

**AFFORDABLE HOUSING NEEDS IN
THE CITY OF HOUSTON: UNIQUE
CHALLENGES AND OPPORTUNITIES**

FIELD HEARING
BEFORE THE
SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY
OF THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED TENTH CONGRESS
FIRST SESSION

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AFFORDABLE HOUSING NEEDS IN THE CITY OF HOUSTON: UNIQUE CHALLENGES AND OPPORTUNITIES

Monday, October 29, 2007

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at Houston Baptist University, Belin Chapel, 7502 Fondren Road, Houston, Texas, Hon. Maxine Waters [chairwoman of the subcommittee] presiding.

Members present: Representatives Waters and Green.

Also present: Representative Jackson Lee.

Chairwoman WATERS. Good morning, ladies and gentlemen. I'd like to start by thanking President Robert Sloan and the Houston Baptist University for allowing us to use this wonderful space for today's hearing on "Affordable Housing Needs in the City of Houston: Unique Challenges and Opportunities." It's a beautiful campus. This is a beautiful auditorium. And let's just give the president a round of applause to thank him. Where are you, President Sloan? There he is, in the back. Thank you so very, very much.

Mr. SLOAN. Thank you.

Chairwoman WATERS. I'd also like to thank Congressman Al Green for inviting me here today. And upon learning about this hearing that was being held by the subcommittee that I chair and where Mr. Green serves, your other Congressperson of the area, Ms. Sheila Jackson Lee, said, "I would like to participate." Let's thank her for being here.

I'm very pleased to hold today's hearing for several reasons. First, as I said, Representative Green asked me to. And whenever he makes a request, I do my best to comply. That is because Representative Green is simply the most committed member of my subcommittee. We have many scheduling commitments as Members of Congress. Representative Green, for example, serves on the critical Homeland Security Committee as well as facing the demands of the full Financial Services Committee which has been extraordinarily active this season due to recent events in the economy and the leadership of our chairman, Chairman Barney Frank. Yet as we prepared for this hearing, my staff confirmed what I had already suspected, namely that Mr. Green is the only member of the subcommittee to have attended every single one of our hearings this session. He has perfect attendance.

Mr. GREEN. Thank you.

Chairwoman WATERS. And he deserves much more than just a gold star for attendance. Representative Green is a consistent voice for the poorest, most vulnerable residents of Houston, Harris County, and the Nation when it comes to Federal housing policy decisions, whether they take place within our subcommittee, at the full committee level, or even on the Floor of the House itself. In the subcommittee, I can always count on him. Indeed, he ably stepped in for me as chair recently when my own multiple committee assignments forced me to miss a portion of one of our subcommittee's hearings on homelessness. At the full committee, during consideration of our Section 8 voucher reform bill, Representative Green offered a successful amendment to authorize desperately needed additional housing vouchers in recognition that we need to do more than just improve existing Federal housing programs. We need to expand them after many, many years of neglect. Finally, earlier this month, Representative Green spoke eloquently on the House Floor in support of the National Affordable Housing Trust Fund Act, whose passage by the full House stands as perhaps our committee's proudest accomplishment this year.

Representative Green is also an innovative legislator in his own right. I look forward to hearing from all of the witnesses today about the potential impact of a bill that he has introduced, H.R. 2629, the Housing Fairness Act of 2007, which would reinvigorate the Department of Housing and Urban Development's enforcement of the Nation's fair housing laws. He is also the lead sponsor of H.R. 3329, the Homes for Heroes Act, which would devote substantial new resources to the housing and supportive services needs of America's veterans, an absolute necessity in these times, as we all know.

Now, before I highlight additional reasons why this hearing is so timely and appropriate, I would like to acknowledge Representative Jackson Lee. While I do not have her serving on the Housing Subcommittee, she has many accomplishments that she can be proud of, because in addition to the work that she does on the Judiciary Committee—where I serve with her—she is serving on three of the most influential committees in the Congress of the United States. Again, in addition to the Judiciary Committee, she is on the Homeland Security Committee and the Foreign Affairs Committee. So I'm very pleased that she's been able to join us today. And she has worked with Representative Green as they have both been extraordinary advocates on behalf of the victims of Hurricanes Katrina and Rita and the housing of the Houston region which has been so affected. They have both been staunch allies in the fight to push for my legislation, H.R. 1227, which is known as the Gulf Coast Hurricane Housing Recovery Act of 2007, through the House.

