive our housing assistance would indeed grow. They would not—not only be responsive to the Federal guidelines established for the program, but the States and indeed local communities would be still designing implementation policies that would affect their lives as well.

One of the other arguments that has been made is that by paring the number of HUD-administered Section 8 recipients from 2,600 public housing authorities and nonprofit organizations to approximately 50 States and a few territories that we would be streamlining a program and that HUD would be better able to manage the program. I find this curious in an environment where they've established a very good indicator of Section 8 management through the SEMAP evaluation process, and more importantly in the development of information technology through PIC and the LOCCS system that Mr. Guest described where, indeed, management of 26,000 housing—2,600 housing authorities should not be much more difficult than administering 50, and simply shifting that burden to the States does not provide for the program efficiency of the people—to the people that most need it, the families that are—are involved in our program.

This is not to say that the Housing Choice Voucher Program is not in need of some changes and improvement. However, I would—I would make the analogy that it's more like taking your car in for a tune-up than buying a new car. The greater flexibility in setting H2S inspections to ensure that housing quality is maintained is indeed a good point that Mr. Guest made and others will make.

Many of our landlords are very responsible, many are constructing new housing specifically for the program. And we have the opportunity to waive those inspection requirements.

Rent calculations could also be simplified to—to allow families the opportunity to have less burden on them.

And I'd also like to mention, in closing, that you've offered in the last five years the opportunity for housing authorities to explore deregulation to the Move Into Work program. You've created this demonstration for housing authorities to take essentially a block grant program, modify it, and design rules that will fit their local community. I urge you to take a look at those results and see what innovative housing authorities in our communities have already done.

I thank you for your time this afternoon, and wish you well for the rest of this afternoon.

[The prepared statement of Fred Zawilinski can be found on page 191 in the appendix.]

Chairman NEY. I want to thank all the witnesses.

We'll be in a series of questions.

I just want to note to Bill Faith, in Los Angeles we had someone raise an issue about homelessness and Section 8 and something that HUD did not proceed with. And we have been in the process of finding out why that didn't happen. I don't know if you're aware of that or not. But it was raised to our attention.

So we'll—because every hearing, somebody raises something that we don't know that HUD hasn't done. So homelessness was raised out there. Today you raised the—what we did three years ago about combining the 202 and the—and the tax credits, so we'll follow back up on that as we're following back up on homelessness. So I just wanted to assure you of that.

Just a generic question, I guess I'd want to ask, of people that—you know, when you look at the State of Ohio, and do you feel that the present piece of legislation that we presented for discussion, when it comes to—when it comes to HANF, do you think it's locked tight enough to guarantee that the State couldn't move monies?

The only reason I mention that, the State acquired the TANF monies for Head Start—Mom and Dad used to call it stealing—but the State acquired those monies and moved those monies.

So, you know, is there—do you think it's—if we did this that there's a foolproof way that State—the State would not be in a budget crunch if any money——

Mr. MCCLEARY. Can I respond, Mr. Chairman?

I think that you have to look at it this way: Basically, any money that the State can steal, they will steal it if there's a way to do it, it will be done.

I mean, one of the problems of the program is a lot of independence, for a lot of people to get things done, and because we've never had the enforcement apparatus in place to stringently enforce the rules that we have. To give it to the State that's not heretofore—have no idea that bureaucracy, the money that they would need, just to get in place to take the program, it would be a nightmare.

I think they would do it. They might not do it intentionally, but they probably would do it.

Mr. FAITH. Mr. Chairman, I just experienced very close-up and personal the State budget process this year. And I have to tell you that they were some four-plus billion dollars in the hole when they started. They looked for money under every rock, and even uprooted a few trees to see if there was any money under there. They raided rotary funds, they looked—they raided unclaimed funds, they raided any funds they could find, raised taxes, raised fees, which—some of which were very positive, by the way.

However, they looked for money everywhere they could find it.

And I don't—I don't think it's the administrators of the program that would shuffle money from here to there. But I think as States struggle with this very difficult economy and a lack of resources to simply fund basic State government services, you could bet there would be supplanting of—of funds. I mean, if they can get away with it, they would do it. Because they feel they're forced to. They don't have the resources that they need to manage their own affairs.

So I think that's a fear.

But I think there's a more fundamental problem, and that is the State is simply not in the ongoing rental assistance business. They—that's not their expertise; they have no history with that. They administer production programs and do a decent job of that, because it's basically a onetime commitment. They monitor for ongoing compliance, but they're not involved in the manner that Mr. Guest described with that kind of hands-on year-to-year basis with these owners and tenants.

And I don't—and I just don't think that's their expertise, I don't think they want to get into that business, and I think that's one of the bigger problems with the proposal.

Chairman NEY. Thank you.

On the comment Mr. Guest made, is everybody pretty well in agreement about the rent recertifications for seniors, we could do it for every two years? And also the PHAS to inspect the units every two to three years rather than yearly? Does everybody feel pretty comfortable with that?

Mr. MCCLEARY. If there is a waiver where there is immediate inspection upon complaint. I think if there's a process if there's a problem, has to be well in place that the resident could ask for that at any rate.

Chairman NEY. My final question, I did want to ask you——

I'm sorry. Yes?

Mr. GLADMAN. Mr. Chairman, if I may just add to what Mr. McCleary said. I think that that process for inspection, in my testimony, I'm suggesting eliminating it and going with a liaison person to resolve problems, because I think that we become focused on this process of inspection and really we kind of lose sight of housing quality in general. There's other issues besides the physical aspect of the properties. The point-in-time inspection, you could inspect it one day, it could deteriorate the next. There needs to be a process that's ongoing that provides the resident some support as well as the owner to make this program really work.

But right now we're spending a lot of time and energy and frustrating a lot of people to do these point-in-time inspections.

Chairman NEY. Thank you.

My time's run out. But, Ms. Fisher, I did want to afterwards just get some of the ideas you had about—ideas of how we would reward people who have been hard workers, maybe later on we could.

Ms. FISHER. I just think they should be acknowledged. I don't have any ideas as far as how——

Chairman NEY. Acknowledge them.

Ms. FISHER.——but I just think they should be acknowledged.

Chairman NEY. Thank you.

My final question, Mr. McCleary, I noted in your testimony, you were talking about systematic—systemic, I'm sorry, problems relating to developers and private property owners having appropriate security-related budgets. So that would be—what would that be?

Mr. MCCLEARY. Well, the current cap, I think, you have like a 10-percent administrative cost that goes to the property managers. The problem with that, they have—most property owners have to choose between maintenance and security and other issues, so the end result, maintenance taking priority to security unless they have a total crises. Then, the traditional response is, once the crisis is over, go back to inadequate security.

One of the biggest things that hurt expansion of the program and people welcoming this program into the community is both the fear and perception of crime that's done in these communities. And putting different monies available to the property owners who do have security budgets and the legal—legal budgets to accommodate that, not only would it stabilize the community, but I think it would do a great job in changing the whole perception of this program in the broader community, and make more people welcoming in engaging the program.

Chairman NEY. Thank you.

The gentlewoman.

Ms. JONES. Thank you. Thank you, Mr. Chairman.

I would like to thank all of you for testifying here this afternoon.

Mr. McCleary, I support many of the commentaries that you made. One of the things that we spoke out about last year was the fact that HUD reduced the drug elimination grant dollars going to public housing to address many of the various issues that you raised. And I guess our horses weren't just quite loud enough, because they still eliminated some of the money anyway.

But I want you to know that your comments are not falling on deaf ears. There are a lot of us who know of many of the issues that you raised with regard to that.

Let me quickly, Mr. Guest, bring you greetings from Terry Hamilton Brown, who is now actually the head of University Circle, Inc., in Cleveland, but she told me—I told her I was coming, and she said, tell everybody she said hello.

I want to talk briefly about this inspection piece. And I'll talk to Mr. Guest about it or anyone else.

The dilemma I have comes from a history of having been an attorney for landlords as well as an attorney for tenants back in the day, as my 20-year-old son says, and dealing with the landlord-tenant laws and dealing with the—in someone's testimony, they said that the landlord-tenant laws were convenient or—adequate enough to address some of the issues that are raised by people in Section 8 settings.

I would say, based on that—the background that I have that it would be very, very important that the housing authorities maintain as much control as possible over inspections because when you start going to the court system to resolve an issue that ought to have been resolved between you and the landlord and the tenant, it presents a problem.

I don't understand—and I need a short answer, because we don't have very much time—what you're saying that the—a person could do, or you were talking about having a tenant representative or something.

Mr. Gladman?

Mr. GLADMAN. My suggestion is to take the existing funding that you use for inspections and transfer that staff and make them really problem-solvers and resolvers. So if there is a housing quality issue, they can do a housing quality inspection. But there are a lot of issues that are unrelated, that affect the quality of life, whether it's resident disputes or unfairly administered program rules as far as the owner.

Ms. JONES. So you would be happy, then, if we put some money in for residents' disputes and other quality-of-life instances——

Mr. GLADMAN. The purpose——

Ms. JONES.——not necessarily diminishing inspections, you just say there are other issues that ought to be addressed.

Mr. GLADMAN. Yes. I think there are broader issues, and to focus—really, the inspection is the primary control, if you will, and it's a point-in-time inspection. The market drives that—what happens now is——

Ms. JONES. Let me ask you this, Mr. Gladman: You know we're coming on the end of the 20 years where—period where there were all these contracts with these different buildings to provide housing, and now they are not renewed because the market value far exceeds the dollars that people are getting. When you start going into some of those facilities and looking at how they've deteriorated over the years, how do you justify no inspection?

Mr. GLADMAN. Well, from the project basis, there certainly is an inspection process, as you know, I think the react process.

But what happens currently, because inspections are such a barrier—an example, in the Columbus market we have several companies that have project-based properties all over the country and operate a variety of subsidized programs, but will not accept any vouchers in their market-rate programs because of all the transactional barriers because of inspections.

My argument is if you eliminate the inspections or at least streamline, as Mr. Guest said, you will get more property owners that are providing a quality product, and there will be greater choice for voucher holders. That's one of the issues now is the choice.

Ms. JONES. I hate to cut you off, but I want to go to a couple of issues before the day is gone.

Talk to me, Mr. Slemmer, about what barriers there are to the construction of additional affordable housing across the country. A real short answer, if you could.

Mr. SLEMMER. In talking about senior housing, the barriers are basically the limitation of funds. To develop affordable housing, you have to have subsidies on the construction, the debt service side, or subsidies on the operations side. Both of them are very limited.

One of the things that I've mentioned before to this committee is that the preservation of housing is, therefore, even more important, because you could preserve the affordable housing stock that we have at much less cost than we have—we have for new construction. So I would really urge you to consider that as we look at ways of—of expanding or continuing to supply affordable housing.

Ms. JONES. Thank you.

My time is up.

I just want to go on the record in opposition to the proposal for block granting Section 8. I'm opposed to block granting Head Start. I'm opposed to block granting everything that we can block grant. Because there are so many issues that the Federal Government has requirements that will not be imposed by the State of Ohio. And I won't—I won't get partisan up here today, so I'll leave that alone.

Chairman NEY. Thank you.

On a bipartisan basis, I have to let you know, the good Congressman Tiberi, I introduced his proposal at 7:00 in the evening, and he opposed it at 6:30.

Mr. TIBERI. Thanks, Mr. Chairman.

Let me—let me continue down the road that Ms. Tubbs Jones talked about that was mentioned in several of your testimony, and that is this issue of inspections again from Ms. Fisher to Mr. Gladman to Mr. Guest.

One of the issues that I've heard a little bit about from those who may be proponents of this block granting is the frustration with this particular issue, the inspection issue.

Mr. Guest, can you give me a—give the panel an idea of the breakdown in the Columbus Metropolitan Housing Authority of the Section 8 program of residents in private landlord facilities versus public facilities? Do you know that breakdown?

Mr. GUEST. Well, we have—if you're looking at the size of programs, we have 10,000 vouchers right now. We're a little overleased over what we're allotted. So we're—we're past that hundred percent category here.

We have 27,000 residents in the Section 8 program. In the public housing program, we have about 8,000. So there is no doubt that it is a predominant program in Franklin County. And it's critical that it work well.

And in Congress we get going about the—we talk about the inspections and how all of this works. I've not seen the answers in two or three years. Obviously, Steve and I have variations. I think there is general agreement that it doesn't work the way it does now. And I think the key thing is that—I would propose, maybe on an experimental basis, maybe far more conversation, as to what are the alternatives to the current system of inspections? Are there criteria that could be set up where provided—you know, I would guess every two to three years somebody does a really good job, every time we've been out there, it's up-to-date, bang, bang, bang, bang, all right, it's three years before we have to go back out.

Others who have been more problematical, maybe it's every six months you need to go back out. Or maybe you need to have a liaison system.

But right now it does frustrate very good owners to say, well, I'd rather have—I mean, I hear from the other side of it, you know, every once in a while, you know, I don't want to have to go deal with somebody and spend time on an inspection when I've been leasing my units to other people, and they have the common sense to determine themselves whether that's a good unit or a bad unit.

So I think we make great leaps and set up cumbersome procedures that may only affect a small number of people, we need to focus more on them. So what we can do to generate a more localized version of that, or at the national level, if you can just give more flexibility and say, come up with something at the local level that makes sense, that most everybody can agree on, I think would be really helpful.

Mr. TIBERI. Mr. Zawilinski, have you heard some of the same, similar issues up in Lake County?

Mr. ZAWILINSKI. I agree that we have actually much different inspection needs than—than inner city Cleveland and Cuyahoga County faces in the sense that our housing stock is much newer. We get the reports, for example, on children that we receive, elevated blood levels for lead poisoning, and we may have one a year in our county for all houses, not subsidized housing. And certainly in many of the cities that is a much greater issue.

If we could grant to owners the opportunity to—to be waived from inspections for two or three years, the safeguard to that is that the tenants or an owner can request an inspection at any time to verify that our inspection standards are still being met.

Mr. TIBERI. You don't believe you have authority today to do that?

Mr. ZAWILINSKI. To waive the annual inspection? I know we don't have the authority to do that. We have to do it every 12 months.

Mr. TIBERI. Thank you.

Mr. MCCLEARY. Congressman Tiberi, may I make a comment——

Mr. TIBERI. Yes.

Mr. MCCLEARY.——listening to them?

Can I suggest we can put in place a sworn affidavit process, that the property owner signs an affidavit the unit meets the criteria set by CMHA, or whatever, with substantial penalties to anybody that perjured on the affidavit?

I think that would accomplish the objective and save a whole lot of money and time. That way you only focus on getting the bad people. So if a complaint is validated that they lied, then there would be a heavy penalty for them for doing that.

Mr. TIBERI. Thank you.

One last question because I know my time is about ready to expire.

The issue that Mr. Gladman brought up of timely payments and fair market rents, and an issue that we've heard about today with respect to the number of housing units that are available in a marketplace, whether that marketplace be Columbus, Cincinnati, Cleveland, whatever city, is that an issue that you and Mr. Guest have heard about in terms of a national issue? Or do you guys have some flexibility in your local housing authority with respect to that issue with private owners?

Mr. ZAWILINSKI. I would say for our housing authority, we've been timely based on the HUD-established timeliness standard.

Mr. TIBERI. What does that mean?

Mr. ZAWILINSKI. Well, it means that we get our checks out to our landlords within five days, business days, of when we get the money from HUD. And if the 1st happens to fall on Saturday, on Labor Day weekend, we don't get our checks out at best until the 4th. Landlords are typically expecting those checks out on the 1st. To us, we've been timely; to a landlord, they may not think so.

Mr. TIBERI. Very good point.

Mr. GUEST. I was going to say, that's a very similar problem that all of us have.

Another issue that you may hear about is the whole project-based issue of payments on that. Now, that has been very slow.

Like I said, we've got a lot of project-based developments we deal with, and there is a case—we're only doing two-month renewals oftentimes, the dollars—it's paperwork intensive. I know we've had some owners within the last four or five months, it's been as much as 20, 30 and 45 days before we have gotten the money from HUD. And we're not talking about a thousand dollars. We're talking about in some cases over $100,000. These are large developments. That is particularly—we can all imagine what that means.

Mr. TIBERI. Thank you all. Thank you all for coming.

Chairman NEY. Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman and Fred, for both—thanks, Fred, for driving all the way from Lake County, and thank you more for describing why we call Lake County God's country in that part of Ohio.

I—you would come to see me with a couple other fellows earlier in the year, and I'd like to just ask you to comment—I'll go ahead and turn the spotlight on you, and then maybe ask Mr. Guest to make an observation from Columbus's point of view—but on the omnibus appropriations bill at the beginning of this year had a provision that indicated that there was a cap placed upon the amount of administrative fees to be placed in an agency's reserve fund and in general reserve funds that could be maintained by a housing authority. If I remember—and you can certainly, in your answer, tell me if I remember it right—indicated—and then we'll go to Mr. Gladman and other folks' comments about timely payments to the landlord—but when you get to the end of the year, and you have to roll out the checks for the first of January of 2003 or 2004, it was—many times that those reserve funds made the difference between whether or not you were able to make the bills and the payments for the—for the landlords, particularly when—and I'll take a slap at the republicans and democrats—we didn't get our work done, and don't have an appropriations bill in place in a timely fashion on September the 30th of whatever year we're dealing with.

Could you make an observation about the impact that you think that provision of the omnibus appropriations bill had?

And, Mr. Guest, then I'd like you to share any thoughts that you have as well.

Mr. ZAWILINSKI. The issue that you referred to is the recapture of administrative fee reserves that we had as the housing authority during that bill. And for us it provided a buffer so that were HUD to be late in releasing functions, or were Congress, in appropriating funds, that we have the ability to at least meet a month, perhaps two, if it broke down to that—that level of payments to our landlords on a timely basis. By recapturing those funds, we've lost a tremendous amount of flexibility in not only working our program, Section 8 program, but it also alleviated us of the opportunity of being able to use those funds for other housing-related purposes in our community.

It also has created an atmosphere and attitude that we have very little incentive to make equipment and programs stretch because the risk of recapturing those funds means that there's no reward for getting an extra year out of our inspector's car or computer.

And so replacement of equipment on a much more quick basis, you know, will be more of an emphasis, because we have no incentive to save.

Mr. LATOURETTE. And so basically if I—we've run into this problem with a number of programs on Capitol Hill. So basically the effect of the recapture provision was you might as well spend it if you've got it, because they're just going to take it back at the end of the year anyway.

Mr. ZAWILINSKI. Well, and in our case, not only was it a recapture of funds from the previous year, but it was a buildup of surplus of funds over many years. And so the rewards of frugality and responsible administration were—were punished.

Mr. LATOURETTE. Thank you.

Mr. Guest, do you have a similar situation here in Columbus?

Mr. GUEST. Yes, we're in a similar situation. Obviously, it cuts down on your flexibility to run into this situation where the funds aren't coming on time.

But there's other issues that came up. For example, Mr. Slemmer mentioned that we help—that we're helping on developing a senior community up in Westerville. Over the years, we have accumulated money from being efficient. That land was purchased with the Section 8 funds in order to make that program work.

So there is an incentive to make other programs come about because of it. And if that incentive, as Mr. Zawilinski pointed out, is removed, it is—gets to be, let's just spend it all this year. It's a terrible attitude, but that's what inevitably will happen.

Mr. LATOURETTE. And to both of you, too, a question: In your experience, have either of your authorities returned Section 8 vouchers unused? Have you not been able to completely subscribe those?

Mr. ZAWILINSKI. We have not used the number of vouchers issued; but we've more than used the number of dollars issued, attached to those vouchers. Because of the rising cost in utilities and rental charges, we've always been able to use our dollars.

Mr. LATOURETTE. And, Mr. Guest.

Mr. GUEST. We haven't returned any. Like I said, we're overleased right now, so there won't be any coming back.

Mr. LATOURETTE. Thank you very much.

Thank you, Mr. Chairman.

Chairman NEY. Thank you.

I want to thank a very good panel. I appreciate your input. It's important to the process. And appreciate your participation here at the U.S. House field hearing.

And I want to thank the members for their time, also.

And with that, we'll move on to Panel II.

Thank you.

We're going to move on immediately to the second panel. So if you don't want to stay for the second panel, move on.

The subcommittee will come to order for Panel II.

We'll begin Panel II, and introduce the Mayor.

We welcome you, Mayor.

Mayor Coleman of Columbus, Ohio, meet Congressman Tiberi.

Mr. TIBERI. Thank you, Mr. Chairman.

It's a pleasure and honor for me to introduce my Mayor, the Mayor of the City of Columbus, Michael Coleman, who was elected to City Council in the early 1990s, and really doesn't need to be introduced to anybody in the audience, but at least to the panel, was later elected council President, in 1999 was elected Mayor of the City of Columbus, and will be reelected to a second term in November.

Most importantly from my perspective, though, he is a constituent and a friend. Thank you for testifying today.

Mayor.

STATEMENT OF HONORABLE MICHAEL B. COLEMAN, MAYOR OF COLUMBUS, OHIO

Mr. COLEMAN. Thank you very much. Thank you.

Chairman—Chairman Ney. Congressman Tiberi, who is my Congressman, and is doing a great job for his district and the City of Columbus and central Ohio. Congresswoman Stephanie Tubbs Jones, who's also my friend, welcome back to the City of Columbus. Congressman Steve LaTourette, thank you very much for being in the great City of Columbus.

And I want to also thank all of you for bringing this hearing to our city and choosing the City of Columbus to talk about such an important issue as we are presented with here today.

Housing. Housing has been a very important part of my administration, because in this city we view housing and residential opportunities as a way to build strong neighborhoods, strong families, and a better quality of life. In our neighborhoods we view them as key to the survival of our city. They're the lifeblood of our city. That is where we live, where we work, and where—and where we play and raise families.

In Columbus we're doing a great deal to address many of our needs locally. The City of Columbus has helped finance or participated in approximately 6,000 residential units during my first four years as Mayor. And when we first took office, we felt that housing was so important, working with Columbus City Council, and Charleta Tavares, who is here today, that we pulled together what's called—what we called the Affordable Housing Task Force of members of the community who are involved in housing to address many of the issues in our city, in a city where only 49 percent of our residents own a home when the national average is about 68, 69 percent. There is a great disparity there.

We looked at things such as tax incentive for housing, land banking, streamlining the development process, driving down the cost of buying a home, and, very importantly, the establishment of a local housing trust fund and corporation.

The Franklin County/Columbus Affordable Housing Trust Corporation was subsequently put together. It's a collaboration between the county commissioners and the City of Columbus where we utilize a dedicated resource of funding, that being the hotel-motel tax of about $1 million annually, to revitalize neighborhoods, increase homeownership, and make housing more affordable for people in our city.

Presently, the affordable housing trust corporation has some 800 units through this trust fund.

In addition, we've created five neighborhood investment districts, we call them NIDs. And these investment districts are areas of our city where there has been a disinvestment of—of businesses, people moving out of the area, fewer students in our schools, a proliferation of vacant lots. And in these five areas we indicated and designed a program where if someone were to move into the area, build a home on one of these vacant lots, or substantially rehab a home, they will receive a 15-year tax abatement and live there tax-free for 15 years.

We have $3.4 million commitment of HOME funds for supportive housing as well. And in 2002 through 2003 we committed $6.3 million in HOME funds, upgrading three large Section 8 projects, to preserve affordable housing and enhance their contribution to our neighborhoods.

Let me just touch on remedying the concentration of Section 8 projects in Columbus neighborhoods.

One of our major efforts is to renovate and upgrade Section 8 housing, and that is being led by Community Properties of Ohio. They now own one of the largest scattered site Section 8 projects in the entire nation, more than 1,100 apartments and 249 buildings located in the central city. Through new homeownership agreement, we are now—we are not only helping leverage the rehabilitation of the housing stock, but also ensuring that these residents can continue to receive the affordable housing that they need.

Decentralization of these affordable units must also occur in order to improve the quality of life of the neighborhoods. Community Properties is currently working with members of Congress to design a solution that would allow Section 8 subsidies and use restrictions to be transferred to properties in areas of the city where such properties are not heavily concentrated.

In other words, share the burden among everybody in the City of Columbus, not just in one area or two areas of our city. We all have that responsibility and obligation.

This will help ease the concentration of poverty and allow new investments to flow into neighborhoods. I look forward to working with the legislature in this regard.

Let me just touch on Section 8 vouchers. I believe that the proposal to block grant the Section 8 voucher program to States should not be enacted in this country. The Section 8 voucher program administered through our local public housing authority is the most effective way to assure local families' housing needs are addressed by a local community and not by the State of Ohio or any State, for that matter.

Let me touch on the need for greater Federal commitment for housing and community development.

In Columbus the combination of Federal home resources and local funds are still not enough to meet the housing needs of the very low income households. Those earning less than 30 percent of the area median income in the City of Columbus. That's why it is important that additional Federal resources be considered for increasing and preserving the supply of affordable housing in the City of Columbus.

One option is the creation of a national housing trust fund, something that Congress is—has recently introduced and is entertaining. By leveraging additional Federal funds with the efforts of our local housing trust corporation that was established in 2001, we can increase the production of affordable housing and better address the housing needs of low income households in the City of Columbus.

I also ask that you consider the creation of a homeownership tax credit. An initiative that can have as great an impact on homeownership rate in Columbus as the low income housing tax credit has had for affordable rental housing.

Columbus needs to increase the percentage of homeownership rate, which is, as you know, 49 percent.

We believe that a homeownership tax credit can significantly increase the homeownership rate by attracting needed investment in new home development and complementing local efforts to stimulate owner-occupied housing in our older neighborhoods.

Let me just touch on Community Development Block Grants.

As in so many cities, parts of Columbus's urban core are still experiencing high levels of poverty, declining populations, and low homeownership rates. Columbus has received about $8 million in CDBG entitlement in the year 2003 to directly serve such areas. Yet, this amount is significantly below other cities of similar size and demographics in the country.

The population of the older City of Columbus approximates that of several other—other urban areas, such as Baltimore, Memphis, Seattle and Honolulu. But Columbus receives less CDBG funds than any of these cities.

The need for revitalization in Columbus is just as great as in those other cities.

HUD should look at their current allocation formulas and update the criteria so that cities like Columbus, which experienced major growth after 1940, can get a balanced amount of CDBG funds.

I urge you to partner with us to take a look at how the CDBG formula works and make recommendations on the distribution of these funds to reflect the community development and housing needs of our city and in other cities.

In summary, let me just touch basically again on the four—four or five areas that we're asking that you take a look at.

Number one, transferring of Section 8 subsidies and use restrictions on the—one of the largest Section 8 projects in the nation, Community Properties, in order to reduce the concentration of subsidized housing in one area of the city, so they can be shared in all areas of the city.

Number two is the proposed Housing Assistance to Needy Families should not be enacted. Local administration of Section 8 voucher program is the best way to address local housing needs.

Number three, we need additional Federal resources, and they should be considered for increasing and preserving the supply for affordable housing. And one option is the creation of a national housing trust fund. We think that could go a long way when you partner with local communities around the country, particularly those communities that have trust fund incorporations like the City of Columbus.

And number four, the creation of a homeownership tax credit to increase homeownership.

And number five, take a new look at how the CDBG formula works, and make recommendations on the distribution of these funds to achieve a balanced allocation of CDBG funds to reflect the community development and housing needs of our city and other cities.

I thank you for the opportunity to testify. Thanks for holding this hearing in Columbus.

And I also want to thank those who have come out today to testify from all over the State of Ohio.

Mr. Chairman.

[The prepared statement of Hon. Michael B. Coleman can be found on page 90 in the appendix.]

Chairman NEY. Thank you, Mayor, for your testimony and your office's participation in helping us with this hearing.

I really don't have any questions. Just a couple observations, though.

I have supported the bill by Rob Portman, which would be of interest to you, with the tax credit.

And then the issue of the CDBG was raised in California, too. They're looking at 1950-some statistics, is what they're looking at.

Mr. COLEMAN. Yeah.

Chairman NEY. Which opens it—that back up to be a huge food fight, because some cities are going to get less. We're probably all on the same page here, but other cities and other States that wouldn't be so happy with this. But it's an issue that keeps cropping up.

And I'll move on to the gentlelady.

But one—one statistic that you said shocks me. Columbus is 48 percent housing ownership?

Mr. COLEMAN. About 49 percent. It was less than that a few years ago.

Chairman NEY. This was my second home for 22 years between Belmont County and here going to Ohio State and also the legislature, and I've seen amazing growth in this city. And it's just shocking, I guess, with that growth not everybody has bought places to live.

Mr. COLEMAN. Yes. And it's something that I saw back in '99, '98, that we felt was important to deal with because in my view—and the reason why homeownership is so important in our city, and the rest of America, not only for the American dream, but when people have ownership in their neighborhoods, they have a vested interest in the success of their neighborhoods.

And our rate is far too low. And it's going to take a lot of help from the Federal Government to increase homeownership rates in our community and all neighborhoods of our city.

Chairman NEY. Gentlelady.

Ms. JONES. Thank you, Mr. Chairman.

Mayor Coleman, good afternoon. I'm so pleased to be in Columbus once again.

I have not had an opportunity to say this publicly, I'm so very proud of the work that you do. It just makes my chest stick out. When I grow up, I want to be like you, run unopposed.

But I—and your words are loud and clear, and I support many of the things that you've said.

I am interested in talking for a moment in your testimony about the disbursement of low income housing so that it's not all concentrated in one area. Tell me what that will do for the City of Columbus.

Mr. COLEMAN. Well, first of all, I think there's an obligation for everybody to be of help in this area, and every neighborhood, and not just one or two neighborhoods in the City of Columbus. Because we all have an obligation.

Number two is that I believe it's important, for example, downtown—I call downtown everybody's neighborhood—but I believe like for our downtown that there has to be every income level represented in our downtown. Historically, we haven't had very much housing in our downtown. We've developed a plan, a policy, and now we're actually building units in our downtown now. But it is representative of the entire economic spectrum, the entire market within our community, the high income, the low income, and everywhere in between.

And, in fact, the very first project we were involved in the City of Columbus was a low income housing effort and homeless effort downtown called Commons at Grant. That is now constructed on Grant, where there are a hundred units, and it took a great partnership between a lot of people, a lot of entities to make it happen.

But I think it makes stronger neighborhoods, a better quality of life, and spreads the opportunity among all neighborhoods in our city.

Ms. JONES. Do you have a large network of community development corporations in the City of Columbus?

Mr. COLEMAN. Well, it depends on what you compare it to. We've been actively—in fact, I've created a community development corporation, a couple of them now, and about to create a third one for this area you're in right now called the King-Lincoln Development Corporation.

We have community development corporations. They need strengthening in the City of Columbus. They need tools. They need financing. They need capacities. And that's something that we could use some help on as well.

Ms. JONES. I asked that question because in Cleveland we've had great success with community development corporations with a lot of the housing development that has occurred, and I am sponsoring a piece of legislation called the Seed Act, which provides capacity for community development corporations to train the members of the board because they're traditionally neighborhood folk, to offer them economists, architects, et cetera, et cetera, et cetera.

That's my only paid political announcement. So anybody out there who would be interested in that, please call your Congressperson.

And I will close with that, Mr. Chairman.

Again, Mayor Coleman, it's so good to be with you this afternoon, and always good to see you. And I promise I'll be in touch.

Mr. COLEMAN. Thank you very much, Congresswoman.

Chairman NEY. Thanks, gentlelady.

Mr. Pat Tiberi.

Mr. TIBERI. Thank you, Mr. Chairman.

I'm going to put an ad in for Ms. Jones, as well, for the legislation, I'm a cosponsor of that legislation.

And I'd make one request of you, Mayor, is before you leave, if you could put in—a word in for Ms. Jones, and make sure that she spends a lot of money here in Columbus before she goes back to Cleveland.

Mr. COLEMAN. That's my Congressman right there.

Mr. TIBERI. Thank you and your staff for your work on these issues, and for communicating with me and my staff, I truly appreciate that, Director Barbash as well and his staff on these issues and other issues.

In fact, I was at the Homeless Families Foundation this morning, and both of your names came up, and your working with them on trying to partner with the Federal Government and the city on trying to improve their situation on the near west side.

I really appreciate your relationship on the CDBG issue and look forward to working with you, and maybe not just with you, with other Mayors who face similar problems in their cities, who are being shortchanged because of the formula, and working with those Mayors and their members of Congress, maybe we can win that food fight, because it will be a food fight, with other members of Congress and those Mayors who now benefit from that formula.

So thank you for your leadership.

Mr. COLEMAN. Thank you.

Chairman NEY. Congressman LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman.

Mayor, it's a pleasure to be in your company. Although you're the Mayor of Columbus, your reputation certainly goes up to the part of the State that I'm from, and you are clearly an example of a chief executive of a city and how it should be run, and I congratulate you on that.

Mr. COLEMAN. Thank you.

Mr. LATOURETTE. You don't have to worry about Ms. Tubbs Jones, Mr. Tiberi, she's cut the wide slot through many malls. And I'm sure—I am sure she'll do her part in the Columbus area as well.

Mayor, my question, I was intrigued with—Mr. Faith was here on the first panel, and he talked a little bit about the same issue, being that of the national trust fund. One of the difficulties that I have with it, not being a cosponsor, even though it's tripartisan, as he indicated, it has the only independent, Mr. Sanders of Vermont, who is the lead sponsor, is how he proposes to fund it. So I was interested in your idea. Do you devote all of the hotel-motel tax to that purpose?

Mr. COLEMAN. No. We have set aside a specific percentage of the hotel-motel tax collections towards providing for affordable housing in the City of Columbus. So that if you spend the night here in the City of Columbus——

Are you spending the night here?

Mr. LATOURETTE. I am.

Mr. COLEMAN.——a percent of your bill that you will pay will go directly to providing housing for somebody in our city.

Mr. LATOURETTE. Okay.

Is it possible to get the Tiberi discount while I'm here, too?

Mr. COLEMAN. As long as—as long as you use the word "Tiberi.".

Mr. LATOURETTE. Can I ask you what is the rate that your hotel—what is the percentage?

Mr. COLEMAN. Oh, let's see here.

You've got me on that one.

Mr. LATOURETTE. Can I ask you and, maybe you can get back to it, but what percentage of whatever your rate is, is set aside for——

Mr. COLEMAN. It's set aside by a council act, set aside, every year it goes into a fund, and the Housing Trust Corporation uses that to leverage private financing for affordable housing.

It's about 20 percent of the bed tax. What's the bed tax?

Mr. LATOURETTE. 80 percent more.

Mr. COLEMAN. Yes.

Mr. LATOURETTE. And that generates about a million dollars, you're saying?

Mr. COLEMAN. Well, yes. The good thing about setting aside a percentage is that as that fund grows, as the—more people come to Columbus, and that's why we're glad that you're here, the more people that come to Columbus, they pay more for hotel rooms, and the bed tax goes up, and, therefore, they're supporting some of our neediest people in our city in the process.

Our bed tax also pays for emergency human services, part of it goes to the general fund, part of it goes to the arts and the visitors bureau as well.

Mr. LATOURETTE. I think that's—where I'm from, the bulk of it goes to the visitors bureau, if I have it right. And your idea of sort of separating it, or trifurcating it, or whatever the word for splitting it in fives is, is probably an idea that's worthy of studying in other areas of the State. And I've learned something today.

And, again, I appreciate the opportunity to hear you testify, I appreciate the benefit of your insight.

And, Mr. Chairman, the last question, this has nothing to do with housing: Mr. Mayor, is it Jerry Springer or Eric Fingerhut that gets your——

Mr. COLEMAN. I guess we'll just have to see.

Mr. LATOURETTE. Thank you, Mr. Chairman.

Chairman NEY. I can see why you're unopposed, and now I understand why our colleague, Steve LaTourette, keeps winning.

Any further questions of the Mayor?

Mr. COLEMAN. If I might, I might want to add on to the discussion with—about the community development corporations. Because what I have found as Mayor of this city is that community development corporations, if they have the capacity, are very, very successful in providing economic development opportunities and housing opportunities in this city.

And we need to hold them up, we need to give them additional tools and additional capacity.

And I can see many ways where the Federal Government can be of assistance.

Chairman NEY. Thank you, Mayor.

Appreciate your time.

Mr. COLEMAN. Thank you.

Chairman NEY. And we'll move on to Panel III. Panel III:

Mr. TIBERI. While the chairman makes his way up here, I would like us all to give our thanks to Barbara Nicholson, the Executive Director—Barbara, can you wave?—of the King Arts Center and her staff for doing a wonderful job in accommodating us today in this wonderful facility.

Thank you, Barbara.

Chairman NEY. I want to welcome our third panel.

And we—first, we have Bambi Baughn, the Deputy Director of the Community Action Commission of Fayette County, Washington Court House, Ohio; Walter Cates, Sr., President, Main Street Business Association, Columbus, Ohio; Roberta Garber, Executive Director, Community Research Partners, Columbus, Ohio; Amy Klaben, President and CEO, Columbus Housing Partnership, Columbus, Ohio; Cynthia K. Ring, Executive Director, Allen Metropolitan Housing Authority, Lima, Ohio; and April Weaver, a resident of Columbus, Ohio.

And with that, we'll begin with Bambi. Thank you.

STATEMENT OF BAMBI BAUGHN, DEPUTY DIRECTOR, COMMUNITY ACTION COMMISSION OF FAYETTE, COUNTY, WASHINGTON COURT HOUSE, OHIO

Ms. BAUGHN. Well, thanks for the opportunity to submit testimony on housing policy in Ohio to this subcommittee.

Thank you, Chairman Ney, for convening this hearing.

I'm the deputy director of Community Action Agency in Washington Court House, Ohio. We are not part of Columbus. We are 45 miles south of Columbus. We are contiguous to Ross County.

My written testimony addresses the subcommittee's questions concerning affordable housing production. And it includes a description of the housing programs and activities of our agency and a rural perspective of the housing needs and activities in the State of Ohio, especially the difficulties in developing housing in rural areas compared to developing them in an urban area.

So in this brief oral presentation, I'm just going to focus on what we're doing in our agency in Fayette County, I'm going to emphasize on homeownership programs. Because in the rural counties we have access to USDA rural developments, or as we always call it back home, the Farmers Home Administration, and we've found that homeownership under USDA is a good option for affordable housing.

The Community Action Commission of Fayette County is a multipurpose organization. We've been in Fayette County for over 35 years. Fayette County is a rural county. We have 28,000 people total. And our agency is just one of a few social services in agencies in the county.

And besides the housing program, we operate two Head Start centers, we have the public transit system, we offer home winterization, emergency assistance, we have health clinics and a dental clinic. We have numerous programs for the elderly and services to the families with children.

The housing programs created by our agency cover the entire continuum of housing services. We have prevention programs for persons facing impending homelessness. We operate an emergency shelter and transitional housing for the homeless.

Our agency owns and operates a single-room occupancy facility for the homeless that provides permanent supportive housing for 17 single adults. That particular facility does have Section 8 project-based vouchers with it. So that's my experience with Section 8.

And we're also involved in several rental communities, and we've used a variety of funding for that, which is tax credits, USDA 515, we've done some housing trust fund money from the State, and we've also used the HOME money from HUD, mainly as gap funding for tax credits.

Our most successful housing activity, however, is our homeownership program, which we operate almost exclusively through USDA funding.

Our program's called Self-Help Housing, and we have the only mutual Self-Help Housing program in the State of Ohio, although I do think there is one getting ready to start operating in Athens.

Our program's funded through a USDA 523 grant. We began operating this program in 1995, after nearly five years of planning and predevelopment.

Since it began, our agency has received five USDA 523 grants and four Self-Help Housing Opportunity Program or SHOP awards from HUD, totaling $1.75 million at leveraging additional funds for a total economic impact to Fayette County of 8.9 million.

133 homes have been built through our Self-Help Housing program.

Under this unique program, the agency organizes families in groups of six to five to eight, and we assist them in applying for USDA Section 502 single-family mortgages. We work with them as they put in over 1,000 hours of sweat equity in the building of their own and their neighbors' homes. No one moves into their homes until all the houses in the group are finished.

A skilled construction supervisor from our staff works with the families, providing training and technical assistance during construction. A family worker is on-site to monitor the family's schedules.

After the families complete the homes, they have done 65 percent of the construction labor themselves, the families have approximately $10,000 of true equity in their homes. These are not soft second mortgages that need to be forgiven over a period of time. This is true, honest equity.

In our Self-Help Housing program, we've used the housing assistance council's HUD-funded Self-Help Housing Opportunity Program. We received $850,000 in SHOP funds from HAC, and another $800,000 in loans from HAC's Rural Housing Loan Fund.

The SHOP funding helps us buy land and put in infrastructure for our Self-Help Homes. Without this SHOP money, we would have a very difficult time doing Self-Help in a subdivision as we're doing now, because the cost of getting the land, putting in the infrastructure is high.

For many rural families, homeownership through the USDA programs is another option in affordable housing. In our Self-Help program, a very low income family of 50 percent of the area median income can qualify for as low an interest rate as 1 percent on a 502 loan. The Self-Help Homes generally appraise for over $90,000;

with the sweat equity, the mortgage amount is usually around $82,000. For an actual family in our program, their 502 mortgage is $80,588.76. The family's payment over a 33-year period is $245.77 per month for their mortgage, and with tax and insurance added to the mortgage, the total payment is between 350 and $400.

