MEMO TO MEMBERS

The Weekly Newsletter of the National Low Income Housing Coalition

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SPECIAL REPORT

FY04 VOUCHER FUNDING CRISIS – WEEK 3

Repercussions, Advocacy Continue

The effects of the April 22 HUD notice that alters the renewal formula for vouchers in FY04 continue to reverberate in Washington and across the country. Under the new formula, PHAs will no longer be paid based on the actual costs of the vouchers they administer, but rather payment would be based on vouchers under lease as of August 1, 2003, adjusted for an inflation factor. The notice is retroactive to January 1, 2004. This will leave many PHAs without sufficient funds to honor all voucher contracts. Already, some housing authorities have begun issuing plans for the termination of vouchers. Those hit hardest are those that no longer have reserves.

HUD's response. HUD continues to blame public housing authorities for their problems with the April 22 notice. In an *AP* article of May 6, HUD Secretary Alphonso Jackson said that the PHAs that are having problems are those that are over budget and only have themselves to blame. Mr. Jackson asserted that about 90% of the 2,500 local housing authorities are not having a problem with the renewal formula, and that he is "not going to permit housing agencies to put the blame at the foot of HUD." "What they are asking us to do—those who ovelease and have no reserves—is to make whole their agency," he said.

However, analysis by PHAs and advocates continues to indicate that adverse effects from the notice are much more widespread, and there is growing concern about the reliability of data provided by HUD. One indication of the seriousness of the problem is that Governors Tim Pawlenty (R-MN) and Mitt Romney (R-MA), whose state housing agencies face serious shortfalls, traveled to Washington to meet with Secretary Jackson this week. Preliminary reports are that the meeting did not produce satisfactory solutions to the problems for these two governors.

Frank Introduces Bill. In response, Members of Congress are taking steps to reverse the effects of the April 22 HUD notice. On May 3, Representative Barney Frank (D-MA), Ranking Member of the Financial Services Committee, introduced H.R. 4263 to undo cuts imposed by the new HUD notice and mandate that HUD return to the practice of renewing vouchers based on the housing authorities' actual per-unit costs in the previous quarter, adjusted for inflation. The bill was introduced with 24 Democratic cosponsors. In a letter to his colleagues seeking co-sponsors, Mr. Frank urged them to join him to protect the longstanding policy of fully funding all existing housing vouchers.

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National Housing Trust Fund

House Cosponsors up to 212

Newly elected Representative Ben Chandler (D-KY) became the 212th member of the U.S. House of Represenatives to cosponsor H.R. 1102, the National Affordable Housing Trust Fund Act of 2003 in the 108th Congress. Mr. Chandler joined the House in February 2004 after winning a special election to fill the seat vacated by Representative Ernie Fletcher (R-KY) when he was elected Governor of Kentucky in the 2003 off-year elections. Thanks to the Homeless and Housing Coalition of Kentucky and the Federation of Appalachian Housing Enterprises, Inc., for advocating with Mr. Chandler.

POINT OF VIEW

by Sheila Crowley, President

Here's a story that will make you smile, which most of us can use these days. As regular readers of "Point of View" know, my spouse and I live in the small Virginia city of Fredericksburg, which is about 50 miles south of DC, home to about 20,000 people, and steeped in American history. George Washington, James Monroe, John Paul Jones, and Thomas Jefferson lived and worked here at some time or another. Fredericksburg is in the 1st Congressional District of Virginia, first represented in Congress by James Madison. Fast forward to the mid-19th century, and Fredericksburg was the site of one of the most horrific battles of the Civil War, which reenactors reenact, canons and all, behind our house every December. You get the picture.

While much of Virginia was in the grip of massive resistance during the Civil Rights movement of the mid-20th century, Fredericksburg integrated its public schools without incident. In 1966, Reverend Lawrence Davies, a black minister, was elected to the city council. Ten years later, he was elected mayor by a white majority population and served as mayor for 20 years. (He remains much beloved today and still leads his church.) During this period, the community embraced "human relations" and civic activism. One of the outcomes was the decision to expand housing choices in the city. In 1970, a biracial group of citizens, affiliated with Reverand Davies' church, formed a nonprofit organization to build and operate affordable housing. Hazel Hill began as a

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NATIONAL LOW INCOME HOUSING COALITION

Vouchers *(cont'd from p. 1)*

On the same day, Mr. Frank and House Minority Leader Nancy Pelosi (D-CA) also held a press conference to protest HUD's actions. Mr. Frank pointed out that the Administration has consistently proposed cuts to the program and that its plan to turn the program into a block grant in FY05 is a way to hide these cuts. He added that the voucher funding language in the FY04 Appropriations bill that HUD says allows these changes was inserted at HUD's behest by the conference committee without hearings or open discussion on the impact of such a proposal. Mr. Frank said, "Now, HUD says, 'Oh, poor us, we can't help it, we have to abide by that language,' Of course, HUD wrote the language, slipped it in the conference, wrote it in a deliberately obscure way."

Ms. Pelosi discussed the cuts to the voucher program in the context of larger budget policy. "While Republicans are happy to continue tax cuts for wealthy corporate interests, they are making cuts that threaten safe and secure homes for thousands of children and families across America," she said.

