

Federal Policy Recommendations for 2009

Prepared by Citizens' Housing and Planning Association

December 2008

Short-Term Priorities

1. Ensure that housing and community development programs are included in the forthcoming Economic Stimulus bill. These programs cannot only play an integral role in creating construction and related jobs quickly, but can also further the goals of energy conservation in assisted housing. This should include:

- Public housing capital funds. There is a \$30 billion capital needs backlog in otherwise decent public housing. An immediate infusion of \$5 billion in competitively-awarded grant funds can be productively used to create needed domestic construction jobs.
 - Preservation funds for privately-owned assisted multifamily housing. Fund a \$3 billion capital needs grant program and implement a consensus package of preservation technical improvements, in order to leverage these grant funds (e.g., allow project-basing of enhanced vouchers, restore compatibility of Low Income Housing Tax Credits with project-based Section 8, and permit conversion of Rent Supplement to project-based Section 8).
 - Provide funding to states and cities through additional CDBG funds, which should include infrastructure programs that can further affordable housing development.
 - Expand the market for Low Income Housing Tax Credits by considering tools such as refundability for arms-length investors, income carry-back or carry-forward, increased availability to individual investors, reducing the tax period from 10 years to five years, and other measures. Also consider providing grants to the states through the US Treasury or the HOME Program for the next two years to make up for the loss of tax credits.
 - Direct the Treasury Department to directly purchase both low income housing tax credits and tax exempt housing bonds to enable the immediate start of construction of hundreds of affordable housing developments across the country. The Treasury could hold these credits and bonds for re-sale to corporations and individuals when the economy rebounds.
2. Continue to address the foreclosure crisis.
- Accelerate mortgage restructuring through the adoption of the FDIC proposal or other similar proposals.

- Provide additional funds for the Neighborhood Stabilization Program with technical fixes to make the program work better, including the price discount issue and giving jurisdictions 4 years to spend the money.
 - Strengthen the role of community based non profits, supported by national nonprofit intermediaries, in the rebuilding of neighborhoods that have been hard-hit by the foreclosure crisis.
 - Create mechanisms to enable mortgage servicers to modify mortgages and re-sell properties with mortgages that have been packaged into mortgage securities. This may require legislative change.
3. Explore additional sources of revenue for the National Housing Trust Fund given the uncertainty of funding from the GSEs (this should also be considered as part of the stimulus bill).
 4. Pass important bi-partisan consensus legislation that advanced in the 110th Congress, including McKinney reauthorization, Section 202/811 modifications, the Section 8 Voucher Reform Act, and HOPE VI reauthorization.

Longer-Term Priorities

1. Implement reform of HUD (see attached CHAPA recommendations).
2. Determine the future role of Fannie Mae and Freddie Mac.
3. Improve the preservation programs.
4. Revitalize the FHA Multifamily Programs.
5. Coordinate social and health services to residents of public and subsidized housing--especially elderly and supportive housing--across agencies and departments.
6. Make production and preservation subsidies simpler and more predictable, including exploring further changes and alternatives to the LIHTC program. One option would be to create a family housing production program modeled after HUD's 202 and 811 programs, whereby the capital and operating subsidies come in a single package.
7. Strengthen and expand the Section 8 voucher program, and increase its flexibility and ability to support financing.
8. Support public housing reforms contained in the national white paper ("The Future of Public Housing") initiated by the Council of Large Public Housing Authorities and endorsed by a diversity of national housing groups.

9. Expand/modernize the Community Reinvestment Act (CRA) to cover the entire financial service industry.
10. Strengthen the capacity of the non-profit sector through direct funding for operating support and training and to help sustain these organizations in the future. Build financial capacity with funding designed to increase the net assets of such organizations, recognizing the need for equity to in turn leverage private debt and investment.
11. Strengthen fair housing initiatives, including: expanding fair housing protections for recipients of government assistance; increasing recruitment and training of knowledgeable fair housing staff; enhancing coordination with national, state, and local fair housing groups; increasing cooperation with HUD and the Department of Justice regarding enforcement and standards of accessibility; and incorporating fair housing and affirmative marketing across HUD programs.