This is equal to or less than rent prices in our area.

And in spite of the benefits, homeownership is not an option for all families. A family's tenure limit in an area is short, renting may make more financial sense. And many of the families that come to our agency have very poor credit, making it impossible for them to qualify for a mortgage at that time. We do spend time with them to get their credit improved.

Another program I wanted to discuss with this committee, because it's growing in Ohio, is Youthbuild. The program provides academic and job training services to low income dropouts between the ages of 16 and 24.

Chairman NEY. I'm sorry. I just wanted to note the time has expired. If you could please just sum it up.

Ms. BAUGHN. Okay.

The 13 Youthbuild——

Chairman NEY. We will accept the rest of the record.

Ms. BAUGHN. Okay.

There are 13 Youthbuild sites in Ohio for rural, non-urban. I have the list of towns that they're in, if you are interested. And it's going to become very important in Ohio because we're the third highest State with Youthbuild centers.

Chairman NEY. Thank you very much.

[The prepared statement of Bambi Baughn can be found on page 75 in the appendix.]

Chairman NEY. Mr. Cates.

STATEMENT OF WALTER R. CATES, SR., PRESIDENT, MAIN STREET BUSINESS ASSOCIATION

Mr. CATES. My name is Walter Cates. I am Founder and President, CEO, of Main Street Business Association. And I would like to thank the members of this committee, Mr. Ney, chair; Mr. Tiberi, my Congressman from Columbus; and Mr. LaTourette, and Ms. Stephanie Tubbs Jones. Appreciate your being able to be here.

I'm just very glad to be at this hearing, this table of individuals. I asked them to take a picture so I can show it to my 89-year-old mother to let her know I'm still functioning. I'm the only guy sitting here, and I feel proud of that.

But out of all of the talk that we've been doing this afternoon, I've been listening, everybody's talking about the housing market, the problems with housing, affordability, and the need. I have my statement already presented in writing, so I will not talk from that.

But when we have these needs for housing, does anybody think about the impact of the economic development in our community?

Because if we just pack people in affordable housing in the central city, which is where they have gone, because I started out with this process with getting a first HUD-funded recreation center by Chalmers P. Wylie, the Congressman from our community, on Main Street, called the Blackburn Recreation at South 18th and Main Street. That was when I couldn't swim at the YMCA or anything else. So Congressman Wylie saw the benefit of that, and he provided a HUD grant in 1968. I was with the East Central Citizens Organization, first federally funded program in the nation from the Office of Economic Opportunity.

The second opportunity I had to work with Congressman Wylie was to secure the funding for the Urbancrest—Urbancrest Hollow under the first black elected Mayor, lady Mayor, Mrs. Ellen Walker Craig, and Homewood Builders was sponsoring that, and he has always stood firm to do what he could to help develop our community.

We haven't talked about the problem that has hurt us greatly in being able to deconcentrate housing; and that's exactly what we're going to have to do with this huge portfolio purchase by Broad Street Management.

We have not talked about the fact that the 49-percent homeownership of housing in the central city has been sort of sidetracked due to redlining from the banks and from the insurance companies. Now, that's a reality. We've got predatory lenders running around throughout our State, and the State would not allow the local communities to deal with predatory lending, which goes after our senior citizens, people who sometimes have a house that's cash rich but unable to pay for the kind of flipping that they do of those mortgages. So that's another thing.

In Columbus we've got an issue called Win-Win and annexation. Win-Win protects the major suburban communities, like New Albany and other kinds of communities that are bumped up against Columbus, who want our water but don't want our children in their school districts. So you can locate next to New Albany and have a Columbus address but send your kids to the New Albany schools, those who can afford to buy close at hand.

Now, those are the facts that we've got to deal with. Some part of it is just because of our local zoning laws, we understand that, so we're not going to flip everything over and blame the Federal Government for our local problems, because we don't have the guts to take on this type of things that are happening in our community.

How should I know?

Because I was born and raised in Columbus, and I was past-President of NAACP in 1973, and I filed a lawsuit against the police and the fire and the Columbus Board of Education, Penick U.S. College Board of Education.

The police and the fire because two friends of mine, Vietnam era veterans, couldn't get a job who had returned home and applied for the police department. My one brother applied for the fire department.

And the school systems were horrendous. So I filed suit about the desegregation because all the central city schools did not have air conditioning, nor carpet. The one on Main Street that elementary school has now been totally rebuilt, in the wintertime the coal furnaces that they had, had the kids—they couldn't heat the building, so the kids had to wear their gloves and their hats and coats in school. In the summertime they would have to open the top floors on third and use these big, heavy-duty fans to blow air and circulate around in there, and had bats and bugs and all kinds of things.

When I filed that lawsuit, one of the settlements was is that they demolished all the central city schools that were falling down as a means of sort of placating the citizens.

So we've got problems on both sides.

One strength that I would like for our Federal Government to look at is letting the local HUD office have the strength to do the job they should do. These folk here at the HUD office are like a bunch of high-paid secretaries. They basically just send everything to Chicago, send everything to Washington, and it can't get dealt with because there's no decision-making authority.

So if anything that you can do, hold the local folk into account, but give them the authority to make decisions so that they can help the community. Because those of us who have been at this 35 or 40 years, we know what's needed in the community, we just can't get nothing done about it.

Chairman NEY. Thank you.

[The prepared statement of Walter R. Cates can be found on page 84 in the appendix.]

Chairman NEY. Ms. Garber.

STATEMENT OF ROBERTA GARBER, EXECUTIVE DIRECTOR, COMMUNITY RESEARCH PARTNERS, COLUMBUS, OHIO

Ms. GARBER. Thank you, Chairman Ney and Members of the Committee.

My name is Roberta Garber, and I'm Executive Director of Community Research Partners. We are a nonprofit partnership of United Way of Central Ohio, the City of Columbus, and the John Glenn Institute at OSU.

I would like to briefly touch on two areas today: One is to talk about research we have done on housing needs in central Ohio; and to talk just briefly about a topic that has already been mentioned a couple of times, the allocation of Community Development Block Grant resources to urban areas in Ohio.

There are three areas of housing needs that we've looked at: One is affordable rental housing needs; the other deals with housing condition needs and the third is homeownership needs.

The testimony that I've presented to you in writing has data and sources on these topics, but I'd like to just touch on them briefly.

Since renter households typically have lower incomes than homeowners, they comprise the largest group in central Ohio with housing needs. We've found that 75 percent of low income renters are cost burdened. That is, they pay more than 30 percent of their income for housing. And in 2002 a household had to earn more than $25,000 a year to afford a two-bedroom apartment at fair market rent in Franklin County.

We've identified a large deficit of rental housing affordable to the lowest income renters, those at or below poverty level. That deficit is estimated at 22,000 units.

There are few affordable rental units in central Ohio near the suburban areas where job creation is happening.

Since 1996 we've lost over 1,200 privately owned HUD-assisted units from the affordable housing stock through opt-outs and prepayments; and with those that are expected to opt out in the near future, that represents 12 percent of that housing stock that will no longer be in the affordable stock.

It all adds up to persons still being homeless in the community and over 7,500 persons a year experiencing homelessness.

If we look at housing condition, we know that lower income renters and owners are more likely to live in housing that is in poor condition. The new American Housing Survey that was just released last week shows 29,000 housing units in Franklin County with severe or moderate physical problems, and two-thirds of these are rental units.

There are over 12,000 vacant housing units in the older part of Columbus, and the city has over 1,600 active vacant housing cases that they're following.

We know that there are over 12,000 low and moderate income homeowners who may be able to—may not be able to afford home maintenance because these owners are paying more than 50 percent of their income for mortgage and utilities.

Finally, there are homeownership needs. I know that there was some surprise at the fact that the homeownership rate in Columbus is only 49 percent. But homeownership rates are even lower for minority households. There's a huge gap in homeownership rates in Franklin County between white households and minority households. The gap ranges from 23 to 35 percentage points difference, depending on the groups you're looking at.

There are few new single-family homes being built that are affordable even to moderate income households, those that may be making $45,000 a year. In 1999 only 10 percent of the new single-family homes built were affordable to that group.

So, obviously, with those needs, the Community Development Block Grant and other HUD funds are very important to be able to address housing needs.

As has been mentioned, there is a significant disparity between Columbus and other communities in Ohio only in CDBG allocation. We looked at per capita allocation for the total population of the largest cities in Ohio and found a huge disparity.

If you look at per capita CDBG allocation only by poverty population of Columbus and the other big Ohio communities, there is still a significant disparity.

But then we took it one step further, and pretended that Columbus only consists of the area within the 1950 boundaries of the city, before there was all this annexation. This area is much more like the other urban communities. We still found that Columbus ranks last among the large Ohio cities in allocation per capita of persons living in poverty.

In this case, the annual grant to Columbus would need to be increased by 50 percent to nearly one hundred percent to be equivalent to the funds received by Cincinnati or Cleveland.

I want to close by saying that this formula issue has implications not just for Community Development Block Grant, because this formula forms the foundation of other HUD programs, such as the HOME program, the Emergency Shelter Grant program, and even some of the continuing care of allocations.

Thank you.

Chairman NEY. Thank you.

[The prepared statement of Roberta Garber can be found on page 103 in the appendix.]

Chairman NEY. Amy Klaben.

STATEMENT OF AMY KLABEN, PRESIDENT AND CEO, COLUMBUS HOUSING PARTNERS, COLUMBUS, OHIO

Ms. KLABEN. Thank you, Chairman Ney.

Thank you, Chairman Ney and Members of the Committee, and Mrs. Jones, for allowing me to provide you with comments this afternoon. Thank you for coming to Columbus, Ohio.

I'm Amy Klaben the President, CEO, of Columbus Housing Partnership. We are a nonprofit housing development corporation, and we were formed 16 years ago.

Access to safe, affordable housing is one of the most important issues we face in our nation. People cannot retain their jobs, stay in school, and live a decent life without an affordable home to go home to every day.

We see in our community, without affordable homes, people continually change schools. We have mobility problems within the school system.

And people cannot go to their jobs every day unless they have a home that is safe, decent and affordable.

To enable people to purchase affordable homes, we provide both a housing counseling program and we build affordable homes. Our housing counseling program is supported financially through the CDBG program, and we thank you very much for that support. People need economic literacy training and people need to know how to buy a home. Without such programs, people cannot become successful long-term homeowners.

So far this year we've had 324 people complete an eight-hour homebuyer education program. We are HUD certified, and our numbers this year are twice what they were last year. We attribute that to a marketing program that we started this year. The marketing program needs to continue. I'm explaining this to you because part of the HUD funding that we received does not cover marketing, and it's so important for nonprofit organizations to be able to market their programs so people know what's available. Many people who currently rent don't know that they can one day become a homeowner, and we need to help them know that they can achieve the American dream of homeownership.

We provide not only prepurchase counseling, but postpurchase counseling, default counseling, and other programs. All of these programs together are important to helping people remain successful homeowners.

In the past 16 years, we've built over 3,200 homes in our community—homes and apartments. Most of our homes are built through the low-income housing tax credit program and are rental units. We currently have 70 units under construction, 70 will start in the next couple of months, and approximately that many next year.

We have a pipeline for development, and that pipeline is very important for the continued development of affordable housing.

We also have an AmeriCorps Community Safety Program, which I know you're not involved with, but it's a very important program to Mr. Tiberi. This program has been very important to dealing with community safety issues that must be addressed as we look at revitalizing our central city. This program works in conjunction with the HUD programs that we're involved with.

As I said, we receive CDBG funds for our housing counseling programs. And I just want to say that there's not enough funds in Columbus to support the need for these programs.

We would be happy to participate in counseling participants in HUD's Housing Choice Voucher Program. This is a very important program to help Section 8 participants become and remain successful homeowners.

CDBG funds and HOME dollars are also used for down payment assistance. We administer down payment assistance programs, and it's needed in conjunction with counseling. Not everybody's able to save funds necessary for a down payment. To enable people to become homeowners, down payment assistance is necessary, and I would like you to consider increasing the current cap of 80 percent area median income to 100 percent.

If you look at revitalizing central city neighborhoods, we need to attract higher income people into those neighborhoods. One way to do that is by providing down payment assistance to incentivize people to come into the central city.

There's currently limits on the amount of funds that we're able to use through the HOME and CDBG programs, for development of rental housing and homeownership opportunities. Those amounts need to be increased, as well. We find that the cost of building new homes is much higher than the amount we can sell the houses for in many areas of the central city. It's called an appraisal gap.

To attract people to buy in these areas, we need to provide incentives.

Thank you very much.

Chairman NEY. Thank you. I appreciate it.

[The prepared statement of Amy Klaben can be found on page 131 in the appendix.]

Chairman NEY. Before we move on, is Ruth McNeil still in the audience?

Ruth, do you want to stand up? She is with Congresswoman Deborah Pryce's office, so I wanted to make sure everybody saw her.

And we can move on to April Weaver then. Welcome.

STATEMENT OF APRIL WEAVER, RESIDENT, COLUMBUS, OHIO

Ms. WEAVER. Good afternoon. Thank you for allowing me to be here today. I'm really excited to be here to sort of reiterate what Ms. Klaben was talking about with Columbus Housing Partnership.

I began working with Columbus Housing Partnership, I would say, about a year ago, last July, I found out about one of the homeownership classes they were offering, found out about it through the newspaper, and I called and got enrolled in one of the classes. And I really think it's important what Ms. Klaben was talking about with—we all know it's one thing to buy a home, but it's probably another to maintain the home. I think that's what I really learned from the homeownership classes, a lot about budgeting, and a lot about home maintenance, and just all sorts of things.

I also appreciate how well-organized the classes were. I didn't have a lot of time, because I'm a single parent, I have a 3-1/2-year-old little girl, so it's like time is money, I pay the babysitter by the hour. So it was nice to get into a class, have my itinerary, and to stick with that and get it finished. And I really learned a lot through those classes.

Not only did I learn a lot through the classes, but I learned a lot through working with Ms. Klaben and her colleagues with Columbus Housing Partnership. They kept in touch with me through the whole process of buying a home. One of the representatives came with me to close on the home. And I've kept in touch with Columbus Housing Partnership through e-mails and phone calls. And any questions that I have and concerns there, they're there to help me out.

Oh, yeah, I didn't introduce myself. I'm April Weaver. I teach second grade here in Columbus. And I love Columbus, I'm so happy to be here. I moved here from Akron two years ago. And two years ago, I was living in Section 8 housing in Akron and on food stamps. And it's just so great to be at this point in my life, I'm really excited about that.

I don't know what else to tell you. I guess—I just—I really feel like Columbus Housing Partnership has helped a lot of people. I recommended it to some of my schoolteacher friends, and they're very excited about it, they've called and are really interested in it.

And I guess that's all I can tell you. I don't know what else.

So thank you very much.

Chairman NEY. Thank you.

[The prepared statement of April Weaver can be found on page 186 in the appendix.]

Chairman NEY. And we'll move on to Cynthia K. Ring, who Congressman Oxley had requested you to be here. And I think he said you won an award or something.

STATEMENT OF CYNTHIA K. RING, EXECUTIVE DIRECTOR, ALLEN METROPOLITAN HOUSING AUTHORITY, LIMA, OHIO

Ms. RING. We did.

Actually, he asked me to be here, and I want to thank Chairman Ney and the other Members of the Committee for allowing me to testify.

Actually, I was gone last week, so I didn't get my written testimony to you in advance.

I am the Executive Director of the Allen Metropolitan Housing Authority located in Lima, Allen County, Ohio.

And I had to explain to Ms. Weaver where that was. For those of you who don't know, it's in northwest Ohio between—kind of halfway between Toledo and Dayton.

I'm also past-President and a current member of the Ohio Housing Authority's Conference, called OHAC, that represents 75 housing authorities in the State of Ohio. Many of my colleagues are here today, as is our current President, Terry Meese.

These public housing authorities administer assistance to approximately 85,000 families under what you call—or what you know as the Section 8 tenant-based assistance program, called the Housing Choice Voucher Program.

And AMHA proudly has served our community for 30 years. We're a high performer under the public housing assessment, or PHAS, and a standard performer under SEMAP. And recently, just last week, we received an award from NAHRO, which is the National Housing and Redevelopment Officials, at their summer conference, for innovation.

We have a landlord training program that we have implemented in Lima. It's a cooperative effort between our city, our local law enforcement, and housing consortium. And it's provided free of charge to any landlord or property manager in our community.

And we believe because of the flexibility we have as a local housing authority, we're able to have programs in our area that really meet our needs.

Lima, of course—and I put approximately 50 percent of the housing stock is rental housing, and that's being kind, because there's a great deal more than 50 percent of our housing stock that's rental housing. So it's important for us to have landlords who are knowledgeable about State law and how to be integrated into the neighborhoods.

We have a highly trained staff of 29. We provide housing services to the most needy populations. And I think sometimes we tend to forget about that. You see only the negative things in the media about PHAs and you don't hear about the positive things.

We deal with our senior citizens, our handicapped and disabled individuals, and the homeless and families with children.

And the families we serve are someone's grandparents, their mother or father, sister or brother, child, or perhaps grandchild, and we know what type of services they need, because we live and work in the community.

And we give them something very special. I think somewhere that's—a decent home can sometimes be the first decent place that they've lived.

AMHA has sold 16 of our homes to public housing residents, and we continue to prepare others to accomplish the same goals.

And last month HUD recognized our PHA during National Homeownership Month because we had another resident who was successful in purchasing her home through the 5(h) program.

We also are preparing a Section 8 Housing Choice Voucher Program that will enable many of our other families to also realize the American dream.

And we also have the Family Self-Sufficiency Program, which you may know about, that also will enable families to become free of any type of public assistance.

We serve over 1,600 families in our community on a monthly basis through some sort of Section 8 rental subsidy. And we are surrounded by a lot of rural counties, and oftentimes families are able to have some sort of choice, and our housing authority is the place that they come to, to get that assistance.

There is a portability issue, a feature with a voucher that they are allowed to use. And I know that Assistant Secretary of HUD, Michael Liu, has said that that is very complicated. And in our community, it is not. It's fairly simple to do, and we encourage the mobility.

I want to tell you that the PHAs in Ohio need many more additional resources. We currently have had our waiting list closed for over a year. And we have about half the number of families waiting as we do spots available for housing. And it's not unusual to have your waiting list close when you anticipate the need being over one year.

Last year we were 15 percent overleased, and that caused quite a bit of funding issues and concerns that we had until just recently. But one of the reasons that we were overleased is because of the great need that we have in our community; also, to meet HUD's program requirements; and because of our declining economy.

And lastly, I guess, I just want to mention to you that I would like seriously for you to look at the Section 8 administrative fee issue and the fee reserve issues very closely before agreeing to those.

I have some additional information, and a letter that one of your colleagues sent that I would like to introduce into testimony.

Chairman NEY. Without objection, the letter will be introduced for the record.

Ms. RING. Okay.

[The following information can be found on page 195 in the appendix.]

[The prepared statement of Cynthia K. Ring can be found on page 173 in the appendix.]

Chairman NEY. I want to thank all the witnesses.

There is the American Dream Down Payment, we were talking about the down payments. I think a lot of people go out and they struggle with work, or work a second job, but they have a terrible time trying to get that down payment. And in my family, it took—my father was 45, I think he was, before he could get a down payment on a house. So I think that's a difficult thing. The American Dream Down Payment is going to help 44,000-some people. In fact, the committee has got tremendous bipartisan support.

We've got to get this law and get it to the floor. If anybody can make a phone call, American Dream Down Payment, to a member of Congress, please—please do that. It's American Dream Down Payment, has tremendous bipartisan support, so I thought I would want to mention it.

I wanted to ask April Weaver, you said—you read first about the housing opportunity in the newspaper, did you?

Ms. WEAVER. Yes.

Chairman NEY. In the Columbus Dispatch?

Ms. WEAVER. Yes.

Chairman NEY. You saw it in the newspaper.

What kind of ad was it? Do you know who sponsored it?

I'm just always curious how people get all the information.

Ms. WEAVER. It wasn't a very big ad. I just remembered looking through, I was actually looking for rental property, and I looked over in the homeownership, they had Homes for Families, and I called. And I think that class was actually closed. And so when I went to look at my house in the Hilltop area, the gentleman who showed me the home said, well, have you tried calling CHP and getting into one of their classes. I said, no, I hadn't tried calling again. He said, try again, and see if they're going to be doing that. So he was—sort of backed that up and encouraged me to call back.

Chairman NEY. That's great.

I'm a secondary ed degreed teacher.

Ms. WEAVER. Oh, really.

Chairman NEY. I think you've got a rougher job in elementary, by the way. Nice little kids, but kind of squirmy, running around, kind of like herding cats.

Congratulations on that.

Ms. WEAVER. Thanks.

Chairman NEY. I want to ask Ms. Ring, were you talking about the portability of the voucher was a problem—the portability?

Ms. RING. It is not a problem in our community, because we have a lot of rural counties surrounding Allen County, where there are no housing authorities; besides, they're able to use the vouchers to move elsewhere.

Chairman NEY. And one point about the HUD——

Mr. CATES. Yes, sir.

Chairman NEY.——we have had discussion on that, and at some point in time we'll talk to you about some discussions we've had about a better flexibility at local levels.

Mr. CATES. No question.

Chairman NEY. The gentlelady.

Ms. JONES. Mr. Chairman, in the interest of time, I'm going to bypass my questions and let my colleagues ask questions.

I want to thank all of the panel for coming here this afternoon and participating. And it's not that I don't want to ask you questions, but I want to try——

You want to ask me a question, Mr. Cates?

Mr. CATES. I would.

I do appreciate your CDC's in Cleveland.

Ms. JONES. Oh, yes.

Mr. CATES. They are powerful. We have not yet began to make that happen in Columbus. And I can tell you a lot of reasons. The main thing is we've got a serious food chain operation: The sharks who've got installed stay at the top. That's just the best way to say that.

Ms. JONES. Thank you, Mr. Cates, for the compliments.

Chairman NEY. Mr. Tiberi.

Mr. TIBERI. Just a question regarding homeownership in rural areas that kind of caught my attention on your testimony.

You said Fayette County operates the only USDA Self-Help Housing program in the State.

And also in your testimony, just to put that in perspective, you mentioned that while many people don't consider Ohio as a rural State, Ohio's the fourth largest rural population.

Why in the world aren't there more of you? In Ohio.

Ms. BAUGHN. I don't know.

We have had lots of interest from other counties, they have come and looked at our site. Our housing director is right behind me. We have talked the program up. We think it's wonderful. I mean, it's not just for housing development, it's an antipoverty program, it's no risk to the housing developer.

We do think that we've got two counties on either side of us are in the predevelopment phase, Clinton County and Highland County. And there is a program, I believe, in—Athens?—Athens, there's a Rural Alliance or—Rural Alliance, I think.

It's a hard program to start because it's not like a grant program where you write a grant and you fund activities. You have to actually have your families' loans approved, your lots secured, your home plans approved by your local—your localities. And basically the day you close the grant, the next day you build.

So we were able to get predevelopment money from USDA and from the State of Ohio to hire Mrs. Griffiths to come in and actually do all of the predevelopment activities that needed to be done.

But it is a wonderful program. I wish more people did that.

Mr. TIBERI. Well, Mr. Chairman, I would—I would encourage—I would encourage you to look to see what they have, and it is in Washington Court House, it is a wonderful program. And if there's a way that maybe we or this committee can encourage others in the State to utilize it, I think it's a great program.

Thank you all for coming.

Chairman NEY. Mr. LaTourette.

Mr. LATOURETTE. Thank you very much.

And like Congresswoman Tubbs Jones, I don't have any questions other than to indicate to you, Mr. Cates, that the committee was sad when Congresswoman Tubbs Jones was elevated to the Ways and Means Committee because no one—there wasn't a bigger champion on predatory lending in Congress than Stephanie Tubbs Jones. All of us have horror stories from our districts where folks come in and use a variety of unscrupulous techniques, not only against the elderly but the poor and overleverage the value of homes. And so the Ways and Means Committee, now with the rest of the people is a so much more violent place, it was their gain, but it was our loss on the Financial Services Committee. And I know that I very much miss Stephanie—Congresswoman Tubbs Jones' leadership on that issue. And we're lucky to have such a leader in the Congress.

And I do just want to make a comment to Ms. Garber, in your observations, CDBG and how Columbus is being treated not fairly has come up as sort of a theme here, I'm getting—I'm in Columbus, I've got a theme. And I would suggest that it's going to be more than a food fight. Because the answer to these questions—we have a similar thing with the highway trust fund, for instance, where it's not based on anything reasonable other than who's got the biggest delegation of how many miles of interstate highway system you have, and so, as a result, while we get about 90 cents back on the dollar that we send to Washington here in Ohio, Massachusetts gets $2.25, and Pennsylvania gets $1.16. And I can tell you, as we're in negotiations on that as well, the guys from Massachusetts aren't saying, oh, we're sorry, it's not fair, here's some of your money back.

And so the only way that we solve those problems is to grow the pot of money. And it's not a problem in the house to fix it, because usually there's more of us from those States, and we can beat up the other guys and take it back. But in the senate everybody gets two votes, and the senators aren't anxious to give it back.

So I really think that the solution to the CDBG dilemma in Columbus is find yourself, and, Mr. Chairman, that we have to find a way to grow the pot, make more money available so that we can all benefit and perhaps rectify some of the situations that Columbus finds itself in.

I thank you and yield my time.

Ms. JONES. Real quickly, Mr. LaTourette, you've made up for your shopping comment.

Chairman NEY. I also want to thank Fayette County for participation in Washington that you all have done to help us out there.

A fine panel. And with that, we'll move on to Panel III. Thank you very much. Panel IV.

Move on with Panel IV.

We have William Hale, President, Portage Area Development Corporation of Ravenna, Ohio; Amy Kuhn, Deputy Director of Community Development Division, Ohio Department of Development, Columbus, Ohio; Roy Lowenstein, Vice President, Development, Ohio Capital Corporation for Housing, Columbus; Sally Luken, Acting Director, Corporation for Supportive Housing in Columbus, Ohio; Charleta Bell Tavares, Columbus City Council, Columbus, Ohio; and Jeffrey Woda, President of The Woda Group, which is located in Columbus, Ohio.

Thank you.

STATEMENT OF WILLIAM HALE, PRESIDENT, PORTAGE AREA DEVELOPMENT CORP., RAVENNA, OHIO

Mr. HALE. Good afternoon. Thanks. I'm glad to see everybody's awake, and I'm surprised I—I'm awake, it's been an interesting afternoon.

And the encouragements I have for you this afternoon, I don't think are new from the other testimony, but since I have five minutes, I'll go through it.

It's exciting that you take this interest in housing. It's a critical needs——

Ms. JONES. Why don't you move the microphone over.

Mr. HALE. How about this?

Chairman NEY. There you go.

Mr. HALE. It's exciting because in the deficit era that we're in, both Federal and State, you know, we need to go ahead and concentrate on the lowest third income group in Ohio, those making under 80 percent.

A little bit about PADCorp., we're a rural CBC nonprofit, covering all of northeast Ohio, rural being for us those populations under—under 50,000. We touch a number of Congressional areas, pretty much a mirror image of Congressman LaTourette's area. And by the way, we have found your office knowledgeable, helpful and responsive. And we thank you for this partnership.

We go ahead—we produce both affordable rental properties, preservation, as well as creation, as well as homeownership. Nothing that I say today should decrease the importance of the rental property. But I want to go ahead and focus on homeownership, because I find that the most dynamic tool in neighborhood revitalization, as well as family self-sufficiency and self-determination.

We've been doing this since we started in 1985. In 2001 we went ahead and adopted NeighborWorks, a full cycle lending model. If you're not familiar with it, I have a section in my written testimony. It deals with intensive pre- and postpurchase counseling and homeownership education, and we feel it's a superior system, not that there aren't others that are also good, but we have found that by implementing it we've been able to go ahead and in two years double what we've done over the last 15.

And so my first encouragement would be to go ahead and take a look at programs that are working for homeownership and support them, increase that pool that Congressman LaTourette was talking about.

The second area that I would like to talk about deals with the Section 8 to homeownership program. I think this is a slick program. It goes ahead and takes those families that are on Section 8, that are working, that are productive members in their community, and it goes ahead and gives them the opportunity to make the Section 8 program what it was originally designed to be, and that's temporary.

And so what we've done now is we have a memorandum of understanding with three different housing authorities. And it represents about 10 percent of what we have done to date—I mean, 10 percent of what we've done in the last couple of years. Those counties are very, very different, they include Lake County, Portage County, and Columbiana County, and, of course, as Congressman Ney knows, we're in discussions in—in Zanesville. All four of those areas are uniquely different. All four of those housing authorities are dealing with a different—a different population, with different market need.

I would encourage not to consider—or your result would be not to go ahead and have block grant—block granting Section 8 program because of those unique needs.

The State of Ohio has some excellent service delivery systems, one's sitting next to me, and it's not so much that, but the unique need to respond to the communities can only be done on a local level with the local housing authorities. In some States they're not as fortunate as Ohio, and I think the product would suffer.

The other two encouragements that I have for you—and then I'll quit—is, again, like my first encouragement, take a look at those programs that are working partnerships with housing authorities and nonprofits and go ahead and assure that they have adequate funding both in operation capital as well as financing capital.

Last, but not least, there's been some discussion as to housing trust fund, and I encourage you to move forward on that. The State of Ohio, the legislature, and the Governor's office, went ahead I think and took a very bold step and its programs were stripped out of the Ohio budget. The housing trust fund is still there to go ahead and give positive force so that they can be a partner in affordable housing.

Chairman NEY. Thank you.

[The prepared statement of William Hale can be found on page 122 in the appendix.]

Chairman NEY. Ms. Kuhn.

STATEMENT OF AMY KUHN, DEPUTY DIRECTOR, COMMUNITY DEVELOPMENT DIVISION, OHIO DEPARTMENT OF DEVELOPMENT, COLUMBUS, OHIO

Ms. KUHN. Thank you, Chairman Ney.

My name is Amy Kuhn, and I'm Deputy Director of the Community Development Division of the Ohio Department of Development.

This division, among its many programs, is responsible for the distribution of Federal community development programs, including Community Development Block Grant, the HOME Investment Partnerships, Emergency Shelter Grants, and Housing Opportunities for Persons with AIDS.

Before I begin, I would like to thank the members of the committee for the opportunity to speak here today, and I'll try to keep it brief.

The State of Ohio and Ohio Department of Development have a long and successful history of working with its local communities and nonprofit organizations to maintain Ohio's great quality of life.

Today I would like to address some changes related to the State's ability to continue to successfully administer the U.S. Department of Housing and Urban Development's CDBG program.

The Department of Development requests your support of the following three minor but very important revisions to the CDBG program. None of the revisions would require an increase in funding or allocation levels, but would provide flexibility for the changing environment as I think we've heard about here today.

The first issue is to increase flexibility at the discretion of the States to allocate technical assistance and administrative funds between the two activities without financial limitations and without a match requirement being applied to the technical assistant funds.

Currently, States may allocate 1 percent of the annual CDBG allocations to technical assistance activities and 2 percent plus $100,000 to administration. As an example, in fiscal year 2002, Ohio allocated approximately $437,000 of CDBG funds to technical assistance, and $1,236,000 to administration.

If the percentage requirements were eliminated, Ohio would have the flexibility to expend these funds based on the needs of the communities.

For example, in order for Ohio's rural areas to make the best use of limited resources, ODOD is encouraging Ohio Small Cities CDBG Program eligible communities to develop a community assessment strategy.

Now, this is a planning document designed to encourage communities to match local needs with available resources; facilitate a holistic approach to addressing housing, economic, and community development needs, identify the type and degree of community development needs; identify the type and degree of community development needs within areas of low and moderate income concentration or distressed areas; and provide information that will serve as a resource for State planning efforts.

In order for communities to develop a credible strategy, it is imperative that we be able to supply direct technical assistance. As with most initiatives, the initial training costs could be higher but will decrease as the communities build administrative capacity and experience.

And I think you've heard from several folks today, from some of our rural counties and communities, which are very capable and provide very good services.

If States were permitted the flexibility to allocate funds between technical assistance and administrative activities it would be much easier for these Ohio associations.

The second issue is an increase in the State match threshold from 2 percent of the State allocation plus $100,000 to 2 percent of the State allocation plus $500,000.

Basically, the States receive CDBG funds through a formula allocation. The allocation includes funding for administration of the program. The amount of funds available to States for administration is 2 percent of each state's formula allocation plus a hundred thousand dollars.

However, States are required to provide a 50-percent match for any administrative funds received greater than $100,000.

As you heard, the latest biennium budget process, it was determined that the availability of the State funds as matching funds has been decreasing at an alarming rate. Until the economy improves, this trend is expected to continue. Although the threshold requirement has not been revised since the program's inception in 1982, the cost of administering the program continues to increase due to the many things we've discussed here today.

If the State administrative threshold for the CDBG program were increased to 2 percent plus $500,000 of the State allocation, the States would have additional revenue to dedicate to administration.

Without adequate administrative funding, ODOD will be unable to continue to effectively administer approximately 280 CDBG program grants every year.

The final issue I would like to address is the dedicated source of funding for training and technical assistance activities.

States would benefit greatly from a dedicated source of funding for training. If such an initiative were funded, the national organizations could access the funds needed to keep States abreast of new CDBG program rules and regulations, proper program administration, and tips for innovatively implementing projects and activities.

In the past, HUD provided funds to these organizations and this has no longer been possible.

Thank you.

Chairman NEY. Thank you.

[The prepared statement of Amy Kuhn can be found on page 136 in the appendix.]

Chairman NEY. Mr. Lowenstein.

STATEMENT OF ROY LOWENSTEIN, VICE PRESIDENT, DEVELOPMENT, OHIO CAPITAL CORPORATION FOR HOUSING, COLUMBUS, OHIO

Mr. LOWENSTEIN. Thank you, Chairman Ney and distinguished Members of the Committee.

I'm Roy Lowenstein, the Vice President for Development, Ohio Capital Corporation for Housing here in Columbus.

Ohio Capital assists developers around the State to secure low income housing tax credits, and we operate an equity fund which purchases the credits.

We have, since 1989, raised about half a billion dollars for investment in Ohio. We put it into about 200 different affordable housing developments with about 10,000 units.

Recently we acquired a portfolio of more than 1,300 Section 8 units, primarily in Columbus, as well as a management company, renamed Community Properties of Ohio, which you've heard about—a little bit about earlier.

Along with local partners, we will be rehabilitating and preserving a great majority of those units over the next few years.

So we have a variety of roles, consultant, developer, investor, asset manager, and property manager, and those provide many insights into the rental housing and finance operation areas.

You've heard already today from many of the other speakers today about housing needs in Ohio, so I don't need to comment further on that.

What I would like to do is comment on some of the housing tools that we need in our toolbox.

Ohio's a microcosm of the whole country, so it's not surprising that many different housing tools are needed. For example, fair market rents in some rural counties are so low that no new construction is incentivized. Some cities in Ohio have been losing population for 20 or 30 years, but they still need more affordable housing. Why? Because many of the people most in need are still there, and because people—other people are leaving, you don't see new construction going on, you need replacement housing just to maintain the housing stock.

Some neighborhoods in decline or that have declined and then stabilized, provide very little economic incentive for reinvestment without public dollars to lead the way to help recreate a market in some of our neighborhoods.

The message here is that great flexibility is needed to craft solutions to these distortions to what's normally a market.

Sometimes the biggest problem is housing supply; other times it's the gap between the income that the people have and what it costs to actually operate housing.

Other times it's the appraised value being too low to allow for new development.

So what programmatic tools do we need? Some of them are going to cost money, and actually some of them won't.

Poor families need both rental subsidies and production subsidies to target to extremely low income households. However, rental subsidies are in very short supply as we've heard from other speakers.

This is particularly a shame when we have a fair amount of vacancy in the market, and it's just a shame that we're not able to house more extremely low income households from our vouchers. Why? Because there aren't enough vouchers to go around, but there is a housing supply in some markets.

It's particularly a concern here in Columbus where we have an exemplary program known as Rebuilding Lives to house long-term homeless individuals, using a range of Section 8 and McKinney funds as operating subsidies. Halfway to the goal of 800 permanent housing units for the homeless, we sure hope that the Section 8 subsidies will again materialize to provide an operating base for some of those most severely—or for people most severely in need.

Secondly, we do need a larger Federal source of gap financing. Gap is the—what it costs to—the difference between what folks can pay and what it costs to develop housing. We've really been starving these production programs for the last 15 or 20 years compared to the amount of need there is in this country.

And basically what happens is that a project—given Ohio's relatively low rent structure, those rental properties cannot support such a high level of debt. And even in the case of Federal tax credits, a gap exists between what it costs to deliver new housing and what folks can afford to pay.

And the tax credit program serves those who have enough income to maybe pay 400 or $500 a month in rent. But those people who can't pay that, basically the minimum wage or a little bit above minimum wage workers, they cannot afford enough in rent to support any permanent debt on the housing unit. And so that provides no incentive for folks to develop new housing for that population.

We need a Federal targeted source that's going to help support production for people, for example, under 30 percent of the median income, along with providing operating support.

Finally, we need greater flexibility in the Section 8 program to allow the portability of—for project-based rental assistance. That's a big issue in Cincinnati, and it's a big issue with our portfolio in Columbus, as well.

[The prepared statement of Roy Lowenstein can be found on page 139 in the appendix.]

Chairman NEY. Thank you.

Mr. LOWENSTEIN. Thank you.

Chairman NEY. Ms. Luken.

STATEMENT OF SALLY LUKEN, ACTING DIRECTOR, CORPORATION FOR SUPPORTIVE HOUSING, COLUMBUS, OHIO

Ms. LUKEN. Mr. Chairman, Representative Tiberi, and other Members of the Subcommittee.

On behalf of the Corporation for Supportive Housing, thank you for the opportunity to testify.

CSH has a long-standing and productive relationship with this subcommittee and its excellent staff throughout the tenures of your predecessors, Mr. Lazio and Ms. Roukema.

I appear before you today to draw on CSH's experience nationally, including Ohio, and my recommendations to the subcommittee are based on our experience with housing production, targeting the lowest income individuals and families, those that have been homeless repeatedly, for long periods, and those who are at risk of homelessness.

In a moment I'm going to present some evidence about the supportive housing solution. But now I'd like to let you know what we're seeking from you today.

CSH encourages the subcommittee to act to ensure that the HUD McKinney-Vento homeless assistance programs continue to sustain and produce new supportive housing.

You can do this by establishing a homeless housing permanence account for renewals of expiring rent and operating subsidies under the Shelter Plus Care and the Supportive Housing Programs.

And you can also do it by enacting authorizing legislation targeting 30 percent of those grants to permanent supportive housing.

In addition, we recommend that the subcommittee enact legislation that will close the affordability gap for households earning less than 30 percent of area median income. Specifically, CSH endorses the creation of a national housing trust fund.

Now to the evidence.

In addition to grinding poverty and high housing costs, tens of thousands of Americans are homeless and struggle with mental illness, substance addiction, and other health problems that are creating barriers to their stability.

Research from around the country and right here in Columbus and Franklin County show that as a consequence of this double whammy these folks are cycling repeatedly in and out of shelters and institutions and the streets, for months and even years.

Supportive housing ends this vicious cycle. It combines permanent affordable housing with flexible voluntary services that many people need to achieve stability. This includes mental health and substance abuse services, employment services, and other services that keep people housed, but also help them participate in their communities.

Supportive housing is cost-effective as well as humane. Research has shown that it costs little more to permanently house and support these folks than just to leave them homeless.

And Columbus and Franklin County was one of the first in the nation to overhaul its approach to homelessness in recognition of this research. Led by the Community Shelter Board and Franklin County and the City of Columbus, they launched, as Roy has mentioned, Rebuilding Lives. This initiative to address long-term homelessness is to create 800 units of permanent supportive housing.

And what's great about it is it's working. Over 93 percent of Rebuilding Lives' tenants have retained their housing for one year or more. They are not going back to the shelter.

In addition, the cost to operate a unit of supportive housing here in Franklin County is 36 to $38 a day. That's quite a bit less than the public systems that traditionally have served and taken care of these folks; namely, prisons and mental health hospitals.

Policy makers at every level are taking a new look at homelessness, and a consensus is emerging. We can and must plan to end homelessness, not manage it.

Recognizing that we face a significant but solvable problem, the Bush administration, Congress, and two blue ribbon commissions have adopted the goal of ending chronic homelessness.

Most recently, as Bill Faith has mentioned, the President's new Freedom Commission on Mental Health has recommended that, quote, in partnership with the interagency council on homelessness, HUD develop and implement a comprehensive plan designed to facilitate access to 150,000 units of permanent supportive housing for people who are chronically homeless.

To speed the progress to that goal, the policy strategies that this committee should implement are amplified in my written report.

But to reiterate them simply: Ensure McKinney-Vento homeless programs continue to generate new permanent supportive housing, and work to close the affordability gap for those lowest income Americans.

Chairman NEY. Thank you.

[The prepared statement of Sally Luken can be found on page 143 in the appendix.]

Chairman NEY. Ms. Tavares, welcome.

