



# THE ENTERPRISE FOUNDATION

**Testimony of Stockton Williams  
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**On the Administration's Fiscal Year 2005 Budget Request  
For the Department of Housing and Urban Development**

**For the Subcommittee on  
Veterans Affairs, Housing and Urban Development and Independent Agencies  
Committee on Appropriations  
House of Representatives  
March 25, 2004**

## **Introduction and Overview**

Thank you, Chairman Walsh, Ranking Member Mollohan and Subcommittee members for this opportunity to share with you The Enterprise Foundation's views on the administration's fiscal year 2005 budget request for the Department of Housing and Urban Development (HUD).

Enterprise is a national nonprofit organization that mobilizes private capital to support community-based organizations and neighborhood revitalization. We have invested \$5 billion to produce more than 150,000 affordable homes and helped 40,000 low-income people gain employment. Enterprise plays an important role in the housing and community development finance system. To the grassroots we provide resources, expertise and access to additional capital. To philanthropic and corporate institutions we offer assurance that their funds are invested to achieve maximum impact. To the federal government we make certain that taxpayer dollars are appropriately targeted, efficiently used and fully leveraged with private financing.

The programs under this Subcommittee's jurisdiction generally provide assistance for "affordable housing" or "community development," two important needs in our country that deserve far greater attention and support than they often receive. These programs support other national priorities as well, such as employment, education, children's health and community stability.

Research increasingly shows what common sense has long suggested—that housing is more than simply shelter, especially for low-income families and communities. A decent, affordable home can help people move off welfare, or avoid it altogether, and do better at work. Children are healthier and more likely to succeed at school when they live in a stable, safe home. Communities are stronger and less susceptible to decline when their housing stock is in good shape. By investing in key programs under its jurisdiction, this Subcommittee has the

opportunity to improve the employment, education and health prospects—as well as the housing opportunities and community stability—for millions of low-income adults and children this year.

While a variety of HUD initiatives can contribute to those goals, our testimony focuses on just a few, which we believe are especially important, and which each address different needs:

- The Section 4 program, which strengthens the community- and faith-based groups on the front lines of the fight against hopelessness and housing needs;
- The Housing Choice Voucher program, which empowers extremely low-income renters to afford modest apartments of their choice in better neighborhoods and closer to jobs;
- The HOME housing block grant, which helps states, cities and grassroots groups meet a wide range of low-income housing needs; and
- The HOPE VI program, which provides communities with the resources to transform dysfunctional, detrimental living environments into stronger, healthier communities.

### **Strengthening Community-Based Organizations through Section 4**

Community-based organizations are proven producers of affordable housing, generators of private investment and economic development and providers of financial services in the toughest markets in the country.<sup>i</sup> Federal Reserve Board chairman Alan Greenspan recently noted, “These innovators have succeeded in developing new approaches for engaging disadvantaged participants in the economy in the same manner that any successful organization does—by assessing need, evaluating risks, managing costs and developing appropriate products.”<sup>ii</sup> Even the most sophisticated community-based groups, however, need reliable resources and expert advice to succeed and grow.

Under Section 4, Congress appropriates funds through HUD primarily to Enterprise and the Local Initiatives Support Corporation (LISC) to help strengthen groups at the grassroots. We are required by law to raise at least three private dollars for each dollar of Section 4 funds we receive. We use these resources to provide operating support, technical assistance and seed capital to community-based organizations. Enterprise has assisted more than 500 community-based groups in 44 states and the District of Columbia with Section 4 funds. Enterprise and LISC together have utilized Section 4 to assist nearly 1,000 grassroots organizations in most major cities and in almost one-third of all rural counties in the country.

Numerous independent evaluations have documented the success of the Section 4 program. In a report to HUD on Enterprise and LISC’s use of Section 4 funds in urban and rural areas nationwide, Weinheimer & Associates found, “by and large the Section 4 program met and exceeded the goal established by Congress to develop the capacity of community development corporations [CDCs] to undertake community development and affordable housing projects and programs.”<sup>iii</sup>

Section 4 received the highest score to date for any HUD program under the Office of Management and Budget’s (OMB’s) rigorous new protocol for assessing the effectiveness of federal programs. OMB concluded that: “The program design ensures efficient administration,

significant private funding leverage and sustained community-based capacity in assisting hundreds of small organizations with disparate needs serving hundreds of communities facing widely varying conditions.”<sup>iv</sup>