Hearing Scheduled in House. The Financial Services Committee in the House has scheduled a hearing on the HUD budget for Thursday, May 20. Secretary of HUD Alphonso Jackson is scheduled to testify, and it is expected that the 2004 voucher funding crisis will be a major part of the discussion. The Administration's proposed FY05 budget, which underfunds the Section 8 program and plans to impose a Flexible Voucher Program, will also be discussed. Although this hearing replaces one scheduled for March that was cancelled, a letter to Financial Services Committee Chairman Mike Oxley (R-OH) from Representatives Deborah Pryce (R-OH) and Pat Tiberi (R-OH) urging a hearing on the FY04 voucher funding crisis gave impetus for the rescheduling.

Senate Actions. In a letter that advocates consider to be very useful, Senator Kit Bond (R-MO), Chair of the VA-HUD Appropriations Subcommittee, wrote to HUD Secretary Jackson on April 29, urging him to clear up the "substantial confusion" about the notice and expressing concern about the information HUD provided when the 2004 bill was considered. Senator Bond said he supports using the August 1, 2003, baseline for payment costs (as HUD's new policy does), but he pointed out that HUD has several options that it may use to ease the transition. The letter said that "the statute provides that renewals be based on the 'total number of unit months which were under lease as reported on the most recent end-of-year financial statement submitted by the public housing agency to the Department, or as adjusted by such additional information submitted by the public housing agency as of August 1, 2003 and by applying an inflation factor based on local or regional factors to the actual per unit cost.' " He stated that this means that HUD should be able to use the most recent, reliable rental data for a PHA and, to the extent that a PHA's end-of-year financial report is submitted to HUD subsequent to August 1, 2003, the rental information in that report should be available as the baseline for the per unit cost.

Senator Bond also pointed out that increases were not to be limited to an annual adjustment factor, but HUD should be able to apply a factor based on rent increases that are consistent with the rent increases of comparable, unsubsidized housing an area or region. Senator Bond went on to say that while HUD needs to control costs of vouchers, the costs should reflect the realities of the marketplace, both increases and decreases, by using the best available data. He also addressed cases in which PHAs are facing shortfalls because reductions in tenants' incomes are requiring the voucher to cover a higher portion of the rent. "The central fund should not cover increases in the rent charged; it should cover shortfalls where the tenant's contribution decreases as a result of lost income," he wrote. He also expressed concern over "HUD's treatment of PHAs that have overleased beyond their authorized voucher levels."

In other Senate activity, Senator Ted Kennedy (D-MA) issued a statement in conjunction with the Frank-Pelosi press conference admonishing HUD for changing the rules in the middle of the game and noting that Congress provided HUD more than enough money to meet the voucher needs in 2004. Senator Hillary Clinton (D-NY) also weighed in with a letter to Mr. Jackson urging HUD to revisit its decision and fund vouchers based on their actual costs according to the latest available date. She pointed out that New York City will lose $54 million as HUD's plan is implemented. Senators Judd Gregg (R-NH), John Sununu (R-NH), Olympia Snowe (R-ME) and Jim Jeffords (I-VT) sent a letter to HUD on May 6, expressing concern about the retroactive nature of HUD's policy. And Minority Leader Tom Daschle (D-SD) and Senator Jack Reed (D-RI) are working on a sign-on letter to be sent from Senators to Secretary Jackson.

Advcocates in High Gear. Housing advocacy organizations from coast to coast are successfully calling attention to the problems HUD's FY04 voucher funding policy poses for their states, with advocates reaching out to other advocates, the media, state government officials, and Congressional delegations.

Advocates in Massachusetts were among the first to bring attention to the FY04 voucher funding problems. According to the Citizens Housing and Planning As-

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Vouchers *(cont'd from p. 2)*

sociation, which has been working with its Congressional delegation, the state's housing agency is seeking options other than termination of voucher holders. Meanwhile, advocates in Massachusetts are calling attention to the problems faced by other public housing agencies (PHAs) in the state. Hingham Housing Authority, for instance, is delaying its May rent checks to landlords. Given the involvement of the state's Congressional delegation on the voucher funding issue, advocacy in Massachusetts has had a powerful effect.

New Hampshire advocates have secured excellent press in response to the $1.7 million shortfall in FY04 voucher funding for the state's housing agency. The New Hampshire Housing Forum and other advocates in the state are working with the state housing agency and have been creative about ways to work with the legislative branch of the state government. On May 6, the Republican-dominated state Senate, in a bipartisan vote, passed a resolution urging HUD to rescind its limitation on voucher funds. The resolution calls on New Hampshire's Congressional delegation to "take all necessary steps to require [HUD] to rescind the limitation on rental assistance under the Section 8 Housing Choice Voucher Program."

While neighboring Vermont does not appear to have a crisis in its FY04 funding, the Vermont Affordable Housing Coalition held a successful press conference on May 6 on the inadequate funding proposed by the President for the voucher program for FY05 through FY09. Advocates in Vermont are also encouraging the legislative and executive branches of state government to express opposition to voucher cuts.

