

NATIONAL LOW INCOME  
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December 8, 2008

Mr. John Podesta  
Ms. Valerie Jarrett  
Mr. Peter Rouse  
Co-chairs  
Obama-Biden Transition Team

Dear Mr. Podesta, Ms. Jarrett, and Mr. Rouse,

The United States is in the midst of the most serious economic downturn since the Great Depression, a crisis precipitated by reckless mortgage lending practices that have resulted in millions of home foreclosures, plummeting home values, and seizing of credit. The country is now in a recession resulting in accelerating job loss. The consequences for the American people are so dire that the federal government has taken unprecedented action to intervene in the failing financial system. Congress and the incoming Obama Administration are considering another major legislative initiative to restore the nation's economic health. Reports are that the cost of this package could be as high as \$1 trillion.

On behalf of the National Low Income Housing Coalition, I am pleased to submit this proposal for a low income housing initiative to be included in the new economic recovery plan in development by President-elect Obama. We believe the objectives of this plan should be two-fold: to ameliorate the adverse consequences of the recession on those who are suffering the most and to stimulate the economy. Our proposal will help achieve both objectives.

Briefly, we propose the following:

Capitalize the new National Housing Trust Fund at \$10 billion for two years to rehabilitate or build 100,000 rental homes for the lowest income households using green standards.

Fund 400,000 new Housing Vouchers at \$3.6 billion for two years to provide the lowest income households with rent assistance.

Fund the homelessness prevention component of the Emergency Shelter Grant program at \$2 billion for two years to prevent low income households from becoming homeless and to rapidly rehouse those that do lose their homes; 400,000 households will be assisted.

Fund the Public Housing Capital Fund at \$5 billion for two years to upgrade public housing using green standards.

Provide \$3 billion for two years to upgrade federally assisted multi-family housing using green standards.

All five items will help achieve both objectives, but the first, second, and third are primarily for recession relief, while the first, fourth, and fifth will create new jobs. Taken together, the five actions will assist at least **800,000 households hardest hit by the recession** and **create 201,800 jobs, 8% of the 2.5 million jobs** that President-elect Obama wants his economy recovery plan to produce. The total request is **\$23.6 billion**.



We also recommend two no-cost policy proposals to be included in the economic recovery package. One will assure renters get adequate notice to vacate properties in foreclosure and assure continuity of federal housing assistance for voucher holders who lose their homes due to foreclosure. The other will allow pending Low Income Housing Tax Credit developments that have stalled due to lack of investors to move forward immediately.

### Objective One: Ameliorate Suffering with Recession Relief

Foreclosures are resulting in evictions not just of the homeowners, but of renters whose landlords/property owners can no longer make mortgage payments. Approximately 40% of the households who are losing their homes due to foreclosure are renters.<sup>1</sup> Further, the majority of the households who are facing eviction due to foreclosure, homeowners and renters alike, are low income.<sup>2</sup> The foreclosure crisis is compounded by rising unemployment, predicted to grow as high as 9%.<sup>3</sup> And the official unemployment rate does not state the true extent of the job crisis as underemployed and discouraged workers are not counted, most of whom are low income. Other indicators of acute economic distress are increased demand at food banks, rising Food Stamp rolls, and rapid depletion of emergency fuel assistance.

Extremely low income households (incomes of 30% of the area median or less) have been experiencing a housing shortage long before the current foreclosure crisis. In 2007, there were 9 million extremely low income renter households and only 6.2 million homes renting at prices they could afford. They are the only income group for whom there is a shortage of housing.<sup>4</sup> Nearly three-quarters (71%) of extremely low income renter households spend more than half of their incomes for their homes,<sup>5</sup> an untenably high cost for people with very little money. The housing problems of this population (high cost burden, overcrowding and doubling up, deteriorating physical conditions) will only increase as the economy worsens, increasing their risk of housing instability and ultimately homelessness.

