

## Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing

National Affordable Housing Management Association – 400 N. Columbus Street, Suite 203 - Alexandria, VA 22314  
Phone 703-683-8630 - Fax 703-683-8634 - [www.nahma.org](http://www.nahma.org)



August 8, 2011

NAHMA Analysis 2011-0808

### HOME Program Update

#### Background

In mid-May, *The Washington Post* ran a series of front-page articles reporting on alleged mismanagement of HUD's HOME Investment Partnerships program funds, raising alarms throughout the affordable housing industry, HUD and Congress. The articles discussed HOME projects that were never completed and/or never begun. The reporter described in detail how developers and nonprofits allegedly received HOME funds but did not provide the promised housing and attributed the problems to lax oversight on the part of housing agencies in awarding the funds and monitoring the projects. The reporter also noted several times that HUD does not have authority to compel repayment of HOME funds.

Copies of *The Washington Post's* investigative articles may be found here:

<http://www.washingtonpost.com/investigations/special-reports/HUD-funding/>

#### Summary

In response to *The Washington Post's* allegations, NAHMA, industry colleagues, and HUD have launched media and advocacy campaigns which refuted the *Post's* claims and affirmed our support for the HOME program. All parties believe that HOME is a successful program that Congress should continue to fund and support. However, HUD and the industry believe that HOME could benefit from additional oversight and stricter repayment requirements in order to reduce waste and fraud. Details on those efforts may be found below.

Congress has also responded to *The Washington Post's* investigation. The House Financial Services Committee held an oversight hearing on the HOME program, which provided HUD the opportunity to respond to the *Post's* claims of inefficiency. For the most part, Members of Congress believed the HOME program has been successful at increasing affordable housing nationwide. Nevertheless, the Committee called on HUD to step up its oversight of the state and local jurisdictions administering the program. The Committee also asked HUD to enact stronger repayment requirements for grant recipients at the local level. Additional information on that hearing may be found in the "Congressional Response" section below.

In the Senate, Sen. Tom Coburn (R-OK) used the *Post's* articles to call for the HOME program's elimination as part of his deficit reduction strategy plan. However, HOME was already facing the possibility of severe cuts in the FY 2012 appropriations cycle due to Congressional efforts to reduce government spending and eliminate yearly deficits. More information on the Coburn plan may be found below.

### **NAHMA Reaction and Response**

Immediately following the publication of *The Washington Post* articles, NAHMA launched a grassroots advocacy effort to combat the negative perspective of the HOME Program. NAHMA members have graciously provided us with information on their properties that have received HOME funding. We also signed on to an industry letter, dated May 24, 2011, to the House Appropriations Transportation-HUD Subcommittee leadership refuting the *Post's* claims about the HOME program and issuing our support for continued funding for the program in the FY 2012 appropriations. A copy of that letter may be found here:

[http://www.nahma.org/Leg%20area/HOME\\_Sign-On\\_Letter\\_Final.pdf](http://www.nahma.org/Leg%20area/HOME_Sign-On_Letter_Final.pdf)

NAHMA members and NAHMA affiliated properties reported having received tens of millions of dollars in HOME funding to support 13,881 units of affordable housing in 232 properties nationwide. Most NAHMA members said the HOME funds were used to leverage additional capital, including LIHTCs, in order to complete rehabilitation and new construction of affordable housing units. Of the properties submitted, 17 have received NAHMA Communities of Quality awards and one has won a NAHMA Vanguard Award. Some properties have won regional AHMA and HUD awards for outstanding properties.

Last month, NAHMA also launched a survey about NAHMA members' participation in the HOME program. Sixty-seven percent of the owners and agents that responded said their properties had received HOME funding. Owners and management agents also responded that all of their properties that received HUD funding completed their projects on time and within budget. Forty-five percent of respondents said their HOME properties provided amenities to residents, such as: pools, fitness facilities, energy star appliances, resident service programs, after-school programs, health and wellness programs, community gardens, playgrounds, and community rooms. Twenty-seven percent of respondents also said their HOME properties provided amenities to the surrounding communities, such as meeting areas and community programming.

This information has been vital in NAHMA's advocacy efforts promoting the HOME Program's successes on the Hill. We have provided this information to appropriators and authorizers in the House and Senate in our effort to preserve funding for the HOME Program in FY 2012. Republican and Democratic appropriations staff members have acknowledged that HOME is a good program, but it requires some additional oversight. Appropriations staffers have also said they do not intend to zero out the program, but they expect it will be cut below the FY 2011 appropriations level of \$1.61 billion.