Again, I'm pleased to hold this hearing because the affordable housing needs in Houston are quite unique. As the Nation's fourth largest city and one of the fastest growing, Houston boasts one of the most diverse populations in the Nation. As the title of the hearing suggests, Houston's circumstances provide for both challenges and opportunities. On one hand, as one who comes from Los Angeles where the median home price is \$529,000, the housing costs in Houston seem downright reasonable. It is nearly \$400,000 less

than that to purchase a median home here. I think the median here is about what, Mr. Green, \$156,000?

Mr. GREEN. \$154,900.

Chairwoman WATERS. \$154,900. That seems awfully reasonable to those of us who come from California. However, when we look at the number of people who have very low incomes, and are just barely making it, that can be very high. People are paying more than 30 percent of that income for housing. These costs, as well as flexible zoning environments, make development of additional affordable housing here perhaps more feasible than in some of the major metropolitan areas. On the other hand, reasonable does not necessarily mean affordable, nor can affordable housing be developed anywhere no matter the economic and regulatory climate without the resources to do it.

Nearly one-third of Houston homeowners and over half of all renters in the Houston metropolitan area again, as I indicated, spend more than 30 percent of monthly pretax income on all housing costs making them housing cost burdened as defined by the Department of Housing and Urban Development. Fully a quarter of renters pay more than 50 percent of their income in rent unsustainable for households over the long term. And as in every community in the country, working no longer guarantees being able to afford housing in Houston. The National Low Income Housing Coalition estimates that in order to afford a reasonable two-bedroom apartment here, a renter would have to earn \$14.77 an hour, more than 2½ times the minimum wage.

Also, like most communities in the Nation, the Federal housing resources available in Houston don't come close to meeting the need. Across the country, only one out of four households eligible for Federal housing assistance receive it. Here, this manifests itself in waiting lists numbering in the thousands for the Houston Housing Authority Section 8 vouchers and public housing units. Houston's booming growth is now threatened by the recent crisis in the subprime mortgage market. The foreclosure rates here are not among the highest in the Nation, but they are still significant. And this market experienced double-digit drops in both home prices and housing starts last month.

Added to these challenges, of course, is the continued impact of Gulf Coast hurricanes. The nearly 200,000 evacuees who initially came to Houston constituted the equivalent of the entire City of Shreveport, one of the Nation's 100 largest cities, suddenly being dropped in Houston's lap. Nearly half of the evacuees remain here. The generosity shown by the City and its residents has been extraordinary.

Representatives Green, Jackson Lee, and I have just had the opportunity to observe some of the excellent work that has been done here, but, of course, there have been bumps in the road along with the successes. I'm sure that we will hear about both today. I want to assure you that as chair of the Housing and Community Opportunity Subcommittee, I am indeed committed to helping Houston meet all of its affordable housing needs, both those that existed before Hurricanes Katrina and Rita and additional ones that have been created by the hurricanes.

Not only am I committed because of the wonderful advocacy of Mr. Green and Ms. Lee and others, as you know, my husband is from Houston. And so I have to honor him and his family also. Not only do I have to work for Los Angeles and California, but I have to work for Houston and Texas, also. So with that, I want to recognize Representative Green for his opening statement.

Mr. GREEN. Thank you, Madam Chairwoman. Friends, this is indeed a great occasion, because today the Congress of the United States of America via its Housing Subcommittee has convened in Houston, Texas. It is historical. And I am so honored, I cannot tell you what a preeminent privilege it is. In fact, it is a superlative pleasure and a splendiferous honor to be seated next to the Honorable Maxine Waters, the preeminent authority. The preeminent authority, that's right. Give her a big Texas-size welcome. If you love Maxine Waters and you know it, you ought to stand up and show it. Give her the kind of welcome that she merits for bringing this committee to Houston, Texas. Give it to her.

Friends, in the United States Congress, the Congressional Black Caucus, with its 43 members, is considered the conscience of the United States Congress. I would have you know that the Honorable Maxine Waters is considered the conscience of the conscience of the United States Congress. Maxine Waters.