The number of homeless people could rise by approximately 800,000 people (400,000 households) per year, as the number of people in poverty grows. Poverty is expected to grow by 7-10 million people in the next two to three years<sup>6</sup> and one in ten people in poverty becomes homeless at some point over the course of a year.<sup>7</sup>

Contemporary homelessness in the United States emerged in the 1980s in an earlier economic downturn coupled with a drastic decrease in federal support for low income housing. Communities responded with a proliferation of shelters and other emergency programs that have now become a complex and expensive homeless service delivery system. Homeless people have been the subject of voluminous research in the last 20 years that shows that permanent housing, often with supportive services, is the best short and long term intervention.<sup>8</sup> At the

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<sup>1</sup> This estimate is based on ongoing research project at NLIHC. For a recent review of studies in this area see Pelletiere, D and Wardrip, K. (2008) Renters and the Housing Credit Crisis. *Poverty and Race* 17(4): 3-7. Further information is also available online at [www.nlihc.org/template/page.cfm?id=159](http://www.nlihc.org/template/page.cfm?id=159)

<sup>2</sup> Wardrip, K and Pelletiere, D. (2008). *Neighborhood Poverty and Tenure Characteristics and the Incidence of Foreclosure in New England*. Washington, D.C.: National Low Income Housing Coalition. Wardrip, K and Pelletiere, D. (2008). *Income and Tenure of Households Seeking Foreclosure Counseling: A Report from Recent Surveys*. Washington, D.C.: National Low Income Housing Coalition.

<sup>3</sup> Torres, C. (2008, December 5). Record Number of U.S. Part-Time Workers Held Down Jobless Rate. *Bloomberg News*. <http://www.bloomberg.com/apps/news?pid=20601103&sid=aJikdmHyr2vk&refer=us>.

<sup>4</sup> NLIHC tabulations of Census Bureau 2007 American Community Survey PUMS data.

<sup>5</sup> NLIHC tabulations of Census Bureau 2007 American Community Survey PUMS data.

<sup>6</sup> Parrott, S. (2008). *Recession Could Cause Large Increases in Poverty and Push Millions into Deep Poverty*. Washington, D.C.: Center on Budget and Policy Priorities.

<sup>7</sup> Burt, M. (2001). *What will it take to end homelessness?* Washington, D.C.: Urban Institute.

<sup>8</sup> For a recent review see Martinez, T. & Burt, M.R. (2006). Impact of Permanent Supportive Housing on the Use of Acute Care Health Services by Homeless Adults. *Psychiatric Services* 57:992-999. See also Quigley, John M. Raphael, S. and Smolensky, E. (2001). Homeless in America, Homeless in California. *Review of Economics and Statistics*, 83(1), 2001: 37-51. Shinn, M., Weitzman, B. C., Stojanovic, D., Knickman, J. R., Jimenez, L., Duchon, L., James, S., & Krantz, D. H. (1998). Predictors of homelessness among families in New York City: From shelter request to housing stability. *American Journal of Public Health*, 88(11), 1651-1657.



encouragement of the federal government, cities and states have examined how they can end homelessness,<sup>9</sup> but lack the resources to carry out their “ten year plans to end homelessness.”

The lessons learned in the last two decades must inform the federal government’s response to the current housing crisis. Rather than passively allow an expansion of the inefficient and often inhumane shelter system, the federal government must proactively increase the supply of housing that the lowest income people can afford and provide the resources necessary to prevent people from becoming homeless. This can and should be done in the next economic recovery package as follows:

**1. Capitalize the new National Housing Trust Fund at \$10 billion for two years. Expand supply of homes affordable to extremely low income households by at least 100,000 units.**

The National Housing Trust Fund was enacted in 2008 in P.L. 110-289 in response to America’s long-standing lack of housing affordable to the lowest income households. All funds must be used to benefit very low income (50% of area median income or less) households, with at least 75% serving extremely low income households or those with incomes below the poverty line, whichever is higher. At least 90% of the resources must be used for rental housing, including production, rehabilitation, and preservation and operation of National Housing Trust Fund units. HUD is to issue grants to states on a formula basis; the states will make grants to eligible providers who submit applications in a competitive process.