As the FY 2012 appropriations process continues, NAHMA remains engaged with Congress to preserve funding for the HOME program.

For additional information on NAHMA affiliated HOME properties, please visit:  
[http://www.nahma.org/content/grassroots HOME Properties.html](http://www.nahma.org/content/grassroots_HOME_Properties.html)

### **HUD Response**

Following the publication of *The Washington Post* articles, HUD launched a campaign to refute the inaccurate claims made in the articles through blog posts on the HUD website.

The *Post* articles claimed that HUD “largely looked the other way” when local housing departments mismanaged their federal HOME funds and HUD did not have the authority to demand repayment. However, HUD responded that the Department began automatically cancelling projects last January if they did not draw down funds within a year of receipt. HUD has already freed up \$290 million in HOME funding to redistribute to viable projects through this effort. In addition, HUD has been aggressively following up on “stalled” projects and seeking repayment of uncommitted, unspent, or misspent HOME funds. So far, local governments have repaid or forfeited over \$250 million when they failed to meet deadlines, misspent HOME dollars, or failed to produce affordable housing using HOME funds.

The *Post* investigation also alleged that 14 percent of HOME projects surveyed showed signs of significant delay. However, out of the 28,000 HOME developments that were pending as of November 2010, only two and a half percent of total HOME projects were delayed. Furthermore, 54 percent of units that would have been identified as “delayed” under the *Post*’s definitions were completed and occupied. Less than 11 percent of the total projects that would have been identified as “delayed” under the *Post*’s definitions were actually delayed. These projects were stalled due to lack of available financing or the inability to sell completed units, both caused by the economic downturn.

According to HUD, the HOME program has produced more than one million homes/units for low-income families since 1992. Of those homes/units, HOME has produced 381,883 rental units, assisted 428,373 homebuyers, rehabilitated 197,780 owner-occupied units, and helped 242,768 tenants acquire housing. Over 96 percent of families that have received HOME tenant-based rental assistance and 80 percent of families residing in units developed with HOME funds have income below 50 percent of area median income (AMI).

Furthermore, HUD has estimated that projects are able to leverage almost \$4 of private and public investment capital for every dollar of HOME funding received, which translates to almost \$80 billion of additional capital over the life of the program. HUD and NAHMA members have also noted that HOME funds are often used to help leverage LIHTCs for affordable housing development and rehabilitation projects.

For additional information on HUD’s rebuttal of the *Post*’s HOME articles, please visit:  
<http://blog.hud.gov/2011/05/19/setting-record-straight-washington-post-wrong-home-program>

HUD Secretary Shaun Donovan also wrote an op-ed, published in the *Post* on June 10, 2011, to criticize the incorrect analysis used by the newspaper to come to its inaccurate conclusions. A

copy of the op-ed may be found here: <http://blog.hud.gov/2011/06/10/opinion-editorial-home-program/>

### **Industry Response**

In addition to NAHMA, other leaders in the affordable housing community have launched their own campaigns to refute the *Post's* allegations of mismanagement in the HOME program. For example:

- *The Washington Post* published a number of letters to the editor challenging the findings of the investigation, the majority from affordable housing providers. The former director of the HOME Investment Partnerships program from 1990-1994, David Cohen, criticized the *Post's* misleading headlines and lack of context and balance. Housing Partnership Network's President and Chief Executive Thomas Bledsoe stated the majority of local and state housing agencies were "good stewards" of the HOME program and most non-profits who participated in the program had "an impressive record of performance with public-private partnerships using HOME funds to fill critical gaps in resources." The Montgomery Housing Partnership's President Robert Goldman explained that delays for one of the properties singled out by the *Post's* investigation were brought on by a local moratorium on development and subsequent lawsuits. Copies of the letters to the editor may be found here: [http://www.washingtonpost.com/opinions/criticism-of-housing-program-challenged/2011/05/18/AFzPTf8G\\_story.html](http://www.washingtonpost.com/opinions/criticism-of-housing-program-challenged/2011/05/18/AFzPTf8G_story.html)
- The Huffington Post published an article Sunia Zaterman, the Executive Director for the Council of Large Public Housing Authorities, that refuted the articles' association the HOME program's problems with public housing. Zaterman chided the *Post* for not making an effort to distinguish HOME from other HUD affordable housing programs and for implying that public housing was experiencing similar mismanagement issues. Zaterman also explained that public housing investment funds had been successful at increasing economic activity and jobs in local communities. A copy of the Huffington Post article may be found here: [http://www.huffingtonpost.com/sunia-zaterman/media-hit-on-housing-programs-off-target\\_b\\_863040.html](http://www.huffingtonpost.com/sunia-zaterman/media-hit-on-housing-programs-off-target_b_863040.html)
- Industry colleagues published a number of blog posts challenging the *Post's* claims. One of these included a blog post from Maureen Friar, President and CEO of the National Housing Conference. Friar used the HOME controversy to highlight the decline in housing construction and called for increased support of affordable housing programs. A copy of the blog post may be found here: <http://www.nhcopenhouse.org/2011/05/rest-of-story-on-home.html>
- Finally, the National Council of State Housing Agencies (NCSHA) collected stories to show the human benefit of federally supported state housing programs, like HOME, in their efforts to advocate for Congressional support of the program. The "Faces of Home" website may be found here: <http://www.ncsha.org/faces-of-home>