The Coalition on Housing and Homelessness in Ohio (COHHIO) and the Statewide Housing Action Coalition (SHAC) of Illinois have both been active for months in bringing together coalitions of advocates to fight the Administration's FY05 voucher plan. Both COHHIO and SHAC have directed the efforts of these new advocacy partnerships toward the FY04 voucher funding problems. SHAC is planning to take advantage of a press conference on May 10 about a bill establishing a state-funded rental subsidy program to highlight the FY04 voucher funding crisis. The Peoria Housing Authority may be short nearly $500,000 in voucher funds, and advocates are meeting on May 7 with Representative Ray LaHood (R), whose district includes Peoria, to discuss the crisis with him.

The Housing and Community Development Network of New Jersey (HCDNNJ) is reaching out to PHAs, the press, and its Congressional delegation. HCDNNJ's members in the Woodbridge area were activated by the Woodbridge PHA's announcement that 72 vouchers would be terminated as of June 30. In Minnesota, housing advocates have alerted their networks and have been reaching out to other allies and to the media about the impact of the HUD's policy on vouchers in the state. In Florida, advocates from the Florida Housing Coalition have reached out to the Appropriations Chair Bill Young (R) and other members of their delegation.

While attending NLIHC's conference, advocates from California, including the Southern California Association of Non-Profit Housing (SCANPH) urged their delegation to take action, and, as a result, a letter from members of the delegation is being prepared under the leadership of Ranking Member Maxine Waters (D). An emergency Section 8 coalition in the Los Angeles area held a briefing on April 30 for local Congressional staff that covered both FY04 and FY05 voucher issues, and advocates are encouraging Governor Arnold Schwarzenneger (R) to oppose the HUD policy. In Delaware, advocates with the Delaware Housing Coalition discussed the FY04 voucher funding problems at their annual conference on May 5 and have reached out to faith-based networks to join in their advocacy efforts against the policy.

Advocates with the Texas Low Income Housing Information Service are reaching out to PHAs in the state. In the Dallas *Morning News*, an official from the Houston Housing Authority (HHA) is quoted stating that HHA will be forced to cut off funding for 724 of its 14,000 vouchers in use. In Colorado, Mercy Housing and its partners have been urging their networks to contact their Members of Congress about the crisis. Mercy Housing itself relies on vouchers to support many of its housing units, and is investigating the implications of HUD's policy on its own vouchers. In Washington, the Washington Low Income Housing Alliance and the Association of Washington Housing Authorities have been working cooperatively to gather information and urge the delegation to cosponsor the corrective legislation introduced by Representative Barney Frank (D-MA).

With New York City facing a $55 million shortfall in FY04 voucher funding, New York State Tenants and Neighbors is working with Senator Charles Schumer (D) and Representative Nydia Velazquez (D) to bring additional press attention to the issue. Tenants and Neighbors is working with organizations statewide to urge their own Representatives to reach out to other members of the delegation, particularly VA-HUD appropriations subcommittee chair James Walsh (R).

Capitol Hill

Voucher Funding Advocacy on FY05 Front

A bipartisian letter is being circulated by Representative Nydia Velazquez (D-NY) and five of her colleagues that requests signatures on a letter to the Chair and Ranking Member of the House Appropriations Committee in opposition to the Administration's proposal for FY05 to cut housing vouchers and turn the program into a block grant. The letter, also signed by Democratic Representatives Jerrold Nadler (NY) and Robert Menendez (NJ), and Republican Representatives Christopher Shays (CT), John McHugh (NY), and Patrick Tiberi (OH), urges full funding for the voucher program in FY05 and expresses alarm that significant programmatic changes are being proposed without first being vetted through the authorizing committees. Advocates are working to encourage their Members of Congress to join the letter.

Signaling his view of the Administration's FY05 voucher proposal, Senator Kit Bond (R-MO) said in his letter to Secretary Jackson on the FY04 voucher issue that he "remain(s) very concerned that HUD has not developed the necessary data or conducted a comprehensive analysis to justify its FY05 proposal to block grant section 8 assistance to PHAs." He wrote, "Not only is the HUD FY05 voucher block grant grossly underfunded, it would result in denying the availability of housing vouchers to extremely low income families, possibly creating a greater dependency on homeless services, and likely turning back the clock on federal and local efforts to deconcentrate low income families away from poor and distressed neighborhoods."

Budget Work Still Incomplete

House and Senate conferees remain deadlocked on a budget resolution for FY05. The House leadership continues to oppose any proposal that would impose a pay-as-you-go rule on both tax cuts and increases in entitlement spending, for fear it would restrict the enactment of further tax cuts. The pay-as-you-go provision would require offsets for any bill that would cut taxes or increase entitlement spending.

Earlier this week, the House leadership attempted to reach a compromise by offering a proposal that would impose the pay-as-you-go provision for five years, but would exempt tax cuts. But Senate Republicans Senators Olympia Snowe (R-ME), Susan Collins (R-ME), Lincoln Chafee (R-RI), and John McCain (R-AZ) remain leery of accepting any proposal that would exempt tax cuts. On May 5, House Democrats attempted to pass a proposal that would have instructed House and Senate budget conferees to adopt the inclusive pay-as-you-go rule (on both spending and tax cuts) that was adopted under the Senate budget resolution. The bill was defeated by a 215-208 vote.