The legislation establishes the National Housing Trust Fund as a permanent fund to receive revenue from Fannie Mae and Freddie Mac based on a percentage of the value of their new business each year. The bill also provides that Congress can direct other funds to the National Housing Trust Fund. However, Fannie and Freddie are in financial trouble themselves and are unlikely to be a revenue source for some time. An infusion of capital now will get the program started at a time when it is critically needed. An investment of \$10 billion will result in 100,000 units of affordable rental housing, based on an average investment of \$100,000 per unit.

The goal of the National Housing Trust Fund is to produce or preserve 1.5 million homes affordable to the lowest income people in ten years. Coupled with continued investment in the existing federal housing programs, including vouchers, a fully funded National Housing Trust Fund will solve the housing problems of the poorest and most vulnerable members of our society.

The shortage of housing affordable for extremely low income households exists despite the fact that there is a nominal surplus of housing units nationwide and in many communities, as a result of speculative building and foreclosure. Over-construction in the housing industry was in price ranges out of reach for extremely low income households. Available vacant housing is mismatched to the existing and projected demand. Large vacant single family houses in the suburbs are not available or affordable for people in the low wage work force whose jobs are at risk. Moreover, pressure on the rental market from the foreclosure crisis has pushed rents close to all-time highs.

Some of the overstocked homes may be matched with demand through adaptive reuse with National Housing Trust Fund dollars. Larger homes could be repurposed as multifamily buildings for extremely and very low income families or as permanent senior and/or supportive housing. Multi-unit buildings hit by foreclosures could be acquired and renovated as affordable rental housing. In many communities, new construction will be required to meet the pent-up and growing demand for low cost rental housing. Every ten year plan to end homelessness includes increasing the supply of low cost rental housing.

**Legislative action.** Include \$10 billion in the new economy recovery bill as the initial capitalization of the National Housing Trust Fund. Direct HUD to move up the date for issuing regulations from July 30, 2009 to April 1, 2009 and to make the first round of grants (\$5 billion) to states by July 1. Require first round of funding to go to pipeline projects and to projects that will help cities and states implement their ten year plans to homelessness that can start spending by October 1, 2009. Require all projects to meet green standards.

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<sup>9</sup>See Interagency Council on the Homeless at <http://www.ich.gov/slocal/index.html>.



**Administrative action.** Direct HUD Office of Community Planning and Development to issue National Housing Trust Fund regulations by April 1, 2009. Require regulations to include recommendations from the National Housing Trust Fund campaign as detailed in November 13, 2008 letter to HUD Secretary Steven Preston (attached).

**2. Fund 400,000 new Housing Vouchers at \$3.6 billion for two years. Target 50,000 each year as project-based assistance for National Housing Trust Fund funded units.**

In addition to adding to the supply of rental housing for extremely low income households, adding new federal housing vouchers is essential to preventing housing instability and homelessness during the recession. As a long term goal, low income housing advocates seek to double the existing two million voucher program in the next ten years to solve the housing problems of the poorest families and individuals in the U.S.

In the short term, the next two years, we request the funding for 200,000 new vouchers per year for a total of 400,000 new vouchers. In order to assure deep affordability of the National Housing Trust Fund units, 50,000 of these new vouchers each year should be allocated to the states to distribute in conjunction with National Housing Trust Fund dollars.

For further details on the proposal for new vouchers in the economic recovery plan, we refer you to the attached November 26, 2008 memo from the Center on Budget and Policy Priorities.

**Legislative action.** Include \$3.6 billion in the new economic recovery bill for 400,000 new vouchers over two years. Direct 50,000 vouchers a year to states to distribute in conjunction with National Housing Trust Fund dollars.

**3. Fund the prevention purposes of the Emergency Shelter Grant program at \$2 billion for two years.**

As the nation's tidal wave of foreclosure continues, the reality is that many families will continue to lose their homes and many of those will be financially strapped families who lack the resources to transition to other homes. In addition, as unemployment increases many who lose their jobs are at risk of losing their homes as well.

To prevent a surge in homelessness due to foreclosure and unemployment, an additional \$2 billion should be allocated to the Emergency Shelter Grant program for the purpose of providing short term rental assistance, and housing relocation or stabilization services for homeless individuals or families or individuals or families at risk of homelessness, including housing search, mediation or outreach to property owners, legal services, credit repair, providing security or utility deposits, utility payments, assistance with moving costs, or other activities that are effective at stabilizing individuals and families in their current housing or quickly moving such individuals and families to other permanent housing. Two billion dollars would prevent 400,000 households from becoming homeless or rapidly rehouse families that do lose their homes.