STATEMENT OF CHARLETA BELL TAVARES, MEMBER, COLUMBUS CITY COUNCIL, COLUMBUS, OHIO

Ms. TAVARES. Thank you.

Thank you Chairman Ney and Members of the Committee.

I am Charleta Tavares, on I'm the chair of the Health, Housing and Human Services Committee on Columbus City Council. I want to welcome you to my city and to thank not only Chairman Ney, but also my friend, Congresswoman Stephanie Tubbs Jones, my Congressman, as well, Pat Tiberi, and Congressperson LaTourette for coming to Columbus.

We're proud of what we're doing in this city. As chair of the committee, I work with our Mayor, Mayor Coleman, to focus attention on developing more affordable housing, increasing homeownership in our community, and revitalizing our older neighborhoods.

We have developed a toolbox to help us in accomplishing these three goals. And we have created partnerships to strengthen and sustain our efforts. One of our tools was to create the Columbus/Franklin County Affordable Housing Trust Corporation with the city and the county, which enabled us to look at where affordable housing units were needed in our community, the community of Franklin, and to determine what kinds of units were needed, apartment, single-family, senior housing, et cetera.

In addition, we were able to pool our resources in order to better leverage our dollars and expand our partnerships to the public and private sectors.

The housing trust corporation has three—has a three-part goal: To increase the number of affordable housing units as was expressed by another witness, we need at least 22,000 units; increase homeownership opportunities; and, three, to strengthen and revitalize our older neighborhoods.

Increasing the number of affordable housing units is critical if we are going to provide opportunity and present—and prevent homelessness amongst our individual and family residents.

Ensuring that we have safe, decent, and affordable housing for all families in our community has largely depended upon the partnerships we have had with the Federal Government through the Department of Housing and Urban Development and the Columbus Metropolitan Housing Authority.

I'm going to touch on the Community Development Block Grant program. The CDBG program has been effectively used to increase our supply of affordable housing, to revitalize central city neighborhoods, strengthen our neighborhood and commercial strips, provide loans to create and expand small businesses, and help low income families maintain their homes. All of these issues are critical to central cities and rural communities who are attempting to rehabilitate older housing stock, attract business development, and eliminate blight and flight from the core city.

The CDBG program has allowed communities to target the dollars where they are needed, to leverage the dollars with the private and other public investments, such as our housing trust and HOME funds.

The next area that I want to touch on deals a little bit with the city and the county again and our work with the CDBG program.

I believe the key to this program is to keep it local, not to pass it on to the State, and not to pass it into any kind of a regional plan. The key has been that it's been a local program with the Federal Government. That has enabled us to develop the needs—meet the needs of our city and to develop the programs and services that best meet those needs.

A State or regional administration would add another level or layer of administrative expenses, monitoring, and interpretation of regulations. Regional or State administration of the entitlement CDBG would add negative dimensions of competition between rural and suburban, small city, large city, et cetera.

Unfortunately, there is nowhere in America that a family or an individual working a minimum wage job can afford a two-bedroom apartment. Mr. Chairman and Members of the Committee, as you know, far too many of our children are growing up in single-parent households, many working minimum wage or low wage jobs, who are one crisis, one paycheck away from homelessness.

We are fortunate in Columbus, Ohio, that our cost of living is well below our sister cities, such as New York, Los Angeles, San Francisco, and Chicago. However, we cannot forget that we have thousands of families in our community living below the poverty line who are responsible, who are working, and who cannot afford a clean, safe, and decent place to call home.

We have to do more. Our children and families are depending on us to ensure that their basic needs of food, clothing, housing, and health care are met.

We have a need in our great city for more housing units that are affordable. It is both a cost and production issue in our community. Columbus is working hard to produce and decentralize our affordable housing units throughout the city. Many of our job centers are on the fringe areas of Columbus. And we believe, in order to make any affordable housing program work, we have to be able to locate the housing where the jobs are located, in the fringe areas of Columbus and suburban communities throughout this county.

I thank you, Mr. Chairman and Members of the Committee, and more than happy to respond to any questions.

Chairman NEY. Thank you, Ms. Tavares.

[The prepared statement of Charleta Bell Tavares can be found on page 182 in the appendix.]

Chairman NEY. And Mr. Woda, although he has a Columbus office, he's a River Rat. And I'll let you explain that.

STATEMENT OF JEFFREY J. WODA, PRESIDENT, THE WODA GROUP, LLC, COLUMBUS, OHIO

Mr. WODA. Thank you, Mr. Chairman. Thank you Congressman Tiberi and the rest of the committee for allowing me to testify before you today.

I am the last person to testify, so I will try to keep it as brief as possible.

My name is Jeff Woda, I'm a member of The Woda Group. I grew up in rural Ohio, in Belmont County, and the last few years I have relocated to the Columbus area.

Our expertise is developing, constructing, and managing housing in the rural area, and specifically affordable housing. And that's what I would like to concentrate my testimony on here today.

In my written testimony, I've listed various programs that we have used to create such housing. And I've also gone on to talk about some of the challenges that we have encountered when working in programs that combine funds from HUD, tax credits with IRS regulations, funds from the United States Department of Agriculture, USDA, and different State programs. So I won't bore you with reading some of the horror stories that I've noted there.

But we have found that a lot of times these programs have inconsistent policies that don't help us in either preserving or creating affordable housing in the rural areas.

I'd like to just cut right to the chase and talk to you about some recommendations and what we see that could be done in the rural areas to help us increase the affordable rental housing.

The United States Department of Agriculture Rural Development Section 515 funds have been greatly cut over the years. That was probably the main producer of affordable multifamily housing in the rural areas. Those funds need to be either increased or looked at so we can best leverage what is already allocated.

For instance, there are RD 515 funds allocated, a lot of times they're coupled with tax credits, but currently you're only allowed to use a 4-percent tax credit, which is less than half of the available 9-percent credit that's out there. In other words, one small change, we could double, if not triple, the amount of housing produced with the same funds already available.

The rental assistance contracts that go with those funds don't have any minimum payment that a tenant has to pay. If that was somewhat modeled after the Welfare to Work program or where there were minimum payments, we could stretch those dollars a lot further.

A new program that has really caught a lot of interest in the private sector is the USDA Section 538 guaranteed rural rental program. This program leverages private sector dollars, as the United States only provides a 90-percent guarantee to the lender. We've had some administrative rules that you've—that members of your committee have helped us change to make that more usable. Some other things that we see is that we provide interest credit up to 20 percent of your annual allocation. And what that interest credit does is you buy the interest rate down to the applicable Federal rate, which is around the 10- to 30-year treasury amount. Although it's not very expensive, that really helps the rural areas reduce our rents.

And if you could look at expanding that 20 percent to a larger portion of the pool, again, not near as costly as the direct program that you've had in the past.

Also, you should offer flexibility to your State RD offices. If they have interest credit available, why not link it to those guaranteed loans that you have there. The program's already in place, dollars that are already there, with slight administrative changes could be much more leveraged and provide much more affordable housing in the rural area.

The national housing trust fund may be another avenue if enacted to assist the rural areas. Our groups believe that a portion of that, 30, 40 percent, should be designated for the rural areas, but not only to provide support on the development of housing, but also the continuing support, such as the rental assistance program noted earlier.

Another area that we see a problem is that currently county median incomes for the tax cutter program use the greater of the county AMGI, area median gross income, or the State non-metro average. Again, a slight change in using the State average would certainly widen the band of rural households that would now be eligible for this program.

An example, a rural household consisting of a single parent, one child in Ohio, earning in excess of $24,300 is not eligible in most of our average counties. That's certainly a low number. With one change of how we calculate what the AMGI is, we could really broaden that band and make a lot more households eligible.

Finally, I would like to express the support that we have for the homeownership tax credit. It's an excellent concept in rural areas, especially where you've been told by other people testifying about the gap in the rural areas, trying to get enough dollars to entice a developer to go out and build homes where the prices that you can charge can't generate enough dollars. The tax credit's an excellent avenue, if it could be modeled after the housing credit rental program that's there, that's been extremely successful, we see that that's another avenue that could greatly benefit all areas of Ohio.

Please keep in mind, not all households, though, are meant to be homeowners. There is still a great demand out there for affordable rental housing. And I encourage you to keep that in mind as you look at these pieces of legislation.

Again, thank you very much for your time. I would be more than happy to answer any questions.

Thank you.

Chairman NEY. Thank you for your testimony. I explained to my colleagues, if you live on the Ohio River, you're a River Rat. So it's not an insult; it's a compliment.

Mr. WODA. That was the nickname of our high school, actually.

Chairman NEY. In Congress we call our Congressional softball team the Ohio River Rats, too.

[The prepared statement of Jeffrey J. Woda can be found on page 187 in the appendix.]

Chairman NEY. Ms. Luken, I thought 30 percent was dedicated in the McKinney-Vento language to permanent housing. Are you worried that that will change?

Ms. LUKEN. Well, it's something that is happening on a yearly basis. And we're encouraging you to authorize legislation to make it permanent.

Chairman NEY. Make it permanent. I see. So you're worried about future——

Ms. LUKEN. Yes.

Chairman NEY.——future terms.

Okay. The—Mr. Woda, we had that Amendment 515, I think we're going to try to redo that. But it just does what was done for the urban program, you know, a long time ago. And I think that was a good idea, if we could do it.

I have one question I want to ask, and I don't know if you can answer this, but I'm going to ask it, Mrs. Kuhn. Would the State of Ohio want the Section 8 block grant? It's a joint question. It's a bipartisan group. Would the State of Ohio want to do—if this piece of legislation passed, would the State take it, has it developed a position?

We do invoke the fifth amendment here in the subcommittee formally.

Ms. KUHN. I don't have the official answer to that. But I do know that it's a very complicated issue. I think a lot of the points that have been brought up here today about our staffing levels, the ability of the State to do these additional duties, are something we would take very much into consideration.

I think we have a very talented group of people that could do it, but it would take resources and whatever.

So I don't know that we're really ready to answer that question.

Chairman NEY. Thank you.

Ms. JONES. Real short.

I want to thank everyone for testifying this afternoon. The information you provided us was very useful.

Mr. Woda, I just want to ask you one question: Remember back earlier in the year when we were debating tax cuts, there was a whole—and the dividend tax cut, there was a whole discussion about the impact dividend tax cuts had on low income housing tax credits. Can you briefly discuss that, if you could—if you would, or could.

Mr. WODA. Sure. It was certainly a big scare to our industry, as we looked at it, the assumption was most of the investors would lose a lot of the benefit they have in investing in those credits because of the tax treatment of dividends.

I'd just like to thank all of you for the way you worked it out, and that that scare has now passed. And I think whenever looking at an issue like that the unintended consequence of hurting probably our best producer of affordable housing in this country would not have been what any of us wanted. But you worked with the investors out there in the private sector to make sure that we had legislation that didn't do that.

So, yeah, it was a big scare. A lot of our investors really pulled back until they saw what you ended up doing. And, again, I'd like to thank you for that.

Ms. JONES. Thank you.

Chairman NEY. Mr. Tiberi.

Mr. TIBERI. Thank you, Mr. Chairman.

Ms. Tavares, thank you for coming to testify today. From where you sit in the council chambers and from your experience with this State, what—what can we do up here—what can the Federal Government do and the State government do to help you all? And I should have asked this of the Mayor, but I'll ask it of you: What can we do to help you increase that homeownership from 49 to 55 or 60?

Obviously, knowing we're not going to get to a hundred percent. But getting it closer to the national average.

Ms. TAVARES. I think a couple of things that have been mentioned about some of my other colleagues on this panel and other panels. Certainly the homebuyer education is critically important. We've got to make sure that people understand what it is they're venturing into, and to make sure that they have the assets, so to speak, or at least some cushion money set aside for whatever might happen when you own a home. All of us know that there are major expenses. And maybe we haven't educated individuals enough about how to get into homeownership and how to stay in homeownership. Because that's one of my other concerns, it's maintaining homeownership. It's one thing to get into a house. But to stay there, we have to make sure that people have the tools not only to fix the house, but also the assets or a pool of money to maintain that home.

I think the other thing that the Federal Government can do is to continue work with us to keep the program as flexible as possible, the CDBG program, the HOME program, so that as we see there are other tools that we can develop locally, that we'll have the money to help us implement those programs.

It's education. I think critically important is the education of our electorate that you can get into a home in many cases more easily than you can pay the rent that's being commanded today in the market.

Mr. TIBERI. Did you want to comment on that, too?

Mr. LOWENSTEIN. Thank you, Mr. Tiberi.

I think that the homeownership tax credit would be a critical tool to add to that. Because, for example, our company, you know, kind of in a small way got into trying to develop some new units in a relatively depressed neighborhood of the city, and the problem that we have in trying to sell new houses—and believe me even in an area that is, you know—isn't the best neighborhood in the city, they don't want to see little boxes built. People want to see nice houses put in. Well, it costs $120,000 or $130,000 to put in a fairly nice house. But the problem that you have in some of these areas is that the appraised value of houses in the existing neighborhood may be 60,000 or $70,000.

So you need some vehicle to cover the gap between the mortgage that could be supported. Maybe you can get an appraisal at $100,000 or $90,000, but it costs another 30,000 or $40,000 to put in a new house. But that's what you need to help turn the neighborhood around.

The same thing would be true if it's a rehabilitated house, with the cost of what rehab are, you still have that gap, and that's where you—a financing vehicle like the credit would be critical.

Mr. TIBERI. Thank you.

Chairman NEY. Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman.

Folks, it's been a long afternoon, so I won't drag it out much longer. Thank you for coming.

And for the record, Mr. Chairman, the tax board is a new constituency of mine, since the geniuses down here in Columbus did the redistricting. And I've been more than impressed with the work that you do, Mr. Hale, and your group.

And, Ms. Tavares, I know you by reputation, and you certainly represent yourself well not only on behalf of your city but and party and the people that you represent and the issues you advocate, and it's a pleasure to finally make your acquaintance.

And, Ms. Kuhn, I'm going to try to be charitable to your organization, not you personally, but I think one of the reasons we put caps on various programs is that we haven't just made it up, it was subject to abuses, and not to say anything bad went on in Ohio relative to abuses, but that's why we have caps on technical assistance and also administration costs, we found that in some areas some States short of cash were siphoning off all the dough in administration costs, and that the money wasn't getting to where it needed to be.

And I would say that if—if the issue that you brought to our attention, and that is the 2 percent plus 100,000 proposal were to come to me to take it to 2 percent plus 500,000, I don't think that I'd be favorable. Again, no criticism of you or your organization, but I, as an Ohioan, have been horrified, and as a republican, by this budget process, and the idea that our legislators would give back—it's not free money, but money back is like penalizing the taxpayers of Ohio twice. And not to have the political courage to come up with matching funds where assistance is offered from the Federal Government, I think is sinful, and I'm not proud of anybody that participated in that process.

And I yield back the balance of my time.

Chairman NEY. And we're not redistricting for ten years, so I'm agreeing with everything he said about the legislature.

With that—they already did damage to me—I want to thank the panel. I want to thank our members. And we think this is the first housing hearing in Ohio that we've had in the history on the housing subcommittee on the books. Black caucus met two years ago, I believe, you chaired it up in Cleveland. And I think this is the first housing subcommittee, so we appreciate the staff coming in, the members spending their time, and all of you, it gives us good insight. Believe me, it was very helpful.

We appreciate the Martin Luther King Center—Jr. Center and the director of that.

And with that, that concludes—I would note for the record, if members have additional questions they might want to ask the panel, if they want to ask them in writing without objection, the hearing record will remain open for 30 days for members to submit written questions and witnesses to place their response in the record.

And I want to thank all of you again, and this concludes the hearing.

[Whereupon, at 4:52 p.m., the subcommittee was adjourned.]

A P P E N D I X

July 29, 2003

Opening Statement of the Honorable Bob Ney
Chairman
Subcommittee on Housing and Community Opportunity
Committee on Financial Services

"Housing and Community Development Policies in the State of Ohio"

Tuesday, July 29, 2003

The Subcommittee on Housing and Community Opportunity meets this afternoon to discuss Housing and Community Development Policies in the State of Ohio. As the Housing Subcommittee began its series of field hearings, I promised to shift America's housing debate outside the Washington Beltway to different regions of the country. Today we focus especially on affordable housing availability in Ohio, the effectiveness of the federal government's Community Development Block Grant program, and the "Section 8" housing voucher program for low-income families.

Within the state of Ohio, affordable housing is essential for this state to continue to grow and for working families to prosper. The Subcommittee and members of the Ohio delegation, some of them are here today, are committed to working with state and local officials on this important issue

Today, the Housing Subcommittee continues the process of listening, learning and then discussing solutions. I am certain that my colleagues from Ohio would agree that the best economic development plan for any city or community consists of three factors: effective public safety, good schools, and affordable housing. When one of these factors is lagging, the community will deteriorate.

In the previous months, we heard a variety of opinions on causes and solutions that help build communities and prevent deterioration. While we may not all agree on the possible solutions, it is important that this Committee act prudently and provide an exhaustive review of all existing housing programs and determine how regulatory and legislative adjustments could provide additional housing.

At the same time, it is fair that the Committee consider new ideas, provided they are fiscally prudent, maximize the taxpayer's investment, and provide accountability and results.

Among the reforms that have been discussed is an Administration proposal to replace Section 8 tenant-based housing vouchers with state-managed block grants. Rather than contracting with an estimated 2,600 separate public housing authorities, as HUD does currently, the Department would allocate funds to the 50 states, which could then work with public housing agencies or other entities to administer the voucher program.

As well as examining the merits of this proposal, the Subcommittee continues to look at other crucial housing programs, such as HUD's Community Development Block Grant Program (or CDBG).

CDBG is one of the primary vehicles for local mayors and officials to revitalize our Nation's neighborhoods and provide economic opportunity and hope for millions of lower income Americans to achieve self-sufficiency. I look forward to hearing testimony from today's panelists on how the Community Development Block Grant program operates in the greater Columbus area, and how local development groups contribute to the effectiveness of the program.

I now recognize the gentlewoman from Ohio, Ms. Stephanie Tubbs Jones.

Opening Statement of the Honorable Steven C. LaTourette

Committee on Financial Services

On Subcommittee on Housing and Community Opportunity hearing on "Housing and Community Development Policies in the State of Ohio"

Tuesday, July 29, 2003
Columbus, Ohio

Thank you Mr. Chairman for holding these hearings in my backyard, to discuss housing and community development policies that affect Ohio. What is important about this hearing is that it is emblematic of this Committee's leadership to go outside of Washington, D.C. and hear from housing providers, advocates and constituents about what housing and community & economic development policies improve our neighborhoods and citizens.

Right here in Columbus, approximately $8 million in Community Development Block Grants are spent to provide housing and economic development. In housing production, $5.4 million is spent in HOME Federal dollars. This is just two of many housing programs under the Federal Departments of Housing and Urban Development and Agriculture that provide housing opportunities.

Since the beginning of this Congress, the Committee on Financial Services and this Subcommittee both held a total of 17 hearings, including today, to discuss key housing issues. The range of issues include the Real Estate Settlement Procedures Act that affects every consumer during the homebuying experience; the importance of the National Flood Insurance Program that provides flood protection to our communities; the American Dream Downpayment Initiative that will provide homeownership opportunities to 40,000 low-income families across this country and thereby strengthen our communities and neighborhoods; rural housing initiatives; and the Administration's proposed section 8 block grant program.

Whether your political philosophy is conservative or liberal; democrat or republican; or something in-between, I think it is safe to assume that we all care about our people and the core values that built our state and nation. It is important that we not rest on our past laurels and that we continue to review even successful housing programs to ensure that we, from a Federal public policy perspective, are adept and "in-tune" with the needs of our communities.

Mr. Chairman, let me close by thanking you once again for holding these hearings here in Ohio. As you know, our economy is struggling but making improvements. I'm reminded of a note that the famous economist John Maynard Keynes wrote to then President Roosevelt in 1933 about the economy. He stated that housing, above all, was "by far the best aid to recovery" and that we should "put...most of [our] eggs in this [housing] basket."

I look forward to the testimony today so that we can go back and strengthen our housing programs, which will ultimately strengthen our economy, our communities, and more importantly, our families.

###

Opening Statement

Congressman Pat Tiberi

Subcommittee on Housing and Community Opportunity Hearing on
A hearing on

"Housing and Community Development Policies in the State of Ohio."

July 29, 2003

I want to commend the Chairman for scheduling today's hearing entitled, "Housing and Community Development Policies in the State of Ohio." I also want to welcome our witnesses and thank them for appearing today. And thank you to Steve LaTourette and Stephanie Tubbs Jones, members of the House Financial Services Committee, for being with us today.

This hearing will focus on three topics: (1) the current operation and administration of the Section 8 Housing Assistance Payments Program; (2) the Community Development Block Grant Program; and (3) housing production.

Let me thank the Chairman for his attention and dedication to the many housing issues facing this country. Through this hearing today, we hope to learn more about problems faced by many of our working families and to determine how we might better ~~to~~ address their housing needs.

Housing is the number-one consumer product in America. While the homeownership rate in this country is an impressive 68 percent, there are still some that are unable to share in that dream. It is essential to restore confidence and accountability to our nation's housing policies by reforming programs that are underused, duplicative or hindered by vague objectives.

Despite the fact that more and more people are sharing in the American dream of home-ownership, many working families are finding it more difficult to find affordable housing.

The nation has lost more than 197,000 units of federally subsidized affordable housing over the last several years, including more than 9500 in Ohio. More than 1/3 of those units housed poor seniors. It is essential that affordable housing be made available to people that require it.

Clearly, we must take steps to encourage new production and preservation of existing housing. Many witnesses testifying today are working hard every day to provide affordable housing to those in need. We need to make sure that they have the tools necessary to enhance and to fund affordable housing.

The Section 8 program serves more than 2 million people throughout the country. In Columbus alone there are 10,000 recipients of Section 8 assistance through the Columbus Metropolitan Housing Authority. Recently proposals have been made that I believe threaten to destabilize the Section 8 program.

Current proposals focus on shifting Section 8 management responsibilities to the states by converting them into block grants. This idea will not be effective because states have only limited experience with such programs. The last thing that the CMHA needs is another layer of bureaucracy, which is the certain outcome if these proposals are put into effect.

Changes must be made to this program as it loses $2 billion annually to fraud and other factors. However, I believe that the best solution for Section 8 is to give more flexibility to the local housing agencies. These local agencies, along with elected officials, landlords, and other interested parties could work together to ensure Section 8 provides the proper assistance. It is a simple idea; local residents can better address local problems.

Another important issue facing Columbus is that of Community Development Block Grants (CDBG's). While the criteria established for formula A in 1974, and Formula B in 1976 may have been fair and equitable at that time, continued use of these old formulas has led to a tremendously unfair situation in the 21st century.

A case in point is the criteria that deal with the age of housing stock in Formula B. Formula B establishes houses built prior to 1940 as 50% of the funding formula. For cities such as Columbus Ohio, which saw the bulk of their growth occur after World War II, the failure to update this criteria means that aging neighborhoods built in the 40's and 50's such as the North Linden area, the Woodland Joyce area, and the area south of Morse Road are ineligible for assistance under the Community Development Block Grant Program.

While these neighborhoods were not in need of assistance in 1976, now that they are more than 50 years old they are experiencing the same level of need as older cities showed in the 1970's. Comparing Columbus to cities whose main growth was prior to World War II you can see the disparities that have arisen. Take, for example, St. Louis, Missouri. With a population of just under 350,000 it is the 49th largest city in the U.S. In fiscal year 2001, St. Louis received over $28 million in CDBG funding.

Columbus, the 15th largest city with a population of over 711,000, received approximately 8.8 million. Similar discrepancies can be found when comparing Columbus to Baltimore, Boston, New Orleans, and Pittsburgh, to name a few. Yes, all of these cities are smaller in population than Columbus.

Clearly the criteria used in the formulas needs to be updated. The age of housing should be indexed, to maintain fairness and consistency across the county.

Again, thank you to Chairman Ney for convening this hearing. I am anxious to hear from our witnesses today on the many ways they are providing affordable housing in Ohio for the families in need. Many of you here today have first hand knowledge of the Section 8 voucher and the CDBG programs. We need to hear from you about what works and what is not working.

BACKGROUND, FYI: The Formulas

Cities are funded on the formula that gives them the most money.

Formula A - established in 1974 (Columbus is based on Formula A)
Population 25%
Poverty 50%
Overcrowded housing 25%

Formula B - established in 1976 (Cleveland is based on Formula B)
Poverty 30%
Pre 1940 housing 50%
Growth lag 20%

CDBG COMPARISON SHEET:

As we all know, Columbus, OH is the 15th largest city by population in the United States. Below is a list of cities smaller than Columbus - but still in the top 50 in the U.S. - that receive more CDBG funding. Population #'s are from the 2000 census, CDBG #'s are from FY 2001. (-) indicates a loss in population between 1990-2000.

City	Population	Rank	CDBG
COLUMBUS, OH	**711,470**	**15**	**8,864,000**
Baltimore, MD	651,154 (-)	17	30,905,000
Memphis, TN	650,100	18	11,479,000
Milwaukee, WI	596,974 (-)	19	23,062,000
Boston, MA	589,141	20	25,638,000
Washington, DC	572,059 (-)	21	24,333,000
El Paso, TX	563,662	23	12,795,000
Seattle, WA	563,374	24	15,282,000
Denver, CO	554,636	25	12,005,000
Portland, OR	529,121	28	12,232,000
New Orleans, LA	484,674 (-)	31	20,523,000
Cleveland, OH	478,403 (-)	33	30,794,000
Long Beach, CA	461,522	34	9,655,000
Kansas City, MO	441,545	36	11,862,000
Atlanta, GA	416,474	39	12,508,000
Oakland, CA	399,484	41	10,668,000
Minneapolis, MN	382,618	45	17,465,000
Honolulu, HI	371,657	46	13,432,000
Miami, FL	362,470	47	13,148,000
St. Louis, MO	348,189	49	28,348,000

Cities not in the top 50 that received more CDBG funding than Columbus in FY '01:

City	CDBG
Louisville, KY	12,273,000
St. Paul, MN	10,353,000
Jersey City, NJ	8,896,000
Newark, NJ	11,907,000
Buffalo, NY	21,874,000
Rochester, NY	12,116,000
Cincinnati, OH	17,343,000
Toledo, OH	10,087,000
Pittsburgh, PA	21,934,000

Statement of
Bambi Baughn, Deputy Director
Community Action Commission of Fayette County
before the Committee on Financial Services
Subcommittee on Housing and Community Opportunity

"Housing & Economic Development Policy in the State of Ohio"
Regional Hearing - Columbus, Ohio
July 29, 2003

Thank you for the opportunity to submit testimony on housing policy in Ohio to the Subcommittee, and thank you, Chairman Ney, for convening this hearing. My name is Bambi Baughn, and I am the Deputy Director of the Community Action Commission of Fayette County, a non-profit corporation located in Washington Court House, Ohio.

My testimony will address the Subcommittee's questions concerning affordable housing production. It will include a description of the housing programs and activities at our agency, and a rural perspective of housing needs and activities.

Housing Activities of the Community Action Commission of Fayette County

The Community Action Commission of Fayette County was incorporated in 1966 under the Economic Opportunity Act of 1965. It is a multi-purpose agency, operating many programs, which include Head Start, home weatherization, public transportation, specialized transportation, prenatal and well child clinics, a dental clinic, programs for the elderly, emergency assistance, employment programs and programs for family development and self-sufficiency.

Housing Rehabilitation Programs

CAC has operated the Home Weatherization Program in some form since 1967. It is currently funded to complete approximately 38 units per year. Work done includes insulation, window repair and glazing, minor repairs, infiltration correction, ventilation and heating unit inspection, cleaning repair and/or replacement. The program is supplemented through utility weatherization programs.

In 1994 the agency received funding through the Central Ohio Area Agency on Aging for home repair for low-income homeowners over age 60. This program has received additional funding through the Ohio Housing Trust Fund and is currently funded at over $25,000 per year.

EXHIBIT
9

Special Needs Housing

In 1984 CAC received a grant to operate a group home for elderly and disabled people through the Ohio Department on Aging. The agency collaborated with a private developer to build the first newly constructed Shared Living Home in the state in 1985. The facility was licensed for 16 individuals. CAC operated the home until 1995, when it was sold to a long-term care facility operator.

In 1987 CAC received its first operating grant for an emergency shelter for the homeless. We started with two leased motel rooms. After obtaining other financing, including a demonstration grant from the US Department of Labor for job training, the program expanded to a 16-bed facility.

In 1990 the agency received its first HUD grant for 16 units of Transitional Housing for the homeless. This program continues to operate with a combination of HUD and state operating money.

Rental Housing

Community Action is involved with seven rental projects. Glennview Apartments is a tax credit project in Washington Court House. Glennview has 56 units, mixing two and three bedroom apartments. It was completed in 1994.

Woodsview Square Apartment Project is located in Jeffersonville. It has 40 units, mixing one, two and three bedrooms. Woodsview Square is a USDA 515 project, with 24 of the units receiving rental assistance. Community Action is the manager for this project. It opened in January 1995.

The Fayette Inn is a Single Room Occupancy facility located just outside of Washington Court House. It was developed under the HUD SRO for the Homeless Section 8 Moderate Rehab program and was funded with tax credits, Housing Trust Fund and Federal Home Loan Bank. The agency purchased and rehabilitated a vacant motel. The Fayette Inn has 17 efficiency apartments with Section 8 subsidies and one manager's unit.

Summer Tree Apartments was funded in 1999 under the tax credit program. It is a USDA project and involves acquisition and rehab of a 24-unit complex in Jeffersonville. All the units have rental assistance.

Ivy Glen is a tax credit project located in Washington Court House. It is a lease-purchase community of 60 single-family homes, ranging from 2 – 4 bedrooms. It opened in December 2002.

Two tax credit projects were approved in 2002 and are currently under development: Riverbirch Greene in Washington Court House, which is new construction of 60 single family homes; and Frankfort Place in Frankfort, which is an acquisition/rehab of 20 multi-family units for elderly residents.

Home Ownership Programs

Community Action Commission of Fayette County operates the only USDA Self-Help Housing Program in the state. Under this program, families who qualify for USDA 502 subsidized loans are assisted by CAC to do 65% of the construction work on their new homes, thereby reducing the amount of the mortgage. We have expanded the program by leveraging parts of the loans from a private bank, and by funding some units with Housing Trust Fund and private funds. Two subdivisions have been developed in this program. Since 1995 the agency has developed over 100 new houses under this program.

Housing Counseling

The agency has two staff trained to do foreclosure prevention, homebuyer education, post-purchase counseling and credit repair counseling. Staff provides counseling both to classes and on an individual basis.

Youthbuild

Youthbuild is a HUD-funded program for low-income youth aged 16- 23 who do not have a high school diploma. Youth take classes to prepare to take their GED test while learning construction skills on our homeownership job sites.

Rural Housing in Ohio

Nationally, most housing policy is based on urban concerns. While these concerns are substantial, there is also need in rural America. Based on the 2000 Census, of the 200 poorest counties in America, all except 11 are non-metropolitan. For many years, substandard quality was the primary housing problem in rural areas. While quality remains a major concern, affordability is now a bigger problem in rural housing, especially for low-income people.

Many people may not consider Ohio as a rural state. But Ohio has the 4^{th} largest rural population among the 50 states, with over 2.1 million people.

In Ohio, 29 of the 41 counties with poverty rates between 10% - 30% are rural counties in the south and far eastern parts of the state. Most of these counties had less than 5% population growth since the 1990 census.

Barriers to Housing Development in Rural Areas of Ohio

Funding, federal regulations, limited infrastructure, terrain demographics and lower income levels all provide challenges to the development of affordable housing in rural Ohio. Current systems of allocating funds for housing put rural areas at a disadvantage when competing with urban areas. Most rural communities do not have the local resources to match federal funding requirements and/or the funds needed to fill the gap between resources and actual development costs. Development costs in many rural areas are higher because infrastructure is not in place. In southeastern Ohio, the terrain tends to be steep and rolling, making it difficult to find a suitable affordable building site.

Because the populations in rural areas are small, housing developments are also much smaller than those in urban areas. This drives up the development cost and makes the projects less competitive for public housing dollars. Utility deregulation has also impacted rural housing projects when utilities must be brought to a site under development. The cost of gas and electric line installation is much greater than a few years ago, and many developers can only afford to bring electric to the project.

Funds for rural projects target households with lower incomes. Rents are more restrictive in rural counties as well. Rental projects in rural areas have difficulty generating the income necessary to repay mortgages and also cover maintenance and operating costs for the projects.

For example:

Using the HUD HOME Program Income Limits for Ohio (February 2003):

A family of 4 in the Columbus MSA could make $51,050 and be considered low-income. A family of 4 in Fayette County that makes $40,500 is considered low-income.

The HUD Home Program Rents for Ohio, also released in February 2003:

In the Columbus MSA, the 50% rent limit for a 3-bedroom apartment is $829.
In Fayette County, the 50% rent limit for a 3-bedroom apartment is $657.

Use of HOME Funds for Housing Development

In Ohio, HOME funds administered by the Ohio Department of Development can be accessed through the Community Housing Improvement Program (CHIP), the Housing Development Assistance Program (HDAP), and the Community Housing Development Organization (CHDO) Operating Grants. HOME funds are also distributed by formula to participating jurisdictions.

The CHIP program is distributed through competitive annual applications to eligible communities. Counties and cities that are eligible for HOME funds are: 1) non-entitlement/non-participating jurisdictions with an approved Community Housing Improvement Strategy and 2) entitlement/non-participating jurisdictions with an approved Consolidated Plan. Homeownership and rental housing programs for low- and moderate-income families are eligible activities.

The HDAP program provides financing for owner occupied and rental housing for very low-income persons. Funds may be used to fund gaps in Housing Credit projects, Project Based Section 8 Preservation, Rural Development and Tax Credit Rehabilitation, non- Housing Credit Rental Housing and Homeownership Development. These funds go directly to developers of affordable housing on a competitive basis.

The CHDO operating funds are available to state-designated CHDOs in non-participating jurisdictions. Funds are used for operating support for eligible housing activities.

Our agency has had positive experience using HOME funds from all the above 3 programs. The staff we have worked with at the Ohio Department of Development and the Ohio Housing Finance Agency have been helpful and knowledgeable. The problem with these funding streams is that they are competitive. It's difficult to develop long-term housing strategies without having guaranteed levels of funding. CHIP and HDAP funds can only be applied for once a year, so if a project is not funded during a round, the applicant must wait to apply again.

Other Housing Programs

USDA Rural Development

Rural areas are not participating jurisdictions for HOME, but they do have another housing option available to them – the US Department of Agriculture's Rural Development Program. Our agency has used USDA for both rental and homeownership programs in Fayette County.

Our agency is the only Mutual Self-Help Housing program in the state of Ohio. This program is funded through a USDA 523 grant. The agency began operating this program in 1995, after nearly five years of planning and pre-development. Since it began, our agency has received 5 USDA 523 grant and 4 SHOP awards totaling $1.75 million, leveraging additional funds for a total economic impact to Fayette County of $8.9 million. 133 homes have been built through CAC's Self-Help Program

Under this unique program, the CAC organizes groups to 8 – 10 families, assist s them in applying for USDA Section 502 single-family mortgages and works with them as they put over 1,000 hours of sweat equity into the building of their own and their neighbors' homes. No one moves into the homes until all the houses in that group are finished.

A skilled construction supervisor from our staff works with the families, providing training and technical assistance during construction. A family worker is onsite to monitor the families' schedules. After the families complete the homes, they have done 65% of the construction labor themselves. The families have approximately $10,000 of true equity in their homes.

In our Self-Help Program, CAC has used the Housing Assistance Council's HUD funded Self-Help Housing Opportunity Program (SHOP). CAC has received $850,000 in SHOP funds from HAC and another $800,000 in loans from HAC's Rural Housing Loan Fund. The SHOP funding helps CAC buy the land and put in infrastructure for our self-help homes.

For many rural families, homeownership through the USDA programs is another option in affordable housing. In our self-help program, a very-low income family (50% AMI) can qualify for as low an interest rate as 1% on a 502 loan. The self-help homes appraise for over $90,000; with the sweat equity the mortgage amount is around $82,000. For an actual family in our program, the 502 mortgage is $80,588.76. The family's payment, over a 33-year period, is $245.77 per month. These homes have 3 bedrooms, 2 bathrooms and an attached garage. This is half the cost of rent for a 3-bedroom single family home in a Housing Credit project.

A report by Robert D. Dietz of the Ohio State University (*The Social Consequences of Homeownership, June 18, 2003)* details the financial benefits and certain social benefits and consequences of homeownership. The report describes positive impacts of homeownership on child outcomes, health, social involvement, political participation, environmental awareness, neighborhoods, crime, and family stability.

In spite of the benefits, both financial and social, homeownership is not an option for all families. For instance, if a family's tenure in an area is short, renting may make more financial sense than owning. Also, many of the families who come to our agency have very poor credit, making it impossible for them to qualify for a mortgage.

USDA Loans for homeownership in Ohio:

Loan Type	Loans made in FY 2002 9/30/02	% of allocation obligated	Loans to date in FY 2003	% obligated
502 Low	274	129%	133	69%
502 Very Low	219	150%	126	89%
Guaranteed	1133	116%	1019	78%

502 direct loans for single-family homeownership and 515 loans for multi-family housing are extremely valuable resources for the development of affordable housing for low-income families. The allocation for these programs has decreased drastically over the past 8 years. Ohio had $54,069,210 in 1994 for the 502 direct program; in 2002 it had $39,253,012. 515 funds available in 1994 were $19,359,068; in 2002 that amount was $3,885,279.

Youthbuild

One program that impacts affordable housing development is Youthbuild. This program provides academic and job training services to low-income dropouts between the ages of 16 – 24. YouthBuild participants spend 50% of their time in the classroom working on attaining their GEDs and the rest of the time learning housing construction on actual job sites. HUD funds this program, although there are several sites in the country that operate without HUD funds.

Ohio has 13 Youthbuild sites. 4 are rural and are located in Fayette, Pickaway, Athens and Vinton Counties. The other sites are in Columbus, Dayton, Cincinnati, Canton, Youngstown, Warren, Hamilton, Akron and Toledo. Ohio ranks third behind California and New York for number of Youthbuild sites. In 2001, Ohio had the largest number of HUD-funded sites in the country. While this is an exceptional achievement, HUD grants are competitive and therefore cannot be relied upon for sustainable funding. These programs serve approximately 550 young adults a year in Ohio and will construct an estimated 70 homes in Ohio.

While the number of housing units constructed through YouthBuild is small compared to other federal housing programs, the impact on the lives of these at-risk youth is significant. The Ohio Youthbuild programs have formed a state coalition. Youthbuild is a HUD program deserving of a funding increase.

Recommendations

Funding levels for the USDA Rural Housing programs need to be increased for the programs that benefit low-income families, particularly the 502 direct loan for homeownership and the 515 multi-family housing program.

The National Housing Trust Fund Campaign is working to establish a National Housing Trust Fund that would build and preserve 1.5 million units of rental housing for the lowest income families over the next 10 years.

The Campaign proposes federal legislation that would create a dedicated source of funding for housing activities. At least 45% of the funds would be for housing for households that are earning less than 30% of median income, with another 30% of the funds for households earning no more than the minimum wage. Funding would be distributed on a formula basis, with 60% to localities and 40% to states. State, cities and counties would then use the funding for what works best in their local areas, using the distribution methods they already have in place. Operating subsidies would be provided to ensure the housing would remain affordable.

Income targeting would be based on area or state median income, whichever is higher. This addresses the issues of range of incomes in states with rural and urban areas, allowing the program to better fit the needs of rural areas. Funding would be primarily for renter households, which are disproportionately cost-burdened in non-metro areas.

There would be a match requirement for the Federal Housing Trust Fund (could be waived for areas of financial distress). Ohio, after powerful advocacy by staff and members of the Coalition on Housing & Homeless in Ohio (COHHIO) and other groups, has not only a state Housing Trust Fund, but also a dedicated funding source for that fund. These state funds could match the federal housing trust fund, leveraging more money for affordable housing in Ohio.

The National Housing Trust Fund campaign has been endorsed by the Housing Assistance Council, Local Initiatives Support Corporation (LISC), the Council for Affordable and Rural Housing, Community Action Partnerships, Self-Help Inc and Rural Opportunities, Inc. Ohio supporters of a National Housing Trust Fund include 3 local governments, 2 elected officials, and 218 state and local organizations.

FINANCIAL DISCLOSURE

Tax Credit Projects:

Summer Tree Terrace - $34,843 housing credits, $200,000 HOME
Ivy Glen - $359,413 housing credits, $300,000 HOME
Riverbirch Greene - $389,836 housing credits, $550,,000 HOME
Frankfort Place - $104,079 housing credits , $350,000 HOME

Self-Help Housing:

USDA 523 T&TA Grant:	$491,745
SHOP	$850,000
HAC Loans	$800,000

Supportive Housing:

HUD	$178,379
CDBG	$69,700 per year for 2 years

Youthbuild

HUD	$800,000

General Housing Development:

CHDO Operating	$11,500 per year for 2 years
Enterprise Grant (HAC)	$20,000

Testimony of Walter R. Cates, Sr.
President of the Main Street Business Association

Before the Subcommittee on Housing and Community Opportunity

Hearing on "Housing and Economic Development Policy in the State of Ohio"
July 29, 2003
Martin Luther King Jr. Center
Columbus, Ohio

Chairman Ney, Ranking Member Waters, Congressman Tiberi, and members of the Subcommittee on Housing and Community Opportunity; thank you for the opportunity to offer my viewpoint regarding housing and community development policy in the State of Ohio.