On May 6, House and Senate Republicans devised a proposal that would protect Republican efforts to extend tax cuts and would set a discretionary spending limit. The new compromise would create budget rules for only one year and would not include any pay-as-you-go provisions. Creating a one–year budget proposal would allow Congress to debate the pay as you go provisions again next year. It is unclear whether moderate Senate Republicans will accept this proposal, but it seems unlikely since the proposal excludes any pay-as-you-go provision.

While the House and Senate continue to work out a compromise, advocates continue to urge Members of Congress not to adopt any proposal that excludes tax cuts from offset requirements. House and Senate budget conferees remain hopeful that a budget resolution will pass before the Memorial Day recess.

More Money Needed for GSE Oversight

On May 6, President Bush submitted an amendment to his FY05 budget request for HUD that would increase amount allocated to the Office of Federal Housing Enterprise Oversight (OFHEO) from $44.259 million to $59.208 million. OFHEO is the oversight entity within HUD that monitors Fannie Mae's and Freddie Mac's mortgage activity. As reported in past issues of *Memo*, OFHEO has been criticized for not being able to adequately monitor Fannie Mae's and Freddie Mac's activity.

Both the House and Senate have attempted to pass legislation that would create a new regulator for the Government Sponsored Enterprises. Most recently, a bill introduced by Senator Richard Shelby (R-AL) that would create and independent regulator, passed the Senate Banking Committee. It does not appear likely that the bill will pass the full Senate in the 108th Congress.

In response to the inability so far this year of the House and Senate to pass a bill that would move oversight responsibility from OFHEO to a new regulator, the President submitted the amendment to increase the allocation for OFHEO "to strengthen capacity." The Administration continues to urge Congress to pass legislation that would move oversight responsibility to the Department of Treasury.

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Capitol Hill *(cont'd from p. 4)*

House Passes Small Public Housing Authority Act

The House passed H.R. 27, the Small Public Housing Authority Act, by unanimous vote on May 5. Introduced by Representative Doug Bereuter (R-NE), the bill would exempt small PHAs from submitting an annual plan to HUD. The bill defines a small PHA as a non-troubled PHA with less than 100 Section 8 vouchers and public housing units combined. The bill would also allow tenants to continue participating in establishing the PHA goals and objectives. Before passage of this bill, all PHAs were required to submit both five-year and 12-month plans to HUD.

There are no indications at this time on who will take the lead on a similar bill in the Senate.

House Subcommittee Passes 'Zero Down' Legislation

On May 5, the Housing and Community Opportunity Subcommittee of the House Financial Services passed H.R. 3755, the Zero Downpayment Act of 2004, introduced by Representative Patrick Tiberi (R-OH) on February 3. The legislation would eliminate the downpayment and closing cost requirements for some families acquiring Federal Housing Authority (FHA) insured mortgages (see *Memo*, February 6 and March 26).

The bill passed by voice vote with a manager's amendment offered by Subcommittee Chair Bob Ney (R-OH). While the original bill would have allowed financing only of single-family properties, the amendment would allow individuals to use the "Zero Down" mortgage to finance the purchase of properties of up to four units. Mr. Ney has asserted that allowing the financing of multi-family properties allows low income people to become landlords as well as homeowners. The amendment also incorporates several recommendations by other subcommittee members, including one to require pre-purchase counseling. At a March 26 hearing on the bill, Representatives Barbara Lee (D-CA) and David Scott (D-GA) emphasized the need for homeownership counseling. In addition, the amendment allows homebuyers the option to access foreclosure prevention counseling, and requires lenders to fully disclose the incremental costs of the loan.

The amendment also caps the amount HUD can charge for the mortgage insurance premium. The original bill allowed HUD to increase the mortgage insurance premiums of people receiving the benefit of no downpayment, but did not limit how much homebuyers could be charged. The amendment also requires that HUD eliminate the entire program if more than 3.5% of the mortgages under the program are foreclosed in the first year. Also, the General Accounting Office must submit annual reports starting no later than two years after the implementation of the bill regarding the performance of the program. The amendment also requires that the program end on September 30, 2011.

Representative Richard Baker (R-LA) expressed concern about the legislation and attempted to offer an amendment that would have required the program to end in 2007. The amendment would have also limited the mortgage activity under this program to 10% as opposed to 30% of the total FHA mortgages. The *Congressional Quarterly* reports that Mr. Baker asserted that buyers under the program might owe more than their homes are worth and would be at high risk of foreclosure if the market changes. Mr. Baker withdrew his amendment after strong opposition from other members on the committee, including Ranking Member Maxine Waters (D-CA).

As there are limited legislative days remaining in the 2004 session, it is unclear when the bill will be considered by the full Financial Services Committee.

New Legislation

Senator Edward Kennedy (D-MA) introduced S. 2370, the Fair Minimum Wage Act of 2004, on April 29. The bill would increase the minimum wage to $7.00 incrementally over the next two years. The bill has been placed on the Senate legislative calendar.

On May 5, Representative Ken Lucas (D-KY) introduced H.R. 4289. The bill would amend the Internal Revenue Code of 1986 to allow investors to take the low income housing tax credit without regard to whether moderate rehabilitation assistance is provided. The bill has been referred to the House Ways and Means Committee.