By way of some information that is of benefit to you that will, of course, coincide with much of what we'll talk about today, I need to share the following: There was an effort to raise the minimum wage in this country. It took 10 years to get it done. Throughout the entirety of the 10-year period, the Honorable Maxine Waters was at the very forefront of that movement. She was a part of the movement to raise the minimum wage, and I say thank God that this Congress has now raised the minimum wage to \$5.85 an hour. It's not what it should be, but thank God it isn't what it was. We have raised the minimum wage.

It's important to talk about this minimum wage because, when we talk about affordable housing, people who are among the least, the last, and the lost need affordable housing too. And they need to be able to have the dignity of earning an income so that they can pay their own way. No one wants to be on welfare. Every person wants to say farewell to welfare. A decent day's wage for a decent day's work is a means by which people can say farewell to welfare. She has been a part of that effort to help people get that decent day's wage.

But more importantly—and as important as it is, I will say more importantly, this Housing Trust Fund that she mentioned, friends, it is unheard of in the annals of U.S. history to have an Affordable Housing Trust Fund dedicated to the preservation of affordable housing, to the construction of affordable housing, to the renovation of affordable housing, dedicated to maintaining a sufficient stock of affordable housing to meet the needs of those in this country who do not have affordable housing. This Affordable Housing Trust Fund will be funded with money from the GSE, Fannie Mae and Freddie Mac, about \$700 million annually, and money from FHA, about \$300 million. This is a significant number. We're talking about approximately \$1 billion annually for affordable housing. And it is something that we can thank the Honorable Maxine Wa-

ters for. I will also tell you that I have been so blessed to serve on a committee with her and to serve on a committee that is also under the leadership of the Honorable Barney Frank. And when my subcommittee chair and my full committee chair are working in sync and harmony, if you will, it really makes it easy for us to get some of the things done that you want to have us do. So I'm very appreciative that she has come today and she is here to hear from us and understand what our needs are here in Houston, Texas, and we do have some needs.

I also want to say to you that I'm honored to have the Honorable Sheila Jackson Lee here with us as well. She and I are working together on a good number of projects, not only in Congress but also here locally, that while they may not seem to relate to the congressional effort, we are elected to help in any way that we can, and we do so. And I ask that you give her an expression of appreciation, as well.

Finally, before I give you just a bit of statistical information—and I don't want to overwhelm you because we have capable, confident, qualified experts who will impart this information to you, but I do want say this finally before I go to this information. When Katrina hit Louisiana, it was necessary for Members of Congress to go there. I know of at least five occasions wherein the Honorable Maxine Waters went. But I want to tell you about one small incident, just a brief vignette, to give you some understanding of how she relates to people.

We had a lady who wanted us to go and see how her home had been flooded, and it was a consensus that we didn't have enough time, that it was just really not available for us at that time to do this. I want you to know that when she overheard that conversation, she stepped up and said, "We will go, we will see, and we will hear." No one in her world is above the law, and thank God in her world no one is beneath the law. Every person merits consideration of the law.

With reference to my City of Houston, Texas, we define affordable housing at the national level as spending no more than 30 percent of your income, your gross income, on housing. I regret to inform you that in our City, we have many persons who are exceeding that and exceeding 50 percent, but also when you add housing and transportation into the equation, we find that the average family is spending about 56 percent of their income on housing and transportation. Now, if you're spending 50 percent of your income on housing and transportation, that doesn't leave a lot for the necessities of life other than housing—clothing, food, and some of the other amenities that you need to live, as well. So we're here today to hear from the experts and ask that they would give us the insight that we need so that we can go back to the Congress of the United States and be efficacious in the effort to make sure that the needs of all persons in this country are met with reference to housing. Every person ought to have a place to call home. We are here to meet these needs.

Finally, we have people who are homeless in Houston, Texas, and the statistical information is quite shocking. For fear that I may not recite it all absolutely correctly, I'd like to just read to you some of this information: At any point in Houston, Texas, we have

about 12,000 to 14,000 people who are experiencing homelessness. And in this group of people who are experiencing homelessness, about 11 percent are there because of domestic violence; about 24 percent are there because they have been incarcerated and they are back trying to make their way through life; about 28 percent of them are veterans; 55 percent have some mental health issues; 57 percent have had some sort of history of substance abuse; 59 percent lost their housing because they lost their job; and 66 percent have no income at all. These numbers don't add up to 100 percent because many of the persons will fall into multiple classes. We have persons who have no jobs, who have substance abuse, who may have some mental concerns that should be addressed.