I am Walter R. Cates, Sr., President of the Main Street Business Association (MSBA) in Columbus, Ohio. My organization is responsible for the business and commercial revitalization of the two (2) mile length Main Street corridor located in the heart of the Central City on Columbus Near Eastside. From the time our organization was created in 1986, we recognized that commercial revitalization could not be accomplished without tackling the blight and deterioration of the adjoining residential neighborhoods. As the result, the MSBA began early in its history to exert influence on housing practices and housing development in nearby residential neighborhoods; subsequently the MSBA became directly involved in affordable housing production in the mid-1990's. The area of the combined commercial and residential districts measures a little over 2 ½ square miles. In my remarks, I refer to this area as the "Main Street district."

I became involved in community activities because my mother forced me to attend community meetings when I returned from Taiwan when I left the Air Force in 1964. Since that time, I have served my community in a number of capacities including a tour as President of the Columbus NAACP in the mid-70's. During my presidency I filed the local school desegregation lawsuit (*Penick vs. The Board of Education*) and the public safety forces discrimination lawsuit (*Hayne vs. Chupka*).

I am also a proud graduate of the Model Cities program. It was Model Cities that taught me the realities of Central City politics, how federal programs get managed and

EXHIBIT
10

implemented, and how municipal government influences the flow of federal dollars to meet its own designs. I also got many hard lessons in the truism that all politics is local. I will never forget Allan Goldfarb of the Chicago Regional HUD office, during the tenure of HUD Secretary George Romney. I had complained to Goldfarb that the City of Columbus was mis-prioritizing, mis-spending, and mis-managing our local Community Development money. Goldfarb explained to me that once HUD had cut loose the cash to local government, the municipality could "paint little green stripes down middle of the street with the money" if they so choose, and HUD would have nothing to say about it.

The economic condition of the Main Street district in the 1970's and early 1980's was not much different than any other core urban area in the Midwest. The typical problems of blockbusting, the federal highway system, and redlining in the banking and insurance industry resulted in capital flight, abandoned and blighted buildings, high crime rates, degraded public right-of-way, second-rate municipal services, the proliferation of group homes and various half-way houses and pre-release programs, high incidences of absentee landlords taking advantage of federal rent subsidy programs, and the general perception of the absence of value in the district.

Over the years, we have made modest progress in the redevelopment of the district. The streets and lighting have been rebuilt, public safety issues are being resolved by the construction of a police substation facility and the creation of neighborhood watch groups and civic associations, strategic employment of the Community Reinvestment Act attracted the attention of commercial lenders (although the insurance industry continues to be a problem), property valuations have improved, several business have invested on the street, and the number of owner-occupied houses units has grown. We still have a long way to go; the poverty rate in the district still hovers around 30%.

At the present time, the MSBA is focusing on two major redevelopment projects on the corridor. The first is the development of 90,000 sq. ft. mixed-use retail and market-rate residential facility on a 3.5 acre corner lot owned by Columbus native and former heavyweight boxing champion, James "Buster" Douglas. We anticipate using the FHA 221 (d) to insure the mortgage note on the residential component. The second is the development of a 10,000 sq. ft. combined neighborhood transit center and retail facility in partnership with the Central Ohio Transit Authority, which is using a Federal Transit

Authority TCSP (Transportation and Community and System Presentation) grant to finance the bulk of the construction. HUD dollars (EZ dollars) are being employed to finance land acquisition and site preparation.

My testimony will be limited to emphasizing the following points:

- The redevelopment of urban neighborhoods can only happen when we strike a balance between providing decent affordable housing and enabling residential reinvestment by private home-owners and developers of market rate rental residential properties. At the present time, there is simply not enough capital present in my community for it to be economically viable. Federal programs and most especially the federal managers of federal programs need to appreciate that economic integration is key to redevelopment that is viable over the long-term.
- The Department of Housing and Urban Development must do a much better job of assessing the actual economic impact of its housing policies and how it implements those policies in distressed urban neighborhoods.

I will speak to the second point first. Whether we are talking about housing vouchers, project-based Section 8, HOME or CDBG investments in LIHTC projects, or housing the homeless, and regardless of what mechanisms are employed to manage housing dollars, somebody at HUD needs to be responsible for knowing what is happening at the neighborhood level. Too often in my experience, HUD is so busy talking to national non-profit intermediaries, tenant organizations, and an assortment of public and private agencies and for-profit and non-profit industry groups, that they forget all about actually looking at the project, seeking to understand the pressures and concerns of the neighborhood, and attempting to get a objective assessment of whether the program or project is enhancing or degrading the value of the neighborhood.

Federal housing investments need to be consistent with neighborhood aspirations and the impact of federal housing dollars must be evaluated through the lens of an overall neighborhood investment strategy that includes housing and commercial redevelopment. There is nothing wrong with affordable housing. But badly managed and poorly-maintained housing creates significant neighborhood problems. As a corollary, too much affordable housing in a single district, no matter how well managed, makes it virtually impossible for that district to compete for private investment in the open marketplace. HUD needs to accept some responsibility for assessing not only the quality of the affordable housing in a neighborhood but also the carrying-capacity of a neighborhood to support affordable housing. Such an assessment presupposes that HUD knows something about the neighborhoods where these dollars are spent. That is not happening today.

Solving the problem does not begin in Columbus or even in Chicago, mechanisms need to be created, management practices need to be instituted, and policies need to be established. Of necessity, such changes can only be initiated by Washington.

To the first point: It is a hopeful sign that the Millennial Housing Commission recommended changes in the project-based Section 8 program that would allow the transfer of these subsidies from their existing properties to replacement housing units. The inability or unwillingness of HUD to allow the transfer of existing Section 8 contracts to alternative units creates an unfair burden for neighborhoods struggling to redevelop and capture new investment. HUD has chosen to interpret its guidance from Congress narrowly and has insisted that it lacks the authority to allow the use of transferred project-based Section 8 subsidies for replacement housing and to remove the use restrictions on properties for which Section 8 contracts have been transferred.

This organization has worked closely with the Ohio Capital Corporation for Housing and the redevelopment arm of The Ohio State University (Campus Partners for Community Urban Redevelopment) to redress major problems in our district and the Ohio State district created by an extraordinarily mismanaged project-based Section 8 housing portfolio known locally as the Broad Street Management properties. Consisting of more than a thirteen-hundred (1,300) units in two-hundred and forty-nine (249) buildings, The Broad Street Management is the largest scattered-site project in the country. More than that, this portfolio has justifiably earned its reputation in Columbus as the "housing of last resort" and fully qualifies HUD as the single largest slum landlord in the City of Columbus.

Because our two neighborhoods share a roughly equal burden, we have worked with OSU to develop a plan that balances redevelopment with de-concentration of the sheer overwhelming volume of existing units. The Ohio Capital Corporation for Housing has stepped up to the plate with a $65 million redevelopment deal that incorporates the neighborhood redevelopment component of the plan by providing for the creation of replacement housing in the wider Columbus community. In our part of town, our organization has worked a two-year process of collaboration with area neighborhood organizations to secure consensus for the plan. The City of Columbus and the Columbus area HUD office have endorsed the plan as the best of all practicable solutions both for the neighborhoods and the current tenants.

My next point is likely very predictable. For years our organization and many other civic organizations sought intervention from HUD to "fix" the Broad Street problem. We were told that HUD lacked the authority. Now that local, non-governmental intervention into the Mark-to-Market process has resulted in a collaboration which promises at least a livable solution to a monumental neighborhood and affordable-housing disaster, it is HUD in Chicago and HUD in Washington which amply and regularly demonstrate that they are simply out of touch. The fact is that local control is not a reality and that organizations like are own must rely upon their ability to communicate with their local Congressional delegation in order to get HUD to move off the dime.

For us, OMHAR is a nightmare and HUD an indifferent and self-serving bureaucracy whose sole purpose is to avoid recognizing the facts of the matter at all costs. We continue to struggle against the mantra of preserving existing affordable housing at all costs, particularly when the very existence of that housing is an embarrassment to the City and merely exploitive of the tenants. In our case, about 20% of the existing units will be replaced by housing dispersed to the wider community; the remaining will be redeveloped, brought under responsible management, and stay in the program.

The difference between safe, decent and affordable housing and federally mandated blight can only be gauged at the neighborhood level. For neighborhoods to succeed, HUD needs to be open to local voices and local innovations.

The Main Street Business Association wishes to acknowledge the following individuals and organizations for their comments and suggestions in the preparation of this testimony. The viewpoints expressed in the testimony, however, are solely the responsibility of Walter R. Cates, Sr., representing the Main Street Business Association.

Al Waddell, Neighborhood Research Institute
Darrin Wasniewski, Merion Village Association
Joe McKinley, Housing Vision Council, United Way of Central Ohio
Alina Butler, Greater Hilltop Development Corporation
Jeff Lafever, Woodland Park Neighborhood Association
Kathleen Bailey, Chair, Near East Area Commission
Steve Sterrett, Campus Partners for Community Urban Development
Fredericka Deena, Neighborhood Development, United Way of Central Ohio

U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

Hearing on Housing and Economic Development Policy in Ohio

July 29, 2003
Columbus, Ohio

Testimony of The Honorable Michael B. Coleman
Mayor
City of Columbus, Ohio

Chairman Ney, Congressman Tiberi, Congresswoman Tubbs-Jones, distinguished members of the committee, and local community advocates--Welcome to the great city of Columbus, Ohio. Thank you for the opportunity to give to you my comments on what are some of the most important issues that we face in the City of Columbus

One of the greatest challenges in building strong cities in the 21st Century is to build stronger, safer neighborhoods. These neighborhoods are the lifeblood of our cities, where families live, work and play, and a top priority in maintaining the quality of life is to increase homeownership and address the need for affordable housing. In Columbus, we are doing a great deal to address our needs locally:

- In 2000, we established an Affordable Housing Task Force, whose recommendations are already being implemented. These include: tax incentives for housing construction and rehabilitation, land banking reforms to buy and sell land for development, streamlining the development process and driving down the cost of buying a home, and the establishment of a local housing trust fund.

- In 2001, Columbus/Franklin County Affordable Housing Trust Corporation was created and funded with a dedicated source of revenue from our hotel/motel tax: about $1 million annually to focus on revitalizing our neighborhoods, increasing home ownership, and providing for affordable housing. We are presently funding more than 800 units through the Trust Fund.

- In 2002, we created five Neighborhood Investment Districts, where, for the first time ever, property tax incentives were offered to families for new infill home construction and for substantial rehabilitation to homes or rental properties.

- A $3.4 million commitment of HOME funds toward permanent supportive housing for those most in need, the lowest income formerly homeless.

EXHIBIT
8

- In 2002-2003 we committed $6.3 million in HOME funds [more than one year's worth of our HOME allocation] to financially assist the major renovation and upgrading of three large Section 8 projects to preserve affordable housing and enhance their contribution to their neighborhoods.

Remedying the concentration of Section 8 projects in Columbus' neighborhoods

One of the major efforts to renovate and upgrade Section 8 housing is being led by Community Properties of Ohio. They now own one of the largest, scattered-site, Section 8 projects in the nation — more than 1,100 apartments in 249 buildings located in the central city. Through the new ownership arrangement, we are not only helping leverage the rehabilitation of the housing stock, but also ensuring that the residents can continue to receive the affordable housing they need.

Decentralization of these affordable units must also occur in order to improve the quality of life in our neighborhoods. Community Properties is currently working with members of Congress to design a solution that would allow Section 8 subsidies and use restrictions to be transferred to properties in areas of the City where such properties are not heavily concentrated. This will help ease the concentration of poverty and allow new investments to flow into the neighborhoods, bringing a better balance of housing affordability. I look forward to us finding a satisfactory legislative solution to this important issue.

I believe that the proposal to block-grant the Section 8 Voucher Program to the states should not be enacted. The Section 8 Voucher Program administered through our local public housing authority is the most effective way to ensure that local families' housing needs are addressed. A state administered program would not necessarily be less expensive and would only add additional administrative requirements, not streamline or replace them.

Need for greater Federal commitment for housing and community development

In Columbus, the combination of federal HOME resources and local funds are still not enough to meet the housing needs of very low income households—those earning less than 30% area median income in the City of Columbus. That is why it is important that additional federal resources be considered for increasing and preserving the supply of affordable housing. One option is the creation of a national Housing Trust Fund; something that Congress has recently introduced. By leveraging additional federal funds with the efforts of our local housing trust, we can increase the production of affordable housing and better address the housing needs of the low-income households.

I also ask that you consider the creation of a Homeownership Tax Credit, an initiative that can have as great of an impact on the homeownership rate in Columbus as the Low Income Housing Tax Credit has had for affordable rental housing. Columbus needs to increase its 49% homeownership rate and continue to work on providing for new affordable single-family homes. We believe a Homeownership Tax Credit can significantly increase the homeownership rate in the City of Columbus by attracting needed investment in new home developments and complementing local efforts to stimulate owner-occupied housing in our older neighborhoods. I believe that this increase in home-ownership is the key cornerstone of building stronger, safer neighborhoods.

Community Development Block Grants (CDBG)

As in so many cities, parts of Columbus' urban core are still experiencing high levels of poverty, declining populations, and low homeownership rates. Columbus received about $8 million in CDBG entitlement in 2003 to directly serve such areas, yet this amount is significantly below other cities of similar size and demographics. The population of the older City of Columbus approximates that of several other urban areas, such as Baltimore, Memphis, Seattle and Honolulu, but Columbus receives less CDBG funds than any of these cities. The need for revitalization in Columbus is just as great as in those other cities. HUD should look at their current allocation formulas and update the criteria so that cities, like Columbus, which experienced major growth after 1940, can get a balanced amount of CDBG funds. I urge you to partner with us to take a look at how the CDBG formula works and make recommendations on the distribution of these funds to reflect the community development and housing needs of our city and other cities.

Summary

1. There is a need to find a legislative solution to allow for the transfer of Section 8 subsidies and use restrictions on the one of the largest Section 8 Projects in the nation—Community Properties—in order to reduce the concentration of subsidized housing in the central city.
2. The proposed Housing Assistance to Needy Families (HANF) should not be enacted. Local administration of the Section 8 Voucher program is the best way to address local housing needs.
3. Additional federal resources should be considered for increasing and preserving the supply of affordable housing. One option is the creation of a national Housing Trust Fund.
4. The creation of a Homeownership Tax Credit can significantly increase the homeownership rate in the City of Columbus by attracting needed investment in new home developments and complementing local efforts to stimulate owner-occupied housing in our older neighborhoods.
5. It is time to take a new look at how the CDBG formula works and make recommendation on the distribution of these funds to achieve a balanced allocation of CDBG funds to reflect the community development and housing needs of our city and other cities.

Testimony of Bill Faith, Executive Director
Coalition on Homelessness and Housing in Ohio
U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

Hearing on Housing and Economic Development Policy in Ohio
July 29, 2003
Martin Luther King, Jr. Performing and Cultural Arts Complex
Columbus, Ohio

I would like to thank Chairman Ney and the rest of the Committee, particularly Congressman Pat Tiberi, for allowing me to provide you with my comments and suggestions today. I am here representing Coalition on Homelessness and Housing in Ohio (COHHIO), a statewide organization with over 600 member groups from all of Ohio's eighty-eight counties.

I would like to address several specific issues related to the topics of this hearing.

National Housing Need

First of all, regarding the need for housing production/preservation and deeper housing subsidies. I know you will be hearing from other witnesses who will discuss the dynamics of housing need in our state and in Columbus. But as you know, the affordable housing crisis is a national problem, which requires a national response. I wanted to bring to your attention a couple of recent national studies that illustrate different aspects of the national affordable housing crisis.

First is the State of the Nations Housing Report for 2003 recently published by the Joint Center on Housing Studies at Harvard University which points out there is a 2 million unit gap between the number of renter households in the bottom fifth of the income distribution bracket and number of physical units that they are can afford.

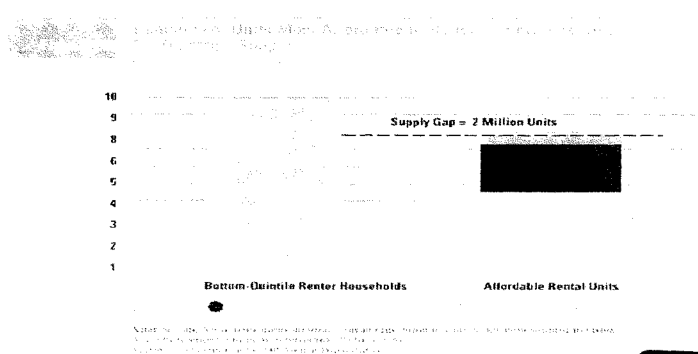
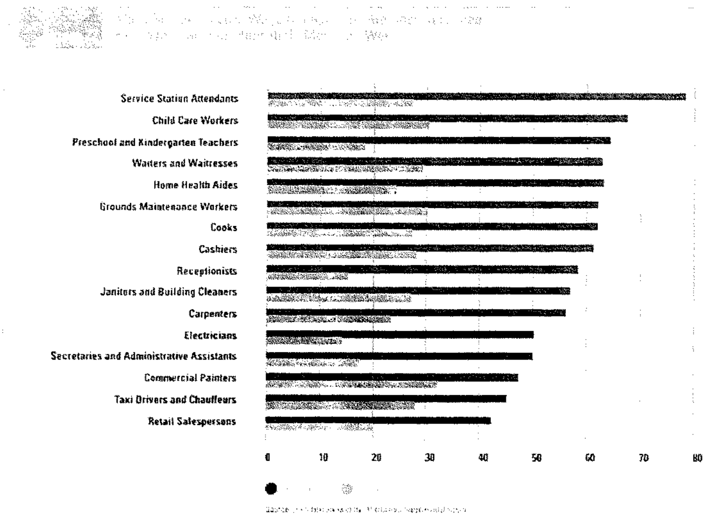


EXHIBIT
1

Here is an excerpt from the report that points out how increasingly difficult it is for low-wage workers to afford basic rental housing.

"Many households working in lower-wage jobs are struggling to keep up with escalating rents. Of the 2.1 million waiters, waitresses, and cooks who rent, nearly half spend more than 30 percent of their incomes on housing. More than 40 percent of renter households with an earner employed as a childcare worker, home health aide, cashier, library assistant, maid, housekeeper or janitor are similarly cost-burdened (Figure 22). If they are the sole wage earner, renters in several other moderate-paying occupations—including receptionist, carpenter, and electrician—also have a hard time affording their housing, are expected to have an even larger presence in rental markets in the coming years."



The President's New Freedom Initiative Mental Health Commission, which was chaired by Michael Hogan, Director of the Ohio Department of Mental Health issued their report on July 22nd, 2003. I will provide just an excerpt from the report.

"A Shortage of Affordable Housing Exists
The lack of decent, safe, affordable, and integrated housing is one of the most significant barriers to full participation in community life for people with serious mental illnesses. Today, millions of people with serious mental illnesses lack housing that meets their needs.

The shortage of affordable housing and accompanying support services causes people with serious mental illnesses to cycle among jails, institutions, shelters, and the streets; to remain unnecessarily in institutions; or to live in seriously substandard housing. People with serious mental illnesses also represent a large percentage of those who are repeatedly homeless or who are homeless for long periods of time.

In fact, people with serious mental illnesses are over-represented among the homeless, especially among the chronically homeless. Of the more than two million adults in the U.S. who have at least one episode of homelessness in a given year, 46 percent report having had a mental health problem within the previous year, either by itself or in combination with substance abuse. Chronically homeless people with mental illnesses are likely to:

- *Have acute and chronic physical health problems;*
- *Use alcohol and drugs;*
- *Have escalating, ongoing psychiatric symptoms; and*
- *Become victimized and incarcerated.*

A recent study shows that people who rely solely on SSI benefits - as many people with serious mental illnesses do - have incomes equal to only 18 percent of the median income and cannot afford decent housing in any of the 2,703 housing market areas defined by the U.S. Department of Housing and Urban Development (HUD). HUD reports to Congress show that as many as 1.4 million adults with disabilities who receive SSI benefits - including many with serious mental illnesses - pay more than 50 percent of their income for housing.

Affordable housing programs are extremely complex, highly competitive, and difficult to access. Federal public housing policies can make it difficult for people with poor tenant histories, substance use disorder problems, and criminal records - all problems common to many people with serious mental illnesses - to qualify for Section 8 vouchers and public housing units. Those who do receive Section 8 housing vouchers often cannot use them because:

- *The cost of available rental units may exceed voucher program guidelines, particularly in tight housing markets;*
- *Available rental units do not meet Federal Housing Quality Standards for the voucher program;*
- *Private landlords often refuse to accept vouchers; and*
- *Housing search assistance is often unavailable to consumers.*

The lack of decent, safe, affordable, and integrated housing is one of the most significant barriers to full participation in community life for people with serious mental illnesses.
Tragically, many housing providers discriminate against people with mental illnesses. Too many communities are unwilling to have supportive housing programs in their neighborhoods. Since

the 1980s, the Federal government has had the legal tools to address these problems, yet has failed to use them effectively. Between 1989 and 2000, HUD's fair housing enforcement activities diminished, despite growing demand. The average age of complaints at their closure in FY 2000 was nearly five times the 100-day period that Congress set as a benchmark.

Just as the U.S. Supreme Court's Olmstead decision has increased the demand for integrated and affordable housing for people with serious mental illnesses, public housing is less available. Since 1992, approximately 75,000 units of HUD public housing have been converted to "elderly only" housing and more units are being converted every year, leaving fewer units for people with disabilities.

Too few mental health systems dedicate resources to ensuring that people with mental illnesses have adequate housing with supports. These systems often lack staff that are knowledgeable about government *housing programs and issues. Partnerships and collaborations between public housing authorities and mental health systems are far too rare. Highly categorical Federal funding streams (silos) for mental health, housing, substance abuse, and other health and social welfare programs greatly contribute to the fragmentation and failure to comprehensively address the multiple service needs of many people with serious mental illnesses."*

National Housing Trust Fund

All over the country, local and state governments have stepped forward to provide support for affordable housing efforts by creating housing trust funds. In fact, today there are 282 state and local housing trust funds operating throughout the United States. In an effort to leverage other resources to better address the affordable housing crisis local governments in Ohio such as Summit County, Montgomery County, Toledo and Columbus/Franklin County as well as the State of Ohio have established housing trust funds and dedicated local and state revenues to provide permanent funding. In fact, as a result of the recently passed state budget bill, on August 1st the recording fees will be increased with the first $50 million of the proceeds annually going to the Ohio Housing Trust Fund.

This will make a big difference for our efforts in Ohio but without significant new federal assistance we cannot seriously address the affordable housing crisis, particularly for those with the lowest incomes. HR 1102 would establish national version of a housing trust fund that would provide flexible resources to state and local governments to provide capital funds to build, preserve, and rehabilitate housing. The funds will be distributed on competitive basis to developers – non-profits, public housing authorities, or for profit developers.

The bill requires that 75 percent of the funds be used to build or rehabilitate rental housing and the remaining 25 percent can be used to provide homeownership opportunities. While the bill gives the states and local governments some flexibility, the bill provides that resources must be directed to meet the housing needs of those with greatest need. [30 percent for households with income at full time minimum wage, which will include elderly and disabled on fixed income, 45 percent for extremely low income households (<30 percent of AMI) and up to 25 percent for up to 80 percent of AMI].

This legislation has enormous grassroots support. There are now over 4,300 endorsements from across the country, including 232 from Ohio. The National Housing Trust Fund legislation now has 204 co-sponsors in the House. I want thank Congresswomen Waters and Tubbs-Jones for co-sponsoring the bill. There are 11 Republican co-sponsors and I urge the other members of the Subcommittee to co-sponsor this legislation or to shape a similar bill to address the urgent need for federal action for new affordable housing production program to serve those with the greatest housing need. I urge Chairman Ney to hold hearing on this legislation in Washington since surely a bill with this much support deserves a hearing.

I know that the dedicated source of revenue from the FHA surplus has raised some controversy. Acknowledge controversy. Frankly, I don't care what the source of revenue would be and we will be happy to consider ideas that people have for other dedicated sources, but without some dedicated source of funding, I am concerned that adequate funding will be elusive given the current budget climate.

Housing Assistance for Needy Families Proposal

I want to add my voice to those who have expressed concerns about the Housing Assistance for Needy Families proposal. This legislation would radically restructure the Housing Choice Voucher program, a popular program that helps approximately 2 million families afford modest housing, and is a flexible, market-based way to address the gap between what families earn and what housing costs. Low-income families, seniors, and people with disabilities receive vouchers to give to private landlords that generally make up the difference between 30 percent of the household's income and the cost of the rental unit. The federal government provides local housing authorities with vouchers to distribute to families on its waiting list. More than half (53 percent) of all voucher holders are families with children. Another 40 percent are seniors or people with disabilities. Only about one out of every five voucher holders receives welfare benefits. About 40 percent earn wages, while most others rely on disability or retirement income. There is a serious shortage of vouchers, and only a fraction of eligible households receive them.

The voucher program would be renamed Housing Assistance for Needy Families (HANF). Under the plan, the federal government would no longer have an obligation to fund individual vouchers. Instead, the program would be converted into a block grant, in which states would receive funds that they would in turn be responsible for allocating to housing authorities or other local providers.

I am concerned about the proposal for several reasons:

- Block grants typically increase by the amount of inflation or less each year. Because housing costs have been increasing much faster than the rate of inflation, block granting the voucher program would almost certainly result in a devaluing of the program over time.
- Because the proposal would require states to serve the same number of people whether or not federal funding remains even, states would be encouraged to serve people with higher incomes (who require less of a subsidy to be able to afford housing) or to increase the amount that low-income households are required to pay each month.

- The proposal would open the way for states to impose time limits on a household's voucher use. While time limits would presumably be an incentive for low-income households to move into work, the vast majority of voucher holders are either already working, or are disabled or retired. Time limits on voucher use will destabilize families and result in the movement of working families into homelessness.
- By giving states a role in the allocation of vouchers, the proposal would add an additional layer of bureaucracy to the program. It would also likely politicize the program, as states would have more of a say in determining which communities within their state received vouchers.
- The State of Ohio does a very decent job of administering several production oriented state and federal housing programs such as the Ohio Housing Trust Fund, the Low Income Housing Tax Credit Program, the federal HOME program and bond programs. However, the state is entirely ill equipped to administer the Section 8 voucher program, which is a long-term rental assistance program. The Ohio Housing Finance Agency and the Ohio Department of Development have no programs that provide on-going rental assistance and they would have to add hundreds of staff to provide this task. It would add an additional layer of bureaucracy without adding any real value.

Section 8 Project Based Assistance

As you may know, with 86,000 units Ohio has more Project-based Section 8 housing units than all other states, except for New York and California. For the past several years, the Section 8 contracts have been expiring and the owners have had to go through the restructuring process and decide to continue with the program or to opt-out. COHHIO has received funding from HUD's Outreach and Technical Assistance Grant (OTAG) program since 1999 to help address the issue of expiring Section 8 contracts and the Mark to Market program. With these funds, COHHIO has been able to meet with tenants, owners and community leaders throughout Ohio and keep them informed about HUD's process and the plans for their homes and communities. OTAG funds permit COHHIO to meet on the properties with tenants and to encourage their participation in Mark-to-Market review processes. OTAG funds also permit COHHIO staff to hold regional and state wide meetings of housing organizations, HUD, local officials and non-profit developers to stay informed about HUD program and coordinate their efforts to preserve and improve housing in their local communities.

In 2002, Congress mandated that all of the technical assistance grantees be audited by HUD's Inspector General. The HUD IG sent a two-person team to COHHIO's office for 6 weeks in May-June, 2002 and COHHIO was found to be in compliance with all program requirements, in other words the HUD IG made no findings regarding COHHIO's OTAG program. In several other states, however, OTAG grantees did have audit findings, which is common in IG audits. As a result of all of this, HUD has is delaying issuing a Notice of Fund Availability on the basis that the audit findings are not resolved.

While COHHIO is continuing to do outreach throughout Ohio, we are concerned that HUD's delay in resolving this situation is jeopardizing the future of this valuable program.

I don't believe this problem can be resolved without a Congressional mandate to HUD to require continued funding the program as soon as possible. I am requesting for your help in pushing for an amendment to continue this program. What is needed is the following language to be added to a bill.

"In carrying out Section 1303, the Secretary shall provide continued funding under the OTAG program when existing contracts expire to assure the uninterrupted provision of technical assistance in the future. The Secretary shall promptly initiate necessary steps to extend or execute intermediary contracts and provide funding under the ITAG program. The Secretary shall resume technical assistance grantees' ability to draw funds for eligible activities under existing contracts as soon as the grantee's audit findings are satisfactorily resolved."

I appreciate your attention and would be happy to respond to any questions.

Testimony of LaToya N. Fisher before The House Subcommittee on Housing and Community Opportunity.
Columbus, Ohio
July 29, 2003

EXHIBIT
2

Chairman Ney and the distinguished members of the Subcommittee, thank you for allowing me to testify on the subject of the Housing Choice Voucher Program and the role of the Columbus Metropolitan Housing Authority and how it has been beneficial to me.

My name is LaToya N. Fisher. I reside at 3035 Osgood Rd. W, Columbus, Ohio 43232. I am a 26 year old single parent to four children, two of which I have adopted. I am currently employed at Ross Laboratories and attend The Ohio State School of Cosmetology. My future goals are to complete the course at this school to receive a certificate of completion in Technology and further my education to obtain a degree in nursing.

At this point, I do not have the knowledge to comment on the national implications of changing the Housing Choice Voucher Program, but I would like to share with you my experience as a participant in CMHA's Housing Choice Voucher Program.

I applied for Section 8 assistance in 1996. At that time, my son and I were living at home with my mother and father and I wanted to live on my own. I received my Voucher several months after completing my application and I was successful in finding an apartment to fulfill my living needs at that time. Two years later, I had another child and moved into a house.

I enrolled in the CMHA Family Self Sufficiency Program in February 2003. I was able to obtain information about this program through my realtor. This program was the beginning of me becoming a first time homebuyer. I was able to achieve this goal on May 23,2003. With out CMHA's Home Ownership Program, I would not have been able to achieve this goal so soon in my life. Because of the benefits from this program I was able to find a home in a nice neighborhood and a stable environment for my children.

Testimony of LaToya N. Fisher before The House Subcommittee on Housing and Community Opportunity.
Columbus, Ohio
July 29, 2003

I am grateful to HUD and CMHA for the assistance provided for my family and myself. With the housing assistance, I am able to pay for school, and afford the cost of everyday living for my family.

Since I have started this program, I've built a strong relationship with the Coordinators of the FSS Program (Carol Winchester and Michelle Barthelemy). Throughout the process of finding my home, I have had to speak with either one or both of these ladies on a daily basis, so I would know which steps to take next. I am proud to day that I am very pleased with my relationship with CMHA. The staff is friendly, courteous, and professional. CMHA provides a valuable resource to our community. I would not want any changes to the Housing Choice Voucher Program that would reduce its current impact upon the thousands of Housing Choice participants who live in Columbus.

However I would like to make a few suggestions on how to improve the program and weed out the people who don't plan to better their lives with the help of this program:

1. Require all able body individuals to work or attend school at least 30 hours per week. With responsibility these people will find a sense of self-importance in their lives and not live by society standards, but want to achieve more in life.

2. Take more of an aggressive stance on participants and landlords that are not following CMHA's rules.

3. Have the landlord attend the inspections with the inspectors so that they will understand clearly what is necessary to fix and why. Hold payment on landlords that doesn't keep up on routine maintenance.

4. Find a way to acknowledge the workers for the hard work they do.

Testimony of LaToya N. Fisher before The House Subcommittee on Housing and Community Opportunity.
Columbus, Ohio
July 29, 2003

5. If possible, give more CMHA vouchers to assist families that are motivated to better their lives and current situation so that one day they can also live out the American Dream and become an home owner also.

I would like to thank you once again for your time and interest. I would be happy to answer any questions that you may have about my comments and suggestions.

Respectfully yours,
LaToya N. Fisher
LaToya Fisher

Community Research Partners

341 S. Third St., Suite 10
Columbus, OH 43215
Phone: 614.224.5917
Fax: 614.224.8132
www.communityresearchpartners.org

U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

Hearing on Housing and Economic Development Policy in Ohio

July 29, 2003
Columbus, Ohio

Testimony of Roberta F. Garber, Executive Director
Community Research Partners
Topic: Housing Needs and CDBG Resources in Central Ohio

Chairman Ney and members of the committee: Thank you for the opportunity to provide testimony on housing needs in central Ohio. My name is Roberta Garber, and I am executive director of Community Research Partners. Community Research Partners (CRP) is a non-profit partnership of United Way of Central Ohio, the City of Columbus and the John Glenn Institute for Public Policy and Public Service at The Ohio State University. CRP provides measurement, evaluation and research services to improve the quality of human services and community development policy and programs.

I am here today to provide data from research on two topics: 1) the housing needs of low and moderate-income households in Columbus and central Ohio; and 2) the allocation of Community Development Block Grant (CDBG) resources to large cities in Ohio. These topics are related, because the CDBG program is a cornerstone of local government programs to meet housing needs.

Housing Needs in Central Ohio

The data I am presenting on housing needs is based on research done for the Columbus and Franklin County Consolidated Plan, Mayor Coleman's Housing Task Force, CRP's Community Indicator's Database, other local research on affordable housing supply and demand in central Ohio and data from the U.S. Census Bureau. The testimony addresses the following three types of housing needs:

1. Affordable rental housing needs
2. Housing condition needs
3. Homeownership needs

It should be noted that housing need, condition, and costs are impacted by complex factors outside the housing arena. Some of these factors relate to the housing supply (the physical structure) and others relate to housing demand (the ability of a household to "purchase" housing). These include:

- Economics—business cycles, interest rates, price of land and materials
- Demographics—family structure, ethnic and racial composition, age structure

- Household income—employment, wage rates, public assistance programs
- Community attitudes—regulatory environment, taxes and fees, public opposition

This testimony, however, focuses on data on the housing stock and housing affordability that are indicators of the housing needs of residents of central Ohio.

1. Affordable Rental Housing Needs

Since renter households typically have lower incomes than homeowners, they comprise the largest group with housing needs. In Columbus and Franklin County the primary housing problem faced by low- and moderate-income renters is housing cost burden. Cost burdened households are paying more for housing than what is considered affordable, or more than 30% of their income for rent and utilities. The following are key indicators of the affordable housing needs of renters:

- **Most low-income renters are housing cost burdened:** In 1996, an estimated 75% of all low-income renter households in Franklin County (about 60,000 households) were paying more than 30% of their income for housing costs (rent and utilities). In 2002, a household had to earn over $25,000 a year to afford a two-bedroom apartment at fair market rent in Franklin County. (Sources: Columbus and Franklin County Consolidated Plan: 2000-2003; National Low Income Housing Coalition, *Out of Reach 2002*)
- **Large deficit of units for extremely low-income renters:** In 1996, there was a deficit of 21,892 rental units affordable to Central Ohio[1] households with incomes at or below 30% of median (approximately the poverty rate). (Source: Providing Affordable Rental Housing in Central Ohio, 1997)
- **Few affordable rental units in areas of job growth:** In 1996, there was a deficit of 4,961 rental units affordable to households with incomes at or below 50% of median in the areas of Central Ohio with the greatest projected employment growth (suburban northwest, northeast and southeast areas). (Source: Providing Affordable Rental Housing in Central Ohio, 1997)
- **Few new rental units will be affordable:** Of the 14,224 new rental units "in the pipeline" (permits issued or under construction) in Central Ohio in 2000, only 10% will be affordable to a low-income household. (Source: The Danter Company, 2000)
- **Subsidized units lost from the affordable housing stock:** Since 1996, 1,224 project-based Section 8 and HUD-financed rental units have been lost from the Franklin County affordable housing inventory as a result of owner opt-outs and prepayments. An additional 184 units are expected to be lost through opt-outs in the near future. This represents 12% of all such units that will be lost from the inventory. (Source: HUD Ohio Field Office, 2003)
- **Many persons still experience homelessness:** In 2000, 2,713 persons in families, 3,869 single men and 931 single women were served by emergency shelters in Franklin County. (Source: Community Shelter Board)

[1] "Central Ohio" includes Franklin County and contiguous urbanizing areas of Delaware, Licking and Fairfield counties

2. Housing Condition Needs

Lower income renters and owners are more likely to live in housing that is in poor condition. Housing with physical problems is concentrated in older Columbus (the area within the 1950 boundaries of Columbus), where 36% of the housing was built before 1940. However, housing condition problems can also be found in pockets throughout Franklin County. The following are key indicators of housing condition needs:

- **Housing stock in poor condition:** There are 29,100 housing units in Franklin County with severe or moderate physical problems, of which two-thirds are rental units. (Source: 2002 American Housing Survey)
- **Vacant units not up to code:** There are nearly 12,000 vacant housing units in the older areas of Columbus (within the city's 1950 boundaries), representing one out of every ten units. The city's Building Services Division has 1,605 active vacant structure cases in the older city. (Source: Columbus Dept of Development; Census 2000)
- **Owners can't afford home maintenance costs:** In 1995, there were an estimated 12,253 low- and moderate-income owner households in Franklin County paying more than 50% of their income for mortgage and utilities. (Source: Columbus and Franklin County Consolidated Plan: 2000-2003).

3. Homeownership Needs

Owning a home is the primary means of wealth accumulation for most households. However, low- and moderate-income households, and minority households face barriers to affordable homeownership. The following are key indicators of homeownership needs:

- **Columbus homeownership rate is low:** The Columbus homeownership rate has increased but is still low (49.1%) compared to other communities. (Source: Census 2000)
- **Homeownership rates for minority households very low.** The owner occupancy rates for Franklin County housing units occupied by black or African American, Asian, American Indian and Hispanic households are 23-35 percentage points below the rate for white households. (Source: 2000 U.S. Census)
- **Few new affordable single family homes built:** Only 10% (641) of new detached homes sold in Central Ohio in 1999 were affordable to a moderate-income household (at or below 80% of median). (Source: The Danter Company, 2000)
- **Many potential first-time homebuyers:** There are an estimated 15,000 low- and moderate-income Franklin County renters who are potential first-time homebuyers. (Source: Columbus and Franklin County Consolidated Plan, 2000-2003)

Allocation Patterns of CDBG Funds

The data indicate that low-and moderate-income residents of central Ohio have significant housing needs. Like other communities, Columbus uses resources from the Community Development Block Grant (CDBG) program to help address these needs. However, an analysis of the allocation of CDBG funds finds that the distribution formula results in a disparity for Columbus when compared to other major Ohio cities.

The formulas for allocating CDBG funds are complex and change over time as new census data becomes available. The formula for newer, growing cities like Columbus

(Formula A) is based on population, poverty and overcrowded households. The formula for older, "rustbelt" cities (Formula B) is based on population loss, poverty and pre-1940 housing. Columbus is the only large city in Ohio that is awarded CDBG funds based on Formula A. All others are based on Formula B.

In order to provide a basis of comparison, analysis of the allocations was done using two per capita measures—funds per capita of total population and funds per capita of persons living in poverty. All the other large Ohio cities received from about three to over five times per capita more than did Columbus. Even when adjusted for poverty levels, a significant disparity remains (see Table 1).

The case is often made that it is not equitable to make per capita comparisons between Columbus and the other large cities in Ohio, because the population growth of Columbus is the result of annexing large areas that in other urban counties would be in the suburbs. To account for this, Table 1 also provides per capita allocation based on the population of older Columbus only. Older Columbus is the area within the 1950 boundaries of Columbus and has poverty rates and housing stock more similar to central cities which have experienced population loss. However, even when using this data for comparison, only Toledo has a smaller per capita CDBG allocation than does Columbus ($30.28 vs. $32.95). Columbus still ranks last among the large Ohio cities in allocation per capita of persons living in poverty. In this scenario, the annual grant to Columbus would need to be increased by 50% to nearly 100% to be equivalent to the funds received by Cincinnati or Cleveland.

Table 1

2003 CDBG Allocations to Ohio's Largest Cities

City	Total CDBG Funds	2000 Population	CDBG Funds Per Capita	Persons in Poverty, 2000	Poverty Rate	CDBG Per Capita Persons in Poverty
Columbus total	**$8,035,000**	**711,470**	**$11.29**	**102,723**	**14.8%**	**$78.22**
Older Columbus (1)	**$8,035,000**	**243,832**	**$32.95**	**59,107**	**25.5%**	**$135.94**
Toledo	$9,496,000	313,619	$30.28	54,903	17.9%	$172.96
Akron	$8,327,000	217,074	$38.36	36,975	17.5%	$225.21
Dayton	$7,778,000	166,179	$46.80	35,756	23.0%	$217.53
Cincinnati	$16,304,000	331,285	$49.21	69,722	21.9%	$233.84
Cleveland	$29,532,000	478,403	$61.73	122,479	26.3%	$241.12

Sources: U.S. Department of Housing and Urban Development website, July 2003; Census 2000; CRP calculations
(1) Older Columbus is the area within the 1950 boundaries of the city of Columbus.