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/.

HUD

HUD Releases GSE Affordable Housing Goals

On May 3, HUD's Office of the Assistant Secretary for Housing - Federal Housing Commissioner released a proposed rule that would strengthen the housing goals for Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac for 2005-2008. The rule requires Fannie and Freddie to set higher goals for financing mortgages for low income families and families living in underserved areas. The rule outlines requirements for the two GSEs to meet annually, and the requirements increase each year. HUD claims that progressively increasing Fannie and Freddie's requirements will allow the GSEs to better retarget mortgage assistance and to transition business strategies to reflect larger low income populations.

The proposed goals would require that 52% of the housing units financed in 2005 be for low and moderate income families, a jump from the current 50%. The new goals also include an annual subgoal for affordable multifamily units that would require Fannie Mae to finance $5.49 billion and Freddie Mac $3.92 billion for multifamily properties.

Both Congress and the Administration believe that increasing the affordable housing goals for Fannie Mae and Freddie Mac is necessary and that the GSEs could do more to increase the stock of affordable housing. In its notice, HUD notes that 5.1 million households have "worst case" housing needs, defined as cases in which unassisted very low income renter households pay more than 50% of their households' income in rent or live in severely inadequate housing. HUD also asserts that "the potential of the GSEs to lead the multifamily mortgage industry has not been fully developed." The notice outlines the goal for the GSEs to increase the availability and reduce the costs of financing for affordable multifamily rental properties.

The notice also notes that "low incomes, combined with high housing costs, define the difficult situation of millions of renter households." In the notice HUD contends that loans on multifamily properties are viewed as "riskier" than single-family properties. For this reason, HUD asserts that there is a need for the GSEs presence in the multifamily secondary market.

NLIHC will review the goals further and will submit comments, and other organizations are encouraged to do so as well. Comments are due July 2. The notice, FR – 4790-P-01, can be found at www.hudclips.org

In related news, Congress continues to scrutinize the GSEs' mortgage activity. In a letter dated April 27, Financial Services Committee Chair Michael Oxley (R-OH) requested detailed information from both Fannie Mae and Freddie Mac regarding transactions in 2003 that were more than $1 billion. Mr. Oxley sent the letters to inquire whether certain "incentives," such as bonuses or stock options, were offered to banks to meet the GSEs' affordable housing goals. Fannie and Freddie have until May 14 to provide Mr. Oxley with the requested information.

Public Housing Neg–Reg Committee to Convene in Atlanta

The public housing operating fund negotiated rulemaking (neg-reg) committee will reconvene May 11 and 12 in Atlanta, the Office of the Assistant Secretary for Public and Indian Housing announced May 4.

These meetings are the last of a series of meetings since March 31 that are intended to determine a formula for the distribution of public housing operating funds. At the most recent meeting, the committee adopted a proposal that included moving local housing authorities to a project-based accounting and management system over the next five years. Such a system would move PHA operations to more closely mirror that of the private market, with PHAs receiving operating funds based on their individual properties, as opposed to being funded at a PHA-level as they currently are. These final meetings in Atlanta are supposed to include a discussion that would clarify how HUD defines project-based accounting and management.

Advocates remain concerned that tenants were underrepresented during these meetings and that HUD and housing authorities might continue to push for "deregulation" laws, including removing income targeting and restructuring rents, that would adversely affect tenants (see *Memo,* April 23). The only public housing resident on the committee, Veronica Sledge of Jacksonville, FL, and the only tenant representative on the committee, Jack Cooper of the Massachusetts Union of Public Housing Tenants, have also sent letters to HUD requesting additional information on how project-based accounting would affect tenants and expressing concern over proceedings at the previous held meetings. And the National Housing Law Project sent a letter to HUD Secretary Alphonso Jackson on May 5 outlining concerns regarding the lack of tenants on the committee and the treatment of the tenant representatives while on the committee.

Under the FY04 Appropriations bill, HUD was charged with issuing a final rule on the public housing operating fund by July 1. The committee will agree to the final rule language during the meetings.

The notice, FR-4874-N-05, is at www.hudclips.org.

Resources

New Reports on Block Grants

With the recent controversies over the Bush Administration's various proposals to "block grant" the housing voucher (Section 8) program, a pair of resources from the Urban Institute provides some useful historical and fiscal context.

As part of a series of articles and reports titled *New Federalism: Issues and Options for States,* the Urban Institute has released two brief reports by Kenneth Finegold, Laura Wherry, and Stephanie Schardin. One discusses the history of block grants in the United States, and the other takes a closer look at the potential impact of 10 new block grants proposed in the Administration's FY05 budget.

Block grants, the reports note, are fixed federal grants to states and local governments or other local entities. In the case of housing vouchers, for example, the FY05 proposal would give federal housing funds directly to public housing authorities. Traditionally, the funds from what were, or might have been in the case of new programs, many distinct federally administered programs are pooled and disbursed directly to local entities to administer as they see fit as long as they meet the program-defined objectives. In theory, block granting provides state and local governments greater flexibility in designing and implementing programs, cutting administration costs, better matching solutions to local needs, and increasing the efficiency and impact of the federal aid in the process.