The General Accounting Office recently concluded that Section 4 had helped increase *private sector* investment in community-based groups and neighborhood revitalization, leveraging more than \$800 million in private support since the program was created in 1993.<sup>v</sup>

The Urban Institute determined that as a result of capacity building assistance delivered by Enterprise and LISC with Section 4 and—critically—private funds, community-based groups “in many cities are now the most productive developers of affordable housing, outstripping private developers and public housing agencies.” In a separate report, the Urban Institute documented encouraging early evidence that strengthening grassroots groups can help strengthen low-income communities: “Experimental econometric analysis finds that [community development corporation] efforts *do* lead to improvements in neighborhood quality that the market recognizes, as shown by increases in residential property values.”<sup>vi</sup>

Following are just a few examples of Enterprise’s Section 4 activities in 2003:

- **Syracuse, NY:** Assistance to the Syracuse Neighborhood Initiative in implementing development projects and raising private funding; training in community safety and nuisance abatement for 15 grassroots groups throughout the city; and hands-on technical assistance in areas such as business planning, financial packaging, fundraising and project development for Home HeadQuarters, Empire Housing and Development, University Neighborhood Preservation Association and Lincoln Hill Neighborhood Association.
- **Fayette and Fairfield Counties, Ohio:** Training that enabled Community Action to expand its service area and self-help program into Ross County and to complete the second phase of Arbor Village in Washington Court House, a community of 30 new for-sale homes made possible in part by the buyers’ “sweat equity;” and support for Fairfield Affordable Housing to develop 50 apartments, plus provide case management and supportive services, for low-income seniors.
- **Northern West Virginia:** Funding for development of a strategic plan for the Vandalia Heritage Foundation’s Legacy Program to collect, preserve and communicate family, local and regional history; to expand the operations of the Legacy Project’s five charter sites; and to develop community-oriented History and Genealogy Centers and associated educational programs. Section 4 funds also supported a series of training sessions throughout the region for contractors, educators, community leaders and local homeowners in historic preservation, energy efficiency and heritage tourism.

Congress \$30 million in Section 4 funds for Enterprise and LISC to split equally for FY 2004. We are profoundly grateful for this support. But the unmet demand for the assistance Section 4 helps provide is huge. **We ask Congress to provide \$40 million to Enterprise and**

**LISC to split equally for fiscal year 2005.** This increase, while substantial in percentage terms, would be tiny within HUD's overall budget, especially considering the leverage and impact Section 4 achieves. The administration has requested \$25 million in Section 4 funds for Enterprise and LISC to split equally, with \$5 million set aside for rural areas.

### **Expanding Housing Opportunity through Housing Choice Vouchers**

More than one-and-a-half million households receive assistance from Housing Choice Vouchers. Research has shown that Vouchers have helped increase employment for adults, with especially encouraging results for people moving from welfare to work. Vouchers also have been shown to improve children's school performance and reduce juvenile delinquency. And Vouchers have contributed to poverty de-concentration and racial and ethnic integration.<sup>vii</sup>

Vouchers do not provide these benefits across the board. Program administration could be improved. We would encourage Congress to authorize a limited number of pilot programs to test alternative approaches, such as metropolitan administration of the program, including by state housing finance agencies and qualified nongovernmental entities.

As the Subcommittee is aware, the administration has proposed fundamental changes to the Voucher program in its FY 2005 budget request, in combination with deep funding reductions in FY 2005 and even deeper ones in the future. These policies would cut hundreds of thousands of families from Voucher assistance over the next several years and/or divert Voucher help from the neediest families, which are the primary beneficiaries of the program today. These policies would impose brutal hardships on extremely low-income people, likely forcing many into homelessness, and severely undermine the financial stability of affordable apartment properties all across the country. **We urge Congress to reject the administration's Voucher proposal and provide full funding for all authorized Vouchers for FY 2005.**

### **Increasing Rental Housing through HOME**

HOME has financed more than 785,000 affordable homes for low-income people and provided rental assistance to more than 100,000 households. More than 87 percent of HOME-assisted renters earn half or less of their area's median income. More than half of HOME-assisted homebuyers earn 60 percent or less of area median income. Encouragingly, HOME-assisted homebuyers tend to buy in neighborhoods with higher median incomes, homeownership rates and property values than their prior neighborhoods, which bodes well for those families.<sup>viii</sup> Every HOME dollar generates almost three dollars in additional public and private investment.<sup>ix</sup>