So as we look to acquire our intelligence on housing, we want to remember that we have the homeless, we have those who are working and still cannot afford housing, and then, of course, we have those who want to buy homes and would like to have the opportunity to have a home and not get caught up in a subprime market or, even worse, a predatory market such that they find themselves only expending capital, not acquiring equity and not building wealth.

I want to thank you again, Congresswoman, for convening this hearing in Houston, Texas. I think I speak for all of Houston when I say we will be eternally grateful that Houston is now going to be a part of the focus, if you will, of the housing issues in the United States of America. Thank you.

Chairwoman WATERS. Thank you. Thank you, Congressman, for that opening statement. We have such an appreciation for his passion, and we just love his vocabulary. Okay. Without objection, Ms. Jackson Lee will be considered a member of the subcommittee for the duration of this hearing. And with that, I recognize Ms. Lee for her opening statement also.

Ms. JACKSON LEE. Thank you, Madam Chairwoman. And, again, let me offer a deeply appreciated welcome on behalf of all of the citizens of Houston in every congressional district that we have the privilege of sending to the United States Congress. I might leave off the concept that there was a change in 2007. I won't be pointed in that. But that allowed Maxine Waters to become the chairwoman of this subcommittee. You can see what a difference a day makes in terms of the focus and the compassion and passion. And so I thank her for her presence today, and it is a delight to be able to work with my colleague. The smartest thing that our Caucus could have done is to appoint Congressman Al Green to the Financial Services Committee. We applaud that act, and out of that was generated a great opportunity for Houston.

I ask unanimous consent to put my entire statement into the record, but I'll make these very brief points. Without a doubt, I believe that when you think of our Constitution and our beginning language in the Declaration of Independence, we all are created equal with certain inalienable rights of life and liberty and the pursuit of happiness. Although education and housing may not have been directly mentioned, I don't know about you, but I think that the quality of life of all of us is dependent upon good education, good healthcare, and good housing.

So I make these very brief points: One, we are looking forward to this trust fund so that we can have a commitment to affordable housing in this community and certainly across the Nation. I encourage you to support this legislation. And even though you may be in the State of Texas, call Senators across the Nation. Particularly call our Senators and ask them to support this very important legislation. And I will give you a reason why: If you look at low-income owners who experience severe costs and, therefore, block them out of the market, you'll find among the 31,886 owner households with income below 30 percent of the area median income in 2000, almost half, 49 percent, spent more than 50 percent of their gross income on housing costs and another 17 percent more than—more than 30 percent of their gross income. Disabled persons receiving SSI benefits are particularly vulnerable to affordability concerns. And so the most vulnerable people—for example, the fair market rent for a one bedroom apartment in Houston is \$633, which exceeds by 5 percent the average monthly SSI benefits of \$603. So there are enormous costs for those who are seeking affordable housing.

Let me move to another point that I think is very important and close to Chairwoman Waters' heart and, of course, knowing the Fifth Ward area, many of our older areas in Houston and particularly areas in my district, she knows the number of seniors who also suffer from the inadequate housing. I'm grateful to the leadership of Congressman Green, who has worked with me on these issues. But a couple of years ago, the City of Houston suffered a number of challenges that required audits and required the elimination of certain programs. One of them happened to be the rehabilitation program of senior housing. In actuality, the senior housing repair and rehabilitation was actually stopped. When we recognized that seniors would suffer, we brought together the Department's Director and Secretary of the U.S. Department of Housing and Urban Development with a goal of restarting the program. An agreement was reached where the City would expend local funds and be reimbursed by HUD. The program was restarted with new contractors and procedures.

Now, the home repair program for our seniors seems of little consequence to City officials even though the repair of senior's homes is a priority in the consolidated plan pursued by HUD. Seniors continue to wait on a list. So we hope, as we move through this hearing and further our interest, that we'll be able to correct that problem.

My last point is just an example. Just last week, a senior who had been on a waiting list expecting repairs came before the City Council after being told that her property—that she lived in the floodplain. The City staff who misread the regulation had denied this woman home repairs because she lives in the floodplain. Fortunately, Council Member Jarvis Johnson called my office and we were able to connect the Council Office with the HUD official who cited the chapter and verse of the exemption that allowed repairs of this nature without regard to the flood zone. So as we look for housing, we must include all of those in our community—the disabled, the seniors, those who need affordable housing.