The current Emergency Shelter Grant program has a range of uses including funding operation of emergency shelters. This one time allocation explicitly should NOT be used for emergency shelters and restricted to the prevention provisions as they will be amended in the reauthorization of the McKinney-Vento Homeless Assistance Act that is pending in Congress. Emergency Shelter Grant money would be distributed quickly to states and localities pursuant to the program's existing allocation formula. These jurisdictions would then make grants to nonprofits to carry out the prevention work within 60 days of enactment.

**Legislative action.** Include \$2 billion in the new economic recovery bill for prevention purposes ONLY of the Emergency Shelter Grant program. Amend Emergency Shelter Grant statute as recommended (attached).

**4. Protect renters from sudden displacement and assure continuity of voucher assistance for tenants in rental properties in foreclosure.**

Renters make up 40% of the households that are losing their homes to foreclosure. In most states, the entities that take ownership at foreclosure have few obligations to those who reside in the properties, despite the tenants having paid rent on time and otherwise being in compliance with leases. Renters in foreclosed properties are receiving as little as five days notice to vacate. In the case of Section 8 voucher holders, the contract to provide them with rent assistance that is between the landlord and the voucher administering agency does not carry over to the new owner, causing voucher holders to lose both their homes and housing assistance.



Legislation (H.R. 5963 and S. 3034) has been introduced to require entities that take ownership of properties in foreclosure to honor the lease of the current leaseholder and provide at least 90 days notice prior to terminating the tenancy. The bills also provide for transfer of Section 8 contracts to new owners.

HUD can also take regulatory actions that will prevent the disruption of voucher assistance to tenants whose homes are in foreclosure. Moreover, for every property that the federal government manages, disposes of, or modifies the mortgage of, renter protections should be required.

**Legislative action.** Include the provisions in H.R. 5963 and S. 3034 in the new economic recovery bill.

**Administrative action.** Ensure that as the federal government manages or disposes of properties and holds or modifies mortgages these actions will be subject to all Federal, State and local tenant protections, including rent regulations, and that the federal government will take appropriate steps to ensure that any Federal, State and local rental subsidies are continued. Require that rental property mortgage restructurings or sales provide for adequate income to the property to cover maintenance and other operating expenses and the capital required for needed rehabilitation.

### Objective Two: Stimulate the Economy

Investment in housing has long been understood as being an economic stimulus, primarily because housing construction and remodeling are labor and material intensive, thus creating jobs, increasing the sales of building and home decorating goods, and generating new state and local tax revenue. The construction of each new multi-family rental unit produces 1.16 new jobs and every \$100,000 spent on home remodeling produces 1.11 new jobs.<sup>10</sup>

Using these factors, the capitalization of the National Housing Trust Fund at \$10 billion could create as many as 113,000 new jobs. An \$8 billion investment in the upgrading and greening of public and assisted housing would create an additional 88,800 jobs. Thus, the spending package proposed here alone would create **201,800 jobs, 8% of the 2.5 million jobs** that President-elect Obama wants his economy recovery plan to produce.

Moreover, all rehabilitation and new construction will be completed using state-of-the-art green technology, with low income housing leading the way in energy efficiency and environmentally friendly building and operation. Not only will this be healthy for the environment, but these homes can be operated at less cost to the tenants and the owners, and ultimately to the taxpayers.<sup>11</sup>

In order for this investment to have the desired stimulative effect, it must be timely. The housing rehabilitation and new construction that will take place under this proposal should be considered in the same light as other infrastructure investment that is being proposed for roads, bridges, schools, and public facilities. Decent and affordable homes are just as essential to the long term well-being of any community as these public functions. Indeed, in the absence of a sufficient supply of decent and affordable homes that assures stable homes for all members of a community, the effectiveness of investment in jobs, education, and health care is reduced.