An important factor in calculation of CDBG allocations is the number of housing units in a jurisdiction that were built prior to 1940. This is the factor that tends to skew resources toward older, declining cities. It is also reflective of one of the primary purposes of the CDBG program—to alleviate blighting conditions in older neighborhoods. Table 2 again uses older Columbus for more equitable comparison with the other large central cities in Ohio, and calculates the 2003 CDBG allocation received per pre-1940 housing unit. In this comparison, the "per housing unit" amount received by Columbus ranges from $15-$103 less than the amount for other cities.

Table 2

2003 CDBG Allocations to Ohio's Largest Cities
Funds per Pre-1940 Housing Unit

City	Total CDBG Funds	Pre-1940 Housing Units	CDBG Funds per Pre-1940 Housing Unit
Older Columbus	**$8,035,000**	**41,653**	**$192.90**
Toledo	$9,496,000	45,708	$207.75
Akron	$8,327,000	33,754	$246.70
Dayton	$7,778,000	26,351	$295.17
Cincinnati	$16,304,000	66,407	$245.52
Cleveland	$29,532,000	106,352	$277.68

Sources: U.S. Department of Housing and Urban Development website, July 2003; Census 2000; CRP calculations

(1) Older Columbus is the area within the 1950 boundaries of the city of Columbus.

Housing and Economic Development Policy in the State of Ohio

Testimony of Steven D. Gladman,

Governmental Affairs Coordinator,

Ohio Apartment Association

On Behalf of the Ohio Apartment Association, Columbus Apartment Association, and Midwest Affordable Housing Management Association

Before the Subcommittee on Housing and Community Development

July 29, 2003

EXHIBIT 3

PENGAD-Bayonne, N. J.

Chairman Ney, Ranking Member Waters, and distinguished members of this Subcommittee, my name is Steven Gladman; I serve as the Executive Director of the Columbus Apartment Association and as the Governmental Affairs Coordinator for the Ohio Apartment Association. Both organizations are affiliated with the National Apartment Association. I am also the Executive Director of the Midwest Affordable Housing Management Association, which is affiliated with the National Affordable Housing Management Association. All three of these organizations represent companies dedicated to providing quality rental housing.

My involvement in these three associations provides me a unique insight into the Section 8 Rental Assistance Program. I commend Chairman Ney for his leadership and thank the members of the Subcommittee for your valuable work addressing affordable rental housing in America. I also commend U.S. Department of Housing and Urban Development (HUD) Secretary Mel Martinez and the Administration for their interest in improving the Section 8 Housing Choice Voucher Program.

I believe it is critical to meet the housing needs of low and moderate income families and believe that improving the Section 8 Program is a central part of meeting those needs. However, I urge Congress, and HUD to enact reforms to the existing Section 8 Program that will encourage apartment owner participation and, in turn, increase housing availability to voucher holders. Although it is well intentioned, I think HANF will not reduce the administrative costs to participating program owners and will not maximize program benefits for residents. Instead, the proposed legislation could create new obstacles to apartment owner participation without alleviating existing burdens. The net result could be fewer available apartments for voucher residents.

I wholeheartedly support the Section 8 Program as a means for private housing owners to provide affordable rental housing to families who need it. I believe more apartment owners would participate if the costs of renting to voucher residents were more comparable to the costs of serving unsubsidized residents. Eliminating transactional barriers will encourage more owners to participate in the Program. More owner participation will result in greater housing choice and increased voucher utilization rates. What would improve the Section 8 Program?

1. Insure that the program is adequately funded.
2. Insure that rental property owners are paid on time.
3. Set Fair Market Rents so that are truly fair.
4. Eliminate inspections and replace them with a process that is helpful to the resident and the owner.

Funding

I urge continued funding for the existing program structure administered by HUD. Historically, many criticized the Section 8 appropriations structure because too much funding remained unused each year. Effective this year, Congress enacted changes to minimize recaptures and, moreover, national utilization rates have risen to nearly 96 percent. I believe that the existing successful appropriations structure should be supported and I have considerable concerns about the proposed state-level funding structure in HANF.

Timely Payment

PHAs are required to make prompt subsidy payments to apartment owners. However, subsidy payments are sometimes untimely either because of antiquated systems or processing delays. Just as owners would not regularly accept late rental payments from conventional residents, they should not be asked to accept late subsidy payments. I urge Congress and HUD to continue their efforts to provide timely payments to owners by ensuring that PHAs have the ability to make automated electronic fund transfers to owners. Some PHAs already use automated fund transfer systems but it would be helpful if HUD would provide technical assistance, funding, and other support to ensure that all PHAs have the capacity to utilize automated payment systems. HUD also should establish incentives to facilitate timely payments to owners.

Fair Market Rents

Next, I urge HUD to enact a more efficient process for PHAs to apply for higher FMRs that are more reflective of sub-market rents. I also propose program changes that will allow PHAs to raise the payment standard to 120 percent of FMR without HUD approval and afford PHAs increased flexibility to request higher payment standards when necessary. FMRs must be set high enough to encourage owner participation and, in turn, create a sufficient supply of apartments and choices for voucher holders.

I thank HUD for raising the current FMR level to the 50th percentile in 39 high-cost areas, but that level is insufficient in areas with outdated FMRs and in certain high-cost submarkets. In many areas in my home state of Ohio, FMRs have not be updated in years and are well below market rents in both high-cost and moderately-priced areas.

Inspections

Finally, I propose eliminating what many owners see as the greatest barrier to program participation, inspections. I propose implementing a policy that will provide for adequate resident protection and encourage greater participation by rental property owners.

The current inspection requirement is a losing proposition for all involved. The owner does not like the inspection because it delays resident move in. The PHA struggles to keep up with the demand for inspections and realizes that the inspection requirement discourages many rental owners from participating in the program. The resident has to wait to move in and has fewer housing options because of the inspection process. Rental housing is a competitive business and housing quality is market driven. Local housing codes and the State Landlord Tenant Law provides adequate protection for residents.

I urge that the inspection requirement be eliminated and the funds currently used for inspection be used to establish resident-owner liaisons. These liaisons would be PHA staff that work with both the resident and the owner to insure both parties are benefiting from the Section 8 Rental Assistance Program.

If a housing quality issue exists, the liaison could intervene on behalf of the resident; if appropriate a housing quality inspection could be performed. If payment or resident relationship issues exist, the liaison would work with the owner to resolve these problems. This process would focus on establishing a long term relationship with the owners and residents rather than focusing on an inspection once a year.

In summary, I believe that the existing Section 8 Program, with the improvements I have just noted, will make affordable housing available to more Americans. Thank you.

TESTIMONY OF DENNIS S. GUEST, EXECUTIVE DIRECTOR OF THE COLUMBUS METROPOLITAN HOUSING AUTHORITY, BEFORE THE SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY ON TUESDAY, JULY 29, 2003 IN COLUMBUS, OHIO

Chairman Ney and other distinguished representatives of the Subcommittee on Housing and Community Opportunity.

I am Dennis Guest, Executive Director of the Columbus Metropolitan Housing Authority. CMHA is responsible for the operation of 3,814 units of public housing and the administration of 9,732 budgeted Section 8 vouchers throughout Columbus and Franklin County.

There are three issues on which I will comment:

A. The HANF Block Grant proposal.

B. Potential improvements to the Section 8 Voucher program.

C. PHA selected project-based vouchers.

First, CMHA is opposed to the current proposal to block grant the Voucher program to the States for three reasons:

1. The concept that the Voucher program could/should be coordinated with the TANF program is weak. Specifically, of the 10,000 vouchers currently under lease with CMHA, only 24% have heads of household with TANF (in Ohio called Ohio Works First) income. The majority (76%) of our clients are seniors, the disabled, pensioners and those working with modest incomes.

2. It is proposed that the States would better administer the program because they are more aware of local needs and by allowing increased regulatory waivers could more accurately meet such needs. Members of the Subcommittee, you have by passing the QWRA bill and by permitting PHAs to utilize vouchers in a project-based manner, have encouraged the customization of the Voucher program to the community level, an outstanding achievement.

   For example, CMHA has customized its program to meet the needs of the City of Columbus, Franklin County, Alcohol Drug and Mental Health

Board, MRDD Board, local non-profits, Community Shelter Board, United Way, Columbus and Franklin County Housing Trust Fund, etc. In one instance the Ohio State University and CMHA have partnered to provide housing assistance to young mothers with children who are students at OSU. Special supportive services will allow these mothers to pursue degrees and begin successful careers without the need for TANF. A list of all our partnering agencies, and non-profits is attached to this testimony.

I am hard pressed to understand how a State administered program could function more effectively at our City/County level. Rather this Committee should consider allowing PHAs more flexibility provided there is local governmental, community and private sector support.

3.) It is difficult to comprehend the transition of the Voucher program to a State Block Grant program being anything other than a time consuming burden.

If the State of Ohio were to decide to administer the program, absorbing CMHA's portfolio alone would require:

- inspecting 14-15,000 units/yr.
- conducting 14-15,000 annual recertifications
- processing 30,000 landlord checks
- establishing relationships with over 2,200 landlords
- hearing 1,000 grievances
- negotiating 12,000 unit rents

Of course, a State could elect to subcontract the work to the PHAs <u>or</u> not participate in the program. All three scenarios are possible. It is unlikely that this would create anything less than an administrative nightmare for HUD.

B. If the goal is to improve the Voucher program, I suggest the following for your consideration:

1. ALLOW PHAS TO INSPECT UNITS EVERY 2/3 YEARS RATHER THAN YEARLY BASED ON UNIT UPKEEP BY LANDLORDS.

   Eighty-five percent (85%) of landlords are diligent, professional and maintain quality units. Annual inspections of their properties are wasteful of their time and that of the PHA. Fewer inspections should result in cost savings for PHAs and to HUD.

2. RENT RE-CERTIFICATIONS FOR SENIOR CITIZENS EVERY 2 YEARS INSTEAD OF YEARLY. There is little change in yearly income for seniors and administrative savings could also be returned to HUD.

3. ESTABLISH A LOCCS SYSTEM OF FUNDING FOR SECTION 8 VOUCHERS SIMILAR TO THAT UTILIZED FOR PUBLIC HOUSING SUBSIDY AND THE CAPITAL FUND. Under such a system PHAs could electronically draw down on subsidy based on a prepared yearly schedule rather than under the current paperwork intensive system currently in effect.

C. Finally, I would like to emphasize that the project-based program is tremendously successful locally. Because of the use of vouchers as financial backing, CMHA has been able to work with the Community Shelter Board, partner housing providers, and supportive service agencies to develop over 200 new units for the homeless. Additionally, 48 new family units and 30 senior units are being developed with National Church Residencies by utilizing project-based vouchers.

Thank you for allowing me to make this presentation.

Attachment

Partners with CMHA in Voucher assisted units:

<u>Supportive Services</u>

Community Shelter Board

Alcohol Drug and Mental Health Board

Mental Retardation and Developmentally Disabled Board

Franklin County Children's Services

Franklin County Jobs and Human Services

United Way

Columbus Aids Task Force

Volunteers of America

<u>Housing</u>

Community Housing Network

YWCA

National Church Residences

Ohio State University

Creative Housing

City of Columbus

Franklin County

Ohio Housing Finance Agency

Ohio Capital Corporation for Housing

Columbus and Franklin County Housing Trust Fund

HUD

Portage Area Development Corporation

NeighborWorks® CHARTERED MEMBER

Written Testimony of
William Hale
President

Portage Area Development Corporation

Full-Cycle Lending℠ and HUD's Housing Choice Voucher Program: Promoting Homeownership for Ohio's Communities

Submitted to the U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and
Community Opportunity

July 29, 2003

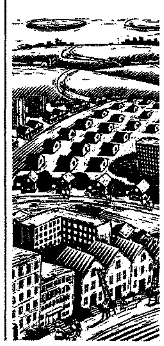


EXHIBIT 15

Good afternoon, Subcommittee Chairman Ney, and members of the subcommittee. My name is William Hale and I am the President of the Portage Area Development Corporation. I served in the US Air Force from 1963-1967. I received both a Bachelor's Degree in Economics, and a Master's Degree in Business from Kent State University. I have 28 years of experience in this field as a public, private for profit employee. The last 18 years I have spent as the president and CEO of PADCorp.

I am here to talk with you about a few housing programs that are crucial to the revitalization of the communities served by the Portage Area Development Corporation.

Portage Area Development Corporation

Let me first say a word about the Portage Development Corporation (PADCORP), where I have worked since its inception in 1985. As a 501 c3 non-profit, PADCorp has been providing rental and homeownership opportunities in Portage County. Around the turn of the century, the organization recognized needs in these areas beyond the Portage County line. We are now a regional, rural (defined as communities with a population less than 50,000) organization providing these services throughout Northeast Ohio. To do this, we have received support and guidance from many sources- both private and public. Some of the national sources include USDA, HUD, Rural LISC, Enterprise, and, perhaps with the greatest impact, Neighborhood Reinvestment Corporation.

Member of the NeighborWorks Network

The Portage Area Development Corporation has been a member of the NeighborWorks® network since 1999. The NeighborWorks network is founded and supported by Neighborhood Reinvestment Corporation. The Neighborhood Reinvestment Corporation strengthens communities and transforms lives across America by supporting innovative local partnerships of residents, businesses, and government, collectively known as the NeighborWorks® network, and by advancing broader community development goals. This year alone, the NeighborWorks® system will generate nearly $2 billion of direct investment in more than 2,300 lower-income urban, suburban and rural communities nationwide; help more than 38,000 lower-income families purchase, improve and maintain their homes; provide pre-purchase and post-purchase homebuyer counseling to more than 78,000 families. NeighborWorks® organizations also own and manage over 36,000 rental or mutual housing units. PADCorp's share of that investment is approximately $40 million for fiscal year 2002. About one-quarter of that represents 100 new homeowners.

PADCorp, like most, is a locally governed NeighborWorks® organization and, again like most, operates revolving loan funds for non-conventional loans to meet community credit needs that cannot be funded through bank or public loan sources. PADCorp is responsible for setting strategy, raising funds and operating its program. We provide pre- and post-purchase homebuyer counseling, rehab monitoring, and targeted lending services that complement and leverage conventional lending activity.

The NeighborWorks® System integrates public and private support, leveraging federal funding to attract private resources. Private investors have viewed the NeighborWorks network as an increasingly sound investment; in fact, the typical NeighborWorks organization receives most of its funding from private sources and earned fees. Neighborhood Reinvestment does provide a critical financing vehicle to NeighborWorks® organizations in the form of equity capital grants for real-estate development and local revolving loan funds. The NeighborWorks® organizations, in turn, use these funds to draw private capital in a variety of ways, including equity and gap financing for home-purchase loans, including down payments and closing costs.

Loan recipients are typically underserved families. Seventy-one percent of loans made through NeighborWorks® revolving loan funds are made to very low- or low-income households, 53 percent to minority-headed households, and 43 percent to female-headed households. Loans carry a rate and term that the borrower can afford to pay back. The NeighborWorks® System is the only national nonprofit network with expertise in designing, originating and servicing small non-conventional loans to lower-income families. These loans help create first-time homebuyers, often prevent mortgage delinquencies, provide money for repairs, and help ensure accessibility for those with disabilities. The loans offered by local NeighborWorks® organizations provide a blanket of security for neighborhoods of modest means. By designing loans to fill the gap between the capacity of the borrowers and the parameters of conventional lenders, the NeighborWorks® organizations complete transactions that would not otherwise be made. PADCorp is one of ten Neighbor Works® organizations in Ohio.

Homeownership Benefits

The benefits of homeownership are intuitive for us. For the shareholders the benefits can easily be seen:

- The homeowner gains wealth and financial independence
- Those that have a stake in this industry (i.e.: banks, realtors, etc.) penetrate markets that without assistance are unattainable
- Neighborhoods are more stable

These intuitive "facts" are enhanced by a study published this past June by the Homeownership Alliance entitled, "The Social Consequences of Homeownership", authored by Robert D. Dietz of Ohio State University & Department for Economics and Center for Urban and Regional Analysis. The study stresses that homeownership is not for everyone. For many, rental is the best option. The study highlights four major areas of social benefits to homeownership with reference to their families as well as their local communities:

1. 'Children of homeowners are likely to perform higher on academic achievement tests and are more likely to finish high school. Furthermore,

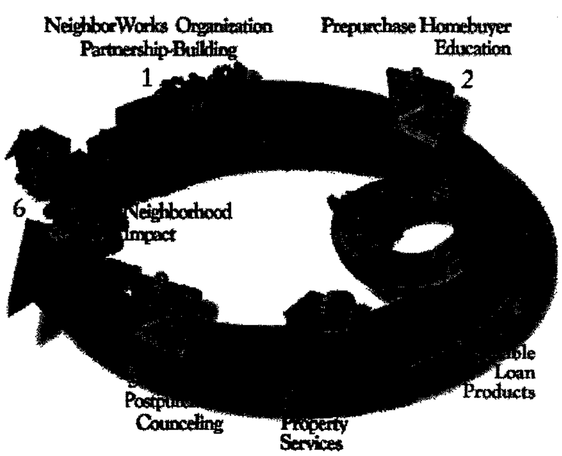
children of homeowners have fewer behavioral problems in school and the females are less likely to become pregnant as teenagers. These outcomes survive many controls for parental education, marital status, and other statistical as well as neighborhood characteristics.

2. Political activity, like voting, as well as participation in civic organizations is higher among homeowners then renters after controlling for personal characteristics and socio-economic status.
3. Homeowners, again once controls are in place, are more satisfied with their lives and are happier.
4. Some of the most recent research suggests that a high level of homeownership in neighborhoods enhances property values.'

It seems clear to me that, where it can be responsively obtained, the promotion of homeownership is good for our society.

The NeighborWorks full-cycle lending program provides a superior approach to increasing homeownership.

The Steps of NeighborWorks Full-Cycle Lending[SM]



1. **<u>Organization Partnership-Building.</u>** The NeighborWorks® organization makes a commitment to the process by creating a partnership of residents, business and

local government leaders. A plan for targeted community revitalization is put in place.

2. **Pre-purchase Homebuyer Education.** The homebuyer learns about the purchase process with a supportive organization that helps them clear up credit problems, find a home they want to buy, and coordinate the rehabilitation needs of the property.
3. **Flexible Loan Products.** Local lenders work with the NeighborWorks® organization to create mortgage products the customer can afford -- with features like lower down payments, downpayment assistance, and rehabilitation loans even when the total cost exceeds the value of the home. Property casualty insurance and mortgage insurance companies provide products that allow for the high loan-to-value ratios. The lender can hold the loans in portfolio or package and sell them to Freddie Mac or Fannie Mae's secondary markets. Neighborhood Housing Services of America purchases special-needs first mortgages as well as second- and third-mortgage rehabilitation loans. The secondary markets return funds to the lender, who recycles them by originating additional mortgages to the community.
4. **Property Services.** The NeighborWorks® organization inspects the property, offers technical assistance to the homebuyer and assists with the property's rehabilitation.
5. **Post-purchase Counseling**. The NeighborWorks® organization trains the new owners in home maintenance and budgeting, and supplies early intervention delinquency counseling so that defaults and foreclosures are avoided.
6. **Neighborhood Impact.** Homeowners gain a stake in their communities; lenders reach a significant market in which risk has been mitigated; the tax base increases; and the nonprofit partnership is one step closer to achieving its goal of neighborhood self-sufficiency. Everyone benefits.

NeighborWorks® Full-Cycle Lending℠ is a means, not an end. As this comprehensive system is established, home-ownership rates among lower-income families rise, resulting in more stable communities with longer term residents, increased savings and civic involvement for individuals and families, and increased high school and college graduation rates for their children. By stimulating reinvestment in NeighborWorks® communities, Full-Cycle Lending℠ is a powerful force that leads to a renaissance in lower-income neighborhoods across America.

A Comprehensive Homeownership Strategy

The NeighborWorks® Campaign for Home Ownership initiative is a joint effort of banks, insurance companies, secondary markets, government, the real estate community and others, coordinated by Neighborhood Reinvestment Corporation and involving more than 130 local community-based NeighborWorks® organizations to bring families of modest means into home ownership. The NeighborWorks® Campaign for Home Ownership has assisted over 65,000 low- to moderate-income families to purchase homes, educated more than 350,000 families, and generated over $4.5 billion in investment.

Leaders of community-based organizations in the national NeighborWorks® network recognized that the conventional mortgage market could not fully meet the needs of their lower-income customers. By creating a system that reaches these customers, teaches them about home ownership, and prepares them to be owners, these nonprofits have not only been able to help lower-income families obtain the American Dream of Home Ownership, but have also done so in a way that reduces the risk of delinquency and foreclosure. This system, service marked as Full Cycle Lending℠, includes pre-purchase homebuyer education, flexible loan products, property services and post-purchase counseling.

Full Cycle Lending℠ is a process that benefits all stakeholders in the homeownership arena. Residents can overcome hindrances to ownership as the process is demystified; they save for a down payment and they secure their home and mortgage. Lenders can invest with confidence about an owner's ability to repay the mortgage. Local government officials can take pride in watching neighborhoods change. More and more homeowners will stake a claim in their communities, enhancing the tax base and contributing to overall community stability and renewal.

For PADCorp, Neighborhood Reinvestment Corporation provides both a model of programmatic efficiency as well as crucial funding resources for various neighborhood revitalization programs. However, other sources available to PADCorp, such as HOME and CDBG, are also critical parts of our community development puzzle. In addition, PADCorp works closely with USDA's Rural Development Program, specifically its Wooster and Columbus offices. With the assistance of the Neighborhood Reinvestment Corporation's Multi-Family initiative and the Counsel of Rural Housing Development, we will host a conference on 515 Rental Housing Preservation in the Fall of 2003. Support of the NeighborWorks district office and Multi-Family Initiative has been critical in this effort.

For PADCorp, the NeighborWorks Network has:

- Increased capabilities through training
- Increased capabilities through Technical Assistance
- Increased capabilities through capital

PADCorp's new Homeownership Center is a perfect example. Through capital, Technical Assistance and training, PADCorp has successfully embraced the NeighborWorks full-cycle lending model. Through extensive public and private partnerships, PADCorp has intensive pre-and post-purchase education and counseling programs that produce mortgage ready, default resistant buyers. Our goal for 2003 is 100 new homeowners. A small but significant portion of this 100 is the Section 8 to homeownership program that will be discussed next.

HUD's Housing Choice Voucher Program and the NeighborWorks Network

The NeighborWorks system is dedicated to expanding homeownership opportunities across the country, particularly for families and individuals with low and moderate incomes. One of the most innovative programs used in this effort is the Section 8 homeownership option. Strong technical and financial support from the Neighborhood Reinvestment Corporation has enabled NeighborWorks organizations to serve as a bridge between private lenders and public housing authorities to make homeownership a reality for qualified Section 8 voucher holders. Congress has propelled the NeighborWorks network's efforts by providing funding specifically targeted to NeighborWorks organizations partnering with Public Housing Authorities (PHAs).

In recognition of the early success of this effort, the Corporation's fiscal years 2001 and 2002 appropriation included a total of $15 million dedicated to developing capacity and effective partnerships around the U.S. Department of Housing and Urban Development's Section 8 homeownership option. Most of the funds were used to capitalize NeighborWorks organization's revolving loan funds, which serve as a source for second mortgages (with a smaller portion of the set-asides being used for capacity-building grants). These grants helped some NeighborWorks organizations tailor their pre- and post-purchase services to the specific needs of their Section 8 population, develop unique systems to work with a Section 8 voucher and the PHA, or defray a portion of the costs associated with hiring additional staff to implement the program.

Portage Area Development Corporation's Work with Housing Choice Voucher Program

The Section 8 Voucher Choice Program in PADCorp's experience is unique in each county where we are working. Each housing authority is local, with local control. They are responsive to the unique needs of their constituents. Lake County, on Ohio's north shore, has different needs and resources than Portage County (the middle of our service area), and Columbiana County in Appalachia along the Ohio River is again different. As we begin our work with Zanesville, we are finding, again, unique needs and demographics.

NeighborWorks is able to partner with Section 8 programs throughout the country, as the Section 8 Program ensures both national consistency and local responsiveness. One of the benefits of providing rental housing assistance through the Federal government level is ability to design rules that are consistent across the country, which reinforces the Section 8 goal of promoting housing choices and mobility opportunities. Yet, to be meaningful at the local level, rental assistance has to be flexible enough to allow for targeting of assistance to address unique, local needs. The current Section 8 system of implementation successfully strikes a balance between providing national consistency of rules of operation and flexibility in distributing resources. The current system greatly supports NeighborWorks' Section 8 homeownership efforts at both the national and local levels. Block granting the Section 8 Program threatens this local control and responsiveness.

Neighborhood Reinvestment's Congressional set-asides in the past fiscal years helped fund 53 NeighborWorks organizations (4 in Ohio) develop partnerships with 70 PHAs (7 in Ohio), provide 2,000 families with pre- and post purchase homebuyer education, and resulted in over 200 new homeowners. The median income of these families was slightly over $24,000, compared to the median family income of the typical US buyer of $48,991. These partnerships are built upon the NeighborWorks network's solid experience in pre- and post-purchase counseling, innovative mortgage financing and in leveraging public resources and private investment. The early results of this pilot offer evidence of the program's ability to assist those who are often locked out of homeownership by conventional mortgage standards – 85 percent are single women who head their households and 35 percent are very low-income residents.

Since the inception of the program nationally, 6,362 eligible households have shown an interest in becoming homeowners, 1,711 households have completed training, and 278 Section 8 recipients have become homeowners. In the great state of Ohio, 651 eligible households have shown an interest in becoming homeowners, 133 households have completed training, and 26 households have achieved the dream of homeownership. In year 2002, 12 of these were with the assistance of PADCorp.

Active Housing Authority	Partnerships as of March 31, 2003
Neighborhood Housing Services of Hamilton	Dayton Metropolitan Housing Authority
Portage Area Development Corp.	Portage Metropolitan Housing Authority
Portage Area Development Corporation	Lake Metropolitan Housing Authority
Portage Area Development Corporation	Columbiana Metropolitan Housing Authority
Neighborhood Housing Services of Toledo	Marion Metropolitan Housing Authority
The Homeownership Center of Greater Cincinnati	Hamilton Metropolitan Housing Authority
The Homeownership Center of Greater Cincinnati	Cincinnati Metropolitan Housing Authority

In addition to the above, PADCorp and the NeighborWorks Network is assisting in or discussing this program with several other Housing Authorities, including Zanesville.

Conclusion and Summary

Let me close by thanking the Subcommittee for the opportunity to speak about the work of Portage Area Development Corporation and the broader NeighborWorks® Network. It is an exciting and challenging time. With the looming deficit, it is imperative that you do not lose focus on those earning less than 80 percent of median, the poorest one third of Ohio's households. This is true for both rental and homeownership programs. I respectfully request that you make your best effort to:

- Maintain or increase funding in effective programs. As you do this, you look for innovative programs, partnerships that will enhance not only the beneficiaries but the Community's where the target clients reside. Neighborhood Reinvestment Corporation and their Multi-Family Initiative Campaign and Homeownership Campaign are two excellent examples.
- Do not block grant the Section 8 Program. It will take local responsiveness out of the program and in some states, seriously cripple the program.
- Find ways to increase funding for homeownership and the Section 8 Homeownership Program. I am encouraged by some of what I see in your HUD, USDA (502) and Neighborhood Reinvestment Corporation's proposals.
- Last, examine initiating a National Housing Trust Fund. Ohio just did, and despite a dire financial crisis, Ohio will maintain its dedication to affordable housing.

Again, I thank you.

Columbus Housing Partnership

U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

Housing and Economic Development Policy in the State of Ohio
Public Hearing: July 29, 2003

Mr. Chairman and the honorable members of the Subcommittee,

I am Amy Klaben, President/CEO of Columbus Housing Partnership, Inc. (CHP). Thank you very much for inviting CHP to participate in the hearing on Housing and Economic Development Policy in the State of Ohio, a very important issue for our state.

ORGANIZATIONAL MISSION AND DESCRIPTION

Columbus Housing Partnership, Inc. (CHP) is a private, non-profit corporation established in 1987 with the belief that safe, decent and affordable housing is the cornerstone of family life and a healthy community. CHP provides quality, affordable housing and related services to low- to moderate-income working households in Columbus and the surrounding area. Through its activities, CHP is a partner in revitalizing communities and improving the lives of its residents.

CHP was formed through the joint efforts of The Columbus Foundation, City of Columbus, The Enterprise Foundation and the Columbus Board of Realtors in partnership with local faith-based and private sector leaders and is now a member of the Neighborhood Reinvestment Corporation. Today, with a staff of 27 full-time employees and under the direction of a 17-member Board of Directors, CHP develops strategic public/private partnerships with local lenders, businesses, governmental entities, community and faith-based organizations, developers and community development corporations to accomplish its goals.

CHP's activities support the goals and objectives outlined in the *City of Columbus and Franklin County Consolidated Plan 2000-2003* of not only increasing homeownership and rental opportunities, but also assisting those moving from poverty or public assistance to stability and self-sufficiency through education.

ORGANIZATIONAL PROGRAMS

EXHIBIT 12

The following is a brief overview of CHP's affordable housing and related services:

Affordable Housing Development

CHP provides a wide range of housing opportunities throughout Franklin County. Since 1987 CHP has produced in excess of 3,200 affordable homeownership and rental opportunities for

562 East Main Street • Columbus, Ohio 43215 • 614.221.8889 • FAX 614.221.8904

low- to moderate-income working families and individuals. CHP utilizes funds from Low Income Housing Tax Credits (LIHTC), bonds, and government funding to develop affordable single- and multi-family housing, typically with 3-4 bedrooms. 71 homes are now under construction, 67 homes will be started this fall and winter, and another 70 will be started next year. We have a systematic business approach to developing safe, affordable homes.

Down Payment Assistance Program

Low homeownership rates often correlate with lower resident long-term commitment to, and investment in, the health of the neighborhoods. Since 1996, in an effort to increase homeownership, CHP has administered down payment assistance programs. In the past two years CHP has dispersed $166,375.84 to help 79 families and individuals achieve the American dream of homeownership.

Homebuyer Education Program

CHP staff is dedicated to providing the complex, quality programming necessary to promote affordable homeownership for Franklin County residents. CHP's HUD certified Homebuyer Education Program educates individuals and families that income alone is not the sole indicator of financial ability, economic status, or life outcomes. When participating in CHP Housing Counseling programs, clients are taught: how to develop a family budget, how to find a home, how to negotiate a contract, how to find a lender and mortgage that fits their financial needs, what a lender looks for when approving a mortgage loan, the importance of insurance, and the closing process. During the first 6 months of 2002, 178 people completed our Homebuyer Education Program. 324 people completed the program during the first 6 months of 2003.

Counseling Programs

All CHP clients are encouraged to participate in pre-purchase and post-purchase individual counseling. Freddie Mac under its Affordable Gold program (2001) reported 47.6 percent of nonprofit community service organizations provide pre-purchase counseling but only 32.2 percent provide *post-purchase* counseling. Study outcomes determined post-purchase counseling reduced the 60-day delinquency rates of borrowers by *63 percent*. The loss of employment and the increased incidence of predatory lending practices make it necessary for CHP to offer this program. In 2002, CHP housing counselors conducted 300 default-counseling sessions.

AmeriCorps Community Safety Program

CHP's AmeriCorps Community Safety Program develops the capacity within communities to maintain a physical environment that promotes public safety and increases resident involvement in crime prevention; strengthens communities by bringing people of all backgrounds together to solve problems locally and encourages responsibility through service and civic education. Activities range from working with the police and community residents to identify problem locations; organizing and strengthening blockwatches; cleaning vacant lots; planting gardens; holding community forums and celebrations on safety; developing and strengthening safe havens and activities for youth; and serving in various capacities within target communities as they are identified.

NEED FOR AFFORDABLE HOUSING

One of the most significant needs identified in the Franklin County and City of Columbus Consolidated Plan 2000-2003 was the need to increase affordable housing in Franklin County as part of a comprehensive community revitalization strategy. Presently, there are 405,418 total households in Franklin County. Of these households, 174,634 or, 43.1% have incomes below 80% AMI ($51,050). Without affordable housing available, renters face severe financial pressures, many merely a paycheck or unexpected bill away from homelessness. Families are challenged to meet daily basic needs, such as food and medical care. Particularly serious are the pressures faced by individuals who have transitioned from welfare to work—families for whom housing is typically the number one cost burden (U.S. Department of Housing and Urban Development/2001).

The following conditions currently exist throughout Franklin County:

Rental Housing Affordability:

- The National Low Income Housing Coalition reports that in 2001, a household would need an income of $25,040, or 234% of the federal minimum wage, to afford a two-bedroom apartment at fair market rent in Franklin County.
- 44.1% of all households in Franklin County rent their residence. 76.3% of these renter households have incomes at or below 30% AMI.[1]
- 76,866 renter households are considered to be *cost burdened*, paying more than 30% of their income for housing costs, including utilities.[2]
- 35,703 Franklin County renter households are *severely cost burdened*, paying more than 50% of their income for housing costs, including utilities.[3]
- A 1997 analysis of the Central Ohio rental housing market found a deficit of 21,892 rental units affordable to extremely low income households, or one affordable unit for every two households.[4]

Owner Housing Market:

- The Franklin County homeownership rate is nearly 10% below the national average.[5] New housing stock priced below $130,000 has dropped 77% since 1998.
- The average price of a new detached single-family home in Franklin County increased from $202,501 in the fourth quarter of 1999, to $228,958 during the second quarter of 2001, for a 13.1% increase during the 18-month period.[6]

---

[1] 2001 Franklin County and City of Columbus, Community Research Partners
[2] 2001 Franklin County and City of Columbus, Community Research Partners
[3] 2001 Franklin County and City of Columbus, Community Research Partners
[4] 2000 – 2003 City of Columbus Consolidated Plan
[5] National homeownership rate is 66.8%, Danter Company, 2001,
[6] 2001 Franklin County and City of Columbus, Community Research Partners

- January 2001 – June 2001, 8,128 homes were sold in Franklin County. Of these, only 40, or less than 0.5%, were priced less than $100,000.[7]

Income and Employment:

- Based on HUD's basic family budget—an estimated 175,000 persons in Franklin County are in families with incomes insufficient to meet basic living costs.[8]

PARTICIPATION IN GOVERNMENT PROGRAMS

Section 8 Program

As an owner of rental housing, CHP does not discriminate against tenants on the basis of their source of income so many residents utilize Section 8 vouchers to pay their rent. There are many issues that we would like you to be aware of in the administration of the Section 8 program. We must wait three to five months before we receive the first rent check for a new resident. This creates undue hardship as we need the rental income to pay operating expenses. We have found that inspectors do not administer the housing quality standards (HQS) in a uniform manner. Rather, inspectors interpret the rules their own way as they inspect units and the results are inconsistent. In addition, units may not meet HQS Standards due to tenant damage. A system needs to be in place to ensure that landlords are notified when units do not meet such standards and are given an opportunity to correct such damage prior to rent being abated.

There is a policy that Section 8 funds may not be used to pay for damage caused by tenants. This policy needs to be changed as landlords cannot bear the entire cost of correcting such damage. Most importantly, there are not enough Section 8 vouchers in Columbus, Ohio, causing many children and families to not have adequate housing.

CDBG and HOME Programs

Columbus Housing Partnership receives CDBG funds from the City of Columbus. For the past three years, the funds have been utilized to assist us in providing our homebuyer education, down payment assistance, and individual development account programs. Such programs would not be available without such funding, are crucial to increasing the low homeownership rate in Columbus, and enable people to be successful long-term homeowners. The City of Columbus is in need of more funding to enable it to impact more neighborhoods.

CHP receives both CDBG and HOME funds for its rental and homeownership housing development activities. The Federal Government needs to increase the amount of funding available as such funding is not enough to deal with the issues of revitalization in Columbus' Central City. These amounts do not address the issue of appraisal gap, and do not allow for the quality of rehabilitation needed to make existing housing safe, decent, and marketable. In addition, CDBG and HOME programs will allow for subsidies only to individuals below 80% of the Area Median Income. This should be increased to 100% of AMI in revitalization areas to attract higher income people to live in these areas.

---

[7] 2001 Franklin County and City of Columbus, Community Research Partners
[8] 2001 Franklin County and City of Columbus, Community Research Partners

Lead and Historic Issues

When receiving government funds through HUD, we must deal with lead and historic issues. The lead regulations are extraordinarily burdensome and complicated. Few contractors are willing to get licensed due to the difficulty of understanding the rules. The rules need to be streamlined so that lead can be dealt with in a financially reasonable and timely manner. Lead abatement can add anywhere from $15,000 - $30,000 to the cost of rehabbing a home but such cost does not increase the value of the home and can thus not be recovered in the sale price.

Historic rules have also been difficult to comply with. Not all neighborhoods with homes over 50 years old should be deemed "of historic significance." Because the rules are strictly interpreted, neighborhoods with a lot of vacant boarded-up houses, crack houses, and other types of crime may be "deemed historic" and can not be efficiently or affordably rehabilitated and houses cannot be demolished for development of other housing. HUD should revise these rules so that only when housing is being built or rehabbed in a designated historic district do historic rules apply. Otherwise, the area should be free of such rules. Building or rehabbing homes to meet historic requirements adds significant costs and do not make for better homes. In addition, homes that meet the needs of disabled occupants need to be built in historic districts. One-story homes must be built for easy accessibility. When the issue of accessibility arises in areas that may have historic significance, accessibility should prevail to allow people to live where they choose.

Tax Credit Programs

Columbus Housing Partnership develops rental housing through the low-income housing tax credit program. Such funding is crucial for the development of affordable housing and is used in conjunction with HOME funds to enable the housing to be affordable to low-income people. These two programs have been an important part of revitalization of many neighborhoods in Columbus. However, tax credits are available for use only in a qualified census tract (low-income areas). Consequently, low-income housing is being developed in areas that currently have an over abundance of low-income people. The tax credit program needs to be modified to allow for the development of affordable housing in areas where employment opportunities exist. As land is typically more expensive near areas of employment growth, the tax credit program should be adjusted to allow builders to build in such areas.

Congress has not yet passed a homeownership tax credit. This credit is also very important and would enable us to increase the homeownership rate in targeted areas of Columbus.

Our Experience with HUD

The staff in our local HUD office has been very helpful and knowledgeable. However, the rules of many HUD programs are too complex and constantly change. CHP staff spends significant amounts of time understanding the rules and figuring out how to comply with them. The rules and programs need to be streamlined and developed to work together.

TESTIMONY OF AMY KUHN BEFORE THE CONGRESSIONAL SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

My name is Amy Kuhn and I am the Deputy Director of the Community Development Division of the Ohio Department of Development. The division is responsible for the distribution of several federal community development programs including Community Development Block Grant, HOME Investment Partnerships, Emergency Shelter Grants, and Housing Opportunities for Persons with AIDS. Before I begin, I would like to thank the members of the committee for the opportunity to speak to you today. The state of Ohio and the Ohio Department of Development have a long and successful history of working with its local communities and nonprofit organizations to maintain the quality of life that Ohio has to offer.

Today I would like to address changes related to the state's ability to continue to successfully administer the U.S. Department of Housing and Urban Development's Community Development Block Grant program.

The Ohio Department of Development (ODOD) requests your support of the following three minor but important revisions to the Community Development Block Grant Program. None of the revisions would require an increase in funding or allocation levels.

The first issue is to increase flexibility, at the discretion of the states, to allocate technical assistance/administrative funds between these two activities without financial limitations and without a match requirement being applied to the technical assistance funds.

Currently, states may allocate one percent of the annual CDBG allocation to technical assistance activities and two percent, plus $100,000, to administration. Therefore, in FY 2002, Ohio allocated $437,100 of CDBG funds to technical assistance and $1,236,400 to administration. If the percentage requirements were eliminated, Ohio would have the flexibility to expend these funds based on the needs of its communities.

For example, in order for Ohio's rural areas to make the best use of limited resources, ODOD is encouraging Ohio Small Cities CDBG Program eligible communities to develop a Community Assessment and Strategy.

EXHIBIT 16

The Community Assessment and Strategy is a planning document designed to encourage communities to match local needs with available resources; facilitate a holistic approach to addressing housing, economic and community development needs; identify the type and degree of community development needs within areas of low- and moderate-income concentration or distressed areas; and provide information that will serve as a resource for state planning efforts.

In order for communities to develop a credible strategy, it is imperative that ODOD provide direct technical assistance regarding Census data analysis, mapping software capabilities and other methods of gathering information to compile a solid inventory of needs.

As with most initiatives, the initial training costs will be higher, but will decrease as the communities build administrative capacity and experience. If states were permitted the flexibility to allocate funds between technical assistance and administrative activities, it would be much easier for Ohio to increase or decrease the allocation of funds to targeted initiatives based on need at the local level.