## Congressional Response

### *House*

On June 3, the House Financial Services Committee held an oversight hearing on the HOME Investment Partnerships program with testimony from HUD's Assistant Secretary for Community Planning and Development Mercedes Márquez and HUD's Assistant Inspector General for Audit James Heist.

During the hearing, Committee Chair Spenser Baucus (R-AL) noted that the HOME oversight issue was not specific to the Obama Administration; the problem spanned across the Clinton and Bush Administrations as well. Ranking Member Barney Frank (D-MA) commended the program for all the good work it has achieved thus far and entered the May 24, 2011 industry letter in support of the program, signed by NAHMA and other colleagues, into the record.

Many Congressional Members had questions about the repayment requirements in local HUD contracts. Márquez said the agency was working on an updated rule to improve oversight in the HOME program that would include model legal agreement language to enforce repayment by developers when they use the funding for ineligible activities. The Assistant Secretary also noted that, while repayments cannot be made from Federal funds, the repayments often come from state and local tax receipts, which she believed helped to create a deterrent from giving money to local developers who might mismanage the funds.

Other Committee members were concerned over the major oversight problems the *Post* had identified in the HOME Program. Assistant Secretary Márquez responded that HUD had put the oversight policies in place for the local jurisdictions in charge of distributing and monitoring the funds; but local jurisdictions did not always follow the policies, often due to their own lack of capacity to perform the oversight obligations especially at the city government level. Nevertheless, "HUD has taken steps to improve its on-site and remote monitoring ability and, consequently, its oversight of grantees. These include a stricter risk management assessment, improved comprehensive monitoring exhibits and clear procedures for field offices to provide oversight of CPD's [Community Planning and Development] programs," Márquez said.

For more information on the hearing, including witness testimonies and a link to the archived webcast, please visit:

<http://financialservices.house.gov/Calendar/EventSingle.aspx?EventID=242647>

### *Senate*

Sen. Tom Coburn (R-OK) used *The Washington Post* articles as justification to eliminate the HOME Investment Partnerships program and recapture all HOME grants under his deficit reduction plan. The plan uses the HOME statistics provided by the *Post* and old Google pictures as evidence of the program's "inefficiencies." However, the plan omits the updated information provided by HUD and ignores Google's admission that the pictures used in the *Post* exposé were significantly outdated. In addition, the plan does not recognize that recapturing funds of projects already in the pipeline would put several affordable housing projects in jeopardy of delay or cancellation.

It is incredibly unlikely that Congress will consider the Coburn plan as a viable deficit reduction option. Senate Democratic leadership and the White House have denounced the plan. Nevertheless, Coburn has suggested that other deficit reduction plans draw from his proposals.

More information on the Coburn plan's deficit reduction recommendations for HUD may be found here: [http://coburn.senate.gov/public//index.cfm?a=Files.Serve&File\\_id=641349c1-4667-4c9b-9bf9-1ec5b52ccd5d](http://coburn.senate.gov/public//index.cfm?a=Files.Serve&File_id=641349c1-4667-4c9b-9bf9-1ec5b52ccd5d)

The Senate Banking and Appropriations Committees have not undertaken any public action in regards to the HOME program.

### **Positive Aspects**

NAHMA is pleased to see such a large outpouring of support for the HOME Program from the industry, HUD, and even Members of Congress. The program is very successful at providing one layer of the mixed-financing required to rehabilitate old affordable housing as well as build new units; however, all stakeholders would agree that the program could benefit from increased HUD oversight and additional repayment mechanisms. HUD is currently working to improve its oversight of state and local jurisdictions that distribute HOME funding and requiring repayment in the case of non-compliance in grant contracts going forward.