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<sup>10</sup> Fei Liu, H. and Emrath, P. (2008, October 7). *The Direct Impact of Home Building and Remodeling on the U.S. Economy*. Washington, DC: National Association of Home Builders. <http://www.nahb.org/generic.aspx?genericContentID=103543>.

<sup>11</sup> Global Green. (2007). *Blueprint for greening affordable housing*. Washington, D.C.: Island Press. Also Proscio, T. (2008) *Sustainable, affordable, doable: demystifying the process of green affordable housing*. Columbia, MD: Enterprise Community Partners.



## 1. National Housing Trust Fund (continued)

In the case of the National Housing Trust Fund, with quick action by HUD and the states, funds could begin to be distributed as early as October 1, 2009. Since the statute creating the National Housing Trust Fund was signed in July 2008, HUD has been working on the National Housing Trust Fund distribution formula and regulations. Although the statute requires that the regulations for the formula be completed by July 30, 2009, HUD staff members have indicated to NLHC representatives that the interim regulations for the formula and program operation will be ready in Spring 2009. Moreover, HUD demonstrated its capacity to respond to time sensitive legislative directives in its recent implementation of the Neighborhood Stabilization Program, which requires distribution of the funds to over 300 jurisdictions. National Housing Trust Fund dollars will be distributed to just 57 jurisdictions (states, DC, and the territories).

Based on this experience, we think the following is a feasible time frame in 2009 for the distribution of the first round (\$5 billion) of National Housing Trust Fund dollars.

April 1:	HUD issues regulations
June 1:	States submit plans to HUD
July 1:	HUD approves state plans
July 15:	States issue Requests for Proposals
August 15:	RFPs are due to states
October 1:	Grants are awarded

The next question is how quickly work could begin once grants are awarded. The pent-up need for rental housing that is affordable to the lowest income households is so great and existing resources are so inadequate that billions of dollars of projects await funding. In California alone, at least \$800 million can be used immediately on pending rental projects affordable to extremely low income households. For example:

- The East L.A. Community Development Corporation has three rehab projects with a total of 127 units that are ready to go as soon as funding is available.
- In Oakland, the California Hotel permanent supportive housing project (103 units) needs \$29 million to start renovations.
- The Little Tokyo Service Center in Los Angeles owns eight properties with 380 units and needs \$124 million to get the projects underway. One is senior housing, three are for transition age youth, three are for families, and one is supportive housing for people with disabilities.

We are collecting more examples of projects that could get underway in 2009 if National Housing Trust Fund dollars became available and will forward a complete report later this week. Here are some other examples:

- In Connecticut, 464 units of permanent supportive housing in 16 locations have site control and partial design, but need \$98 million to develop. These include homes for families with children, veterans, and people with mental illness and addictions. These projects would support the ten year plans to end homelessness of Hartford, New Haven, and Southeast CT.
- Also in Connecticut, there are projects in ten locations totaling 877 units that were eligible for Low Income Housing Tax Credits, but not funded in the last round, which could move forward with National Housing Trust Fund dollars.
- Again in Connecticut, \$75 million is needed to revitalize 325 units of the state public housing in New Britain.
- Virginia Supportive Housing needs \$6 million to break ground on a 60-unit permanent supportive housing project in Portsmouth, Virginia to serve homeless single adults.
- In Washington, D.C, the 11th Street Apartments, a five-story 31-unit Section 236 building that was closed by the city for code violations in January 2008, stands vacant awaiting rehabilitation. With sufficient funds,



the property could be purchased from the current owner and preserved as homes for extremely low income tenants, including some who were forced out when the building was shut down.

- The Volunteers of America have three elderly housing projects in Oklahoma, North Carolina, and New Jersey that total 263 units that could get underway immediately.
- Avesta Housing in Portland, ME has 191 units in southern Maine that could be developed if new funding became available.
- In Miami, the Miami Dade County Housing Commission will rebuild 850 extremely low income homes lost in the Scott Carver HOPE VI fiasco, but needs additional capital and project-based vouchers. This is a HOPE VI project that was originally slated for only 80 replacement units and even that money was lost due to mismanagement. This is a particularly important project because in replacing lost homes, the county is also trying to repair community trust and the well-being hundreds of families that were displaced.
- \$33 million in capital funds is needed to jump start up to ten new Permanent Supportive Housing Projects totaling 450 units in New Orleans in 2009.
- In the FY07 round of applications to HUD for Section 202 and 811 funding, 30 fully qualified projects totaling 1,440 units would have been funded had there been an additional \$200 million available.