The second issue is an increase in the state match threshold from two percent of the state allocation plus $100,000 to two percent of the state allocation plus $500,000.

States receive CDBG Program funds through a formula allocation. The allocation includes funding for administration of the program. As previously discussed, the amount of funds available to states for administration is two percent of each state's formula allocation plus $100,000. However, states are required to provide a 50 percent match for any administrative funds received greater than $100,000.

During the 2004-2005 Biennium Budget process, it was determined that the availability of state funds as matching funds may be decreasing at an alarming rate. Until the economy improves, this trend is expected to continue.

Although the threshold requirement has not been revised since the program's inception in 1982, the cost of administering the program continues to increase due to cost of living increases and increased need for additional administrative oversight as new federal rules and regulations are implemented.

If the state administrative threshold for the CDBG Program were increased to two percent plus $500,000 of the state allocation, the states would have additional revenue to dedicate to administration.

Without adequate administrative funding, ODOD will be unable to continue to effectively administer approximately 280 CDBG Program grants per year.

The final issue is a dedicated source of funding for training and technical assistance activities.

States would benefit greatly from a dedicated source of funding for training and technical assistance activities. If such an initiative were funded, national organizations could access the funds needed to keep states abreast of new CDBG Program rules and regulations, proper program administration techniques and tips for innovatively implementing projects and activities.

In the past, HUD provided funds to organizations such as the Council of State Community Development Agencies (COSCDA) and the National Development Council (NDC) through a dedicated source of funding. In turn, COSCDA and NDC provided training, such as the ***ABCs of CDBG Administration*** and the ***Housing and Economic Development Finance Professional Certification Programs.***

The information shared during these trainings was ultimately passed along to local communities that were and continue to be eager to develop the administrative capacity to implement local projects.

In addition to the above-listed revisions to the CDBG Program, ODOD supports a $5 billion allocation of funds to the program for distribution using the current funding formula, without any setasides for separate or new program initiatives.

This level of funding would enable the program to continue to fund housing, economic and community development projects that benefit the nation's low- and moderate-income households and leverage scarce local resources.

ORIGINAL

CONGRESSIONAL TESTIMONY
House Committee on Financial Services
Subcommittee on Housing and Community Opportunity
July 29, 2003

I am Roy Lowenstein, Vice-President for Development with Ohio Capital Corporation for Housing. Ohio Capital assists developers around the state to secure low-income housing tax credits and operates an equity fund which purchases the credits. We have, since 1989, raised about half a billion dollars in equity and invested it in about 200 affordable housing developments with 10,000 units. Recently, we acquired a portfolio of more than 1,300 section 8 units in Columbus, as well as a management company, renamed Community Properties of Ohio. Along with local partners, we will be rehabilitating and preserving the great majority of these units over the next few years. These various roles as consultant, developer, investor, asset manager, and property manager provide us with many insights into rental housing finance and operation.

I would like to comment on questions posed by the subcommittee related to the relationship between the economy and affordable housing production. Basically, whether the economy goes up or down, there is hardship for working class and low-income households in terms of finding decent affordable rental housing. If the economy is good, owners will raise rents. Between 1997 and 2002, the median income for a family of four in Columbus increased from $47,400 to $63,400, a 33% increase. Although rents did not climb as fast as that, the income of the poorest segment of workers rose even more slowly and they found themselves increasingly closed out of the mainstream market. The wage required to afford a 2-bedroom apartment averages about $12 in Ohio. The crisis is therefore less than on the east or west coasts, with their much higher housing wages, but we have such a high number of wage earners at $6-$10 per hour employed in the food service, retail, and warehousing sectors that it is easy to see why an affordability crisis exists.

As the economy has turned down, low-paid workers are vulnerable to losing their jobs or seeing incomes stagnate. It is an uneven rental market around the state, reflecting widely varying economic and market conditions. In the Columbus area, among others, higher rental vacancy rates have emerged due to significant construction in the 1990s and other causes. This has kept rent increases down, but many of those at the bottom of the wage scale are not able to afford those new units or other good quality housing stock—they just don't catch up economically.

Fair market rents are so low in some rural counties that new construction without subsidies is discouraged. Some cities in Ohio have been losing population for 20 and 30 years but need more affordable housing. Why? Because developers have built so little in these market areas for so long, the housing stock has declined to such an extent that people will leave due to lack of decent housing choices. Many neighborhoods in decline provide little economic incentive for reinvestment without public dollars leading the way. The message here is that great flexibility is needed to craft solutions to these distortions

EXHIBIT
17

in the housing markets. Sometimes the biggest problem is housing supply, other times it is the gap between incomes and market rent, other times it is appraised value.

What programmatic tools do we need? Poor families need both rental subsidies and production subsidies targeted to extremely low-income households. However, rental subsidies are in very short supply, as we hear from various housing authorities that vouchers are oversubscribed. In a market with high vacancy rates, the lack of vouchers is really a shame and we hope Congress will respond to this opportunity to house more low-income families by expanding the pool of vouchers. This is a particular concern here in Columbus, which has launched an exemplary program known as Rebuilding Lives to house long-term homeless individuals, using a range of section 8 and McKinney funds as operating subsidies. Halfway to the goal of 800 homeless units, we have to hope that the section 8 subsidies will again materialize.

Second, we also need a larger federal source of gap financing. With Ohio's relatively low rent structure, the combination of tax credit equity and a supportable amount of debt financing is often insufficient to deliver new and rehabilitated housing to those who need it most. Typical tax credit projects need $10,000 to $25,000 per unit in gap funding just to balance the development budget which includes $15,000 to $30,000 per unit of bank debt. But a tenant with a minimum wage income and no rental assistance can only afford enough in rent to cover the owner's cost of operating the apartment—little or no debt capacity. Unable to afford even most tax credit rents, this household has few viable options. Unless Congress substantially increases section 8, the other alternative is a major increase in gap subsidies, either through the HOME program or a new grant source targeted at the lowest income households. The concept of a national housing trust fund with significant resources targeted at households below 30% deserves serious consideration. The concept of subidizing rents for these units to cover operating expenses only also makes sense.

Third, we need greater flexibility with the project based section 8 program. Specifically, when the best use of a building is no longer low-income rental housing, why is it not possible to transfer the subsidy to another building at a more advantageous location? For example, in inner city Cincinnati, the City government wants to deconcentrate poverty. But every section 8 building that is abandoned or converted to another use means the low-income housing stock has been reduced because the subsidy is not portable. We have a similar problem with our Community Properties of Ohio portfolio. We want to reduce concentrations of units in certain neighborhoods and demolish a few worn out buildings, but HUD lacks routine ability to approve moving the subsidy to a better location or even utilizing the subsidy at the same site after rebuilding.

Fourth, we need to strengthen the rental tax credit program to work out some of the technical flaws that make the program more complicated than it needs to be and less efficient than it can be. Legislation is needed to remove the prohibition on grant-funded expenditures being counted in eligible basis from which the credits are computed. HR 284 would facilitate development in low-income rural areas by permitting statewide median income data to be utilized. The same bill greatly strengthens the Mortgage

Revenue Bond program by repealing the so-called Ten-Year Rule and raising the maximum purchase price on homeownership units up to current levels.

Fifth, we should enact a homeownership tax credit. This is something the President and many Members support, yet passage still seems far away. The Midwest and South are regions of the country that would benefit greatly from this program because appraised values of homes and land in our distressed neighborhoods are so low that redevelopment is hindered. A production subsidy is needed to cover the gap between the cost of producing houses and the size of a mortgage loan supportable by appraisal. Everyone wins: the homeownership rate increases, neighborhoods are improved, and the builders, bankers, investors, and even the politicians can smile.

With these tools in the housing toolbox, selected to meet state and local priorities, we can make real headway in addressing the critical housing needs of low- and moderate-income families and seniors, while simultaneously assisting community redevelopment objectives. Thank you.

BIOGRAPHICAL INFORMATION: ROY LOWENSTEIN

Roy has been both a housing consultant and an attorney for more than 25 years. He has been employed since 1993 as Vice-President of Development at Ohio Capital Corporation for Housing (OCCH), providing consulting services related to securing the financing and syndication of approximately 90 low-income housing tax credit projects across Ohio, as well as other non-profit-based housing efforts. In 2002, Roy was also appointed Executive Director of Capital Development Corporation for Housing, a non-profit development and construction subsidiary of OCCH, and Ohio Capital Finance Corporation, which administers a pre-development loan fund. From 1988-1993, Roy worked at CONSOC Housing Consultants in Columbus on approximately 70 HUD-funded low-income housing projects for the elderly, disabled, and homeless.

Roy's education includes a B.A. from Oberlin College (1973) and a J.D. from Ohio State University (1976). From 1977-1984, he was employed by Association for the Developmentally Disabled, developing group homes and apartments for the mentally retarded. He then served as Executive Director of Friends of the Homeless for 3 years, during which time he helped initiate Friends' shelter, transitional housing, job training, and other programs. Roy's expertise is related to his knowledge and experience with real estate development, supportive services, and securing funding from federal, state, and local sources totalling 160+ projects for these varied populations. He has participated on many non-profit Boards, including the Ohio Coalition for the Homeless from 1984-1994, and continues to serve as Board member and currently President of COHHIO, which is the leading technical assistance and housing advocacy organization in Ohio.

Testimony of

Sally Luken

Corporation for Supportive Housing Ohio

Regarding

Housing and Economic Development Policy in the State of Ohio

Before the

United States House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

Columbus, Ohio
July 29, 2003

Summary of Testimony

Background (Testimony, p. 1-6)

I. Supportive Housing and Long-term Homelessness (p. 1- 4)

In addition to grinding poverty and/or high local housing costs, tens of thousands of homeless Americans also struggle with mental illness, substance addiction, and other health problems that create additional barriers to stability. Research from around the country, and right here in Columbus/Franklin County, shows that as a consequence of this 'double whammy' of homelessness and ongoing health challenges, these individuals and families can languish on the streets, in emergency shelters and other institutions repeatedly and for months and even years.

Supportive housing ends this vicious cycle of long-term or 'chronic' homelessness. It combines the permanent, affordable housing that all homeless people need, with the flexible and voluntary services that many require to move from isolation to community. Supportive housing provides mental health and substance abuse services, employment training, and a range of other supportive services that keep people housed while they build skills to reclaim a stake in the economic, social, and civic life of their communities.

Studies nationally and in Columbus/Franklin County prove that supportive housing is cost-effective as well as humane. Rigorous research shows that based on the most conservative assumptions - without taking into account the positive impacts on health status and employment status, or improvements to neighborhoods and communities - it costs little more to permanently house and support people with chronic health problems than it does to leave them homeless. It is no exaggeration to say that Columbus/Franklin County was the first community in the nation to overhaul its approach to homelessness in recognition of this research and over a decade's worth of on the ground experience by local supportive housing providers. Led by the Community Shelter Board (CSB), Columbus/Franklin County launched *Rebuilding Lives*, the nation's leading initiative to address long-term or 'chronic' homelessness through the creation of 800 units of permanent supportive housing.

And it's working. The outcomes from the Rebuilding Lives are dramatic and well-documented. With over 400 units expected to be on-line by the close of 2003, analysis of the initiative reveals that:

- Over 93 percent of Rebuilding Lives tenants retain their housing for one year or more and do not return to emergency shelter.
- The daily cost to operate a unit of supportive housing in Franklin County is $36-38, significantly less than the alternative service systems that would otherwise serve chronically homeless individuals with long-term needs.

II. The Corporation for Supportive Housing (CSH) (p. 4- 5)

CSH is a national, non-profit intermediary helps communities create permanent housing with services to prevent and end homelessness. To date, CSH has committed $71 million in loans, grants and recoverable grants nationally—in over 1,100 funding actions to over 400 providers—to provide critical seed capital and financing to support the development of nearly 12,000 units of supportive housing.

In 1999, CSH was invited to establish an office in Ohio to bring to bear its technical and financial assistance to help CSB and other members of the *Rebuilding Lives* Funder's Collaborative to reach the goal of creating 800 units of supportive housing. CSH Ohio has leveraged over $1.1 million in national philanthropy for Ohio, assisted over 70 nonprofits and local government agencies, and helped to bring to fruition over 400 Rebuilding Lives units currently in operation or under development. CSH Ohio is increasingly working with groups across the state, including Cleveland/Cuyahoga County, Toledo, Lancaster, Akron and Canton, Dayton, Lebanon, and Wooster.

III. Planning to End Homelessness—A Growing Movement (p. 5-6)

Over the past several years, policymakers at every level have taken a new look at homelessness. A consensus is emerging: we can and must plan to end—rather than simply manage—homelessness, especially for people with the biggest problems who tend to be the most 'chronic' or long-term homeless. Recognizing that long-term homelessness is a significant but solvable problem, the Bush Administration, Congress, and blue-ribbon commissions appointed to examine the nation's housing and mental health systems have adopted the goal of 'ending chronic homelessness' through the creation of enough permanent supportive housing to meet the need. Most recently, the President's New Freedom Commission on Mental Health – chaired by Ohio Department of Mental Health Director Mike Hogan- recommended that "in partnership with the Interagency Council on Homelessness, HUD develop and implement a comprehensive plan designed to facilitate access to 150,000 units of permanent supportive housing for people who are chronically homeless."

In short, federal policymakers have come to the same conclusion that Columbus/Franklin County reached nearly 5 years ago in launching *Rebuilding Lives.* This groundbreaking and innovative focus on ending chronic homelessness has earned Columbus/Franklin County recognition as a national leader in combating homelessness. CSH's policy recommendations are designed to ensure that the *Rebuilding Lives* initiative continues to drive the cutting edge, and to help other communities replicate this 'best practice.'

Policy Recommendations (p. 7-15)

CSH respectfully submits that creating 150,000 supportive housing units in the next decade is one bold but realistic objective this Subcommittee should adopt as a benchmark for its actions during the 108th Congress. ***Today, I would highlight two policy strategies the Subcommittee should implement during this Congressional session to spur progress toward this ambitious goal both nationally and here in Ohio.***

I. Ensure that HUD McKinney-Vento homeless assistance programs continue to sustain and produce permanent supportive housing.

The three programs authorized by the McKinney-Vento Homeless Assistance Act of 1987 — Shelter Plus Care (SPC), the Supportive Housing Program (SHP), and Section 8 Mod Rehab SRO —have been a significant source of funding for permanent supportive housing targeted to homeless persons with disabilities. Ensuring that these programs continue to generate new supportive housing requires, at a minimum, that this Subcommittee:

- **Authorize a Homeless Housing Permanence Account to provide a reliable, long-term source of funding for expiring operating subsidies to permanent supportive housing under the McKinney-Vento Shelter Plus Care (SPC) and Supportive Housing Program permanent housing component (SHP-PH).** (p. 7-12)

Communities like Columbus/Franklin County are finding it increasingly difficult to plan and sustain their local HUD McKinney-Vento funded "Continuums of Care" – which include emergency shelters, transitional housing, employment and other programs as well as supportive housing – when they are uncertain whether Congress will provide sufficient funding to renew these critical subsidies, initially funded under the SPC and SHP-PH programs. Without reliable renewal funding for these subsidies, localities face the specter of dismantling their homeless care systems rather than reinvigorating their efforts to end homelessness.

Multi-year rent or operating subsidies under SPC and SHP-PH and similar programs:

- make up the difference between what such extremely poor tenants can afford to pay in rent and the costs for private landlords or non-profit developers to operate the housing, transforming supportive housing into a viable financial proposition from the perspective of the supportive housing provider, and – even more important—truly into a permanent place to call home for its tenants.

- enable supportive housing providers to leverage investments that meet the capital and supportive services funding needs of permanent supportive housing. This means developers like National Church Residences can access Low Income Housing Tax Credit (LIHTC), HOME, and other resources to purchase property and construct or rehab buildings for their projects. They can also access mental health, substance addiction, employment and other services funding administered by state and local government entities like the Franklin County Alcohol, Drug Addiction and Mental Health Board who want to be certain that a permanent supportive housing project, the units in that project serves the populations whose needs they are mandated to address.

Because of their centrality to supportive housing's success, the mounting costs of renewing expiring SPC and SHP-PH subsidies out of an essentially static McKinney-Vento Homeless Assistance account had, by fiscal years (FY) 1999 and 2000 created a crisis within local Continuums of Care. The prospect of having to "rob Peter to pay Paul" loomed especially large in innovative Continuums like Columbus/Franklin County.

Beginning with the FY 2001 HUD appropriations bill, Congress has enacted temporary measures to avert this crisis, thanks in large measure to the leadership of this Subcommittee. Heeding the message communicated by bi-partisan authorizing bills introduced within this Subcommitee, Congressional appropriators have in each of the past three fiscal years provided enough incremental funding in the McKinney-Vento Homeless Assistance Grants account to renew all expiring SPC subsidies, while maintaining at the remainder of the Homeless Assistance Grants at its FY 2000 funding level ($1.023 billion

These additional appropriations-- $100 million each in FY 2001 and FY 2002, $193 million in FY 2003, and $194 million in FY 2004 (pending)—represent significant steps in the right direction. In Columbus/Franklin County alone, expiring subsidies costing over $3 million annually assist over 500 units of permanent supportive housing. Combined with the requirement that 30% of the annual McKinney-Vento appropriation be targeted to permanent supportive housing, these funding increases spurred the creation of nearly 20,000 new permanent supportive housing beds in the FY 2001 and FY 2002 Continuum of Care funding rounds, including dozens of new units in Columbus/Franklin County.

The foregoing annual appropriations 'fixes'—while welcome—are simply stopgaps. This accounts in part for the decline in incremental supportive housing beds funded in the Continuum of Care from over 11,000 in FY 2001 to just under 9,000 in FY 2002. CSH recommends an approach that would extend Congress' commitment to ongoing renewal funding to expiring SPC and SHP-PH subsidies consistent with Congressional appropriators' new approach to the Section 8 Housing Choice Voucher program in the FY 2003 HUD appropriations bill. Specifically, we endorse authorizing the creation of a new appropriations account—the Homeless Housing Permanence Fund, which would put an end to concern about reliability of funding for these critical subsidies.

Congress cannot justify assuring so many tenants and developers of Section 8 subsidized permanent housing reliable renewal of operating subsidies from the Housing Certificate Fund, while failing to extend this protection to tenants and developers of SPC and SHP-PH housing. Let me make the unfairness—and irrationality—of the status quo crystal clear in the context of Columbus/Franklin County. A disabled, chronically homeless tenant who enters the new Commons at Grant project—or indeed lives in any of the other 200 or so units of *Rebuilding Lives* housing that receive Section 8 assistance—can rely on Congress' stated commitment to fully fund every single one of those subsidies upon their expiration. By contrast, disabled, formerly homeless tenants of the over 500 units of permanent supportive housing in Columbus/Franklin County's Continuum of Care assisted by the SPC program face the uncertainty of whether Congress will through the FY 2004 appropriations process preserve the additional $194 million needed to fund expiring SPC subsidies nationally without eating into other McKinney-Vento funded local programs. Finally, Congress has to date made no commitment whatsoever to provide additional funding to renew the subsidies of the disabled, formerly homeless tenants who live in SHP-PH assisted housing that the Community Housing Network operates in Columbus/Franklin County. Accordingly, CSB and others face the prospect of pitting those renewals against other needed existing or proposed homeless housing and services programs in the Continuum of Care.

- **Enact authorizing language targeting 30% of annual McKinney-Vento grants to permanent housing.** (p. 13-14)

Prior to recent leadership by this Subcommittee and others in Congress, the McKinney-Vento programs were undergoing a sea change away from housing development and into underwriting the costs of supportive services. Simultaneously, McKinney funding of supportive services skyrocketed, rapidly engulfing well over half of the annual McKinney appropriation each year.

The two prior Chairs of this Subcommittee, and many of its members, were deeply troubled by these trends. Mr. Lazio and Ms. Roukema each included the 30% set aside in bills addressing homeless issues (H.R. 1073 and H.R. 3995 respectively). Their actions and direct communication with VA-HUD Appropriations Subcommittee Chairman Walsh, were critical to the inclusion in the last 5 HUD appropriations bills of a requirement that a minimum of 30% of McKinney-Vento funds be targeted to permanent housing.

While this particular floor for a "permanent housing set aside" (as it has come to be known) is not magical, CSH submits that it has become a meaningful figure; therefore, we urge you Chairman Ney and other Members of the Subcommittee, to make it a permanent feature of the McKinney-Vento programs.

Given today's focus on housing production, it is worth noting the significance these actions measure could have for the production of new permanent supportive housing. In combination with resolving the renewal issue described above, making the 30% permanent housing targeting requirement a permanent feature of HUD homeless programs could alone subsidize nearly 100,000 new units of housing over the next decade at current funding levels (adjusted for inflation). Put another way, these two measures alone could generate the deep operating subsidies for fully two-thirds of the 150,000 unit goal.

The proof for this claim is already in the pudding; as noted, the FY 2001 and FY 2002—funding rounds for the Continuum of Care—when Congress provided one-year fixes for expiring SPC renewals and similarly imposed the 30% set aside on an annual basis—the McKinney-Vento Homeless Assistance Grants created nearly 20,000 new units of permanent supportive housing nationwide.

II. Enact legislation and encourage HUD to implement regulatory strategies that will close the affordability gap for households below 30% AMI who confront severe housing cost burdens. (p. 15-17)

The facts on homelessness and the lack of affordable housing in America are stark. In addition to the 2.3 – 3.5 million people that the Urban Institute estimates can expect to experience homelessness in the coming year (over 800,000 at any given time, the Congressionally-appointed Millennial Housing Commission (MHC) report states that there are 6.7 million units affordable to the nation's 8.5 million extremely low-income renter households (those with incomes below 30% of area median income). Simply put, so long as this housing affordability gap persists for many low and extremely low income families, it guarantees that some individuals and families will be displaced from their homes into the streets and shelters every year. Ending this tragic game of housing musical chairs, then, is the other necessary step in ending homelessness.

To that end, CSH proposes two specific housing policy strategies to the Subcommittee.

- **Work to expand upon and improve the tools already in toolbox of HUD and our nation's tax laws to close this affordability gap.**

The Subcommittee must incentivize mainstream federal affordable housing programs to generate permanent supportive housing for the chronically homeless. It is important to understand that, as a matter of pure housing finance, supportive housing presents a "heavy lift" for most of these programs. In the absence of strong mandates or incentives, then, it is easier for these programs to assist projects serving households between 30-80% For this reason, although programs like the HOME rental housing component and the LIHTC can and have been used in supportive housing (indeed CSH has worked with our non-profit partners on over 4000 units of housing that received over $200 million in tax credit equity), on average they serve households at approximately 40% of area median income.However, special opportunities exist now to streamline and incentivize some of these programs to encourage the creation of new supportive housing.

We urge the Subcommittee to:

- ✓ Encourage PHAs to follow the lead of the Columbus Metropolitan Housing Authority in targeting both tenant-based and project-based Section 8 assistance to supportive housing.

- ✓ Incentivize states and local jurisdictions to target mainstream capital resources like HOME and the LIHTC to supportive housing.

- **Enact a National Housing Trust Fund or an equivalent new federal housing production program targeted primarily to extremely low income families.**

CSH joins over 4,600 other organizations in endorsing the creation of a National Housing Trust Fund to help to answer the crisis by providing for 1.5 million additional affordable housing units over the next 10 years, targeted primarily to extremely low income households. If, however, the Subcommittee cannot enact a National Housing Trust Fund, I close by urging that you must promulgate an initiative that is its equal both in magnitude and targeting. Bluntly put, all of the policy recommendations CSH has made regarding federal homeless policy will simply 'rearrange deck chairs on the Titanic' when it comes to ending all homelessness if the federal government does not resume its role as a full partner to states and localities in addressing the affordable housing crisis among extremely low income households.

Testimony of Sally Luken, Corporation for Supportive Housing (CSH) Ohio Program

Mr. Chairman, Representative Tiberi, and other members of the Subcommittee, on behalf of the Corporation for Supportive Housing (CSH), thank you for the opportunity to testify. CSH has had a longstanding and productive relationship with this Subcommittee and its excellent professional staff throughout the tenures of your predecessors, Mr. Lazio and Ms. Roukema. Today, I will do my best to provide you with ideas and information that you may find useful in the ambitious work you are doing to address critical concerns about economic development and housing affordability in Ohio and nationwide.

In keeping with your request, I will focus my testimony today on housing production. In particular, I will make recommendations to the Subcommittee based on past successes and ongoing needs in Columbus/Franklin County and across Ohio related to housing production targeted to the state's lowest income individuals and families—i.e., those who have been homeless repeatedly or for long periods, are experiencing temporary bouts of homelessness, and/or who are at risk of homelessness.

Background

I. Supportive Housing and Long-term Homelessness

Housing affordability is at the root of homelessness. Yet, in addition to grinding poverty and/or high local housing costs, tens of thousands of homeless Americans also struggle with mental illness, substance addiction, and other health problems that create additional barriers to stability. Without the flexible, accessible supportive services they need to address these conditions, homeless people with special needs cannot escape homelessness, because their chronic conditions – when untreated—hinder good tenancy. At the same time, while homeless, these vulnerable people cannot access appropriate medical, mental health, and other services. Due to their homelessness, they either receive no help or a costly patchwork of services obtained during a tragic cycle through emergency rooms, psychiatric hospitals and even jails. ***Research from around the country, and right here in Columbus/Franklin County, shows that as a consequence of this 'double whammy' of homelessness and ongoing health challenges, these individuals and families can languish on the streets, in emergency shelters and other institutions repeatedly and for months and even years.***

Supportive housing ends this vicious cycle of long-term or 'chronic' homelessness. It combines the permanent, affordable housing that all homeless people need, with the flexible and voluntary services that many require to move from isolation to community. Supportive housing provides mental health and substance abuse services, employment training, and a range of other supportive services that keep people housed while they build skills to reclaim a stake in the economic, social, and civic life of their communities.

Studies nationally and in Columbus/Franklin County prove that supportive housing is cost-effective as well as humane. The integration of affordable housing and services requires federal, state and local agencies to coordinate budgets and work in new ways. But the end result generates enormous savings to the costly, emergency systems that are currently (and poorly) caring for homeless individuals and families. Indeed, rigorous research shows that based on the most conservative assumptions - without taking into account the positive impacts on health status and employment status, or improvements to neighborhoods and communities - ***it costs little more to permanently house and support people with chronic health problems than it does to leave them homeless***.

Nationally, the successes of this intervention are both dramatic and well-documented:

- Studies have repeatedly shown that 80% of formerly homeless tenants of supportive housing remain housed there after one year.[1]
- Researchers from the University of California at Berkeley found that, in the first twelve months of a supportive housing placement, the same population reduced its use of hospital emergency room services by 58% and its use of inpatient services by 57%.[2]
- ***A study recently released by the University of Pennsylvania's Center for Mental Health Policy and Services Research tracked the cost of nearly 5,000 mentally ill homeless people in New York City*** for two years while they were homeless and for two years after they were housed. The study's central findings include:
  - ***It costs over $40,000 annually to keep mentally ill people homeless*** – with 86% of the costs borne by the public health care and mental health systems.
  - ***Supportive housing provides major reductions in costs incurred by homeless mentally ill people across the seven service and criminal justice systems studied*** with 72% percent of the reductions in health care costs - *$16,282 per occupied housing unit per year.*
  - The net cost of ending homelessness for this population – comparing the most conservative estimates of multiple-system cost reductions to the cost of high-quality supportive housing – is negligible. In other words, it cost

---

[1] U.S. Department of Housing and Urban Development. 1995. National Evaluation of the Supportive Housing Demonstration Project: Final Report. Washington: HUD.; Lipton, F.R. 1997. The New York-New York Agreement to House Homeless Mentally Ill Individuals: Summary Placement Report. New York: New York City Human Resources Administration / Office of Health and Mental Health Services.

[2] Proscio, T. 2000. Supportive Housing and Its Impact on the Public Health Crisis of Homelessness. New York: Corporation for Supportive Housing.

essentially the same amount to house people as it did to leave them homeless.

In Columbus/Franklin County, the outcomes from the Rebuilding Lives are similarly compelling. It is no exaggeration to say that Columbus/Franklin County was the first community in the nation to overhaul its approach to homelessness in recognition of over a decade's worth of on the ground experience by local supportive housing providers and studies from around the country. For over four years Columbus/Franklin County has focused on ending homelessness for individuals with long-term and repeated instances of homelessness by making available to them high-quality permanent supportive housing.

And it's working.

- Despite serving formerly homeless individuals with long-term and repeated incidents of homelessness, ***Rebuilding Lives supportive housing demonstrates individual housing stability that averages 1.5 years***. As no Rebuilding Lives supporting housing program has been operational for more than three years and most have just become operational in the last 18 months, the average length of housing stability will continue to increase.
- ***Over 93 percent of tenants retain their housing for one year or more*** and do not return to emergency shelter.
- ***The daily cost to operate a unit of supportive housing in Franklin County is $36-38, significantly less than the alternative service systems that would otherwise serve chronically homeless individuals with long-term needs***. For example: Minimum-security jail residence for a misdemeanor offence is $58 a day; a state psychiatric hospital stay costs $482 a day; inpatient hospital care costs $1,085 a day.
- Demand for currently operational supportive housing is so high that ***each Rebuilding Lives program is fully occupied at 90-99 percent of capacity***.

The development and operation of supportive housing assists large-scale efforts to revitalize economically depressed communities and helps tenants connect with the workforce. Not only do supportive housing organizations build or rehabilitate quality affordable housing that enhances neighborhoods, but they also contribute to local redevelopment efforts and economies by offering employment services to its tenants and, in some cases, by directly offering job opportunities on site or even launching new business ventures. For example, in 1996, the Corporation for Supportive Housing began *Next Step: Jobs,* a national employment demonstration involving 3,500 tenants of supportive housing living in 42 buildings. To measure the results of *Next Step: Jobs*, researchers studied the experiences of tenants in the program. ***Abt Associates' final report on the Next Step; Jobs initiative concluded that, after five years of employment supports, formerly homeless tenants substantially increase their employment and income***. In addition, researchers concluded that the government's savings in reduced public benefits to tenants and increased tax revenues more than pays for the public expenditures for supportive housing employment services.

Notably, here in Columbus/Franklin County, the Rebuilding Lives initiative was undertaken as part of a successful large-scale effort to redevelop the Scioto peninsula.

II. The Corporation for Supportive Housing (CSH)

CSH helps communities create permanent housing with services to prevent and end homelessness. As the only national intermediary organization dedicated to supportive housing development maintains eight field offices located in: California, Connecticut, Illinois, Michigan, Minnesota, New Jersey, New York and Ohio. Since its inception 12 years ago, CSH has helped non-profits and state/local governments across the country to end homelessness for chronically homeless people by providing permanent supportive housing. CSH offers loans, grants and technical assistance to supportive housing providers to address the health, mental health, substance abuse treatment, and employment service needs of homeless people through supportive housing. ***To date, CSH has committed $71 million in loans, grants and recoverable grants nationally—in over 1,100 funding actions to over 400 providers—to provide critical seed capital and financing to support the development of nearly 12,000 units of supportive housing.***

In 1999, CSH was invited to establish an office in Ohio by the Community Shelter Board (CSB), the Coalition on Homelessness and Housing in Ohio (COHHIO), and the United Way of Central Ohio. With financial commitments from the CSH National office and the United Way of Central Ohio, Columbus based foundations and businesses, CSH Ohio became a partner with the *Rebuilding Lives* Funder Collaborative. This new collaborative in Columbus was charged with implementing the *Rebuilding Lives* plan. Membership in the Funder Collaborative includes the City of Columbus, the Franklin County Commissioners, the United Way of Central Ohio, CSB, the Franklin County Alcohol, Drug Addiction and Mental Health Board, the Columbus Metropolitan Housing Authority, and local foundations. CSH's role is to bring to bear its technical and financial assistance to expedite meeting the *Rebuilding* Lives goal of creating 800 units of supportive housing.

To date, CSH Ohio has leveraged over $1.1 million in national philanthropy for Ohio to expand the capacity of local nonprofit organizations to create supportive housing for homeless persons. With a small staff of 3.5 full-time equivalents, four consultants and our national office, CSH-OH has ***assisted over 70 nonprofits and local government agencies***-- 14 of which are faith-based-- through technical assistance and grants, ***leading to the creation of over 400 Rebuilding Lives units currently in operation or under development.***

CSH Ohio is increasingly working with groups across the state, including in Cleveland, Toledo, Lancaster, Akron and Canton, Dayton, Lebanon, and Wooster as well as Columbus/Franklin County. For example, CSH Ohio staff facilitated the preparation of a five-year plan for the *Housing First* initiative in Cleveland and Cuyahoga County to create 1,000 units of supportive housing and continues to assist a twenty-three-member consortium in further refining this plan. In Toledo, CSH Ohio provided technical assistance, business planning expertise, and a small business loan ($50,000) to Neighborhood Properties, Inc, a nonprofit, to start a small business to employ NPI's tenants. Consistent with the work of the President Bush's Interagency Council on

Homelessness and reports of his New Freedom on Mental Health Commission, CSH Ohio is leading an effort to insure supportive housing providers access mainstream resources such as Medicaid, Workforce Investment Act (WIA), and Bureau of Vocational Rehabilitation funds. Finally, CSH staff has also presented workshops at statewide venues such as the Coalition on Homelessness and Housing in Ohio's annual conference, the joint annual housing conference of the Ohio Housing Finance Agency and the Ohio Capital Corporation for Housing and the annual conference of the Ohio Community Development Corporation Association.

III. Planning to End Homelessness—A Growing Movement

Over the past several years, policymakers at every level have taken a new look at homelessness. A consensus is emerging: we can and must plan to end—rather than simply manage—homelessness, especially for people with the biggest problems who tend to be most 'chronically' homeless – homeless repeatedly or for long periods of time – those with addiction, mental illness, HIV/AIDS, etc. Equally clear is the essential role of permanent supportive housing in this paradigm shift, given its proven track record for those chronically ill individuals and families who confront frequent or long-term episodes of homelessness.

Recognizing that long-term homelessness is a significant but solvable problem, the Bush Administration, Congress, and blue-ribbon commissions appointed to examine the nation's housing and mental health systems have adopted the goal of 'ending chronic homelessness' through the creation of enough permanent supportive housing to meet the need. In discussing his HUD budget proposal for FY 2004, President Bush reiterated on March 18, 2003:

> "As a nation, we must confront this problem and work to provide shelter and assistance to those in need. To enhance the quality of life for our citizens, my Administration remains committed to ending chronic homelessness..."

Meanwhile, Congress has stated in enacting each of the last three HUD appropriations bills its intention "that HUD and local providers increase the supply of permanent supportive housing for chronically homeless, chronically ill people over time until the need is met (estimated 150,000 units)". Both the President's New Freedom Commission on Mental Health and the Congressionally appointed, bipartisan Millennial Housing Commission (MHC) have specifically prioritized ending chronic homelessness. Most recently, the New Freedom Commission – chaired by Ohio Department of Mental Health Director Mike Hogan, recommended that "in partnership with the Interagency Council on Homelessness, HUD develop and implement a comprehensive plan designed to facilitate access to 150,000 units of permanent supportive housing for people who are chronically homeless." [3]

---

[3] *"Achieving the Promise: Transforming Mental Health Care in America,"* p. 43. CSH and others estimate that ending widespread chronic homelessness will require the creation of approximately 150,000 additional units of permanent supportive housing. While the best available research suggests that there may now be 260,000 chronically homeless people in the country, we recommend the creation of 150,000 new units of permanent supportive housing because: there will be some natural unit turnover each year; some individuals will need to take advantage of a

In short, the rest of the country and federal policymakers have increasingly come to the same conclusion that the homeless planning community in Columbus reached nearly 5 years ago. And its groundbreaking and innovative focus on ending chronic homelessness through the Rebuilding Lives initiative has earned Columbus/Franklin County recognition as a national leader in combating homelessness.

- On June 9, 2003, the lead editorial in the New York Times lauded Columbus for its pioneering approach to end chronic homelessness through the development of supportive housing with targeted medical and social services.

- CSB, Columbus, and Franklin County were identified as among the 25 top-performing communities across the United States in the annual competition for Continuum of Care Homeless Assistance Grants administered by HUD. A HUD study released during the summer of 2002 further singled out Columbus/ Franklin County generally as a "high-achieving" area in the field of combating homelessness, and the Community Shelter Board in particular for fostering an "atmosphere of success, accountability, and results."

- On March 19, 2002, the Community Shelter Board received the *2002 Nonprofit Sector Achievement Award* from the *National Alliance to End Homelessness*. CSB was recognized for its leadership and work to build the partnerships necessary to end homelessness. In June 2001, the Urban Institute released a new book on homelessness. In the book, *Helping America's Homeless: Emergency Shelter or Affordable Housing?* that cited *Rebuilding Lives* for its efforts to offer policy makers and practitioners valuable information to guide them in developing programs that prevent first time and repeat spells of homelessness.

- The US General Accounting Office (GAO) recognized the Community Shelter Board's work in its "*Homelessness: State and Local Efforts to Integrate and Evaluate Homeless Assistance Programs*" report released on June 29, 1999. This report recognized the Community Shelter Board as one of four model efforts from around the country to link and integrate their homeless assistance programs with mainstream systems and measure and evaluate outcomes for their homeless assistance programs.

It is opportune, then, that the Subcommittee has chosen to conduct this hearing in Columbus, which is quite literally at the cutting edge of ending homelessness generally, and targeting long-term homelessness in particular. The policy recommendations offered below are designed to ensure that the *Rebuilding Lives* initiative continues to drive that cutting edge with its innovation, and to help other communities implement the 'best practice' this initiative embodies. ***In a very real way, when it comes to evaluating reforms to federal homeless policy within this Subcommittee's jurisdiction, one can reasonably argue that "as goes Columbus/Franklin County, so will follow the rest of the country."***

---

complementary set of more intensive treatment programs; and a very small fraction may not be readily served by permanent supportive housing or treatment.

Policy Recommendations

CSH respectfully submits that creating 150,000 supportive housing units in the next decade is one bold but realistic objective this Subcommittee should adopt as a benchmark for its actions during the 108th Congress. Indeed, this goal would build on the Subcommittee's own leadership on homeless policy issues over the past half-decade, and add its powerful voice to a chorus that includes the Bush Administration, the VA-HUD Appropriations Committees in both houses of Congress, the Millennial Housing Commission, and the President's New Freedom Commission on Mental Health.

Today, I would highlight two policy strategies the Subcommittee should implement during this Congressional session to spur progress toward this ambitious goal both nationally and here in Ohio.

I. Ensure that HUD McKinney-Vento homeless assistance programs continue to sustain and produce permanent supportive housing.

The three programs authorized by the McKinney-Vento Homeless Assistance Act of 1987 —Shelter Plus Care (SPC), the Supportive Housing Program (SHP), and Section 8 Mod Rehab SRO —have been a significant source of funding for permanent supportive housing targeted to homeless persons with disabilities. Currently, these programs assist nearly over 50,000 supportive housing units nationwide, and over 700 units in Columbus/Franklin County. Indeed, given the Subcommittee's—and my—focus on housing production today, it is worth emphasizing at the outset that HUD's homeless assistance programs have for the past decade functioned as one of the few production engines of housing affordable to extremely low income households. This is due in no small part to the leadership of this Subcommittee during the 106th, 107th, and first session of the 108th Congress. Ensuring that these programs continue to generate new supportive housing requires, at a minimum, that this Subcommittee:

- **Authorize a Homeless Housing Permanence Account to provide a reliable, long-term source of funding for expiring operating subsidies to permanent supportive housing under the McKinney-Vento Shelter Plus Care (SPC) and Supportive Housing Program permanent housing component (SHP-PH).**

The annual appropriations for these programs cannot generate new permanent supportive housing if a substantial portion (and, eventually, all) of current year funding must be used simply to sustain existing supportive housing. Nor does it make sense as a matter of policy to require significant percentages of targeted federal "homeless" assistance funds to be spent on persons who, thankfully, are no longer homeless and instead live in permanent housing. However, ***communities are finding it increasingly difficult to plan and sustain their local HUD McKinney-Vento funded "Continuums of Care" – which include emergency shelters, transitional housing, employment and other programs as well as supportive housing – when they are uncertain whether Congress will provide sufficient funding to renew these critical subsidies,***

initially funded under the SPC and SHP-PH programs. Without reliable renewal funding for these subsidies, localities faced the specter of dismantling their homeless care systems rather than reinvigorating their efforts to end homelessness. HUD's latest estimates put the SPC and SHP-PH expiring subsidy burden at nearly $200 million in FY 2004 and project growth to nearly $600 million annually by FY 2006.

I should first briefly explain why rent and operating subsidies like those provided and SPC and SHP-PH are so crucial to permanent supportive housing. Reliable rent or operating subsidies are the engine that drives permanent supportive housing as a financial proposition because formerly homeless tenants of supportive housing are extremely poor and cannot pay sufficient rent to cover the costs of operating the housing in which they live.

