Housing and Homelessness

P: Expand amount of affordable housing financed through the HOME Investment Partnership Program.

A: Working with Congress, the Administration has streamlined the HOME program and made it a more effective affordable housing tool for States and units of local government. The Administration assisted approximately 68,000 units of housing through the HOME program in FY 1994, a significant increase (162 percent) from the 26,000 units provided in FY 1993. Over 11,000 families were receiving HOME tenant-based rental assistance at the end of FY 1994, compared to 2,800 at the end of FY 1993. Approximately 59 percent of the units provided in FY 1994 were rental units and 41 percent were homeowners receiving assistance.

The Administration's streamlining and technical assistance efforts have resulted in a significant acceleration in the expenditure of HOME funds. FY 1994 HOME outlays of $782 million represent a 269 percent increase from the FY 1993 outlays of $212 million. Simplification and streamlining efforts have included the following:

-- *simplifying program wide targeting for rental housing;*

-- *eliminating the requirement that assisted homebuyers be first-time homebuyers;*

-- *allowing jurisdictions to use funds recaptured from the sale of first-time homebuyer units for any eligible HOME activity;*

-- *providing a straight 25 percent match for all program activities;*

-- *allowing environmental reviews to be delegated to State recipients, Indian tribes and Insular Areas;*

-- *allowing Community Development Block Grant (CDBG) funds to be used for administration of the HOME program and for housing services activities related to HOME projects and activities; and,*

-- *providing authority for the Secretary to waive certain statutory provisions for participating jurisdictions in federally declared disaster areas.*

Background: The HOME program provides funds to States, localities, and Indian tribes based on a formula, to implement local housing strategies designed to increase the supply of housing for low-income people. Funds may be used for a variety of housing activities, including: tenant-based rental assistance; assistance to new homebuyers; property acquisition; new construction; housing rehabilitation; and site improvements.

HOME was funded at $1.4 billion in FY 1995. The President's FY 1996 budget request maintained this FY 1995 enacted funding level for the HOME program, and proposed consolidating it with a number of current grants for housing production and rehabilitation into a single Affordable Housing Performance Funds program funded at $3.3 billion. The consolidated program would provide flexible formula grants to local and State governments for a wide range of affordable housing activities based on local needs.

Status: The House- and Senate-passed FY 1996 appropriations bills provided $1.4 billion for the HOME program, the same level as requested by the President and appropriated in FY 1995. The program has continued to receive bipartisan support as a highly effective and flexible local tool for increasing the supply of affordable housing.

P: Provide federal support to programs that restore old housing to sell to low-income buyers.

A: Proposed in the Administration's Housing and Community Development Act of 1994.

Background: In housing legislation submitted in 1994 (Section 256), the Administration proposed a neighborhood based demonstration designed to increase homeownership opportunities for families at or below the median income for the area, stabilize neighborhoods, and address special needs. The legislation would have increased homeownership opportunities by insuring alternative mortgage instruments, which are more suitable to low-income homebuyers, or through entering into partnerships (including partnerships to insure alternative mortgage instruments) with Freddie Mac, Fannie Mae, the Federal Home Loan Banks, state and local housing finance agencies or private mortgage insurance companies.

Status: The Administration housing bill proposed in 1994 was never passed by Congress. The Administration is now pursuing its plan to transform the Federal Housing Administration (FHA) into a government corporation -- the Federal Housing Corporation (FHC). Federal support to restore housing for low-income buyers could be one of the products provided by the FHC. Legislation to establish the FHC was submitted to Congress in March of 1995 as part of HUD's Reinvention Blueprint. The plan, which defines specific goals for the FHC to help improve homeownership opportunities for low-income homebuyers, homebuyers in underserved central-city areas, and first time homebuyers, will likely be considered by Congress in 1996.

P: Provide increased federal funding for maintenance of existing public housing.

A: Under the Clinton Administration, spending to operate, maintain, and improve 1.4 million units of low-income public housing -- which includes Modernization, Operating Subsidies, Drug Elimination Grants and funds to rebuild the most Severely Distressed projects -- increased from $5.7 billion in FY 1993 to $8.1 billion (pre-rescission) in FY 1995. The Administration has proposed a balanced budget by 2005 and despite severe outlay constraints affecting all agencies, for FY 1996 the President again proposed spending for public housing totaling $8.1 billion under the PIH Capital and Operating Performance Funds. Later, Congress rescinded $815 million of these 1995 funds.

The Administration has also worked to transform and improve public housing. The Administration's FY 1996 Budget proposal included a reinvention of HUD that would:

1) bring down or reconfigure the worst projects;

2) transform public housing by providing assistance directly to families rather than to projects and bureaucracies through portable subsides; thus allowing residents to vote "with their feet" for better housing; and

3) give public housing authorities and their communities greater flexibility by eliminating legislative requirement to replace every torn-down unit with a newly constructed unit (one-for-one replacement).

