MEMO TO MEMBERS

The Weekly Newsletter of the National Low Income Housing Coalition

Volume 8, Issue No. 42 • October 24, 2003

Capitol Hill

Senate Backs Off Of Omnibus Approps Bill Plan

Despite increasing time constraints, U.S. Senate leaders have acceded to wishes of Senate appropriators and others who did not want to see the remaining appropriations bills rolled into one omnibus bill. Thus, individual consideration of six appropriation bills has begun. The VA-HUD bill appears likely to be considered by the full Senate early in the week of October 27. If and when it is taken up as a stand-alone bill, Senator Paul Sarbanes (D-MD) will have the opportunity to introduce his Sense of the Senate resolution calling for full funding of the housing voucher program..

Earlier in the week, the U.S. House of Representatives passed another Continuing Resolution to fund government agencies at FY03 levels until November 7. As the current Continuing Rresolution is set to expire on October 31, the Senate will need to act on a continuing resolution next week as well. Once the Senate finishes its work, the House and Senate versions of the bills will need to move to conference.

As reported previously in *Memo to Members,* Representatives Jerrold Nadler (D-NY) and Nydia Velazquez (D-NY) last week asked their House colleagues to join them in a letter to VA-HUD Subcommittee Chairs and Ranking Members in both the House and Senate, urging the leaders' commitment to full funding of the voucher program. The letter was sent this week with more than 110 signatures, including those of Minority Leader Nancy Pelosi (D-CA) and Representatives Chris Shays (R-CT) and Mark Green (R-WI), Vice Chairs of the Budget Committee and the Financial Services Housing and Community Opportunity Subcommittee, respectively.

(See **Capitol Hill** *on p. 2)*

National Housing Trust Fund

Dear Colleague Letter Encourages Support

A tri-partisan group of National Housing Trust Fund cosponsors sent a Dear Colleague letter to Representatives who are not yet cosponsors of National Housing Trust Fund legislation, urging their cosponsorship of H.R. 1002. The letter, signed by Representatives Bernie Sanders (I-VT), Rob Simmons (R-CT), Barbara Lee (D-CA), John McHugh (R-NY), and Carolyn Maloney (D-NY), detailed a recent survey by the National Association of Realtors showing that 82% of the public supports the production of affordable housing and that 71% would like to see the federal government place a higher priority on making housing more affordable. Advocates are following up on the letter, encouraging those who are not yet cosponsors to add their support to the bill.

In the field, the number of endorsements grew by more than 100 this week, bringing the total number of endorsers to more than 4,600. Seven California cities have passed resolutions in support of the Trust Fund recently: Los Gatos, Milpitas, Gilroy, Cupertino, Santa Clara, Saratoga, and Sunnyvale. The City of Plainview, TX, and Mayor Medinger of La Cross, WI, also endorsed the Trust Fund this week. More information is available at www.nhtf.org.

Point of View

by Sheila Crowley, President

Ed Goetz has made a substantial con tribution to the contemporary housing debate with his recent book *Clearing the way: Deconcentrating the poor in urban America* (2003, Urban Institute Press), in which he offers a thoughtful critique of the prevailing view that deconcentration of poor people is in their best interest, that people who move away from poor neighborhoods do better than those who do not. His immersion in the implementation of the *Hollman* consent decree in Minneapolis, where he lives, teaches, and conducts his research, lends a richness to his understanding of what deconcentration means that is unique to deconcentration research.

The *Hollman* consent decree was the result of a lawsuit brought in 1992 by public housing residents and the NAACP that asserted that public housing in Minneapolis historically had been deliberately segregated by race. The consent decree called for dramatic deconcentration of public housing residents with demolition of a large number of units and relocation of the residents, a "voluntary" mobility program, and the building of replacement housing.

Goetz tells the story of implementation from multiple vantage points, but most importantly from the perspective of those "being deconcentrated." What distinguishes the *Hollman* story from other deconcentration experiments is that some of the relocation in the wake of *Hollman* was voluntary and some was involuntary. Comparisons of the two groups found that the expected improvements to the social

(See **Point of View** *on p. 6)*

National Low Income Housing Coalition

Capitol Hill *(cont'd from p. 1)*

Congress Still at Work on GSEs

The U.S. Senate Banking, Housing, and Urban Affairs Committee held the second of its hearings on the regulation of government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac on October 23. In his opening statement, Committee Chair Richard Shelby (R-AL) stated that while the committee will make improving the regulation and oversight of Fannie Mae and Freddie Mac a priority, reform is complicated and may not be finished this year. Consideration of legislation has stalled because Treasury Department officials do not like current proposals to give regulatory authority to Treasury while keeping housing-related issues, including the approval of new products, at HUD.