To understand why this is so, consider the following facts. For those supportive housing tenants whose mental illness or other chronic health condition is deemed too disabling for them to work, the Supplemental Security Income (SSI) program provides them a modest monthly income. Indeed, in Ohio, such benefits are $545 per month. Using the standard of 30% of adjusted income going toward housing, this person could afford to pay about $163 per month in rent--not enough to cover the cost of operating housing in the Columbus area, where HUD estimated the Fair Market Rent for a 1 bedroom apartment in 2002 to be about $496. Even a minimum wage job, which at a 40 hour work week yields an annual income of about $10,300 and a monthly income of about $860--does not provide enough income for an individual to afford a 1 bedroom apartment in Columbus. ***Multi-year rent or operating subsidies under SPC and SHP-PH and similar programs make up the difference between what such extremely poor tenants can afford to pay in rent and the costs of operating the housing, transforming supportive housing into a viable financial proposition from the perspective of the supportive housing provider, and – even more important—truly into a permanent place to call home for its tenants.***

Rent and operating subsidies play another crucial role as well; namely, they enable supportive housing providers to leverage investments that meet the capital and supportive services funding needs of permanent supportive housing. For example, when a project sponsor has a reliable operating subsidy to make up the difference between what those tenants can afford to pay in rent and the actual costs of operating the housing, private sector investors in the Low Income Housing Tax Credit (LIHTC) are willing to place tax credit equity in the supportive housing project because they know the project will be able to continue serving extremely poor, formerly homeless tenants and remain financially viable. ***This means developers like National Church Residences can purchase property and construct or rehab buildings for their projects.***

Conversely, without the guarantee of an ongoing operating subsidy—whether from a mainstream program like Section 8 or McKinney-Vento programs like SPC, the SHP-PH, or the Mod Rehab SRO program—capital sources such as the LIHTC or HOME program will not be invested in permanent supportive housing that serves extremely poor tenants. Further, those who <u>do</u> invest will protect their investment over the long term by insisting that --in the event of the discontinuation of subsidies--even mission-driven, non-profit developers plan for the eviction of such tenants in favor of higher income households who can afford rents that will cover the full operating costs of the building.

A similar dynamic governs the services side of the supportive housing equation. Funders of mental health, substance addiction, employment and other services—mostly state and local government entities like the Franklin County Alcohol, Drug Addiction and Mental Health Board (often combining their own revenues with federal 'pass through' funds)—want to be certain that if they underwrite the services in a permanent supportive housing project, the units in that project continue to serve the population whose needs these agencies are mandated to address. But the only mechanism that can allow a supportive housing developer to house extremely low-income tenants is the presence of an ongoing operating subsidy. Simply put, if the operating subsidy evaporates, so does the supportive housing provider's ability to house the target population of the service funding agency, which rapidly threatens the supportive services overlay of the entire project. A reliable operating subsidy, then, is key not only to leveraging capital investments to cover so-called 'hard-costs' of developing supportive housing, like acquisition and construction, but also to obtaining the funding for needed supportive services.

Loss of an operating subsidy is also devastating for supportive housing that relies on the private rental market. By no means does all supportive housing take the form of multi-family projects developed and operated by non-profits. In fact, nearly one-half of the McKinney-Vento SPC program's 27,000 units nationwide consist of units rented in the private market and ***the Rebuilding Lives initiative makes extensive use of scattered-site apartments distributed geographically across the community.*** Tenants of these units receive supportive services delivered by local public and non-profits agencies. Private landlords are willing to rent to this vulnerable population because they know they can rely on the federal government to subsidize the tenants rent and on local service providers to make sure the tenants continue to address their special needs. ***If these landlords receive any signal, however, that the rent subsidy cannot truly be counted upon, they will exit the program or evict tenants who can no longer afford the rent.***

I. FY 1999-2000: A Gathering Storm— Mounting SPC and SHP-PH Renewal Costs

For all of these reasons, the mounting costs of renewing expiring SPC and SHP-PH subsidies out of an essentially static McKinney-Vento Homeless Assistance account had, by fiscal years (FY) 1999 and 2000 created a crisis within local Continuums of Care. The prospect of having to "rob Peter to pay Paul" loomed especially large in innovative Continuums like Columbus/Franklin County that had emphasized permanent supportive housing. Indeed, CSH, CSB and others involved in *Rebuilding Lives* recognized that, without Congressional action, the Columbus/Franklin County Continuum of Care would soon confront a scenario in which the funding it could expect to receive from HUD in the Continuum of Care competition—notwithstanding its consistent ranking as a top performer—would no longer suffice even to renew its permanent supportive housing programs, much less sustain the other elements of its continuum of housing and services or to make further progress in combating homelessness.

II. FY 2001-FY 2003: This Subcommittee Leads Congressional Action

Beginning with the FY 2001 HUD appropriations bill, Congress has enacted temporary measures to avert this crisis, thanks in large measure to the leadership of this Subcommittee. Heeding the message communicated by bi-partisan authorizing bills introduced within this Subcommitee (see Note 4, infra), Congressional appropriators have in each of the past three fiscal years provided enough incremental funding in the McKinney-Vento Homeless Assistance Grants account to renew all expiring SPC subsidies, while maintaining at the remainder of the Homeless Assistance Grants at its FY 2000 funding level ($1.023 billion). In its proposed HUD budget for fiscal year 2004, the Administration requested $194 million within its overall McKinney-Vento request of $1.375 billion to cover expiring SPC subsidies. On July 14th, the House VA-HUD Appropriations Subcommittee included the same amount in its proposed allocation to the McKinney-Vento account of $1.242 billion.

These additional appropriations-- $100 million each in FY 2001 and FY 2002, $193 million in FY 2003, and $194 million in FY 2004 (pending)—represent significant steps in the right direction. In Columbus/Franklin County alone, expiring subsidies costing over $3 million annually assist over 500 units of permanent supportive housing. They have, moreover, enabled communities across the country to continue to make progress in creating supportive housing for disabled homeless individuals and families who need it. Combined with the requirement that 30% of the annual McKinney-Vento appropriation be targeted to permanent supportive housing (discussed further below), these funding increases spurred the creation of nearly 20,000 new permanent supportive housing beds in the FY 2001 and FY 2002 Continuum of Care funding rounds, including dozens of new units in Columbus/Franklin County. This incremental funding has simultaneously enabled Columbus/Franklin Countyu and other localities to sustain other needed existing and new homeless housing and services programs, including critical street outreach and transitional housing for homeless families.

III. FY 2004: Ending the Uncertainty—the Homeless Housing Permanence Account

The foregoing measures—while welcome—are simply stopgaps. Moreover, they fail to provide a reliable source of renewal funding for expiring subsidies to permanent supportive housing under the Supportive Housing Program, an indefensible distinction on either pragmatic or fairness grounds.

This accounts in part for the decline in incremental supportive housing beds funded in the Continuum of Care from over 11,000 in FY 2001 to just under 9,000 in FY 2002. And the outlook for all of these essential subsidies remains uncertain in the current and future fiscal years. The status quo sends a troubling signal to local and state governments, low income housing tax credit investors in thousands of units of supportive housing, private landlords who participate in the SPC program – and most importantly – to the vulnerable tenants of SPC and SHP-PH units, whose housing cannot now truly be called 'permanent.' The time has come to move beyond stopgap measures toward a permanent solution.

Prior to the FY 2003 appropriations process, a clear consensus had emerged among advocates and within this Subcommittee regarding the appropriate strategy; namely, renewing expiring SPC and SHP-PH subsidies from the Housing Certificate Fund which pays for equivalent rent subsidies initially funded under the Section 8 Housing Choice Voucher program and-- even more compelling-- under the McKinney-Vento Mod SRO Rehab program (the third set of operating subsidies to permanent supportive housing whose initial term the Homeless Assistance Grants account funds). This approach had been endorsed in several pieces of authorizing legislation introduced in the 106th, 107th, first session of the 108th Congress[4] as well as by the bi-partisan Millennial Housing Commission.

In enacting the FY 2003 HUD appropriations bill, however, Congress significantly altered its approach to renewing expiring Section 8 subsidies (both under the old project-based program and the existing Housing Choice Voucher program). While reiterating its ongoing commitment to renew all expiring subsidies, so that no tenant of Section 8 assisted housing would be displaced, Congress restructured the appropriations accounts that funded these renewals. Specifically, the final FY 2003 HUD appropriations bill created separate accounts within the Housing Certificate Fund for renewing tenant-based vouchers and project-based assistance.

CSH, therefore, recommends an approach that would extend this commitment to ongoing renewal funding to expiring SPC and SHP-PH subsidies consistent with Congressional appropriators' new approach to the Section 8 program. Specifically, we endorse authorizing the creation of a new appropriations account—the Homeless Housing Permanence Fund, which would put an end to concern about reliability of funding for these critical subsidies.

Transferring responsibility for renewal of these operating subsidies to a newly created Homeless Housing Permanence Account – without corresponding reductions in McKinney-Vento funding--would carry out Congress's intent in enacting the McKinney-Vento Homeless Assistance Act of 1987. From the Act's inception, Congress made clear its expectation that federal agencies would integrate successful McKinney-funded strategies for helping persons experiencing homelessness into their mainstream housing and services programs. Recently, the Administration and others have drawn attention to the need for the Department of Health and Human Services (HHS) to take such steps in its mainstream services programs. HUD has a duty to join other agencies in bringing its mainstream resources to bear on the issue of homelessness in a sound fashion. Shifting the renewal of these expiring subsidies, so that the current year McKinney appropriation can be invested in incremental units of supportive housing and other essential components of local Continuums of Care, furthers this sound strategy.

Congress cannot justify assuring so many tenants and developers of Section 8 subsidized permanent housing reliable renewal of operating subsidies from the

---

[4] Authorizing legislation introduced included: ***H.R. 1073, the Homeless Housing Programs Consolidation and Flexibility Act of 1999*** (introduced by then-Subcommittee Chair Rick Lazio); ***H.R. 888, The Homeless Prevention and Permanent Housing Act of 2001*** (introduced by then- Committee Ranking Member John LaFalce), and ***H.R. 3995, the Housing Affordability for America Act of 2002***, (introduced by then-Subcommittee Chair Roukema).

Housing Certificate Fund, while failing to extend this protection to tenants and developers of SPC and SHP-PH housing. In honoring a public commitment that no Section 8 subsidy would be defunded so as to displace subsidy-holders from housing, Congress and two successive Administrations have recognized that "permanent housing" should truly mean "permanent" --from the perspective of both the poor tenant who lives in federally subsidized housing and that of the non-profit developer or private landlord who relies on that subsidy. Yet now, while the tenant of any Section 8 housing in Ohio or elsewhere can count on their subsidy being available next year, the tenant of a SPC or SHP-PH project – who is likely to be at least as poor and have challenges beyond economic instability-- has no such guarantee.

Let me make the unfairness—and irrationality—of the status quo crystal clear in the context of Columbus/Franklin County. A disabled, chronically homeless tenant who enters the new Commons at Grant project—or indeed lives in any of the other 200 or so units of *Rebuilding Lives* housing that receive Section 8 assistance—can rely on Congress' stated commitment to fully fund every single one of those subsidies upon their expiration.[5] By contrast, disabled, formerly homeless tenants of the over 500 units of permanent supportive housing in Columbus/Franklin County's Continuum of Care assisted by the SPC program face the uncertainty of whether Congress will through the FY 2004 appropriations process preserve the additional $194 million needed to fund expiring SPC subsidies nationally without eating into other McKinney-Vento funded local programs. Finally, Congress has to date made no commitment whatsoever to provide additional funding to renew the subsidies of the disabled, formerly homeless tenants who live in SHP-PH assisted housing that the Community Housing Network operates in Columbus/Franklin County. Accordingly, CSB and others face the prospect of pitting those renewals against other needed existing or proposed homeless housing and services programs in the Continuum of Care.

Increasingly, non-profits, localities, states, and the federal government are reorienting their approach to homelessness toward a real endgame. As noted, Columbus/Franklin County is truly the national leader in this movement. I urge the Subcommittee to ensure that supportive housing is part of a comprehensive and well-funded strategy to bring this about – one that begins with homelessness prevention and ends with permanent housing for all Americans. ***The first step is to sustain the supportive housing that communities like Columbus/Franklin County have already developed. Otherwise, the promising new resolve and consensus in this area are doomed to failure.***

I must emphasize the importance that Congress act this year to resolve for good this ongoing crisis. In the absence of decisive action, the vulnerable tenants of permanent supportive housing in Columbus/Franklin County and across the country risk the loss of their housing, and dedicated local stakeholders like CSB and its public sector partners in the *Rebuilding Lives* initative-will be unable to sustain their existing portfolio of supportive housing, much less to develop the additional units needed to end long-term

---

[5] I am aware that others on this panel will be discussing the potential impact on Congress's ability to keep this commitment of proposals to change the renewal funding formula and/or to block grant the Housing Choice Voucher program. Nonetheless, neither the Administration nor the HUD Appropriations Subcommittees have sought to renege on the commitment itself.

homelessness among people with chronic health challenges in Columbus/Franklin County, the State of Ohio,[6] and the nation as a whole.

Simply put, the dangers to the progress we have made on this issue are too great, and time is running too short, for the McKinney-Vento permanent housing renewal crisis to reach the end of the 108th Congress without final, positive resolution. If the only viable legislative option for authorizing renewal of expiring SPC and SHP-PH subsidies from a separate Homeless Housing Permanence Fund turns out be to excise the relevant legislative language from more comprehensive – and perhaps controversial--housing bills and enact this provision as part of the fiscal year 2004 HUD appropriations bill, then those in Congress who care about this crisis must work to make that scenario a reality. CSH respectfully submits that this critical moment will approach rapidly after Congress returns from the August recess. I urge the Subcommittee not to let it pass.

- **Enact authorizing language targeting 30% of annual McKinney-Vento grants to permanent housing.**

Prior to recent leadership by this Subcommittee and others in Congress, the McKinney-Vento programs were undergoing a sea change away from housing development and into underwriting the costs of supportive services.

- Over the three fiscal years FY 1996-1998, McKinney-Vento funding of long-term rent subsidies for permanent supportive housing dropped nearly 75%. In the three fiscal years from 1993-1995, long-term rent subsidies under the McKinney-Vento programs accounted for 40% ($970 million) of total federal homeless funding ($2.4 billion). By contrast, from FY 1996-1998, long-term rent subsidies garnered only 14% ($347 million) of total federal homeless funding ($2.47 billion).

- The picture was equally grim when the analysis included McKinney-Vento funding of capital costs of permanent housing for the homeless. In 1993, fully 70% of federal homeless assistance funding was targeted to permanent housing. By fiscal year 1997, permanent housing received only 18% of McKinney funding, and this percentage increased only slightly (to 23%) in 1998.

In short, one of the few remaining production programs for housing for the poorest, most disabled Americans was quickly grinding to a halt.

Simultaneously, McKinney funding of supportive services skyrocketed, rapidly engulfing well over half of the annual McKinney appropriation each year. While services are clearly an integral part of effective interventions for vulnerable populations CSH and others became and continue to be concerned that HUD has assumed the lead role of funding services for the homeless that should be underwritten by other local, state, and federal agencies. HUD Secretary Martinez has recently echoed these concerns.

---

[6] CSH Ohio recently completed an analysis of 83 of the 88 Continuums of Care in the state that revealed an estimated need for over 5,000 additional units of permanent supportive housing.

The two prior Chairs of this Subcommittee, and many of its members, were deeply troubled by these trends. Mr. Lazio and Ms. Roukema each included the 30% set aside in bills addressing homeless issues (H.R. 1073 and H.R. 3995 respectively, see Note 4, supra) Their actions and direct communication with VA-HUD Appropriations Subcommittee Chairman Walsh, were critical to the inclusion in the last 5 HUD appropriations bills of a requirement that a minimum of 30% of McKinney-Vento funds be targeted to permanent housing.

While this particular floor for a "permanent housing set aside" (as it has come to be known) is not magical, CSH submits that it has become a meaningful figure; therefore, we urge you Chairman Ney and other Members of the Subcommittee, to make it a permanent feature of the McKinney-Vento programs.

I. The Significance for Housing Production of Subcommittee Action on the SPC/SHP-PH Renewal Crisis and the 30% permanent

Again given today's focus on housing production, ***it is worth noting the significance these actions measure could have for the production of new permanent supportive housing***. In combination with resolving the renewal issue described above, making the 30% permanent housing targeting requirement a permanent feature of HUD homeless programs could alone subsidize nearly 100,000 new units of housing over the next decade at current funding levels (adjusted for inflation). More precisely, if McKinney-Vento Act Homeless Assistance funding were maintained at current levels (adjusted by an assumed 2% inflation factor), and current year appropriations did not have to provide renewal for expiring operating subsidies to existing permanent supportive housing, 30% of annual McKinney-Vento appropriations would yield a funding stream – about $300 million per year inflation-adjusted-- sufficient to provide Shelter Plus Care rent subsidies (inflation-adjusted from their 1999 annual cost of $6,100) or their equivalent to support nearly 10,000 units of additional supportive housing each year. Put another way, these two measures alone could generate the deep operating subsidies for fully two-thirds of the 150,000 unit goal.

The proof for this claim is already in the pudding; as noted, the FY 2001 and FY 2002—funding rounds for the Continuum of Care—when Congress provided one-year fixes for expiring SPC renewals and similarly imposed the 30% set aside on an annual basis—the McKinney-Vento Homeless Assistance Grants created nearly 20,000 new units of permanent supportive housing nationwide. Hundreds of these units have come on-line right here in Franklin County and in the 87 other Continuums of Care that operate across Ohio. The time has now come for this Subcommittee to ensure that the McKinney-Vento Homeless Assistance Grants function as a housing production engine for innovative and effective local initiatives, like *Rebuilding Lives,* that are seeking to end long-term homelessness throughout Ohio.

II. Enact legislation and encourage HUD to implement regulatory strategies that will close the affordability gap for households below 30% AMI who confront severe housing cost burdens.

The facts on homelessness and the lack of affordable housing in America are stark. In addition to the 2.3 – 3.5 million people that the Urban Institute estimates can expect to experience homelessness in the coming year (over 800,000 at any given time), reports by the Joint Center on Housing Studies at Harvard University and the Congressionally-appointed Millennial Housing Commission (MHC) reflect ***the growing national consensus that there is not enough housing, particularly for very poor people. The MHC report states that there are 6.7 million units affordable to the nation's 8.5 million extremely low-income renter households (those with incomes below 30% of area median income).***

Competition for affordable units with members of higher income groups further exacerbates the shortage. According to the Joint Center report, over half of the lowest income renter households end up paying more than 50 percent of their incomes in rent, and 14 percent of all lowest income households end up living in units that are overcrowded and/or structurally inadequate.

Simply put, so long as this housing affordability gap persists for many low and extremely low income families, it guarantees that some individuals and families will be displaced from their homes into the streets and shelters every year. Ending this tragic game of housing musical chairs, then, is the other necessary step in ending homelessness.

To that end, CSH proposes two specific housing policy strategies to the Subcommittee.

- **Work to expand upon and improve the tools already in toolbox of HUD and our nation's tax laws to close this affordability gap.**

McKinney-Vento homeless assistance funds targeted to permanent housing will not alone suffice to meet the 150,000 unit goal. It is critical that, therefore, that ***the Subcommittee incentivize mainstream federal affordable housing programs to generate permanent supportive housing for the chronically homeless.*** These include other supportive housing programs--such as the HUD 811 (Supportive Housing for Persons With Disabilities) and HUD 202 (Supportive Housing for the Elderly)—as well as general affordable housing/community development programs like Section 8, HOME, CDBG and the Low Income Housing Tax Credit). While each of these programs has to date spurred the development of some supportive housing they can and should do more.

It is important to understand that, as a matter of pure housing finance, supportive housing presents a "heavy lift" for most of these programs. As mentioned previously, units in supportive housing that serve extremely low income persons--defined by HUD to be those below 30% Area Median Income (AMI) – simply cannot, from collecting rents affordable to tenants, cover operating costs or service debt on capital invested in acquisition, construction, or rehabilitation from charging rents affordable to tenants. Tenants at or below that level of income (about $6,400 nationally) can afford no more than $150 per month in rent. ***Consequently, federal housing programs must individually or collectively put in place deep capital and operating subsidies to make supportive housing work as a financial proposition.***

In the absence of strong mandates or incentives, however, it is easier for these programs instead to assist projects serving households between 30-50% AMI (where the median income can sustain a $360 monthly rent) or between 50-80% AMI (where the median income can sustain a $614 monthly rent) who are also eligible for assistance. ***For this reason, although programs like the HOME rental housing component and the LIHTC can and have been used in supportive housing (indeed CSH has worked with our non-profit partners on over 4000 units of housing that received over $200 million in tax credit equity), on average they serve households at approximately 40% of area median income.***

However, special opportunities exist now to streamline and incentivize some of these programs to encourage the creation of new supportive housing. For example, Congress recently enacted a 40% increase in the LIHTC and streamlined the project-based voucher option under Section 8. To create 150,000 new units requires capitalizing on these opportunities. ***We urge the Subcommittee to:***

- ✓ ***Encourage PHAs to follow the lead of the Columbus Metropolitan Housing Authority in targeting both tenant-based and project-based Section 8 assistance to supportive housing.*** As noted, deep operating subsidies—particularly those that can enable supportive housing operators to service debt—are often the key to putting the supportive housing financing puzzle together. The Section 8 program is an enormous potential source of such subsidies. This is particularly so in light of Congress' recent revisions to the project-based voucher statute and increase in the percentage of their portfolio that PHAs may project-base to 20%. PHAs like CMHA, which has provided *Rebuilding Lives* with over 250 Section 8 tenant and project-based subsidies, should be rewarded for targeting Section 8 assistance to supportive housing for people who are chronically homeless.

- ✓ ***Incentivize states and local jurisdictions to target mainstream capital resources to supportive housing.*** For example, if utilization rates of Section 8 subsidies remain at or close to current levels, Congress might consider incentivizing states and localities to target mainstream capital dollars such as HOME funds—which I know is a focus of the this hearing—to permanent supportive housing.

- **Enact a National Housing Trust Fund or an equivalent new federal housing production program targeted primarily to extremely low income families.**

CSH joins over 4,600 other organizations in endorsing the creation of a National Housing Trust Fund to help to answer the crisis by providing for 1.5 million additional affordable housing units over the next 10 years, targeted primarily to

extremely low income households. Legislation to enact a NHTF has been introduced in both the House of Representatives and the Senate (H.R. 1102 and S. 1411).

We are aware that there is substantial disagreement within the Subcommittee, and throughout Congress, over the wisdom of enacting a National Housing Trust Fund. Notwithstanding that H.R. 1102 has over 200 sponsors in the House of Representatives, it is clear that action on the bill is breaking down largely along partisan lines. This need not be so—trust funds are proven vehicles for stimulating housing production via a dedicated funding source at the state level. (Indeed, others have or will undoubtedly make you aware, Ohio in this legislative session for the first time dedicated a source of revenue to its state housing trust fund.) We hope that you, Mr. Chairman, can help to break this impasse and bring into being a National Housing Trust Fund.

If, however, the Subcommittee cannot enact a National Housing Trust Fund, I close by urging that in its stead, you must promulgate an initiative that is its equal both in magnitude and targeting of new federal housing assistance. The need for action on this decisive and significant scale should be clear to those on both sides of the aisle—the bi-partisan Millennial Housing Commission recommended the enactment of a large scale capital subsidy program targeted substantially to the extremely low income, although it did not use the phrase "National Housing Trust Fund." ***Bluntly put, all of the policy recommendations CSH has made regarding HUD homeless assistance—though critical to combating long-term homelessness—will in the end simply 'rearrange deck chairs on the Titanic' when it comes to ending <u>all</u> homelessness if the federal government does not resume its role as a full partner to states and localities in addressing the affordable housing crisis among extremely low income households.***

PRO-Private Police Training Academy
Executive East - 3473 East Livingston Avenue, Columbus, Ohio 43227
off: (614) 231-4966 || fax: (614) 231-4977
Commander: *Cornell H. McCleary* (614) 471-2004

July 29, 2003

U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity
2129 Rayburn House Office Building
Washington, DC 20515

Honorable Members of the Subcommittee on Housing and Community Opportunity:

I would like to thank the Subcommittee Chairperson Bob Ney and Congresswoman Maxine Waters for bring this hearing to the City of Columbus, Ohio. I would also like to give special acknowledgement to Subcommittee member, and our Congressman, Pat Tiberi for his ongoing efforts and political leadership in helping Central Ohio realize it's true potential for growth and prosperity.

As a community activist, a professional security consultant and a private investigator with 20 plus years of experience, it is my pleasure to provide testimony regarding the current operation and administration of the Section 8 Housing Assistance Payment Program and related issues.

A Community Under Siege

In the interest of time and space I shall cut to the chase and go directly to the matter at hand. Columbus, Ohio is quickly becoming the Murder Capital of America with an overwhelming number of both the victims and assailants being African-Americans. Dead center of this horrific development is Section 8 and Subsidized Housing tenants, developers and property managers of the same.

The testimony herein is based upon personal research involving public records conducted by this witness as a direct result of the May 29, 2003 slaying of a 4 week old African-American infant child (shot in the head) along with her father who was also murdered at the same time, the June 12, 2003 shooting of an African-American teen sitting on his porch in the same neighborhood as the infant and her father, with both properties being owned by the same Section 8 and Subsidized Housing developer. This testimony also includes public records research of another group of Section 8 and Subsidized Housing developers that this witness happened upon during a former Burglary investigation whose operational practices are similar to the developers/property owners of both the teen shooting victim and murder victims.

The following organizations and groups have been researched by witness reviewing public records on file with the Columbus Division of Police (police calls-Computer Aided Dispatch System), the Franklin County Sheriff's Office (arrest records), the Franklin County Auditor's Office (property ownership records), the Ohio Secretary of State's Office (corporate filing and partnership records) and the Franklin County Recorder's Office (recorded deeds, mortgages and agreements):

EXHIBIT
5

NOTE* **Collectively, the following named organizations reflect pass or present property ownership or management of a significant portion of the most crime ridden properties in Columbus, Ohio.**

Community Properties of Ohio, Inc.
88 East Broad Street, Suite 1800
Columbus, Ohio 43215

Community Properties of Ohio III LLC
88 East Broad Street
Columbus, Ohio 43215

David W. Houze, President
Medallion Limited Partnerships,
Corporations and the General Partner

DAVID W. HOUZE AGENT:

Sanderfur Builders, Inc.
Wayne Holdings Corporation
C.E. Investments, Inc.
Pet Imaging of Columbus, LLC

Harold D. Keller, President
Ohio Capital Corporation For Housing, Managing Member
88 East Broad Street, Suite 1800

Medallion Current and Former Partnerships (Section 8 and Subsidized Housing Developers/Property Owners:

Momentum 75 (Agent, Broad Street Management, Inc.)
1976 Mortgage Deed of $ 1,488,100

Horizon, LLC
1980 Mortgage Deed of $ 5,377,700

Rehab Unlimited 74, LLC
1974 Mortgage Deed of $ 1,868,800

Encore, LLC
1977 Mortgage Deed of $ 3,359,900

Odyssey, LLC
1980 Mortgage Deed of $ 5,151,100

Polaris, LLC
1979 Mortgage Deed of $ 4,975,800

Discovery 76, LLC
1976 Mortgage Deed of $ 4,201,700

Citation, LLC
1979 Mortgage Deed of $ 4,458,600

Other Columbus Crime Ridden Section 8 and Subsidized Housing Developers /Property Owners:

Uptown Village LTD
52 E. Fifth Avenue
Columbus, Ohio 43201

National Management Corporation
52 E. Fifth Avenue
Columbus, Ohio 43201

Security Properties-80
1201 Third Avenue, Suite 5400
Seattle, WA 98101-3031

Broad Street Management, Inc.
935 E. Broad Street
Columbus, Ohio 43205

The Smoot Corporation formally
The Smoot Development Corporation
Agent: J. Jeffrey McNealey
Porter, Wright, Morris & Arthur
41 S. High Street
Columbus, Ohio 43215

Partnerships of The Smoot Development Corporation:

Robuck Investments, Inc.
875 E. Broad Street
Columbus, Ohio 43205

Robuck Properties
859 West Mound Street
Columbus, Ohio 43223

Robuck Investment Partnership
875 E. Broad Street
Columbus, Ohio 43205

S.R.P. Limited Partnership
SRP Housing I thru Eight Limited Partnership
875 E. Broad Street
Columbus, Ohio 43205

The Section 8 Housing Assistance Payment Program was authorized under Section 8 of the U.S. Housing Act of 1937. For both practical and political purposes, to implement the Act in furtherance of providing rental assistance to low-income families and individuals, a coalition of private developers, private/ public financial institutions, Public Housing Agencies as well as, federal, state, county and local public service agencies were required. The unintended consequences of having such a mighty coalition was that, political (well established politically active individuals and corporations) and financial considerations (the injection of investors) took priority over the quality of life and project merits that reflected the best interest of low-income families and the respective communities in which many of these so-called affordable housing units were installed.

Now comes the Bush Administration in its FY 2004 budget proposing to convert the Section 8 Housing Choice Voucher Program into a State-Administered Block Grant. The logical negative consequences of such an act would be, to convert the entire low-income affordable housing process into one of a political access process. Such a process political access process would not foster low-income affordable housing projects based upon merits, community stability criterion or comprehensive community-based planning.

Should the Subcommittee on it's own seek further factual information relating to issues raised by this witness, the Subcommittee, seeking out the above-indicated public records relating to the above-indicated organizations and enterprises would, more than educate Subcommittee members regarding program abuses and the potential for additional serious problems to plague a program already screaming for reform if, the current Section 8 Program were in fact converted to a State-Administered Block Grant Program.

Also, should the Subcommittee, in furtherance of advancing the public interest, seek additional public information relating to the current and former administrative/development practices of the above-indicated businesses and organizations regarding the Section 8 Rental Assistance Program, the Subcommittee on it's own will find, but not limited to, the following:

- Systemic problems of program oversight and awarding of contracts based upon personal political relationships that have resulted over time between private developers, state, county and local public officials.

- Many instances of inflated property appraisals on the part of developers to attract investors.

- Systemic problems relating to developers and private property managers maintaining Section 8 and subsidized housing units in a clean and safe manner consistently.

- Systemic problems relating to developers, private property managers and Columbus Metropolitan Housing Authority properly screening tenants regarding criminal records and monitoring tenants and criminal activity occurring on their respective properties.

- Systemic problems relating to developers and private property owners having appropriate security-related budgets required precluding low-income housing units and multi-family low-income housing complexes from becoming public nuisances.

- Systemic problems relating to developers and private property managers having appropriate budgets for legal expenditures required to remove undesired tenants who engage in illegal criminal and breech of the peace activities who are participants in the Section 8 Program or guest of the same.

Thank you for your consideration of these comments. If you would like to discuss any of these points further please feel free to contact me at (614) 231-4966.

Respectfully Submitted,

Cornell H. McCleary, Commander
PRO-Private Police Training Academy

Cornell H. McCleary

610 WTVN's talk show host Cornell McCleary was born in Philadelphia, Pennsylvania. Cornell came to Columbus, Ohio in 1971. He has about 10 years of combined military service having served Honorably in the U.S. Air Force, the U.S. Army, the U.S. Army Reserves, The Ohio National Guard and the Ohio Air National Guard.

Cornell has a Bachelor of General Studies Degree (concentrations in Aerospace Avionics Applied Engineering, Business Administration, Law Enforcement and Computer Science), from Capital University, in Bexley, Ohio and, two Associate Degrees from the former Columbus Technical Institute (CTI) located in Columbus, Ohio. Cornell's degrees from CTI are an Associate of Applied Science Degree in Law Enforcement Technology and a Associate of Technical Studies Degree in Electronic Countermeasures /Security.

Cornell, for the past 20 years has been a private investigator and is currently CEO of Benchmark Investigative Services, Inc., Commander of PRO-Private Police Agency, Commander of Task Force Special Police Agency, LLC, and Commander of PRO-Private Police Training Academy.

He is certified by the State of Ohio's Peace Officer Training Council (OPOTC) to teach peace officers as both an expert and Special Subject Instructor in the areas of Surveillance, Patrol of Private Property, Interviewing and Self Defense. He is also certified by the Ohio Peace Officer Training Commission, the former Ohio Peace Officer Training Council, as a Unit and Topic Instructor for OPOTC's Certified Private Police/Private Security training program in the Subject areas of: Program Orientation, Role of Private Security, Overview of The Legal System, Criminal Law, Liability, Laws of Arrest, Search & Seizure, Evidence, Public Relations, Crisis Situations, Substance Abuse, Sexual Harassment, Juveniles, Dealing with Persons with Developmental Disabilities, Cultural Sensitivity, Field Note Taking, Report Writing, Interviews, Communication Systems, Interpersonal Communications, Observations & Descriptions, Physical Security, Information Security, Retail Security, Personnel Security, Internal Theft, Crime Prevention, Fire Safety, Occupational Safety, Patrol Techniques and Crowd Control. In the area of computer technology, Cornell is officially certified by CompTIA as a A Plus Certified Professional.

He has also written and published several special reports and works dealing with various subjects: "Can You Keep a Secret?: a handbook on illegal surveillance"; "Fighting Mad: a citizens view of the drug crisis in Columbus, Ohio"; "Technological Innovations in Law Enforcement", a report which outlined how the Columbus Division of Police could be modernized with technology; and "The Urban Criminal Assault Program": Reclamation of a Community.

Also, for the past 20 years, Cornell has been a super community and political activist in the State of Ohio. He was the former Ohio Republican Party's Statewide Minority Outreach Coordinator, former 1st Vice President of the Ohio Coalition of Concerned Black Citizens, the former Ohio N.A.A.C.P.'s Chairman of Legislative Lobbying Committee, former 1st Vice President of the Columbus, Ohio Chapter of the N.A.A.C.P. and the former Chairman and CEO of Central Ohio's East Central Citizens Organization (ECCO).

THE GENERAL ASSEMBLY OF
THE STATE OF OHIO

OHIO SENATE

HONORING CORNELL H. McCLEARY
FOR DISTINGUISHED PUBLIC SERVICE

On behalf of the members of the Senate of the 122nd General Assembly of Ohio, we are pleased to recognize Cornell H. McCleary for your valuable contributions to the citizens of Central Ohio.

You are, indeed, to be commended for your prominent role in the civic affairs and political activities of your community. Considering your productive efforts as chairman and chief executive officer of Benchmark Investigative Services, Inc., as president of Urban Development Specialist, as a high rise fire safety director, as a certified special instructor in the areas of surveillance, patrol of private property, and self-defense, as founder of the Civilian Criminal Activity Task Force, as vice president of the Columbus NAACP, as chairperson of the Legislation and Lobbying Committee for the Ohio NAACP, as a Near East Area Commissioner, as vice president of the Columbus Chapter of the Ohio Coalition of Concerned Black Citizens, Inc., and as chairperson of the board of trustees of East Central Citizens Organization, it is no surprise that you have won such a host of admirers.

Whether occupying center stage or working conscientiously in the wings, you have always made your influential presence felt. To your credit, you have shown just how much can be accomplished by a highly motivated, industrious person, and you can be proud that your vision and vitality have inspired many who know you to dedicate themselves similarly.

Thus, with great pleasure, we applaud you for the character and commitment that have earned you special recognition and extend best wishes for a bright, rewarding future.

PRESIDENT OF THE OHIO SENATE

Senator Richard H. Finan
President of the Ohio Senate

Senator Bruce E. Johnson
3rd Senatorial District

Written Testimony

Cynthia K. Ring, Executive Director for the Allen Metropolitan Housing Authority

for a hearing regarding

Housing and Economic Policy in the State of Ohio

before the

Subcommittee on Housing and Community Opportunity

July 29, 2003

Chairman Ney, Ranking Member Waters, and members of the Committee, thank you for the opportunity to testify about housing policies in the State of Ohio. My name is Cindi Ring and I am the Executive Director of the Allen Metropolitan Housing Authority (AMHA), located in Lima, Allen County, Ohio. I am also Past-President and a current member of the Ohio Housing Authorities Conference (OHAC) that represents 75 Housing Authorities in the State of Ohio. These Public Housing Authorities administer assistance to approximately 85,000 families under the Section 8 tenant-based assistance called the Housing Choice Voucher Program (HCVP).

AMHA has proudly served our community for thirty years by providing decent and affordable housing. We are a high performer under the Public Housing Assessment System (PHAS) and a standard performer under the Section Eight Management Assessment Program (SEMAP). I apologize for not being able to provide my written testimony to you earlier. I just returned from National Housing and Redevelopment Officials (NAHRO) Summer Conference where AMHA received an award for program innovation for our Landlord Training Program. This program is a cooperative effort between AMHA, the City of Lima, local law enforcement agencies and the Lima-Allen County Housing Consortium. This free training benefits any local property manager or landlord. Landlords who are better informed and knowledgeable about State Laws can improve the profitability of their businesses and be more prepared to be a positive influence in our neighborhoods. This is important to the City of Lima because approximately fifty percent of the housing stock is rental housing.

AMHA has a highly trained staff of twenty-nine that provide housing services to the most needy populations; senior citizens, handicapped and disabled individuals, the homeless and families with children. The families we serve are someone's grandparent, mother or father, sister or brother, child or perhaps grandchild. We are able to provide excellent services to those in our communities because we live in our counties and are often the most familiar with the needs of our residents. We are the front line staff delivering something very precious to families – the opportunity to live in a decent home.

EXHIBIT 14

We have sold sixteen homes to former public housing residents and continue to prepare others to accomplish the same. Last month HUD recognized our PHA during National Homeownership Month when another resident successfully bought her home through the 5(h) Program we administer. In addition, we have recently begun a Section 8 Housing Choice Voucher Homeownership Program that will enable many more families to realize the American Dream. We also provide counseling under a Family Self-Sufficiency Program that will eventually enable participating families to be free of any type of public assistance.

AMHA assists over one thousand six hundred (1,600) families monthly through some form of Section 8 rental subsidy. Because Allen MHA is surrounded by rural counties that have no housing authority, we often administer are the only place to administer a housing choice voucher for someone wishing to live in another jurisdiction. The portability feature of the voucher is not difficult to administer as alluded to by Assistant Secretary of HUD, Michael Liu. Other Housing Authorities have similar successes. Later this week, Morrow Housing Authority, located in central Ohio will be recognized when their first Section 8 family purchases a home.

As I hope you can tell, I believe very strongly in our mission. I also want you to know that PHAs in the State of Ohio need additional resources. For example, AMHA currently has over 700 families on our waiting lists and many more would apply if all of our waiting lists were open. (It is not unusual to close the waiting list if we anticipate the wait to exceed one year) We could use more affordable housing in our community as illustrated by the fact that we were 15% over-leased last fiscal year. This happened because we were meeting HUD's program requirements for lease-up and then the local economy declined significantly. The turnover rate dropped to much less than the typical 20% we have been accustomed to in recent years.

I commend you for listening to the stakeholders of these programs as you try to determine if H.R. 1841 is an appropriate way to administer HUD's largest program by block granting the funding to each State. Let me remind you that during his testimony to your committee in May, Assistant Secretary for Public and Indian Housing Michael Liu stated that the basic Section 8 Program concept is sound but the program is over-regulated. I certainly can't agree more with him. However, I must disagree with his logic on the HANF approach. I question why HUD is willing to lessen the burdensome regulations for the states but for PHAs. I'm also puzzled as to how the program efficiency can be increased by adding another layer of bureaucracy through block granting the program to each State. PHAs are local administrators and are already permitted some local discretion. Our policies are made by a local Board of Commissioners, who have been appointed by our Mayors, County Commissioners and Judges. Transitioning a program this large would be costly and most of all, confusing to our residents.

Our clients need more than a toll-free number. They need face to face counseling in order to make good housing and sometimes life choices, as well as simple landlord referrals that can only be known by local involvement. I also believe that taxpayers deserve some guarantee that funds are used appropriately. This is more likely to happen where fraud is more likely to be discovered and there is more local program oversight.

In closing I urge you to review the FY 2004 Appropriations amendment provision for Section 8 Administrative Fees and Fee Reserves closely. Additional study is necessary to develop a fair and equitable system for administrative fees, not a "one size" fits all approach that does not take into account local housing markets. In the past, admin fees have been used to assist worthwhile programs determined at the local level, such as assisting voucher holders in successfully leasing up, offering family self-sufficiency services, conducting fraud investigations, and funding security deposit loans to homeless families. The cap on PHA reserves punishes housing authorities for good fiscal management practices and does nothing to reward PHAs who efficiently or effectively use their funds. Reserves were earned in the past by conservative spending and the foresight to save for future needs. These reserves were intended to allow Housing Authorities to be flexible in meeting their individual community's needs so long as they were for housing related purposes.

I hope this information will assist you in making informed decisions and I want to thank you again for allowing me the opportunity to present my views.

AAHSA | American Association of Homes and Services for the Aging | 2519 Connecticut Avenue, NW Washington, DC 20008-1520 (202) 783-2242 • FAX (202) 783-2255 www.aahsa.org

Testimony of
Thomas W. Slemmer, President, National Church Residences

representing the
American Association of Homes and Services for the Aging

Subcommittee on Housing and Community Opportunity

Field Hearing:
Housing and Community Development Policies in the State of Ohio

July 29, 2003

Columbus, Ohio

My name is Tom Slemmer and I am here today representing the American Association of Homes and Services for the Aging (AAHSA), the largest organization representing nonprofit sponsors of senior housing. Our members own and manage more than 300,000 units of federally assisted and market rate housing – and we represent the largest number of sponsors of HUD Section 202 Supportive Housing for the Elderly projects. We are dedicated to the principle that housing is a critical part of the long-term care continuum.