In the first round of funding, the emphasis should be on rehabilitation and pipeline projects. A second round of funding could begin as early as January 1, 2010 that could also include new construction.

## **2. Fund the Public Housing Capital Fund at \$5 billion for two years to upgrade public housing using green standards.**

An infusion of \$5 billion into the Public Housing Capital Fund would allow for the rehabilitation of vacant and distressed public housing units. The \$5 billion figure represents a first step in meeting public housing's \$32 billion capital funding backlog.<sup>12</sup> Public housing agencies take annual stock of their short- and long- term rehabilitation needs and are well suited to expend stimulus funds quickly and effectively.

The first \$1 billion of these public housing capital funds could be distributed immediately by the current capital fund formula to the nation's 3100 housing agencies. This initial \$1 billion would bring 15,000 currently vacant units back to use.

The remaining \$4 billion of public housing capital funds could be distributed rapidly through a competitive grant process to the public housing agencies that can best demonstrate both their capital funding needs and their ability to expend the funds quickly. All of the funds could be used in a way to rehabilitate and retrofit units to increase energy conservation and improve indoor air quality. The grants could be prioritized to reward need for rehabilitation, capacity to redevelop, duration of affordability and energy efficiency improvements.

**Legislative action.** Include \$5 billion in the new economic recovery bill for the Public Housing Capital Fund.

## **3. Provide \$3 billion over two years to upgrade federally assisted multi-family housing using green standards.**

Federally-assisted but privately owned and managed rental properties also need funds to support critical renovation projects, including renovations to increase energy efficiency. A \$3 billion investment in these HUD and Rural Housing Service units, which collectively represent more than 2 million units affordable to low income households,

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<sup>12</sup> Sard, B. & Fischer, W. (2008). *Preserving safe, high quality public housing should be a priority of federal housing policy*. Washington, DC: Center on Budget and Policy Priorities. <http://www.cbpp.org/9-18-08hou.htm>



would go to the properties that can demonstrate both need and capacity to expeditiously complete property improvements and successfully operate the improved property for low income residents. Recipients of such funds would be required to accept the continuation of existing affordability restrictions on their properties (subject to continued rental assistance) for not less than 20 years from the date such assistance is received.

**Legislative action.** Include \$3 billion in the new economic recovery bill for preservation and greening of privately owned, federally-assisted housing.

**4. Take immediate steps to temporarily solve the crisis with the Low Income Housing Tax Credit crisis.**

One of the many adverse consequences of the economic crisis is that the investor market for Low Income Housing Tax Credits has all but vanished, leaving many low income housing developers holding tax credits they have been awarded for specific projects that they are unable to sell. Projects that are ready to get underway are now stalled all over the country.

This immediate problem can be readily solved by directing the Department of the Treasury to make this set of tax credits refundable. Developers with tax credits they cannot sell can return them to Treasury, which will in turn issue refunds, thus providing the developers with the equity needed to keep the projects moving forward. This has the distinct advantage of creating no additional costs to the federal government, as these credits have already been counted in the federal budget.

The Low Income Housing Tax Credit has been an important tool for the development of low income rental housing for many years that should continue. However, as a market based housing finance tool, its usefulness in the current economic crisis is compromised. Reform and repair of the Low Income Housing Tax Credit should be addressed in the comprehensive housing finance legislation that Congress will undertake in 2009.

**Legislative action.** Direct Treasury to issue refundable tax credits to developers holding credits already awarded, but unable to be sold.

Thank you for your consideration of this proposal. We are available to discuss it further at your earliest convenience.

Sincerely,

Sheila Crowley  
President and CEO

*About the National Low Income Housing Coalition*

*The National Low Income Housing Coalition is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes. Founded in 1974 by Cushing N. Dolbeare, NLIHC has members in every state including non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. The National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems, including people who are homeless. NLIHC is funded entirely with private donations.*