The earliest block grants were initiatives of Democratic administrations. The first block grant programs were the Partnership for Health in 1966 and the Safe Street Program in 1968. Support for block granting continued under Republican administrations. President Nixon proposed six block grants to replace 129 programs, though only three significantly scaled-back programs emerged. These first block grants provided more money than the individual programs they replaced. This changed under President Reagan, when only a quarter of the money previously available from the programs being replaced was available in the new block grants. A new wrinkle was added by the 104th Congress, with welfare reform legislation that replaced the Aid to Families with Dependent Children (AFDC) and related programs with the TANF block grant. Previously, block grants were either new programs, or they replaced federal categorical grants. With the 1996 welfare reform, Congress for the first time replaced individual federal welfare entitlements with a block grant to states.

The difference between block grants and entitlement programs such as Food Stamps and Medicare is important. Block grants do not guarantee funds to all eligible applicants. Thus, funding is not directly related to whether the eligible population increases or decreases. During times of recession, the eligible population will likely increase faster than funding, requiring lawmakers to reduce the benefits to each recipient, tighten eligibility requirements, or place people on waiting lists. In theory, of course, during strong economic times, additional money may be used to build programs, provide additional funds, and target the needs of particular populations.

Historically, the major problem with block grants is that they have led to a reduction of funding over time. First, funding is often based on past spending even though this may not meet current or future needs. Studies have also shown that historically, the values of the block grants diminish over time as a result of the lack of proper adjustment for inflation and increased costs.

Another issue with block grants is the impact they can have on state and local administrations. Studies have shown that block grant programs work most effectively when there is good program infrastructure and administration already in place. Unfortunately, administering block grants can often strain already overburdened or poorly managed local administrations.

Related to this, block grants have also been subject to "creeping categorization," which occurs when Congress severely limits the flexibility of the program by adding restrictions or requiring that a portion of the funds be set-aside for particular purposes. For example, The Partnership for Health Congress mandated more than 20 new category grants for health services that were to be administered locally.

The reports conclude that if some or all of the current Administration's proposals are approved, this will be the fourth and potentially largest wave of block grants in history. Along with the federal housing voucher program, the current Administration's proposals would affect federal health insurance, foster care, food stamp, local law enforcement, transportation, job training, and Head Start programs. The proposed "Superwaiver" provision could transform these or additional programs into block grants in individual instances, upon state applications and approval by the secretary of the administering department. Since seven of the 10 proposed grants are for social welfare programs, such a change could have a significant and negative impact on the country's low income households, specifically those with children.

These two reports provide a succinct historical and fiscal context for housing advocates. *Block Grants: Details of the Bush Proposals* can be found at www.urban.org/url.cfm?ID=310991, and *Block Grants: Historical Overview and Lessons Learned* is available at www.urban.org/url.cfm?ID=310990.

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

221(d)(3) project built in 1971, located at the end of a street in what would become the historic district.

Hazel Hill is a now a project-based Section 8 property that is home to 145 very low income families. It is in the next block over from my house. I did not know much about Hazel Hill when we moved to the neighborhood five years ago, except that the residents were nice neighbors. Then about a few months ago, I got a call one weekend from a member of the non-profit board that still owned and operated Hazel Hill. (Several members were original to the board.) Someone in town had referred her to me as a person who might be able to help with a problem they were having with HUD. To the surprise of the board, Hazel Hill had just gotten a low REAC (Real Estate Assessment Center) score and HUD was threatening to end their Section 8 contract. They did not know what to do. I did the only thing I knew to do, which was to connect the board member to Michael Bodaken with the National Housing Trust, on whose board I am pleased to serve.

Michael went to work and today, NHT/Enterprise is buying Hazel Hill and is preparing for major renovations, including building a new community center with a computer lab. Not one family will be displaced, and the Section 8 project-based contract remains. This valuable asset that is a symbol of the Civil Rights era in this historic city's history will be preserved. This is no thanks to HUD, I should add. HUD wanted Hazel Hill "vouchered out." In a community with a severe shortage of affordable housing today, giving the 145 families vouchers to move elsewhere and leveling these homes would have been a disaster.

So this story has a happy ending. But HUD was not a partner or resource for this group of citizens who wanted to figure out how to improve the property and keep it affordable. The preservation of properties like Hazel Hill should be a priority for HUD, not something that depends on the serendipity of having a well-connected advocate living in the same community.

People

NLIHC Board Elections

Reymundo Ocañas, Executive Director of the Texas Association of Community Development Corporations in Austin, and Chuck Elsesser, staff attorney with the Florida Legal Services in Miami, were elected to their first terms in at-large positions on the NLIHC Board of Directors at the NLIHC annual membership meeting on April 26 in Washington, DC.

Barbara Sard of the Center on Budget and Policy Priorities and Dushaw Hockett of the Center for Community Change were elected to serve third terms, Barbara in a national position and Dushaw in an at-large position. Telissa Dowling of Guttenberg, NJ, President of the Resident Advisory Board of the New Jersey Department of Community Affairs, and Regina Morgan, Resident Commissioner of the Peoria, IL Housing Authority, were elected to serve second terms, both in low income positions.