Status: The President and Congress have agreed to eliminate the one-for-one replacement requirement. Unfortunately, Congress has not shared the Administration's commitment to maintaining this country's investment in public housing in other areas. Of the President's $8.1 billion request for public housing in FY 1996, the House has provided $5.1 billion, a reduction of 37 percent, and has eliminated funding for Drug Elimination Grants and Severely Distressed projects. The Senate mark of $6.3 billion, although higher than the House, is $1.8 billion less than the President's request (a reduction of 22 percent).

These reductions in capital funds for public housing by Congress would severely impede demolition of the worst projects, slowdown the transition to portable subsidies, and force localities to curtail security and services. Additionally, these cuts combined with the $815 million rescinded from Modernization funds in FY 1995, would prevent improvements needed to ensure the remaining housing stock's viability.

In sum, Congressional action means that public housing that is in decent shape today will begin to deteriorate. Public housing that is in bad shape today will get worse; and, as this housing deteriorates, it may take surrounding communities with it.

THE WHITE HOUSE
OFFICE OF DOMESTIC POLICY

Assistant to the President for Domestic Policy

To: Molly

Draft response for POTUS
and forward to CHR by: ______

Draft response for CHR by: ______

Please reply directly to the writer
(copy to CHR) by: ______

Please advise by: ______

Let's discuss: ______

For your information: ______

Reply using form code: ______

File: ______

Send copy to (original to CHR): ______

Schedule ? : ☐ Accept ☐ Pending ☐ Regret

Designee to attend: ______

Remarks: Can you get the scoop for me?

DEC - 9 1996

OFFICE OF THE MAYOR

PATRICK HENRY HAYS
MAYOR

NORTH LITTLE ROCK

PHONE (501) 340-5300
FAX (501) 340-5333

CITY HALL
P O. BOX 5757
NORTH LITTLE ROCK, ARKANSAS 72119-5757

November 27, 1996

Mr. Henry Cisneros
Secretary
U.S. Department of
Housing & Urban Development
451 7th Street, S.W.
Room 10000
Washington, D.C. 20410-0001

Dear Mr. Secretary:

The City of North Little Rock was notified by telephone on Friday, November 22, 1996, that it was being dropped from the list of eligible cities to receive HOME funds from the U.S. Department of Housing and Urban Development. We were told that the reason we were excluded was that through the formula calculation, our city fell below a revised threshold used to determine HOME fund allocations. North Little Rock is one of only eight cities across the nation to receive this totally unexpected rescission notice. It is our understanding that a certain amount of HOME funds are being used to finance another HUD project. Rather than proportionally reducing all HOME recipient allocations to finance this, HUD appears to have used an elaborate but inequitable funding formula to ascertain how previously qualifying cities would allocate the funds remaining. If, as a result of the new formula, a community falls below an allocation amount of $335,000, then those communities are not to receive any HOME funds whatsoever. Obviously, HOME funds for North Little Rock and seven other cities (Bay City, MI; Bremerton, WA; Clarksville, TN; Greenville, SC; Redwood City, CA; and State College, PA) have been eliminated in their entirety in order to fund a different project. This decision-making methodology seems, on its face, unreasonable, unsound, and certainly severe to North Little Rock and our seven other sister cities who have now fallen below some arbitrary dollar amount.

Last year, the City of North Little Rock received $345,000 in HOME funds as well as its Community Development Block Grant (CDBG) allocation. We have become strong proponents of neighborhood-based empowerment and revitalization. In that vein, the city has helped form and support three community development corporations: Argenta CDC, Sherman Park CDC and Dark Hollow CDC. Although Sherman Park and Dark Hollow are still in their infancy, Argenta Community Development Corporation is considered a model in the State of Arkansas for community development corporations. It has purchased, remodeled and sold 18 housing units and has dramatically changed the neighborhood in which its members live. The resulting increase in home ownership and neighborhood pride has turned a formerly deteriorating area with a real crime problem into a safe neighborhood with rising property values. The North Little Rock city government and citizenry are anxious to replicate these efforts in other neighborhoods. We planned to use HOME funds to expand this successful housing development strategy. With the loss of HOME funds, the City of North Little Rock will not have the dollars for these neighborhood revitalization efforts. Although federal regulations required 15% of the HOME funds to be set aside for community-based groups like the Argenta and Sherman Park CDC's, the City of North Little Rock has placed 50% of its funds into this category allowing the CDC's to build new houses, remodel existing ones and pay for subsidies to low income home buyers. The remaining 50% of the funds is used by our Community Development Agency to provide financial assistance to very low income persons (those making below 50% of median income) for repairs to their dwellings so they may reside in a decent, safe and sanitary environment.