At the hearing, Senators stressed that any reforms to GSE regulation and oversight should not affect their productivity in the housing market, specifically affordable housing production. "We talk about the housing market and its importance to the economy, but we are not doing enough to produce low income housing in this country," Senator Jack Reed (D-RI) said. "These entities [GSEs] should be in the forefront of this. We need to do more."

The tone of the hearing was affected by comments made by Assistant Treasury Secretary Wayne Abernathy on October 22 in which he said the Administration would be open to eliminating the GSEs' lines of credit as part of their reform, thereby substantially altering the government's relationship to the GSEs. During opening statements, Senators expressed frustration with Treasury's recent statements and positions on the reform process.

Senators questioned witnesses on the implications of eliminating the GSEs and allowing the private market to handle the entire mortgage industry. Douglas Hotz-Eakin, director of the Congressional Budget Office, testified that he believed the private capital market could take over the activities that the GSEs currently engage in. He asserted that the private market would "funnel money into the housing market and that in some areas the private market has caught up with or exceeded GSEs' activity in serving low income households."

Other witnesses, however, testified that privatization would adversely affect the low income households the GSEs were created to serve. "The private sector seeks profit and would not have the goals that the GSEs have to serve low income people," said Iona Harrison of the National Association of Realtors. Allen Fishbein of the Consumer Federation of America said more attention should be paid to expanding the GSEs' affordable housing goals during the reform process. "The three broad statutory goals in place do not permit HUD to focus sufficient GSE attention to addressing some of the neediest segments of the mortgage market, such as low income, minority, and other underserved homebuyers, or certain rental and rural housing finance needs."

On the House side, Representative Barney Frank (D-MA), Ranking Member of the House Financial Services Committee, held a meeting with the press and other interested parties on October 21 to discuss ensuring the GSEs' continued participation in the affordable housing market while oversight reforms are considered. Mr. Frank opened by stressing the importance of protecting the little affordable housing the federal government currently does.

"The Administration's proposed legislation focuses solely on the safety and soundness of the GSEs and not their roles in providing affordable housing," Mr. Frank said. "If this is the motivation, then you will lose the focus on housing." He noted that the Administration's bill includes a new fourth housing goal for the GSEs relating to single-family home purchases, but said that unlike the three current goals, the new goal would not include mandatory income targeting. The Administration's measure also includes language that would allow HUD to rescind existing goals, Mr. Frank added.

Mr. Frank said the Democrats want to further target the GSEs' affordable housing goals, saying he had planned to offer several amendments in the markup scheduled for the House Finance Committee that has been cancelled twice. One amendment would establish mandatory multifamily sub-goals. Another would amend the factors that HUD uses in establishing numerical goals to include manufactured housing, subprime lending, and loans to Indians on native lands. A third would authorize a study to determine Fannie's and Freddie's ability to utilize a portion of their profits to support affordable housing in a way similar to a requirement that now exists for the Federal Home Loan Banks.

In response to a question on federal subsidies, Mr. Frank said that there is not a direct federal subsidy to Fannie Mae and Freddie Mac, and that any direct federal subsidy should go for affordable housing production or for a housing trust fund. Mr. Frank also said there is little chance for passage of a reform bill this year, but said he felt the issue would be back again next year.

(See **Capitol Hill** *on p. 5)*

Update from the Field

Philly Advocates Propose Trust Fund

In Pennsylvania, Philadelphia has been the odd jurisdiction out when it comes to housing. Legislation permits all other counties to establish local housing trust funds. But when Act 137, the Optional County Affordable Housing Trust Funds Act, was adopted in early 1992, Philadelphia alone was excluded, reportedly for political reasons. Housing advocates recently kicked off an effort to allow Philadelphia to establish a housing trust fund and are hopeful that one will become a reality in 2004.

The Philadelphia Association of Community Development Corporations (PACDC) has taken the lead in developing a proposal for a housing trust fund in Philadelphia. At an October 21 press conference, PACDC released its proposal, which has been endorsed by more than 60 organizations. The proposal also has the support of key City Council members, and PACDC has briefed both the current mayor and his election challenger about the trust fund.

Establishing a trust fund in Philadelphia will require approval by the City Council as well as passage of enabling legislation at the state level. PACDC plans to work with the City Council and the mayor's office to develop legislation embodying PACDC's recommendations while it advocates for the necessary state legislation. "We're very excited about the trust fund because it would allow the city to increase its housing production by 80% and leverage up to $50 million a year," Sue Sierra of PACDC said. "We've had very positive reception so far and we're looking forward to working with the city to make this happen."