The NLIHC Board of Directors elected its officers for 2004-2005 at its meeting on April 24. They are: Chair, Bill Faith of the Coalition on Homelessness and Housing In Ohio; First Vice Chair, Jan Breidenbach of the Southern California Association for Non-Profit Housing; Second Vice Chair, Dushaw Hockett; Secretary, Lynne Ide of the Connecticut Housing Coalition; Treasurer, Moises Loza of the Housing Assistance Council; and at-large Executive Committee members, George Moses of the Housing Alliance of Pennsylvania and Barbara Sard.

NLIHC Director Elected PHA Commiss'r

In a "landslide victory," NLIHC Board Member and Center on Budget and Policy Priorities (CBPP) Housing Policy Director Barbara Sard was elected this week as a commissioner to the Brookline Housing Authority.

A local newspaper quoted Ms. Sard as attributing her win to both an effective campaign and a popular demand for change. "I think we ran a very good campaign that got the message out," she said. Addressing the current crisis in the Section 8 voucher program, Ms. Sard also stated, "I really want to listen to the tenants in all developments and find out ways to listen to the concerns of Section 8 tenants."

National Low Income Housing Coalition Memo to Members
May 7, 2004 Vol. 9, No. 18

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.

The NIMBY Report

on the continuing struggle for inclusive communities

National Low Income Housing Coalition May 2004

MINNESOTA
Mental Health Agency Out-organizes the Opposition

A small city in northern Minnesota's Iron Range hardly seems like it would be the epicenter of community opposition. But for the past year, Hibbing has been the site of a pitched battle over the conversion of an abandoned school building into 27 affordable apartments for people with mental illnesses. (See "Minnesota: Small Town Wrestles with Supportive Housing," *The NIMBY Report*, February 2004). On one side, Range Mental Health Center (RMHC) brought years of experience and a proposal that responded to a severe need. On the other, neighborhood opponents gladly accepted the NIMBY label, alleging that prospective residents would be sexual predators and that the housing would destroy a peaceful residential neighborhood.

As fear and misinformation blossomed, RMHC found itself in the classic downward spiral of NIMBYism. Public hearings on the matter turned into forums for vilifying the agency and its director, Gordon Hoelscher. Although the planning commission supported the necessary zoning change, the growing tide of anxiety among neighbors—much of it based on misinformation—took its toll on the City Council, which voted 4-3 against the project.

Feeling that it had reached bottom, RMHC filed a complaint with HUD, alleging the City Council had discriminated on the basis of disability. While the complaint likely had some influence on the city, RMHC actually achieved a victory the old-fashioned way, by doing its homework, taking control of the political process and petitioning the City Council for reconsideration. On April 21, 2004, the City Council approved a conditional use permit and preliminary development plan. RMHC will begin to assemble the necessary financing and expects to begin construction in 2005.

Mr. Hoelscher makes it clear that RMHC could not have prevailed without the strong support of the Corporation for Supportive Housing, which provided a grant to the agency to hire community psychologist (and long-time Hibbing resident) Vikki Jacobson to evaluate the community's anxiety and turn the City Council around.

In an interview, Ms. Jacobson described the elements of her approach. "When I was hired, I had not kept up with the newspaper coverage. I came in really objective, and without baggage. I gathered every single piece of documentation I could from the very first day RMHC wrote a letter to the school superintendent asking to buy property. I assembled the materials in a 3-inch binder, which became known as my 'Big Black Book,' and I made sure every city council member got one." Because of its comprehensiveness, the book was accepted by all sides as the definitive record concerning the housing proposal. "I didn't want to be criticized for not being objective," says Ms. Jacobson, "so I only made claims on behalf of RMHC that I knew I had documented in the book."

Ms. Jacobson also decided to conduct public meetings of her own, inviting more than 300 residents in the five-block radius surrounding the proposed site to express their concerns about the project and to have their questions answered. Only two dozen showed up for the first meeting, which lasted just over one hour. Each person was asked to wear a name tag, and to arrange themselves in groups of three to have a discussion and to prioritize their concerns. "The group was small enough that I could connect with everyone personally," Ms. Jacobson said, contrasting it with previous City Council hearings when charges were leveled anonymously and without support.

Because her first meeting was designed as a fact-finding mission, Ms. Jacobson told participants she wanted them to articulate their concerns, with a promise to convene a second meeting a couple of weeks later for RMHC to provide responses. Doing so allowed her to get around the "mob mentality" that had prevailed in previous public discussions of the project. "Hibbing is a very relationship-oriented community...and a lot of people came to believe that the kind of behavior [exhibited earlier] was not acceptable within our community."

The small group process had surprising results. Rather than fear of people with mental illnesses, the participants' highest-ranked concern was the blighting effect of leaving the school building vacant. Their second priority was ensuring that people in and around Hibbing who needed mental health services be able to get them locally.

When Ms. Jacobson reported that so few people had turned out and that their concerns were very different from those expressed in the city's hearings, members of the City Council began to take a different view of the proposal. "I talked at length with six council members, and directed them to portions of the binder that supported RMHC's applications. Several of them told me, 'I wish I had this information before.'" The city's building official reportedly paid Ms. Jacobson the highest compliment: "You've been involved with this project for the whole time. The only thing changed in the last year since council voted no is the black book. Your presentation made the difference."