And, Madam Chairwoman, I am so grateful for both you and Congressman Green, because as I look as the representatives of the homeless here in this auditorium—I took it upon myself to drive around Houston late at night—12 to 2 in the morning—just to see the second city that most of us don't see. The enormous amount of homeless persons really begs for our action. And so as I look to the State and look to the City and County, I am grateful of your presence here but also of the leadership of the chairwoman. And I'd like to, in a moment of personal privilege, thank Mr. Guy Rankin, who is not here, Madam Chairwoman, but who wanted to offer his appreciation to you from the Harris County Housing Authority for their DHAP program and also to acknowledge the work that they are doing. I thank you very much. I look forward to this hearing, and I yield back my time.

Chairwoman WATERS. Thank you very much. I think that we have some of the elected officials from the Houston area that entered the room, so if you would like to make an introduction, Mr. Green.

Mr. GREEN. I'm most appreciative, Madam Chairwoman. We have with us this morning an outstanding elected official, public servant, if you will, the Honorable Adrian Garcia, who is a member of the Houston City Council. Adrian Garcia. I'd like to also just acknowledge that our veterans have united and decided to be here today as a unit. And we are honored to have a group of veterans who are here. Veterans, would you just stand so that we can see? Any veterans, of course, but these are veterans who have united. They are here, and we must serve them. They have served us well.

There are many institutions that were available to assist when Katrina hit, but I will tell you that one that is in the 18th Congressional District, and I'm sorry that I can't move them into the 9th Congressional District, but the Sheikh Community Center is represented today by the Honorable Delord Parker. Would you give him an expression of appreciation?

For the record, I would like to introduce a document, and if there are others with documents that you would like to have become a part of the record, I believe the chairwoman will announce at some point that the record will remain open for members. And if you'll give it to me, I will submit it into the record for you.

But we have from the Honorable Gladys House—who needs no introduction, but for edification purposes, I will tell you that she's with historic Freedman's Town and Allen Parkway Village—a document titled "Affordable Housing Needs in Houston, Unique Challenges and Opportunities." Madam Chairwoman, I beg that have we have unanimous consent to place this into the record as well as any other documents that I may receive.

Chairwoman WATERS. Without objection, it is so ordered.

Mr. GREEN. Thank you, Madam Chairwoman.

Chairwoman WATERS. Mr. Green, I want to remind the veterans of H.R. 3329, the Homes for Heroes Act, that has been introduced by Mr. Green. One of America's shames is the number of homeless veterans that we have on our streets all over America. And not only will my subcommittee make this a priority, we're saying to all of the presidential candidates on both sides of the aisle that they

better make that a part of their platforms as they campaign to lead this country. So thank you so very much for being here. Thank you.

With that, I'd like to introduce our first panel: Mr. Milan Ozdinec, Deputy Assistant Secretary for Public Housing and Voucher Programs, U.S. Department of Housing and Urban Development; Mr. Michael Gerber, executive director, Texas Department of Housing and Community Affairs; and Mr. Richard S. Celli, director, City of Houston Housing and Community Development Department. I'd like to thank all of you for appearing for the subcommittee today, and without objection, your written statements will be made a part of the record. You will now each be recognized for a 5-minute summary of your testimony.

We will start with Mr. Ozdinec.

STATEMENT OF MILAN OZDINEC, DEPUTY ASSISTANT SECRETARY FOR PUBLIC HOUSING AND VOUCHER PROGRAMS, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. OZDINEC. Thank you, Madam Chairwoman. Good morning. My name is Milan Ozdinec, and I am the Deputy Assistant Secretary for the Office of Public Housing and Voucher Programs at HUD. I wish to thank Chairwoman Waters, Congressman Green, and Congresswoman Jackson Lee for inviting me here this morning to appear before the subcommittee. Specifically, you requested that I describe the Department's new Disaster Housing Assistance Program and its implementation, including here in the City of Houston, thus far.

The Administration recognizes the need to continue assistance to Gulf Coast residents who remain displaced by Hurricanes Katrina and Rita, many of whom are currently residing here in the Houston area. The Disaster Housing Assistance Program, or DHAP for short, is a new demonstration program that will ultimately provide tenant-based rental assistance to approximately 44,000 families. DHAP commenced case management on September 1, 2007. The first rental assistance payments under DHAP will begin December 1, 2007.