In addition to being an AAHSA Board member, I am President of National Church Residences (NCR). NCR is one of the nation's largest nonprofit sponsors and managers of service-enriched affordable housing for seniors, including more than 14,000 federally assisted housing units located in 25 states.

I also am a member of the Association of Ohio Philanthropic Homes, Housing & Services for the Aging (AOPHA), a nonprofit organization representing more than 350 nonprofit, primarily faith-based long-term care services and senior housing providers in more than 150 communities statewide. Every day, AOPHA members serve more than 50,000 frail elderly and disabled persons and their families and employ more than 30,000 Ohioans.

New Construction
Department of Housing and Urban Development's Section 202 Program
The Section 202 program, the lifeblood of many AAHSA and AOPHA members, funds new construction in both urban and rural areas via construction grants and ongoing rental subsidy to both large and small nonprofit housing sponsors. Since its inception in 1959, the Section 202 program has provided housing for approximately 381,000 senior or disabled households in more than 9100 facilities (2002 Seniors Commission report). Currently, the program constructs about 5700 units a year of service-enriched housing affordable to seniors with very low incomes. More than 80% of residents have access to service coordination either through a HUD service

EXHIBIT
6

coordinator or staff (37%) or through service coordination available in the community (44%). The average age of a Section 202 resident is 75 years and the average income is $10,014.

There is a critical need to expand the supply of suitable and affordable housing for low and moderate-income older persons. According to recent HUD data, more than 7.4 million households pay more than they can afford for their housing, including 1.4 million very low-income elderly people who pay more than 50% of their incomes for housing or live in substandard housing. None of these households receives any housing assistance. From 1993 to 2003, funding for HUD housing for the elderly has decreased from $1.1 billion to $786 million. Yet the demographic projections suggest that as the baby boomers age, the need will grow significantly.

While working to increase annual appropriations for the Section 202 program, we look forward to working with this subcommittee on implementing our recommendations to improve the pace of the development process. Among our recommendations:

- Offer extra points on the Section 202 application for nonprofits experienced in local housing development or those that partner with experienced nonprofits.
- Publish sample seed-money costs as part of the annual Notice of Funds Availability (NOFA).
- Implement the optional ability to leverage mixed financing sources such as low income housing tax credit equity and private activity bonds and use them in conjunction with Section 202 funds.
- Set adequate total development cost limits.
- Provide technical assistance funds for site control and predevelopment costs.

Low Income Housing Tax Credits and Other Mixed Financing Sources
Beyond the above changes to the Section 202 program, one single action by HUD, already acknowledged by Congress through statute as an effective new construction tool, should be taken immediately: that is, the release of implementing guidelines for Section 202 grantees to bring mixed financing sources, such as low income housing tax credit equity, into their developments. To date, 15 projects with proposed mixed financing have been stalled due in part to the lack of an implementing regulation. We are also working with the Internal Revenue Service on this issue.

Allowing such mixed financing may construct properties with more units, may provide for a greater income mix and bring more private capital into a venerable public program. However, HUD's position (contrary to statutory language) that implementing regulations are necessary to bring an array of mixed financing sources into Section 202 properties has caused Section 202 sponsors to miss years of state funding rounds for valuable resources such as mortgage revenue bonds and low income housing tax credits. This mixed financing authority was enacted in December 2000. HUD does not anticipate release of the regulations until this fall. We urge this subcommittee to work with HUD to release these regulations as soon as possible.

The ability of Section 202 properties to use financing mechanisms like tax credits can improve the entire program. Indeed, until such time as the development cost standards are revised to assure coverage of all development costs, the additional funds generated by tax credits and other sources are often necessary to make the Section 202 program work at all. As stated in a GAO report released June 17, 2003, "the capital advances that HUD awards do not always cover the cost of developing projects." When project sponsors need additional capital, they now turn to other funding sources like HUD's HOME and CDBG programs, the Federal Home Loan Banks, Affordable Housing Program, state and local funds, gifts of land or other in-kind donations to the project, foundation funds, etc. Having to secure these secondary (or tertiary) financing sources can lead to project delays. However, the availability of tax credit equity may alleviate the need to search for additional resources to complete projects, which is why the mixed financing regulation is so critical.

HOME

As stated, HUD's HOME funds are sometimes a source of secondary funds in a new Section 202 development. We support the expansion of the HOME program, without set asides, so that state and local governments can decide where their greatest needs are and how HOME funds can help them meet those needs. Virtually every affordable housing community developed with tax credits requires HOME funds for feasibility. One recent example of this is Hilltop Senior Village in Columbus where HOME funds were leveraged with tax credits to develop a critically needed affordable housing community for seniors on Columbus's west side. There are over 300 people on the waiting list. In addition, NCR is building a 75 unit affordable housing community for seniors on Waggoner Road on the far east side of Columbus in a joint venture with the Columbus Housing Authority. Tax credits and tax exempt bonds were combined with HOPE VI funds and HOME funds to develop this project.

National Housing Trust Fund

In addition to supporting the HOME program, we also support efforts to enact a National Housing Trust Fund. Such a national trust fund would be targeted to new construction and preservation and include income targeting guidelines to ensure that the populations with the greatest need for affordable housing are receiving assistance. State and local governments would exercise control over the funds and would provide matching funds.

Section 8 Housing Choice Vouchers

NCR and many AAHSA members, in addition to using the resources of programs like Section 202, HOME and tax credits, also work with public housing authorities to obtain allocations of project-based Section 8 housing choice vouchers for developments to achieve deeper income targeting. And in some of our buildings without project based rental assistance, we willingly accept seniors with vouchers. Section 8 vouchers have proven to be very valuable tools in keeping rents low and projects operating.

We oppose the Administration's proposal to transfer administration of the Section 8 voucher program to states. We agree with others' analyses that the proposal, as set out in H.R. 1841, does not provide adequate Section 8 voucher funding to keep pace with housing costs over time. This basic problem will greatly decrease the private sector's desire to participate in construction plans that involve any long-term reliance on project-based vouchers; and landlords will be loathe to accept tenants with vouchers if there are insufficient funds to increase rents over time. We also are deeply concerned that, under H.R. 1841, people receiving enhanced vouchers appear to lose this assistance after one year. Such a proposal represents a dramatic rollback of Congressional determination to protect residents whose housing has gone market-rate, many of whom are elderly.

Based on our experience, we know that today's administrative system meets community needs very well. NCR and other AAHSA members have partnered with public housing authorities with great success. Today's housing authorities have substantial flexibility and local authority over the administration of vouchers in their areas. This is one of the many benefits we fear will be lost if the administration of the program was transferred to the state level.

Finally, inserting a state middleman between the Federal government and the locality where the vouchers will be used and disrupting a system that is well established seems counterproductive and inefficient. In the end vouchers are used community by community; landlords own housing community by community; we believe the program should be administered locally. The proposal to transfer administration to states, we believe, represents a potentially significant dilution of most of the original intentions of the Section 8 voucher program.

The federal government must increase its financial commitment to addressing the nation's affordable housing needs. Programs like Section 202, HOME, a National Housing Trust Fund, low income housing tax credits and Section 8 vouchers can work well together if sufficient resources and program flexibility exist.

Preservation
As important as it is to continue to improve the Section 202 program and ensure federal resources exist for the construction of new, affordable senior housing units, the preservation of existing units is equally critical. It is our hope that Congress and HUD will augment efforts to preserve affordable, federally subsidized senior housing in the very near future.

In one form or another, HUD's Section 202 program has been building senior housing units since 1959. Since then, both the residents and the properties have aged in place. AAHSA is concerned not only with the declining number of new units and the slower pace of new construction, but also with the ability of project sponsors to assist seniors to age in place and the sponsors' ability to maintain decent, safe and affordable housing for generations to come.

More needs to be done to recognize the tremendous rehabilitation needs of some of the oldest senior housing stock, including older Section 202 and Section 236 properties. According to AARP, more than 45,000 units of Section 202 and 236 housing were built between 1959 and 1974, the earliest phase of federally subsidized senior housing production. Almost 20% of these properties reported to AARP that their capital reserves are inadequate to meet current repair needs. More than 10% of all Section 202 properties reported this same inadequacy. Only 8% of all Section 202 properties (built from 1959 to 1999) reported they had adequate capital reserves to retrofit their buildings to meet the known future needs of the property and its aging residents.

Furthermore, we continue to lose entire affordable, federally subsidized senior housing properties at an alarming rate. More needs to be done within HUD and its field offices to ensure properties are maintained as affordable when current owners want to opt out or prepay, or when a foreclosure is necessary

Refinancing
One preservation tool, refinancing, is a good example of Congressional action to preserve some of this older housing stock. Unfortunately, slow processing by HUD puts this potentially tremendous asset in grave danger of quickly becoming worthless. Properties looking to take advantage of new refinancing abilities, leveraging the equity in the properties, would recycle the savings back into the property, its aging residents, or both at no additional cost to the Federal government. If interest rates continue to climb, the benefits of refinancing will disappear. Now

is the time for HUD to fully streamline and implement its refinancing application processes and allow theses properties some much-needed relief. Congress enacted the prepayment and refinancing authority in December of 2000. It is our understanding that only three applications have gone to closing.

Capital Repair Grants
Still another preservation tool, a program authorized by Congress in 1999 to provide capital repair grants to senior housing and grants to convert senior housing to assisted living, is not being implemented at the Department of Housing and Urban Development. The reason perhaps lies in how the appropriations bills characterized the funds for this grant program. Regardless, it is our hope that HUD will begin to release funds for the repair of older, federally subsidized senior housing as well as for conversion of units to assisted living pursuant to the express language of the statute.

Notices of funding availability from HUD in years 2000, 2001, 2002 and 2003 have only announced (and thus released) funds for the conversion of senior housing units into affordable assisted living. No funds have been made available by HUD to meet the repair needs of senior housing properties as intended by the 1999 statutory language. In anticipation of the FY2004 SuperNOFA, we hope that a grant announcement can be made for both worthy programs: repairs and conversion. We look forward to working with this subcommittee and the HUD appropriations subcommittee to ensure that Congressional intent with regard to these repair grants can be carried out at HUD.

Renewal of Section 8 Contracts
Section 8 rental assistance remains one of the most critical preservation tools available for affordable housing. It is critical not only to have sufficient funds available to renew each contract, but to have the ability to mark rents up to market or to budget in order to have a guaranteed stream of income as security for rehabilitation financing and to insure rent affordability for low income elderly for the long term. Lenders and investors have come to rely on Section 8 assistance in their underwriting even though they are fully aware that appropriations are year to year. However, they have also come to rely upon a 20-year contract for Section 8 assistance subject to yearly appropriations. It has recently come to our attention that HUD headquarters in Washington is refusing to enter into such 20-year contracts, which are expressly authorized in law, throwing a monkey wrench into preservation efforts. Nonprofits like NCR are willing to maintain properties as affordable for 30 year terms (and beyond), but investors are wary when HUD will not commit to 20 year terms subject to annual appropriations. I am hopeful that this glitch can be worked out or we will lose even more affordable housing.

Service Coordination
Service coordination is a key component to successful, affordable housing for elderly people. About 40% of Section 202 properties have service coordinators. To ensure that even more properties have access to service coordinators, we encourage Congress to establish a more reliable and stable source of funding for service coordinators by assuring adequate budget-based rent increases so that service coordinators can be part of a facility's routine operating expense.

In addition to increasing the number of properties with service coordinators, the quality of the program must be maintained. Up until this year, the very high standard for quality in the service coordinator program has been assured by the existence of Quality Assurance fees, a practice we promote and strongly recommend. In its fiscal year 2003 notice of funds availability (NOFA), HUD decreases by half the amount of available funds for Quality Assurance while increasing the Quality Assurance requirements, thereby increasing costs to property sponsors for having a Quality Assurance program in place. It is our hope that HUD will increase the available Quality Assurance fees in its next service coordinator NOFA.

This year's NOFA also imposes a new cap on administrative fees within the service coordination program of 10%. According to analyses by the American Association of Service Coordinators, such a cap imposes unrealistic pressures on a service coordination program. A significant portion of administrative fees covers the training of service coordinators. HUD's training requirements have remained the same even though a new cap on administrative fees has been imposed. We are concerned that these two issues could have detrimental effects on the overall health of service coordination and look forward to working with Congress to ensure a high level of quality in the service coordinator program.

Ohio's Senior Housing Needs

As stated above, there are nine seniors waiting for every one Section 202 unit becoming available each year nationally. Between the (relatively) high incomes needed to attain modest apartments in Columbus and Ohio and the loss of federally-subsidized units to market rate rents, the fiscal year 2003 allocation of 255 new Section 202 units for Ohio does not go very far in meeting senior housing needs. According to the National Low Income Housing Coalition, a family needs an income of $15,869 to afford the fair market rent for an Ohio efficiency; $16,760 to afford the fair market rent for a Columbus efficiency. These are modest apartments, to say the least, representing only the 40th percentile of all rents. According to Harvard's *State of the Nation's Housing 2002*, 8.4 million of the nation's 21 million elderly households have incomes less than $10,500 a year. Ohio's needs mirror the nation's senior housing needs.

Beyond the obvious need to increase the pace of new construction in Ohio, data show the clear need and opportunity to preserve more units of federally subsidized housing. According to the National Housing Trust, in research done for the Seniors Commission, since 1996 Ohio has lost more than 1500 units of federally-subsidized senior housing when owners either opted out of renewing Section 8 contracts or prepaid their mortgages. While many of the residents received enhanced vouchers, after the resident vacates his or her unit the unit-based federal subsidy is lost forever. The NHT data also show us what is at stake in the future: more than 9,800 federally-subsidized senior housing units are currently subsidized at a rate less than 90% of fair market rent. Because of their low subsidy rates, these owners have a particular incentive to transition to market rate apartments. We look forward to working with this subcommittee and with HUD on the preservation tools discussed above as well as others to ensure that as many of these units are saved as possible.

On behalf of National Church Residences, the American Association of Homes and Services for the Aging and the Association of Ohio Philanthropic Homes, Housing and Services for the Aging, thank you for this opportunity to testify.

COLUMBUS CITY COUNCIL

MATTHEW D. HABASH, *PRESIDENT*
MICHAEL C. MENTEL, *PRESIDENT PRO TEM*
KEVIN L. BOYCE
MARYELLEN O'SHAUGHNESSY
RICHARD W. SENSENBRENNER
CHARLETA B. TAVARES
PATSY A. THOMAS

City Hall 90 West Broad Street
Columbus, Ohio 43215-9015
614/645-7380 Fax 614/645-6164
columbuscitycouncil.org
CHIEF OF STAFF - *Melinda T. Swan*
CITY CLERK - *Andrea Blevins, CMC*
DEPUTY CITY CLERK - *Margaret Reynolds*

Tuesday, July 29, 2003

Testimony Presented by:
Councilwoman Charleta B. Tavares,
Chair, Health, Housing and Human Services Committee
Columbus City Council

To the U.S. House of Representatives
Subcommittee on Housing & Community Opportunity
Congressman Robert Ney, Chairman
Martin Luther King, Jr. Performing & Cultural Arts Complex
Columbus, Ohio

Chairman Ney and members of the House Subcommittee on Housing & Community Opportunity, I am Charleta Tavares, Councilwoman for the City of Columbus, Ohio and Chair of the Health, Housing and Human Services Committee. I welcome you to my city and feel it is an honor and privilege to share our hospitality and experiences on housing and community development issues with this prestigious and expert body.

As Chair of Council's Housing Committee, I have worked with our Mayor, Michael Coleman, to focus attention on developing more affordable housing, increasing homeownership and revitalizing our older neighborhoods. We have developed a toolbox to help us in accomplishing these three goals. And, we have created partnerships to strengthen and sustain our efforts.

One of our tools was to create the Columbus/Franklin County Housing Trust Corporation. This partnership between the City and County enabled us to look at where affordable housing units were needed in our community (Franklin County) and to determine what kind of units were needed (i.e. apartments, single family, senior, etc.). In addition, we were able to pool our resources in order to better leverage our dollars and expand our partnerships to the public and private sectors. The Housing Trust Corporation has a three-part goal:

1. Increase the number of affordable housing units;
2. Increase homeownership opportunities and;
3. Strengthen and revitalize our older neighborhoods.

Increasing the number of affordable housing units is critical if we are going to provide opportunity and prevent homelessness among our individual and family residents. Ensuring we have safe, decent and affordable housing for all families in our community has largely depended upon the

EXHIBIT
19

partnerships we have had with the federal government through the Dept. of Housing and Urban Development (HUD) and the Columbus Metropolitan Housing Authority (CMHA).

General Section 8 Rental Assistance:

1. Federal housing subsidies have a dramatic impact on central cities. In order to ensure that the project-based Section 8 program continues to address the needs of our communities, we must support legislation which has been proposed that will allow for deconcentration / decentralization of the units to non-traditional areas of the city and county. This kind of initiative will help our city with revitalization efforts in our stressed and blighted neighborhoods and help to develop housing in the job growth areas of our outerbelt areas. I believe that any redesign of the Section 8 voucher or project-based program should mitigate the tendency for concentration of subsidy units in the central city.

2. One of the barriers to participation in the Section 8 voucher and project-based program among the apartment and landlord communities is the dearth of paperwork and regulations. I believe it is important to provide uniformity and consistency in applications and tenant responsibilities in order to eliminate disparate treatment, two standards for application process and inefficient/ineffective program implementation.

   Most landlords have opted out because of the cost of maintaining a duplicative program with burdensome rules and regulations. Additionally, it creates an unrealistic and separate system for people who are poor. This will continue to stigmatize the individual/family and cause resentment.

Community Development Block Grant (CDBG):

1. The CDBG program has been effectively used to increase our supply of affordable housing, revitalize central city neighborhoods, strengthen our neighborhood and commercial strips, provide loans to create and expand small businesses and help low-income families maintain their homes.

   All of these issues are critical to central cities and rural communities who are attempting to rehabilitate older housing stock, attract business development and eliminate blight and flight from the core city. The CDBG program has allowed communities to target the dollars where they are needed to leverage the dollars with the private and other public investments such as our Housing Trust and Home funds.

2. Our consolidated plan has been effectively used to target our resources where the need is the greatest and to spur activity to strengthen our neighborhoods. The Consolidated planning process has helped us to strategically align the dollars where they can address some of our most difficult challenges i.e. housing for very low-income and special populations (homeless,etc.). In the early 1990's Columbus made a major policy decision to allocate a greater share of CDBG funds to the housing needs of the lowest income. The impact of the decision was to develop more permanent supportive housing for the homeless.

   The plan has been developed with our city's housing, planning, and development staff along with several consultants who aided us in engaging the community through committees, public forums, surveys and outreach activities. A draft plan is developed after all of the community input is gathered and public hearings are then scheduled to get additional feedback, comments and suggestions to the draft. We are currently gearing up to prepare a new plan and will once again look at how we can utilize our CDBG and Home funds to implement our neighborhood and community goals and objectives.

3. The City of Columbus and the County of Franklin have enjoyed a strong and effective relationship with our HUD partners. The CDBG program has been one of the most successful and sustainable programs of HUD. I believe the key to this success is that it is a local program. You have given us broad parameters and allowed each community to design the plan that best meets its own goals and neighborhood/city's needs. Do not change what has worked.

   A state or regional administration would add another layer of: administrative expenses, monitoring and interpretation of regulations. Regional or state administration of the Entitlement CDBG would add negative dimensions of competition i.e., Suburban and Central City, urban versus rural, etc. The strength of this program is the partnership between HUD and its local partnering communities.

Housing Production:

1. Unfortunately, there is nowhere in America that a family/individual working a minimum wage job can afford a two bedroom apartment. Mr. Chairman and members of the Committee, as you know, far too many of our children are growing up in single-parent households, many working minimum and low wage jobs who are one crisis, one paycheck away from homelessness.

   We are fortunate in Columbus, Ohio in that our cost of living is well below our sister cities of New York, Los Angeles, San Francisco, and Chicago. However, we cannot forget that we have thousands of families in our community living below the poverty line...who are responsible, who are working and who cannot afford a clean, safe, and decent place to call home.

   We have to do more. Our children and families are depending on us to ensure their most basic needs of food, clothing, housing and healthcare are met. We have a need in our great city for more housing units that are affordable. It is both a cost and production issue in our community.

2. Columbus is working hard to produce and decentralize our affordable housing units throughout the city. Many of our job centers are on the fringe areas of Columbus and in our neighboring municipalities. There are still very few affordable housing units in suburban areas. This is even more devastating without a light rail or public-transit corridor to get the families to the jobs that can move them up the economic ladder.

   We have an increased demand for more affordable housing units because of our growth in population and in family size with the influx of new immigrants (Somali & Latino). We are also using an increasing amount of our HOME funds to preserve our older affordable housing units constructed with earlier federal subsidy programs such as Section 8 and Section 236.

3. Cities such as Columbus are experiencing the negative impacts of the withdrawal of federal support for affordable housing during the last twelve years. Public housing modernization programs such as HOPE VI have had positive impacts on our older neighborhoods. Many of our privately owned subsidized housing are now seeking local funding for similar modernization to supplement the meager replacement reserves allowed through the Mark-To-Market program. Unfortunately, this program is not a modernization program and consequently, older central city neighborhoods are stuck with continuing 20 and 30 year Section 8 units that need refinancing and major modernization.

   HOME funds are an increasingly important source of revenue to help meet the demand for these efforts, however, they cannot meet the need nor offset the withdrawal of federal funds for affordable housing. Local government even those of us who have developed other tools and strategies to address our affordable housing needs cannot generate enough money to compensate for the federal reductions.

   In our experience, HOME funds alone are not adequate enough to develop enough units for very low and extremely low-income households. The developers who have attempted to assist us in producing more affordable housing for the very low income (below 50% AMI) must use multiple program dollars such as Low Income Housing Tax Credits (LIHTC), bond financing, and HOME funds to meet the rent levels. The low-income housing developers have maximized their use of LIHTC but need HOME funds to fill the gap. Our community could effectively and efficiently use additional HOME and CDBG funds to produce more affordable units as well as modernize and maintain existing units.

Chairman Ney and members of the Subcommittee on Housing and Community Opportunity, I am encouraging you to look at expanding the programs that have worked successfully in our community such as the CDBG, HOME and Low Income Housing Tax Credits. Additionally, I believe we should seriously look at opportunities to develop affordable housing strategies that decentralize units and encourage development in suburban and job growth areas. Our housing policy should reflect our values of opportunity, freedom and choice for our families and children.

We should promote strong neighborhoods where families can live, work, play and raise their families. And finally, we should ensure that we have housing options that meet our myriad of family needs. Thank you for giving me the opportunity to share my testimony with you. I would be happy to respond to any questions.

Testimony of April Weaver, Homeowner in Columbus, Ohio
Presented to the U.S. House of Representatives Committee on Financial Services
Subcommittee on Housing and Community Opportunity

Public Hearing:
Housing and Economic Development Policy in the State of Ohio
July 29, 2003

Hello, my name is April Weaver. I am the single parent of a two-year-old daughter and a second-grade schoolteacher on the west side in the Columbus Public School System.

I am very excited to tell you about my experience working with Columbus Housing Partnership. Though my relationship with CHP has not been extensive, it has definitely been significant. I am still thrilled and very pleased by how the homeownership program at CHP works. I first heard of CHP by chance in July, while browsing through the local newspaper. I noticed an advertisement for CHP and went to look at a home in the Greater Hilltop area. The sales person was very friendly and explained CHP and their homeownership program. I called CHP and since the first-time homebuyer classes were offered at a convenient time for me, I decided to attend. Seeing the local ad and receiving advice from the CHP staff to come in and discuss the homeownership program turned out to be one of the best pieces of advice I've ever received. I tell you this honestly, while sitting in my kitchen fixing my daughter a sandwich.

I was impressed by the facility, the staff and how organized the classes were. I was relieved to see that there was a good mix of both women and men. Furthermore, there were various age groups and ethnicities represented. These facts alone made me feel more comfortable immediately. The facilitator for the class was young and African-American herself, adding to my comfort level. We discussed budgeting, how loans were approved, loan terms and the process of the closing. I have already implemented some of the ideas from the course into my own budgeting routine!

When the time came for me to close my own home my fear of the unknown had evaporated. The process is very simple. I called CHP and scheduled an appointment to have the homeownership program explained to me. I was informed of available homes and their locations. I met with a personal housing counselor, attended the homebuyer education classes, met with a lender and then attended the closing with my contact at CHP. She was there in a support role in case I had any last minute questions, and just because that is how CHP does things. The Homebuyer Education course at Columbus Housing Partnership turned out to be exactly what I needed, pertinent information given in a brief, realistic, forthcoming manner. I am pleased with the ongoing support I receive from them through e-mails and phone calls. Who would of thought that once they sold me the house they would still care very much about my daughter and me, they do. I recommend the homeownership program at Columbus Housing Partnership. I have already begun to tell all of my fellow schoolteachers and they are as excited as I was. Homeownership is a possibility for everyone with the right guidance. Thank you CHP!

-April Weaver, Columbus Public Schools second-grade teacher

EXHIBIT
13

woda
Opening New Doors
Development
Construction
Management

2000 West Henderson Road, Suite 450 • Columbus, OH 43220 • Tel: (614) 459-9632 • Fax: (614) 459-9665
213 Main Street • Bridgeport, OH 43912 • Tel: (740) 633-3035 • Fax: (740) 633-6007

Testimony of Jeffrey J. Woda, President
The Woda Group, LLC
To: U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

Hearing on Housing and Economic Development Policy in Ohio
July 29, 2003
Martin Luther King, Jr. Performing and Cultural Arts Complex
Columbus, Ohio

Background and Experience

I would like to thank Chairman Ney, Congressman Tiberi, and the rest of the Committee for allowing me to provide you with my testimony today. My name is Jeffrey J. Woda, and I am the owner of The Woda Group, LLC ("TWG"). I grew up in rural Ohio, Belmont County, the son and grandson of homebuilding contractors. I left the area, became a CPA, and then returned "home" in 1990 to begin Woda Construction, Inc. Today, TWG specializes in the development, construction, and management of affordable rental housing, mostly in the rural areas.

You have heard or will hear testimony regarding the growing need for all types of housing in both the urban and rural areas of this country and specifically Ohio. You will be or have been provided statistics regarding the need for multi-family, affordable housing for lower income families and lower income senior households. My testimony will focus on affordable rental housing in the rural area. I will discuss funding problems for the rural area, actual development problems that we have encountered, as well as new ideas that I would invite this Committee to explore.

Our developments typically use federal and state funding programs as the financing sources. Financing sources used include the low income housing tax credit, historic credits, HOME funds, CDBG funds, US HUD mark-to-market funds, USDA Rural Development 515 ("RD") direct funds, and RD 538 guaranteed funds. Other state, Ohio Housing Trust Fund ("OHTF"), local, and private banking (i.e., Federal Home Loan Bank) sources have also been utilized. We have financed new construction developments as well as rehabilitation developments all over rural Ohio using various combinations of the above sources to make a developments become reality.

Existing Rural Funding including HOME and HUD

Funding for affordable rental housing in the rural areas from approximately 1980-1994 was provided by RD through its 515 direct loan program. The 515 program provided developers with a 50 year, direct loan and often times a rental assistance contract for a portion of the units (50%-100%). This subsidized financing source allowed developers to create affordable rural housing in areas where development costs exceeded the amount of conventional debt that could be supported by the low rents that could be sustained in the rural area. The developers then could sell, or syndicate, the tax benefits to investors and after 1986, sell the low income housing tax credits generated. Until 1994, the program provided \$20-\$25 million annually for Ohio for new housing production and existing housing preservation, as well as new rental assistance. Since 1994, the amount allocated to Ohio has been \$4-\$5 million per year, with only about \$1.2 million allocated to new production, and practically no new rental assistance. The balance has been used for preservation. Obviously, there is a much greater need than this funding source is providing.

Another program we have worked with is the HUD mark-to-market program. Currently, we are rehabilitating two communities financed with a HUD 221(d)(4) guaranteed loan and a housing assistance program ("HAP") contract. The housing communities are 33 units and 20 units, respectively, in two of Ohio's poorest counties. We proposed used housing tax credits, HOME. and/or OHTF funds, and other state loan programs as the source for a complete rehabilitation for each community. HUD was asked to merely implement their proposed restructuring plan where the debt would be replaced with HUD lower interest debt, and the HAP contract rents would be lowered to reflect market rents in those rural communities.

The proposal sounds simple. The red tape and problems we have encountered related to differences in policy between various federal and state agencies are too numerous to list here today. We are proposing to completely rehabilitate collateral of a U.S. HUD loan with sources other than those of HUD, yet we have conflicting rules with other federal programs. Due to the fact the debt carries a below market rate interest, the IRS doesn't allow a normal rehabilitation credit. If we ask HUD to raise the interest rate to satisfy the IRS, we then must obtain the approval of the Assistant Secretary of HUD which, we have been told, would take so much time, our commitment for tax credits would expire. We proposed paying off the HUD debt, however, if we do so, we will lose the HAP contract and those tenants most in need would lose that subsidy source. It is apparent that we are frustrated with the process.

Currently, the main source for financing rural rental housing is the low income housing tax credit. We have been fortunate that Ohio also uses a portion its HOME allocation as well as its Ohio Housing Trust Fund dollars to supplement the credit enabling our developments to reduce their levels of permanent debt which allows for lower rents which is critical in the rural area where the area median gross incomes are much lower than the urban areas. Most of the areas we work in are not participating jurisdictions so our HOME funds are administered by the State of Ohio. The State of Ohio does a great job at administering these funds, however the regulations are cumbersome and inconsistent with the other financing sources. We have also been able to combine the RD 538 guarantee with housing tax credits. Our industry colleagues have also been able to utilize what little RD 515 funds are available for some new rental housing creation. These programs alone do not serve the lower income rural residents without a deeper subsidy and other changes to the programs noted herein.

Recommendations

The RD Section 515 funding needs increased. Rental Assistance could be changed so tenants have a minimum rent due to further spread the available dollars and provide new developments with Rental Assistance. Another change which would leverage those funds and double the production with the same dollars is for the allowance of the federally subsidized debt with the 9% housing tax credit. Currently, the IRS only allows the 4% credit with the 515 debt. RD doesn't allow a 515 loan without the interest subsidy. Again, these are two federal agencies which could work together to greatly increase affordable rural housing production.

The RD Section 538 guarantee program is much different from the RD 515 program. Whereas the 515 is a direct federal loan, the 538 is an insurance policy that USDA provides to the lender insuring 90% of the loan amount. This program is somewhat new and is picking up popularity in the private sector. Currently, RD provides interest credit for 20% of its annual allocation. The interest credit buy down lowers the effective permanent loan rate for the development to the applicable federal rate which is comparable to the 10-30 year Treasury rates. This buy down greatly assists in lowering rents. RD should have authority to offer interest credit for more than 20% of its allocation and should have the flexibility to offer rental assistance with the 538 guarantee in the most rural areas. This would much less costly to USDA than the 515 program as much of the development dollars are from the private sector.

The National Housing Trust Fund ("Fund") may be another avenue which could assist the rural areas. A portion (40%) of the Fund should be earmarked for the rural area as defined by USDA Rural Development. The Fund could provide not only capital subsidies but also operating support comparable to the RD 515 Rental Assistance. This program should be administered by RD as no other federal agency has a better understanding of the rural housing market.

Currently, county median incomes for tax credit purposes use the greater of the county area median gross income adjusted for family size ("AMGI") or the state non-metro average AMGI. It would widen the band of eligible rural households greatly if this was changed so counties could use the state average AMGI. A rural household consisting of a single parent and one child in Ohio earning in excess of $24,300 or an elderly single earning in excess of $21,240 in many rural counties is considered ineligible for tax credit housing. We have to widen the band of eligible households.

Finally, the home ownership tax credit is an excellent concept for the rural areas. Private sector developers need incentives to venture into areas where AMGI's and real wages are so low. Please keep in mind, not all households are ready or meant to be home owners. This would not decrease the need and demand for affordable rental housing as well.

Conclusion

Again, thank you for this opportunity and I would be happy to answer any questions.

Planned Testimony of Fred Zawilinski for the July 29th Meeting of the Subcommittee on Housing and Community Opportunity in Columbus, Ohio

Good afternoon. My name is Fred Zawilinski, and I serve as the executive director of the Lake Metropolitan Housing Authority in Painesville, Ohio.

First, I would like to thank Congressman Steven LaTourette and the Subcommittee on Housing and Community Opportunity for the invitation to testify at this hearing today.

Today, I ask to consider very carefully the proposal and legislation that would convert the Housing Choice Voucher program from the current plan to a state block grant program, because the principle and operation of block granting does not promise the benefits one arguably occurred under welfare reform and TANF,

First, the Housing Choice Voucher program is not a cash assistance entitlement program similar to TANF. Almost every Housing Choice Voucher program in the United States has a waiting list. Even if program rules and operations were designed similarly to TANF, you will not experience the reduced caseloads that TANF did. If you qualified for TANF assistance at the time of application, you quickly were receiving benefits. With the Housing Choice Voucher, you may be qualified to receive housing assistance, and face a waiting list of several months or years. If we assist a family achieve economic self-sufficiency, in Lake County we have 2,000 more families on the waiting list to replace them.

And what about the issue of sanctions for non-participation in employment activities? Under TANF in my county, there are degrees of sanction for failure to meet work requirements. If, after a lengthy and cumbersome appeals process, a family is sanctioned, they will receive a sanction from assistance for 1, 3, 6 or more months. A similar process simply is far more troublesome in housing assistance. Here's why: Under the Housing Choice Voucher program, the housing authority, the participant and the landlord sign contracts with each other establishing terms of program operation and use of the rental property. If the participant fails to participate in work and self-sufficiency efforts, relationships extending beyond the government and the aid recipient are broken. Property owners and utility providers will incur much greater risk that they will not receive their monthly portion of the rent or bills. Owners of the most desirable rental properties would abandon the program, knowing that they can incur similar returns on their properties without the inspections and rent reasonableness requirements imposed upon them by the voucher regulations. The sanctioned family receives no benefit for a period of time, but what happens to the funds needed to assist the family? Do we close the case and move on to the next family, requiring the sanctioned family to suffer a penalty much greater than a mere one or three month sanction? Or does the administrator leave the voucher funds uncommitted, realizing that the family may cure their fault and thus be entitled again to housing assistance?

Second, where is the greater coordination at the state level between TANF and housing assistance going to come from without increasing the complexity of rules and regulations tied to the assistance? My experience with the TANF program is that many policies are established at the local level, not the state. I have served on local TANF committees to discuss progress in reducing caseloads and in establishing standards for families to request extensions based on hardship. Lake County's TANF program is not the same as Cuyahoga County's TANF program, nor is it the same as a rural Appalachian county's program. TANF in fact has three sets of regulations: federal requirements and goals, state requirements and goals and local requirements. The current Housing Choice Voucher program has federal requirements and goals, and housing authorities have a wide range of flexibility to meet their communities' needs for housing. The critical area for coordination is not at the state level; it is at the local level and can be best accomplished through inter-agency cooperation between housing authorities, who already understand housing, and TANF agencies, who already understand various welfare assistance programs.

Keep in mind, too, that the purpose of improving government support of self-sufficiency efforts by assisted families by greater coordination between TANF, the Workforce Investment Act and other similar programs assumes that a significant number of Housing Choice Voucher participants also receive TANF cash assistance. This simply is not true. I reviewed HUD's data through the PIC information system and see that nationally only 16% of voucher holders receive TANF assistance. At admission to the program 20% report TANF assistance and at the end of their participation, only 14% are receiving TANF assistance. Ohio's percentages are even less. A much higher percentage of Housing Choice Voucher participants receive Social Security or SSI income than receive TANF assistance. Cash programs exist for several subsets of our population; Housing Choice Vouchers exist for all households that meet income and other qualifications. Housing authorities do not have the luxury, if you will, of attempting to refer cases from TANF to SSI where appropriate. We are, in essence, the only game in town for many communities.

There are certainly reforms that could be instituted that would improve voucher utilization and, I believe, cut costs and streamline the program. Proposals to permit a housing authority reduce the number of HQS inspections may be worthy of consideration. There are many landlords who operate very responsibly and have had long-standing tenants who have maintained their housing unit in excellent condition. Lessening the burden of annual inspections on these families and landlords would save money and save our partners from the imposition the inspection can bring. There is already established precedent for waiving or reducing inspection burdens with the homeownership program, where the housing authority could choose to inspect one time for the lifetime of the assistance.

Continued investigation and experimentation into incentives for self sufficiency within the current program framework should also be considered. Broadening the scope of the existing Family Self Sufficiency Program would be welcomed. FSS program coordinators help pull together a wide range of social service, private business, faith-based and other organizations to develop action plans and enhance the support for those persons seeking to become self-sufficient. Another self-sufficiency technique available in law already but not funded is to expand the earned income disallowance already in place for all qualifying public housing residents and for disabled households on the Housing Choice Voucher program so that it includes non-disabled households.

Approximately six years ago, Congress authorized and funded the Moving to Work Demonstration Program. You directed HUD to select high-performing housing authorities and provide them with a great range of autonomy and flexibility, waiving many portions of the US Housing Act of 1937 and other regulations, permitting agencies to receive funds as a flexible housing assistance fund, rather than having HUD designate funds specifically for Public Housing and Section 8 purposes. These housing authorities were also allowed to adopt income and other incentives to encourage work and self-sufficiency efforts. Under the 2004 budget, Moving to Work is receiving no funding, presumably bringing an end to the demonstration. I ask, before changing the entire structure of tenant-based housing assistance, is that Congress and HUD assess the results of the Moving to Work demonstration. Learn whether de-regulation offered and delivered the hoped for results within our current system of delivery before you invest in scrapping the current system, risking the disruption of housing assistance to families and needed income to property owners.

A recent evaluation by the Office of Management and Budget gave the Housing Choice Voucher program a relatively high score based on the fact that it already provides cost-effective service, permits portability of assistance that allows families to choose housing outside areas of poverty concentration and closer to work and to community amenities, and an excellent self-sufficiency component. The flexibility hoped for in HANF can be found and implemented within the existing system, just as Congress and HUD added greater flexibility and local autonomy under the Public Housing Reform Act of 1998.

As a citizen and student of good governmental practices, I urge you to consider carefully the expected costs and benefits of making the major change of converting the Housing Choice Voucher to HANF; from my perspective the expected benefits simply do not justify the costs.

Thank you for your time this afternoon.

Congress of the United States

Washington, DC 20515

December 20, 2002

The Honorable James Walsh

Chairman

Appropriations Subcommittee on V A, HUD and Independent Agencies

H - 143 Capitol

Washington, D.C. 20515

Dear Jim:

We are writing to inform you of our concern with a provision in H.R. 5605) the House-version of the FY2003 VA/HUD appropriations bill, which was reported by the Appropriations Committee on October 10.2002. As you know, H.R. 5605 capped the administrative fees for Section 8 units at 10% of the monthly subsidy. Thus, in our opinion, this bill would not adequately fund the cost of program administration for the Section 8 program for small rural housing authorities. It is problematic because the cost of leasing a Section 8 unit and the amount of rental subsidy simply are not related to one another. Consequently, under H.R. 5605, small rural housing authorities would not receive adequate administrative resources because they generally have lower Section 8 subsidy amounts resulting from lower fair market rents. Therefore, prior to further actions on this proposal, we would ask that a study be conducted regarding the Section 8 administrative fee issue

For example, the housing authority in York, Nebraska, has a current administrative fee of $40 32 per unit. Under the 10% fee standard provided in H.R. 5605, the York housing authority's administrative fee for a Section 8 unit would drop to $18 50 per unit. When you calculate the administrative costs to the York housing authority, which include a background check, staff expenses and operating expenses, York would have to either reduce or eliminate their Section 8 housing if the administrative fee is reduced. This unfortunate situation is also likely to occur to other housing authorities in Nebraska and throughout the U.S.

This Section 8 administrative fee change would also come at a particularly bad time for Nebraska housing authorities as a severe drought has affected most of Nebraska. Many individuals involved with agriculture or who had agriculture-related jobs are now unemployed because of the continued down-turn in the economy and they look to the local housing authorities for Section 8 assistance.

Moreover, the administrative fee change in H.R. 5605 would further compound the problems that many small rural housing authorities are already facing. Such housing authorities have been unable to utilize all of the Section 8 vouchers for which they qualify because of a lack of affordable housing which meet the regulations and guidelines set by the Department of Housing and Urban Development. For example, Lexington, Nebraska which has qualified for 122 Section 8 vouchers, is only able to use 110 vouchers because of a lack of affordable housing.

The Honorable James Walsh
December 20, 2002
Page 2

In conclusion, we again would request that a study be conducted regarding this Section 8 administrative fee issue before action is taken to change a program that has been instrumental in helping so many residents in Nebraska and across the country. Thank you for your consideration of our request.

Best wishes,

Doug Bereuter
Member of Congress

Tom Osborne
Member of Congress

O