HOME is an unusually flexible block grant that allows states and cities to fund whatever housing needs they—not the federal government—determine are most important: homeownership or rental; new construction, rehabilitation or preservation; elderly, disabled, homeless or working family. HOME also ensures a strong role for community-based groups—they have received almost half of all HOME funds, according to the Urban Institute—and provides crucial operational support to grassroots organizations as well.<sup>x</sup>

**Congress should increase HOME funding to \$3 billion.** This amount would restore the purchasing power HOME has lost to inflation from the \$2 billion level Congress authorized for the program, but did not fully fund, more than a decade ago. We recognize that budget constraints may not allow an immediate increase to \$3 billion, but we would hope Congress could make a substantial downpayment towards that amount in FY 2005.

### **Transforming Troubled Communities through HOPE VI**

The HOPE VI public housing and neighborhood revitalization program has enabled local jurisdictions to form private-public partnerships to turn dysfunctional, detrimental living environments into healthier communities. While HOPE VI has achieved much of its mandate, more work remains to remove troubled, obsolete housing complexes and eradicate the social problems they exacerbate in too many low-income neighborhoods.

HOPE VI has shown success in strengthening distressed areas. HOPE VI developments in certain neighborhoods have been associated with lower crime rates and higher incomes, education levels and employment rates than were the case before redevelopment. HOPE VI also has spurred increased private investment in these communities. Research has found that: “Although there are many non-HOPE VI factors contributing to change in these communities, the nature of HOPE VI development has helped determine the extent and pace of that change.”<sup>xi</sup>

For residents of public housing demolished as part of HOPE VI redevelopments, the program’s results are more mixed. The majority of residents live in better housing in lower poverty neighborhoods as a result of HOPE VI. Many more are employed now than before redevelopment, although the vast majority still has very low-incomes. Regrettably, a significant percentage of former residents still have housing problems or are simply unaccounted for.<sup>xii</sup> Congress last year enacted improvements to HOPE VI designed to address these issues. Further improvements, such as applying the program’s successful elements to other deeply troubled properties besides the worst public housing, would warrant consideration.

But Congress cannot allow the program to die in the meantime. The administration for the second year in a row has proposed to eliminate funding for HOPE VI. Last year, Congress cut the program by three-quarters, to \$150 million. **We urge Congress to provide the FY 2003 level of \$574 million.**

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<sup>i</sup>See National Congress for Community Economic Development, *1999 Community Development Census*.

<sup>ii</sup>“Remarks by Chairman Alan Greenspan at the Greenlining Institute’s Ninth Annual Economic Development Summit, Oakland, CA, January 10, 2002,” p.3, Federal Reserve Board website.

<sup>iii</sup>Weinheimer, Engdahl and Honor, *HUD Section 4—Building the Capacity of Community Development Corporations: Assessment Report For FY 1997 Funds*, Weinheimer & Associates, 2001, p. 2.

<sup>iv</sup>OMB, “Department of Housing and Urban Development PART Assessments,” 2004, p. 76, OMB website.

<sup>v</sup>GAO, *Capacity Building: Section 4 Program Has Expanded and Evolved*, GAO-03-975, September 2003, p. 19.

<sup>vi</sup>Walker, *Community Development Corporations and Their Changing Support Systems*, Urban Institute, 2002, p. 2.

<sup>vii</sup>See Katz and Turner, *Rethinking Local Affordable Housing Strategies: Lessons from 70 Years of Policy and Practice*, The Brookings Institution and The Urban Institute, December 2003, pp. 23-32.

<sup>viii</sup>See Turnham, et. al., “Study of Homebuyer Activity through the HOME Investment Partnerships Program,” Abt Associates, Inc., January 2004.

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<sup>ix</sup> All data from “HOME Program National Production Report As Of 2/29/04,” HUD website.

<sup>x</sup>The Urban Institute, *Expanding the Nation’s Supply of Affordable Housing: An Evaluation of the HOME Investment Partnership Program*, 1999, p. 31.

<sup>xi</sup> Zielenbach, *The Economic Impact of HOPE VI on Neighborhoods*, Housing Research Foundation, 2002, p. 3.

<sup>xii</sup> See Popkin, et. al., *HOPE VI Panel Study: Baseline Report and HOPE VI Resident Tracking Study*, Urban Institute, 2002.