A report titled "A Philadelphia Housing Trust Fund: Ensuring a Future of Affordable Housing and Neighborhood Revitalization" sets forth PACDC's proposal. The report asserts that while Philadelphia faces extreme housing and community development challenges, Philadelphia is one of only two cities among the nation's seven largest that does not invest significant local resources in housing production.

The report describes local housing trust funds around the country, including their size and funding sources. It also explains how a housing trust fund would leverage other resources as well as support revitalization and provide stimulus to the local economy. In Pennsylvania, 51 of 67 counties have established housing trust funds.

PACDC proposes that the mission of Philadelphia's housing trust fund should be "to create affordable housing to meet the needs of low and moderate income Philadelphians, to provide housing investment to revitalize distressed neighborhoods, and to leverage additional outside resources." To fulfill this mission, the trust fund would have housing production as its top priority. Half of the $15 million investment in production would be for long-term affordable rental housing for very low income households, with the other half devoted to affordable and mixed-income homeownership. An additional $5 million would be directed toward assisting low income homeowners with home repairs.

PACDC recommends three sources that would generate the $20 million needed for the trust fund. State legislation would give Philadelphia the same rights as other counties under Act 137 to increase document recording fees to support a housing trust fund. The city could also devote a portion of its current real estate transfer tax revenue—which has increased significantly in recent years—to the trust fund. In addition, Governor Ed Rendell (D) has committed to doubling state Housing and Redevelopment Assistance (HRA) funding by FY06. PACDC recommends directing HRA resources above the FY04 level toward the trust fund.

NLIHC Staff

Isaac Brown, Intern, x241
Scott Bucher, Intern, x243
Bonnie Caldwell, Senior Legislative Director, x242
Sheila Crowley, President, x224
Julie Eisenhardt, Field Organizer, x223
Katie Fisher, Field Organizer, x222
Synavia George, Intern, x232
Melissa Higuchi, Membership Associate, x227
Kirsten Kaufman, Intern, x244
Alexis Laing, Intern, x232
Khara Norris, Executive Assistant, x224
Danilo Pelletiere, Research Director, x237
Irene Basloe Saraf, Associate Director, 202-744-5766
Kim Schaffer, Outreach Director, x230
Michelle Goodwin Thompson, Office Manager, x234
Mark Treskon, Research Analyst, x245
Carol Vance, Receptionist/Office Assistant, x221
Cathy White, Deputy Director, x228
Kim Willis, Policy Analyst, x314

Do you currently receive *Memo* by fax? If so, please consider switching to email delivery: You'll receive a higher-quality reproduction each week, and emailing is substantially less expensive than faxing, so you'll help NLIHC reduce costs. To switch, call 202-662-1530 x227 or email memo@nlihc.org.

GAO

GAO Finds Barriers to Community Economic Development Loan Securities

After reviewing the nature of the community economic development (CED) loan market and various models of turning the loans into easily tradable investments, the General Accounting Office (GAO) determined that there are numerous barriers that must be addressed if the loans are to be "securitized." The GAO's "Community and Economic Development Loans: Securitization Faces Significant Barriers" report was released October 17.

It is generally held that the securitization of home loans through Fannie Mae and Freddie Mac is a key factor leading to the broad participation of private lenders in home financing and thus the wide availability of these loans and the rise of homeownership in America. By turning a loan for a highly differentiated and specialized product, i.e. a loan for a specific family's home, into an easily tradable investment, securitization made investment in the home mortgage market more attractive. As in the home loan market, securitization of community economic development (CED) loans would offer lenders increased liquidity and thus increase private interest in the CED market, thereby increasing the pool of funds available to borrowers. Also, for some, securitization may be one way to reduce the participation of government in CED lending.

The report looks specifically at community development financial institutions (CDFIs), revolving loan funds, the USDA's Intermediary Relending Program (IRP), community development corporations (CDCs), Small Business Administration 504 CDCs, microlenders, and lenders supported by community development block grant (CDBG) funds. The report identifies six distinct and current barriers to securitization of CED loans: 1) the volume and demand of loans is not well understood; 2) most current CED lenders lack the capacity to securitize the loans they make; 3) current statutory or programmatic requirements made by funding sources limit their value as securities; 4) many loans are below market rate, and current lenders fear that securitization will require a further discount; 5) lack of information increases the costs; and 6) current lenders are not well connected to security markets.