Finally, North Little Rock received, in partnership with the City of Little Rock and Pulaski County, an Enterprise Community designation from HUD. Ostensibly, this highly sought after designation for HUD's premier community development initiative is designed to not only increase funding availability, expedite federal responses and commitments, but also to empower communities to solve their urban problems. All of these virtuous objectives, as well as the federal-local partnership it engenders, are seriously undermined by the elimination of North Little Rock's HOME funds. This reduction in funding could not have happened at a worse time for our community. We were building upon past successes and looking forward to future accomplishments in 1997. It is my hope that we can work together to right this wrong and have our HOME funding restored.

If I can be of any further assistance, please contact me at your earliest convenience.

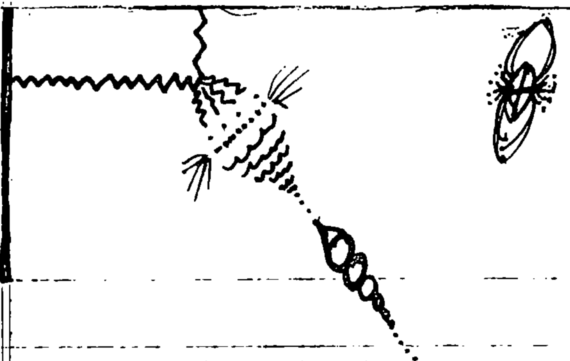
I remain,

Sincerely,

Patrick H. Hays
Mayor

PHH:bt

cc: The Honorable Dale Bumpers, Senator
The Honorable Tim Hutchinson, Senator-elect
The Honorable Vic Snyder, Representative-elect
Mr. Andrew Cuomo
Ms. Carol Rasco, White House Domestic Policy Advisor
Mr. B.J. McCoy, HUD



Gordon McKay -or- Ken Williams

HUD 97 budget - blockgrant included set-asides
HOME 1.4 B in 96 + 97 → but new
HUD decision: either cut every allocation by certain sm %
or raise ceiling
8 cities lost/knocked out

- funds haven't gone out, but amounts have

- Sec'y knows of situation; not sure there's anything to do.

→ HUD set aside some of the total block grant pot continued to fund (EDI, Homeownership Zones) HUD Priorities at expense of formula programs

Set Asides in HOME:
e.g. housing

Marsha Dodge

- Sen. Bumpers
1) statute
2) need fix → explore

40% states; 60% locals
1.4B → 21M for Indians (7m ↑ over); 2.8M (mgmt + info systs); 29M for t.a.; $15M for hsg counseling (last yr out of CDBG) - all in statute

Set-asides in approps

⇓

$29M less than what was avail last yr to distribute
+ new areas to add (newly eligible)

When formula run → based on poor pple in rental hsg, substd hsg, cost of producing hsg, per capita income, hholds in pov

Threshold → $335,000 if approp < 1.5B
NLittle Rock: 306,000

should there be a grandfathering scheme - can't be dropped as other + change th'hold

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

COVER SHEET

Number of Pages (excluding cover sheet): 4 Date: 12/13

To:

Name: Molly Brostrom

Address:

Telephone:

FAX Number: 6-7028

From:

Name: JOSEPH FIRSCHEIN

Address: 725 17TH STREET, N.W.
WASHINGTON, D.C. 20503

Telephone: (202) 395-4610

FAX Number: (202) 395-1307

Time:

SPECIAL INSTRUCTIONS:

Molly,

Per our conversation.

—Joseph

JOSEPH FIRSCHEIN
12/13/96 10:49:15 AM

Record Type: Record

To: BROSTROM_M @ A1 @ CD @ LNGTWY
cc: Joslyn G. Mack/OMB/EOP, Francis S. Rodburn/OMB/EOP
Subject: Question on HOME allocation for FY 1997

Molly:

Per your question on: (1) why there was a change in the number of communities receiving HOME formula allocations in FY 1997 and (2) whether HUD had any discretion with respect to whether communities should no longer receive HOME grants, I discussed this issue briefly with HUD staff. **Based on the current statute, HUD did not have discretion on whether or not to drop 8 participating jurisdictions (PJs) from the program. HUD simply carried out the formula, as directed by statute.** I understand that HUD has heard complaints from some of these dropped PJs -- including North Little Rock and Greenville, South Carolina. In response to inquiries from Senator Bumper's office, HUD is preparing a letter explaining the issue (I will fax you a draft of that letter). The following provides background information:

The statutory threshold. According to the authorizing statute for the program, local jurisdictions must be eligible to receive a minimum allocation of $335,000 (when the HOME appropriation is less than $1.5 billion as has been the case for the past four fiscal years) in order to receive any allocation.