NAHMA was also heartened to learn that the House Appropriations Committee Republican and Democratic staff understand the importance of HOME funding in increasing and improving the affordable housing portfolio. HOME is a critical source of gap financing used to complete new developments and rehabilitate the existing stock. The program has also been an essential source of gap financing for LIHTC projects. House Appropriations Committee staff explained to NAHMA that, if HOME funding falls below \$1.5 billion, the formula used to disperse the funding to state and local jurisdictions renders the program ineffective. It is imperative that Congress maintain at least \$1.5 billion in funding for this program for FY 2012. However, the realities surrounding appropriations for the HOME program in the face of deficit reduction efforts create a number of caveats, which will be discussed in the next section.

### **NAHMA Concerns**

NAHMA is very concerned about potential funding cuts to the HOME program in the FY 2012 appropriations. The program was already facing the possibility of substantial spending reductions before *The Washington Post* ran its investigative articles. The deficit reduction agreements passed by Congress this week have complicated the FY 2012 appropriations process further. In order to gain support for increasing the United States' debt-ceiling, Congress agreed to \$1 trillion in government spending reductions over the next decade by capping discretionary government spending immediately. Although the media has reported the majority of the deficit reductions efforts will occur after FY 2013, the House Budget and Appropriations Committees could reduce the FY 2012 budget authority, including the budget authority for the Transportation-HUD account, below levels specified earlier this year. However, the committees had not yet begun discussing the new FY 2012 budget authority at publication.

The House Appropriations Transportation-HUD Subcommittee was already expecting a 20 percent reduction in its budget allocation from FY 2011, which was already below the FY 2008 levels. In NAHMA's conversations with House Appropriations Committee staff, both Republicans and Democrats said they plan to provide full funding for tenant-based Section 8, project-based Section 8, and Section 202 and 811 PRAC 12-month contracts before funding new construction and rehabilitation programs. If the House Appropriations Committee reduces the Transportation-HUD budget authority further, NAHMA believes there is a strong possibility that HOME program funding will be lowered below FY 2011 appropriations levels. There is also a chance the HOME program could be zeroed out for FY 2012, depending on how deep the budget cuts are for the Transportation-HUD account. NAHMA opposes cuts to HOME in general, but we believe that reducing funding for the program below \$1.5 billion would be devastating. As the Transportation-HUD Subcommittee works on the FY 2012 Transportation-HUD appropriations language, we will advocate for continued funding of the HOME program.

However, there is also a question about the viability of long-term funding for the HOME program. The majority of discretionary spending caps tied to the debt-ceiling increase will occur after FY 2013. Furthermore, under the debt-ceiling agreement, Congress has been tasked with creating a bipartisan, bicameral committee—called the Joint Select Committee on Deficit Reduction—to identify an additional \$1.5 trillion in deficit cuts over the next decade. We worry that, even if HOME is funded in FY 2012, Congress could single out the program in its effort to meet future deficit reduction requirements. It is also possible that the committee could use the incorrect information cited in the *Post* articles as a justification for reducing or eliminating funding for the HOME program, just as Senator Coburn did in his deficit reduction plan. NAHMA intends to follow the Joint Select Committee on Deficit Reduction's efforts as they move forward. We will continue to support programs that provide necessary funding for the rehabilitation and new construction of affordable housing including, but not limited to: HOME, CDBG, LIHTC, and Section 202 and 811 new construction accounts.

### **NAHMA Position**

NAHMA will not concede defeat in our advocacy efforts for strong affordable housing budgets. We will work with our industry colleagues and HUD to support continued funding for the HOME Program in the FY 2012 appropriations and in future budgets. HOME provides a much-needed source of start-up funding for affordable housing rehabilitations and new construction projects nationwide.

We believe it is important to remind Congress that HOME is a successful program that has helped provide quality apartment communities for thousands of families across the country. To succeed in this effort, we need your help. NAHMA would like to ask that members:

- Send examples of your successful projects developed using HOME funds, with location, photographs and other details to NAHMA ([lauren.eardensohn@nahma.org](mailto:lauren.eardensohn@nahma.org)); and
- Invite your Congressmen to visit your successful HOME projects when they are in their district.

If you would like to contact your Senators, please visit:

**[http://www.senate.gov/general/contact\\_information/senators\\_cfm.cfm](http://www.senate.gov/general/contact_information/senators_cfm.cfm)**

If you would like to contact your Member of the House of Representatives, please visit:

**<http://www.house.gov/writerep/>**

We have also set up an urgent grassroots action webpage for more information on HOME program and NAHMA affiliated HOME properties at:

**[http://www.nahma.org/content/grassroots HOME Program.html](http://www.nahma.org/content/grassroots_HOME_Program.html)**