When asked to reflect on her experience and on how the lessons she learned could be helpful to others facing similar opposition, Ms. Jacobson suggested the following:

- From the very beginning of the development process, make sure you have someone on your team who can understand the community dynamic and help to channel anxieties and concerns in a way that will not derail your project.
- Try to understand how the community's culture affects the way it will consider housing for disfavored groups, and plan to respond in a culturally appropriate way.
- Respond immediately every time the opposition mischaracterizes your project or the people you serve. Just as in politics, failing to respond to false allegations may convince the public they are true.

Ms. Jacobson, who is working toward her Ph.D., has written about her experience in a paper, "Community Acceptance Process and the NIMBY Syndrome," which is available in full text on the Building Better Communities Network website, at www.bettercommunities.org.

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DISTRICT OF COLUMBIA

DOJ Sues District Over Girls and Boys Town Project

Readers of *The NIMBY Report* are familiar with the struggle of Girls and Boys Town to develop housing for abused and neglected children near Capitol Hill in Washington, DC. (See "Foster Homes Permitted to Proceed," *The NIMBY Report*, December 2003; "Girls and Boys Town Sues to Secure Building Permits," *The NIMBY Report*, October 2001). Now, shortly after the non-profit agency announced it would sell four newly built townhouses and concentrate its efforts in other areas, the U.S. Department of Justice (DOJ) has filed suit, claiming the city discriminated on the basis of disability.

The lawsuit, filed April 15, 2004, in federal court in Washington, alleges that the District unlawfully prevented Girls and Boys Town, a charitable organization, from operating four group homes by imposing unreasonable and unlawful conditions on their building permit applications. The lawsuit also alleges that the District's municipal regulations violate federal fair housing laws by imposing burdensome conditions and outright prohibitions on residential facilities for persons with disabilities. These restrictions do not apply to homes for people without disabilities. "No city should discriminate against its citizens—especially its most needy children—because of their disabilities," said R. Alexander Acosta, Assistant Attorney General for the Civil Rights Division. "These kids do not deserve to be outcasts, and the Civil Rights Division will vigorously enforce the promise of the Fair Housing Act."

In addition to seeking monetary damages for Girls and Boys Town and persons affected by the city's discriminatory actions and laws, the complaint asks the court to declare a number of District zoning practices illegal because they treat people with disabilities more harshly than other similarly situated groups. DOJ targets three specific practices that operate to make housing unavailable for people with disabilities who need or want to live in group homes: (1) requiring developers to secure special exceptions or to request reasonable accommodation to build housing for people with disabilities; (2) requiring that certain classes of housing for people with disabilities be separated from similar uses by 500 feet; and (3) placing a cap on the number of people with disabilities who may live in such housing.

While advocates welcome DOJ's involvement, many have expressed concerns and regret that DOJ did not intervene earlier, given its stated desire to protect the rights of vulnerable children with disabilities. Advocates note that, by delaying the decision to sue, DOJ lost the opportunity to keep Girls and Boys Town in DC. While some additional reform of District zoning law may result from the lawsuit, there remains a critical lack of housing and services for the District's at-risk children.

For more information: Casey Stavropoulos, U.S. Department of Justice Office of Public Affairs. E-mail: casey.j.stavropoulos @usdoj.gov. John A. Melingagio, Director of Public Relations, Girls and Boys Town. Telephone: 402-498-1305.

SHORT ITEM

Nevada Elder Care Home Shelved

A proposed elder-care home for 10 residents that was recently approved by the Carson City Board of Supervisors is the latest victim of neighbors who do not want "those kinds of people" in the community. In 2002, Karen Kelly bought a large home in the exclusive Lakeview Estates neighborhood, intending to offer care to seniors whose needs were not intensive enough to justify nursing home placements. Ms. Kelly had won approval for a special use permit from the planning commission, but the City Board read a 1999 state law as permitting the home "by right," without the need for special use review. Anxious neighbors banded together and hired a lawyer to appeal the Board's decision, alleging that Kelly would violate Lakeview Estates' restrictive covenants by operating the home. The lawyer, Harry Swainston, told the local newspaper: "What this amounts to is a fairly complex problem associated with a fairly simple concept. The lady wanted to create a commercial operation and our covenants, codes and restrictions state that there will be no commercial activities." On behalf of homeowners, Mr. Swainton has sued the city and state, alleging that the law and the Board's interpretation violate his clients' property rights. Rather than face a drawn-out struggle to open the home, Ms. Kelly has decided to sell the property. "It was a great idea, but I'm just going to put it up for sale and go from there," she said. For more information: Walter Sullivan, Carson City Planning Director: 775-887-2188, x1011. E-mail: wsullivan@ci.carson-city.nv.us,

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Thanks to Michael Allen of the Building Better Communities Network (BBCN) for writing The NIMBY Report. *More information about BBCN is available from its website, at www.bettercommunities.org Suggestions for articles for* The NIMBY Report *can be sent to Michaela@bazelon.org.*