Determining the formula amounts for eligible communities. In order to determine whether a community is above the statutory threshold, HUD first makes a determination -- based on the criteria defined by statute -- of the communities eligible to be in the formula calculation. For the most part, eligible communities include: metropolitan cities with populations of over 50,000; urban counties with population of over 200,000; and consortia (groups of cities). HUD then runs a formula -- again defined in statute -- to determine the dollar amount for each eligible community. The formula includes 6 factors, including measures of: the number of rental units that are substandard or occupied by persons in poverty; the cost of producing housing; and the number of families below the poverty level. Based on this formula and the amount of formula funding provided by the appropriators, HUD allocates funds to each PJ above the $335,000 threshold.

Size of HOME appropriation in 1997. Part of the reason that some communities were dropped in 1997 is that the appropriators provided less funding for formula allocation. Although the total amount for HOME was $1.4 billion (same as 1996), the appropriation included a $29M increase in setasides, including: $+15M for Housing Counseling; $+7M for Native American housing; and $+7M for technical assistance. These setasides reduced the amount available to be allocated by formula.

Possible Statutory Fix. HUD staff have noted that it is disruptive to communities to "gear up" to receive HOME funds and then be dropped the next year because they are below the $335,000 threshold. One possible fix would be to put in authorizing or appropriations language a grandfather clause that keeps the number of PJs at the pre-1997 level. At the same time, HUD could increase to $500,000 the threshold for allowing new communities into the program. This would solve the disruption problem. The only downside would be that, over time, it would deny HOME funds to communities that would have become eligible based on demographic changes and it allows HOME to be treated as an entitlement (no PJ would ever be dropped). Perhaps a compromise would be to grandfather communities in for a fixed number of years (for example 5 years) and then allow a recalculation and dropping of communities at that point.

Possible Next step. HUD would likely be receptive to discussing these issues with PJs and with Congressional staff. You may want ask HUD to review this issue internally and then have HUD set up a meeting with concerned Hill staff. The HUD people that should be involved in this are: Gordon McKay (Director of the HOME Program; phone #: 708-2685); Ken Williams (HUD DAS for grant programs; phone #: 401-6367); and Hal DeCell (HUD Assistant Sec. for Cong. Relations; phone #: 708-0005).

Please advise if you need more on this. Also, Joslyn Mack is our lead examiner on HOME issues. She can be reached at 395-7482.

Joseph

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-8000

OFFICE OF THE ASSISTANT SECRETARY FOR CONGRESSIONAL AND INTERGOVERNMENTAL RELATIONS

DRAFT

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL # of pages ▸ 5

To Joseph Firschein	From Marcia Dodge
Dept./Agency	Phone #
Fax # 395-1307	Fax #

NSN 7540-01-317-7368 5099-101 GENERAL SERVICES ADMINISTRATION

Honorable Dale Bumpers
United States Senate
Washington, DC 20510-0401

Dear Senator Bumpers:

This is in response to a recent request from your office on behalf of the City of North Little Rock concerning their HOME allocation. Although they received HOME funding for Fiscal Years 1995 and 1996, they are not receiving an allocation for Fiscal Year (FY) 1997.

The HOME formula allocates funds among States (which receive 40 percent of the funds) and local governments (which receive 60 percent of the funds), after taking funds for various set-asides as specified in the legislation. The FY 1997 Appropriations Bill provided $1.4 billion for the HOME Program, and included set-asides for the HOME program for Indians ($21 million), Insular Areas ($2.8 million), technical assistance and management information systems ($29 million), and the Housing Counseling Program ($15 million). As a result of an increase in these set-asides compared to the FY 1996 appropriation, there was $29 million less available for distribution to State and local governments.

21
2.8
29
15
$67.8

In addition to less money being available for distribution, there were more local jurisdictions eligible to receive a formula allocation in FY 1997. This occurred as a result of new consortia being formed, additional cities becoming metropolitan cities, and one new urban county being formed.

The HOME statute requires that local jurisdictions be eligible to receive a minimum allocation of $335,000 (when the appropriation is less than $1.5 billion as has been the case for the past four fiscal years) in order to receive any allocation. Due to the factors cited above, North Little Rock initially qualified for an allocation of $306,000. Since they did not meet the minimum required, they were not eligible to receive an allocation. North Little Rock was one of eight jurisdictions which received an allocation in FY 1996 but not in FY 1997.

North Little Rock's failure to receive a HOME allocation was in no way discretionary on the part of the Department. Rather it was the result of the HOME statutory requirements and the factors addressed above.

I hope this information is helpful in responding to your constituent. Thank you for your interest in the Department's programs.

Sincerely,

Hal C. DeCell III
Assistant Secretary

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

13-Dec-1996 10:58am

TO: BROSTROM_M

FROM: Joseph Firschein

CC: Joslyn G. Mack
CC: Francis S. Redburn

SUBJECT: Question on HOME allocation for FY 1997

Message Creation Date was at 13-DEC-1996 10:49:00

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Joseph