Clearly, some of these barriers are related to the structure of current programs, the current structure of the market, and the current crop of lenders and borrowers, rather than to any barrier inherent to securitizing CED loans. Though the report presents a number of suggestions for addressing the problems, given the general lack of available information and the scope of the report, they are not assessed in detail. More fundamentally, it remains an open question whether the broader social goals of CED lending can be joined with the demands of securities markets and whether doing so would actually increase the available funds and reduce costs in the market.

While the issue of securitizing CED loans may appear somewhat arcane, the issue is likely to continue to draw interest from the Hill and elsewhere, and this report provides good background information. The report is available at www.gao.gov/cgi-bin/getrpt?GAO-04-21.

Resources

The Case for Inclusionary Zoning

"Expanding Housing Opportunity in Washington, DC: The Case for Inclusionary Zoning," a new report by PolicyLink, looks at issues surrounding successful implementation of inclusionary zoning practices and how such policies can help Washington, DC. While the report focuses much attention on the District, it provides an overview of practices throughout the nation and analyzes the most effective methods for using inclusionary zoning to increase affordable housing.

Inclusionary zoning is seen as a successful means of adding affordable housing units to a market for various reasons. By stipulating that new construction include a certain share of affordable units, the report argues that inclusionary zoning fosters mixed income communities, ensures housing for a diverse labor force, provides a consistent regulatory framework, and increases access to opportunity for those in high poverty areas.

Inclusionary zoning can be especially successful in growing markets, the authors find. They conclude that a successful inclusionary zoning policy: is mandatory, has a profit incentive for developers, creates income targets, links the affordable units to vouchers or homebuyer programs to further subsidize units, is extended to the majority of new construction, ensures long-term affordability (often 30 years), and limits use of alternatives for developers. Additionally, the need for clear legislation and consistent administration in running an inclusionary zoning program is stressed.

The first appendix has examples of inclusionary zoning programs from across the country and breaks down attributes of various programs such as the percentage of affordable units set aside in a development, the development size where the inclusionary zoning rule is triggered, the income targets for residents of the affordable units, and the manner of developer compensation. Other appendices include a set of key components of inclusionary zoning policy, an example of inclusionary zoning economic feasibility studies, and lists of research interviewees and references.

The report is available at www.policylink.org/DCIZ.html.

Capitol Hill *(cont'd from p.2)*

More GSE Work

Unrelated to the ongoing GSE oversight reform hearings, the House Capital Markets, Insurance and Government Sponsored Enterprises subcommittee will hold a hearing on October 30 entitled "Reviewing U.S. Capital Market Structure: Promoting Competition in a Changing Trading Environment." The hearing will take place at 10 am in room 2128 of the Rayburn Office Building.

New Legislation

Senator Maria Cantwell (D-WA) introduced S. 1761 on October 20. The bill, which was referred to the Committee on Health, Education, Labor, and Pensions, provides guidelines for the release of Low Income Home Energy Assistance Program (LIHEAP) contingency funds. The LIHEAP contingency fund was created to meet the additional home energy assistance needs of states arising from a natural disaster or other emergency; the bill will provide transparency to the process by which such contingency funds are distributed.

Bills at a Glance

Current information on legislation being tracked by NLIHC is available through NLIHC's legislative action center, at http://capwiz.com/nlihc/issues/bills/.

USDA

HAC: Loss of Affordable Rural Units

The Housing Assistance Council (HAC) issued a release on October 20 documenting the drop in the available affordable rural apartments this year. HAC found that for the first time since 1973, the federal rural housing production program built fewer than 1,000 units during the year, while more than twice as many affordable rural apartments were lost. According to HAC, the U.S. Department of Agriculture's (USDA) Rural Rental Housing Program (Section 515) produced 826 new units in FY03. During the same year, owners of 1,848 units left the program by prepaying their Section 515 mortgages. Although some of the prepaid units will remain available for low income tenants, many will be converted to market rate rental or condominiums that current residents cannot afford.

More than 290,500 units of Section 515 rental housing are at risk for prepayment and removal from the program, the USDA's Rural Housing Service calculates. At the same time, HAC reports that 2.4 million rural rental households are experiencing housing problems. "This squeeze affects seniors living on fixed incomes, wage earners with low-paying jobs or part-time work, and others without means," said HAC Executive Director Moises Loza.

Housing in the Elections

Boulder Advocates Schedule Forum

In an effort to ensure that the candidates who will eventually fill the six open seats on the Boulder, CO, City Council will keep housing at the top of the council's agenda, advocates are hosting a candidates' forum on the future of affordable housing in the city. On October 26, the Mapleton Mobile Home Park Association (MMHPA), an organization dedicated to preserving the park as a permanently affordable, resident-controlled, owner-occupied Mobile Home Park, and the Thistle Community Housing Organization (TCHC), dedicated to providing affordable housing opportunities through community land trusts, plan to press candidates on their dedication to the goal of having at least 10% of the city's housing stock set aside as affordable, and on their views on what role nonprofit housing providers will play in reaching that goal.