The DHAP is a temporary housing assistance program, and its overall objective is to help families ultimately transition back to permanent housing and economic self-sufficiency by March 1, 2009. HUD is indeed responsible for the design, implementation, and operation of DHAP. We welcome this opportunity, Madam Chairwoman. Housing families in need is one of our core missions. We are also in a unique position to help. As you know, we have at our disposal a national network of some 2,400 housing agencies that administer HUD's Housing Choice Voucher Program. We have proven to have the experience and expertise at the local level to effectively administer tenant-based rental assistance. These PHAs know their local housing markets and already work with owners in the private rental unit market. Housing authorities are involved in providing assistance to families. Housing families is their bread and butter. It's what they do.

DHAP may be a new program, but tenant-based housing assistance has already proven to be a highly effective mechanism for assisting displaced families. Shortly after Hurricane Katrina, HUD developed and implemented the KDHAP program to assist dis-

placed families who were previously assisted by HUD. Then in December of 2005, the Congress appropriated an additional \$390 million directly to HUD to assist thousands of additional families displaced by Hurricane Katrina—displaced who were previously HUD assisted or homeless through the disaster voucher program. To date, over 33,000 families have received rental assistance through these two programs. HUD is once again calling upon our public housing authorities to provide assistance to eligible families under DHAP. Since the vast majority of these families are already housed, our PHAs will make rental assistance payments on behalf of these families. These families may remain in their current unit or, in some cases if they choose, they can find another unit and move. In those cases where a family must move, the PHA will provide housing search assistance.

Implementation of DHAP is well under way. We have published operating requirements, contracts, grant agreements, and case management procedures, including software development. We held meetings with PHAs, landlords, and advocacy groups both here in Houston and in other areas around the Gulf. We have provided on-site technical assistance at PHA offices, broadcast interactive Web casts, and established a DHAP referral call center with a toll free number.

On August 11, 2007, FEMA referred to HUD 28,582 eligible families for DHAP. Since then, we have executed 336 grant agreements with PHAs that cover over 26,000 of those families. Here in Houston, we have one of the largest concentrations of DHAP families. We have executed two grant agreements, one with the Housing Authority of the City of Houston, and one with the Housing Authority of Harris County, to serve approximately 9,000 families. By way of contrast, Madam Chairwoman, through the entire State of California, we only have 143 eligible families for DHAP. With respect to the challenges and concerns we face in regard to implementing DHAP, our biggest concern is the nature of the transition from FEMA to HUD and all of the complexities associated with it. For instance, this complexity resulted in HUD concerns that the transitions would not be seamless for all families. Therefore, it was decided to delay the complete transition to DHAP from November 1, 2007, to December 1, 2007.

Madam Chairwoman, members of the subcommittee, I cannot say enough about the tremendous response and effort put forward by our PHAs throughout the country. Without their dedication and commitment, DHAP would not be possible. I especially would like to commend both the Housing Authority of the City of Houston and the Harris County Housing Authority for their exceptional work on DHAP. All new programs have growing pains. Our PHAs, through their hard work and perseverance, have been able to ramp up this program and provide case management operations within 30 days of signing an agreement with FEMA.

Madam Chairwoman, I wish again to express our enthusiasm for being able to help. We believe that HUD, using our local PHA infrastructure, can effectively and efficiently deliver assistance. The expertise is already on the ground to link case management services and housing assistance in order to provide a comprehensive response to help families recover from a disaster. In conclusion, and

on behalf of the Secretary, Madam Chairwoman, again, I want to thank you for affording HUD the opportunity to discuss DHAP with you and the subcommittee in its implementation here in Houston and around the country. I would be happy to respond to any questions that you might have.

[The prepared statement of Mr. Ozdinec can be found on page 114 of the appendix.]

Chairwoman WATERS. Thank you very much.

Mr. Gerber.

**STATEMENT OF MICHAEL GERBER, EXECUTIVE DIRECTOR,
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

Mr. GERBER. Good morning, Madam Chairwoman, Congressman Green, and Congresswoman Sheila Jackson Lee. My name is Michael Gerber, and I am the executive director of the Texas Department of Housing and Community Affairs in Austin. I'd like to thank you for the opportunity to appear before you today. Madam Chairwoman, before I start, for those of us who have lived with a natural disaster in Texas for the last 2 years, our hearts and thoughts certainly go out to the people in Southern California who are dealing with the effects of these horrific fires.