Principles

The following general principles should guide any new federal housing initiatives or improvements to existing programs:

1. Encourage public/private partnerships
2. Ensure predictability of costs
3. Allow flexibility in operations
4. Encourage mixed income housing, where possible
5. Emphasize and optimize long-term affordability
6. Align different program and lease requirements and simplify rent setting. Currently, many programs have multiple requirements which lead to greater operating costs and inefficiencies
7. Incorporate input from low income residents in all planning and development activities, especially regarding public housing and the preservation of existing subsidized housing.
8. Increase enforcement of fair housing laws and promote opportunities for low income households in areas with little or no affordable housing.

Attachment:
CHAPA Recommendations for Improving the Operations of HUD

Committee Members: Amy Anthony, Bill Apgar, Xavier de Souza Briggs, Barbara Burnham, Bob DeSimone, , Sandra Henriquez, Vince O'Donnell, Jeff Sacks, Barbara Sard, Bob Schafer, John Stainton, Jim Stockard, Eleanor White, and Bob Whittlesey.

Citizens' Housing and Planning Association (CHAPA) has developed recommendations for reforming and reinvigorating the U.S. Department of Housing and Urban Development under a new administration. Some initial broad ideas that emerged include:

1. Reassess and clarify the disparate functions of the agency as a prerequisite to determining the most effective management structure going forward. The major current functions include: funding distribution (vouchers, CDBG, HOME, etc); FHA insurance; asset management (public housing); program regulation and oversight; and fair housing enforcement. Could any of these functions be done more effectively by other government entities or organized differently within HUD?

- CHAPA recommends that HUD reorganize its functions to include an Assistant Secretary of Multifamily Rental Housing and an Assistant Secretary of Single Family Housing (1-4 unit homes) and to ensure a more balanced policy between homeownership and rental housing (federal policy has been weighted towards homeownership in recent years).
- The HUD Secretary should focus on an initiative to overhaul the public housing program—which has changed substantially over the last decade and now primarily serves the elderly and people with disabilities --- with the goal of preserving or replacing the remaining nearly 1.2 million units. The national public housing organizations, advocacy groups and other stakeholders are developing a consensus proposal for reinvestment in the public housing stock and related changes in future funding, management of public housing and HUD's role in this process. These recommendations should form the basis of Administration and Congressional action. Without such a comprehensive strategy, irreplaceable units of affordable housing will be lost and federal costs will increase.

2. Bring in talented new leadership. The wave of upcoming retirees at HUD provides an opportunity, and a need, to bring in new talent. Qualified staff can be attracted to work at HUD (as opposed to the non-profit and for-profit sectors, or local and state governments) only if there is strong leadership, a renewed mission and a robust and exciting agenda.

3. Make connections to sustainable development policies involving the transportation, energy, and environment agencies and determine a structure to coordinate these functions. A proposed White House Council on Metropolitan Policy/Sustainable Development with funding and authority should be created. HUD could work with these other agencies to establish programs with funding to provide incentives for metropolitan

areas to carry out policies on a more regional basis that further sustainable development principles. HUD should also have a seat at the table in any climate change legislation that may be considered by Congress in the next session.

4. Empower regional offices to make decisions. HUD regional directors and other senior staff ought to have clear authority over local staff and be empowered to make programmatic and policy decisions. This will require more professional staffing and training in the regional offices. The centralization of authority in Washington has slowed down decision making and led to decisions that have often not been sensitive to unique local conditions and concerns. However, we recognize that for some program areas, such as the Section 8 voucher program, it may make more sense to have more central decisionmaking to ensure consistent national policy is applied.

In addition, consider delegating authority for certain programmatic tasks to state housing agencies with adequate capacity. For example, some state agencies could play a role in the Section 202 and 811 programs, similar to the role played in the HOME Program.

5. Develop an ongoing comprehensive communications strategy with Congress, customers, and the general public to explain HUD's new mission and the impact of its programs on the daily lives of taxpayers. Rethinking and clarifying HUD's mission will require strong leadership and direction from the new HUD Secretary and the White House. This should involve establishing transparent decision-making processes, evaluating programs, developing good data and tracking systems, and articulating how HUD programs impact local communities and residents.