According to MMHPA and TCHC, the city has already met half of its 10% goal, but forum organizers say they feel the best way to find out which candidates have the best plan for seeing the goal through to the end is to provide candidates with an audience that understands the importance of the issue. "The Current Boulder City Council has been a leader locally and statewide in developing solutions for affordable housing," said TCHC Executive Director Aaron Miripol. "It is important to know where our candidates stand on continuing the work of the Council."

Advocates say it is also vital to engage candidates in a discussion of the city's inclusionary zoning policy that requires developers to allocate 20% of new housing as permanently affordable. Households earning $64,000 or less will benefit under this policy; however, forum organizers plan to ask candidates about their plans for developing additional ways to assist families earning less than $50,000 a year.

The sponsors anticipate many additional topics will also be covered, as attendees will have the opportunities to ask candidates their own questions about affordable and accessible housing.

Tell Your Friends...

NLIHC membership is the best way to stay informed about affordable housing issues, keep in touch with advocates around the country, and support NLIHC's work. Membership information is available at www.nlihc.org. Or e-mail membership@nlihc.org or call 202-662-1530 to request membership materials to distribute at meetings and conferences.

Point of View *(cont'd from p. 1)*

and economic well-being of people who were deconcentrated just did not pan out for those who did not make the decision to move on their own.

However inadequate one's housing might be, the effect of robbing someone of voluntary decision-making about something as fundamental as where he or she lives can be damaging. Particularly telling in the *Hollman* research is that even though members of the involuntary group moved to neighborhoods that were less poor than the one they left, they reported fewer benefits from moving when compared to those who moved by choice. They did not perceive themselves as being better off.

Demolition of low income housing in the name of deconcentration is just one way we take away autonomy from the poor supposedly for their own good. The community service requirement for public housing residents is another. Requiring people who live in affordable or assisted housing to participate in services as a condition of their lease is also involuntary. We do not help people when we deprive them of the power to make their own choices. In order for help to have a contingent effect, it must be given non-contingently.

Fact of the Week

Rural Housing Production

Units created by the Rural Rental Housing Program (Section 515) in FY03: 826

Section 515 mortgages prepaid by landlords in FY03: 1,848
(Prepaying a mortgage removes the government requirement to keep the units affordable)

Source: "Twice as Many Affordable Rural Apartments Los as produced this Year, HAC Reports," Housing Assistance Council (HAC). www.ruralhome.org/pubs/pressreleases/2003/preservation.htm.

News & Events

James A. Johnson Fellows

The Fannie Mae Foundation is seeking nominations for the 5th annual James A. Johnson Community Fellows program. The program recognizes and rewards leading community-based urban and rural affordable housing and community development professionals and gives them the opportunity to pursue personal and professional development goals that will encourage them to contribute further to the housing and community development field. Each year, the Fannie Mae Foundation selects six distinguished professionals as James A. Johnson Fellows and awards them a $70,000 grant plus a $20,000 educational travel/study stipend to pursue a self-designed, professional-development track.

The deadline for submitting completed nomination packages is December 31. A description of the program, criteria for selection, and the nomination form is at www.fanniemaefoundation.org/grants/johnson.shtml. For more information, contact Laura Lucs at 202-274-8073 or at llucs@fanniemaefoundation.org.

Vote for NLIHC in Working Assets Fund

The Working Assets phone company each year donates a portion of its profits to select nonprofit organizations, and each year Working Assets customers vote on how funds should be distributed. This year, NLIHC is one of 50 groups in the running for a share of the funds. Members of Working Assets can vote for funds to be appropriated to NLIHC by filling out the Working Assets 2003 Donations Ballot and marking support for NLIHC. The distribution of funds is determined solely by how many votes each group receives.

There are three easy ways to vote:
1. Fill out the ballot in your Working Assets phone bill.
2. Vote online at www.workingassets.com/voting.
3. Call the voter hotline at 1800-920-VOTE.

Voting ends December 31. Thanks for participating!

National Low Income Housing Coalition
Memo to Members
October 24, 2003
Vol. 8, No. 42

About NLIHC: Established in 1974, the National Low Income Housing Coalition is dedicated solely to ending America's affordable housing crisis. NLIHC educates, organizes, and advocates to ensure decent, affordable housing within healthy neighborhoods for everyone. NLIHC provides up-to-date information, formulates policy, and educates the public on housing needs and the strategies for solutions.