Chairwoman WATERS. Thank you.

Mr. GERBER. My department, TDHCA, is the lead State agency to assist low-income Texans in finding safe, decent, and affordable housing. Without you and your colleagues in Congress, we couldn't do our jobs. And we'd like to thank you for all that you do to help provide a better standard of living for low-income Texans. We also want to join in thanking you for your efforts in passing the new Housing Trust Fund legislation that will help even more low-income Texans and other persons of low income across the country to have greater access to affordable housing.

The National Housing Trust Fund would enable our State to have another tool in order to target lower-income Texans, especially those at 30 percent and below. And we will certainly take you up on your request to be in touch with our members of the Senate to make them aware of the benefits of the Housing Trust Fund nationally and here in Texas. Thankfully, our State legislature has also received the word about the benefits of the Housing Trust Fund. And thanks to the efforts of a number of folks in this room, our State legislature in the last legislative session approved an almost 60 percent increase in our own State housing trust fund.

Even with all that help, we know that we're still not reaching the need that's out there. So what exactly are we doing? With the Federal funds available, we've allocated at TDHCA more than \$680 million for low-income Texans during the 2007 fiscal year that just concluded. With those funds, we rehabilitated seniors and single head-of-household homes in rural Texas allowing families to stay in their community while repairing their homes to a decent standard.

We used private activity bonds to place a record level of assisted and low interest rate unassisted mortgages helping those people who are ready to take the next step in the housing continuum of home ownership. These are safe, traditional mortgages that provide

real security rather than people going to higher interest rate loans to gain homeownership.

Locally, through our Texas First time Homebuyer Program, we have been able to help more than 1,500 families here in the Houston area achieve the American Dream of homeownership. TDHCA offers the lowest interest rates of any State agency and we have a very safe and traditional mortgage product that's firmed up by conventional underwriting. You'll find no exotic ARMs or balloon mortgages through TDHCA.

We also work with the Department of Energy Weatherization Program that not only saves energy but helps a family afford to heat here in Texas and cool—cooling's very important—a home without making choices between food and electricity.

And, of course, the public-private partnership of the Low Income Housing Tax Credit Program has had a tremendous impact in creating additional affordable house or rehabbing existing housing and improving the quality of life for the residents in those communities. For instance, here in the Houston area alone, we have placed more than 26,000 units of affordable housing since the program's inception in 1986. We have built more than 250,000 units around the State. So it's a great record of accomplishments, but clearly we need to do more. We also make sure that every dollar spent is utilized for its maximum impact.

And as a responsible steward of these valuable but limited Treasury Funds, we closely monitor these units for compliance with all State and Federal regulations. Once the units are placed in service, we make sure that the residents and the taxpayers get the full benefit of the program. This past year, our State legislature gave us the power to levy financial penalties up to \$1,000 a day against those developers who are not keeping their commitments. That's \$1,000 a day per violation. Accordingly, we'll make sure that those few bad actors are firmly removed from the program and that a clear message is sent industry-wide that TDHCA will not tolerate slumlords. Our ultimate concern is always for the safety and welfare of our low-income tenants, and we are proud here in the Houston area to be partnered so closely with the City of Houston and Harris County in that regard.

I also wanted to share with you this morning the active work we've done in leading Texas' disaster recovery efforts stemming from Katrina and Rita. While we appreciate the efforts of the entire Congress in assisting Texans, I would be remiss if I did not thank you, Madam Chairwoman, along with Congressman Al Green, Congresswoman Jackson Lee, Congressman Ruben Hinojosa, and Congressman Kevin Brady. So many other members of the Texas delegation have been key in making sure that we have some resources to assist Texans in need.

We expect with the dollars we receive, we will serve more than 8,000 Texans here in Southeast Texas, including Harris County. Shortly after Congress appropriated the funds, Texas Governor Rick Perry designated TDHCA as the lead agency for administering the funds that Congress has given to help us.

