

# PLACE

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## practitioners leveraging assets for community enhancement

**The need for practitioner based advocacy for the HOME and CDBG programs is at a critical point.** Like all federal domestic discretionary spending, both CDBG and HOME are under immense pressure to reduce costs and lower funding levels. The FY 2012 House budget that control housing spending through the T-HUD Appropriations bill experienced some of the deepest cuts of any spending allocation. Without aggressive advocacy, spearheaded by a broad and community-based group, armed with relevant and demonstrable data, this funding, that is so critical to the population served by community development professionals, will almost certainly face deeper cuts than were outlined in the President's 2012 budget or experienced in FY 2011.

### **CDBG**

CDBG is by far the one of the most flexible forms of community development capital available to many communities and the housing and CDC field as a whole. Not only does the program have higher income limits for beneficiaries, making it possible to take a mixed income approach to community investment, but it can also be used for a wide range of housing and economic development activities. According to HUD, 26% of CDBG funds are used for housing, while 31% are used to improve public infrastructure and 7% for economic development.

Even before the budget crisis, CDBG was a target for cuts; the FY2009 budget marked a decrease of 17% from its peak funding level in 2004.<sup>1</sup> In the FY 2011 budget, the CDBG formula grant received an 8% decrease from its FY 2010 level. Had the House's budget outline in FY 2010, been adopted CDBG would have received a 60% decrease in funds, which would have cut assistance to an estimated 83,000 households.<sup>2</sup>

The primary advocates of the CDBG program nationally have been local governments (when fully funded, CDBG serves as many as 7,000 communities), who use CDBG funds to achieve local housing and economic development objectives. Its broad base of support is a significant strength, but several communities have been accused of abusing the funds, applying them to inappropriate projects, or poorly documenting the work, making CDBG a target for cuts by many members of Congress. CDBG has also been criticized because the formula used for its distribution is viewed by some as antiquated and provides too many resources to relatively wealthy communities. Recently CDBG has even been targeted by Congressional inquiries looking to identify duplication in other government programs.

While there are certainly changes to CDBG that we may all want to see instituted, those changes should not begin with cuts to funding. Unless a broad based group composed of end-users in the field show the tangible and real world impact of this program, deeper cuts are possible, even likely.

### **HOME**

HOME funds are an important staple for the development of affordable housing across the country. As with CDBG, many practitioners find HOME to be a flexible source of capital within the federal budget. With a clear housing focus and a requirement that 15% of funds be used to hire non-profit developers (CHDOs), HOME funds serve as the foundational funding for much of the work the CDC

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<sup>1</sup> NAHRO Legislative Book, 2011

<sup>2</sup> National Low Income Housing Coalition FY 2011 Budget Analysis

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field does. In addition, the funds can be used for either rental or homeownership, making them a source that can be adapted to a variety of market conditions. About 60% of the funds for HOME go directly to local units of government while the remainder goes to states for distribution. The median grant to a local government is just \$938,000 annually, while on average states get \$10.8 million. HOME funds are used in some of the most creative and effective community development projects across the country including deferred down-payment assistance, equity layering for tax credit projects, and for purchasing property for community land trusts. These funds are especially critical in non-urban communities, where pre-development investment is scarce and private sector interest is limited.<sup>3</sup>

Since the beginning of the program nearly 20 years ago, almost 1 million homeownership and rental units have been rehabilitated, acquired or constructed using the program. Over the history of the program, a little over half of the total HOME funds have been used to support the development of rental housing or as tenant based rental assistance, with the remainder dedicated to helping low-income homeowners or homebuyers. Because of the resale restrictions, these units stay affordable for much longer than when other subsidy programs are used.

Despite its central role in the housing and CDC community, no clear advocate has emerged to support and defend this important program. In both the President's FY 2012 budget and the House-passed continuing resolution for FY 2011, HOME was slated for a 10% cut in funding. The final continuing resolution passed by both houses, which is now the budget for FY 2011, cut it even farther, bringing the program total down to \$1.6 billion, a 12% decrease from FY 2010. Cuts beyond where the House budget resolution and the President's budget funded the program indicate that most advocacy groups have not championed the funding extensively enough and as a result Congress felt a degree of safety when cutting even a bedrock program. In addition, an article in the Washington Post in May, 2011 targeted HOME as wasteful and ineffective. While there were major oversights in the report, it has reinforced some members' sense that HOME is an easy place to find savings. As the housing and CDC community works together to make significant regulatory changes that will improve the HOME program, it is essential that practitioners already using the program work to restore funding.

### **The Process**

On July 14th, the House Transportation and HUD Appropriations subcommittee (T-HUD) will meet to mark up the House's first version of the HUD budget. While this is only the first step of many, if HOME and CDBG receive deeper cuts, the entire CDC industry will have to redouble its efforts to even hold on to FY 2011 allocations. It is also a critical time for advocates to reach out to their Senators in the hopes of securing a more favorable allocation in the Senate bill and forcing an upward compromise. Again, these actions need to be taken by those of us who represent the strengths and capacity of these two programs. Our message must be clear, well researched and coordinated to have maximum impact.

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<sup>3</sup> Participating jurisdictions can allow up to 5% of their funds to be used for operating costs of CHDOs