In May of 2006, we received our first allocation of funds. That was \$74.5 million, which was split almost evenly between housing and infrastructure. The second allocation of funds came earlier this

year, and it totaled \$428.6 million. We're working very ambitiously to get those dollars out. Governor Perry designated that \$60 million specifically would be designated for Houston, Harris County, to meet the needs of Katrina evacuees. Houston will be using its \$40 million of that \$60 million for law enforcement overtime and public safety issues associated with the influx of close to 200,000 Katrina evacuees. And the City will also be using part of the funds to rehabilitate many multifamily developments that are called home by Katrina evacuees to ensure that they will have safe and decent, affordable housing options. The remaining \$20 million will be used by Harris County for a myriad of social services assistance programs for evacuees, such as crisis counseling and medical services. The remainder of the funds are being used primarily throughout Southeast Texas to meet the physical devastation that has been suffered throughout the 22-county area surrounding Houston and heading mostly east.

But, again, we will continue to report to you and make sure those funds are used wisely. We are so grateful that you have taken the time to come to Houston, Representative Waters, to see this situation here firsthand. We welcome any questions.

[The prepared statement of Mr. Gerber can be found on page 60 of the appendix.]

Chairwoman WATERS. Thank you.

Mr. Celli.

STATEMENT OF RICHARD S. CELLI, DIRECTOR, CITY OF HOUSTON HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT

Mr. CELLI. Thank you very much for the opportunity to appear before you today and present brief remarks relating to the unique challenges and opportunities in the City of Houston.

Two factors create increasing demand for affordable housing in Houston: New households forming due to immigration or population growth; and pent-up demand for homeless persons or low-income households who are enduring substandard housing conditions by two or more families sharing one roof.

According to the 2000 census, about 9,000 households per year will be moved into Houston. In addition, 65,000 households were reported as overcrowded in the 2000 census and approximately 12,000 individuals in the City of Houston are currently homeless. Total demand for affordable housing must include some accounting for these underserved households. As Congressman Green mentioned in his opening remarks, the homeless population is a unique and severe problem in the City of Houston. We work diligently as a city. We meet every 2 weeks as a city, leaders within the city community, to try and solve the homeless issue, but we need more dollars.

Due to the low incomes earned by many Houston households, the overwhelming majority of housing units will have to be affordable rental units, with less than 10 percent affordable single family home units. The under 50 percent of area median income, small family submarket is the most underserved in the Houston market. Over 27,000 families are rent-burdened, meaning that they spend more than 30 percent of their monthly income on housing.

The demand for affordable housing is staggering. My staff estimates that, including new arrivals and underserved current residents, 2,000 households per year will demand affordable housing products. Of these, 1,300 households are projected to have incomes below 30 percent of area median income, and 700 households are projected to fall in the 30 to 60 percent area median income. In addition, the Katrina evacuees currently living in Houston and benefiting from re-extended housing vouchers will eventually need to find housing on their own. This will increase our demand further.

Historically, Houston City programs have invested about \$54 million per year in housing. The City of Houston has worked diligently to leverage all available resources, using low income housing tax credits, HOME funds, and requiring developer equity in outside debt in many multifamily transactions. The City of Houston has encouraged private investment in redeveloping historic neighborhoods via the Houston Hope Program by granting downpayment assistance to low-income families purchasing their first home, thus reducing the mortgage risk to lenders.

Houston, like all major cities, works hard to meet the needs of its citizens. Meeting all the demands for housing would cost approximately \$100 million a year. To close this gap, additional resources are needed. I assure you, as director of housing and community development, I could easily invest 3 times my current allocation of HOME funds every year and still not meet the needs of deserving Houstonians.

Enactment of the National Housing Trust Fund Act of 2007 and the related Expanding American Homeownership Act of 2007 would help the City of Houston by providing more funds to benefit low- to moderate-income families both directly and indirectly. As a participating jurisdiction, Houston would receive some portion of the trust funds intended to create 150,000 units of affordable housing nationwide each year. The requirement that such housing be primarily targeted for families with AMI below 30 percent would help those families here who have the greatest demonstrated need for housing assistance. Restructuring of the FHA program to reduce the need for private market subsidy of subprime lending would provide some benefit to Houston even though our housing stock is priced very affordably. Any product that provides lower cost alternatives for low-income households who qualify for mortgages is a good product. I applaud the Representatives' study of the needs of everyday households and welcome your interest in Houston. Thank you very much for having me.

[The prepared statement of Mr. Celli can be found on page 57 of the appendix.]

Chairwoman WATERS. Thank you very much. And while I failed to announce Mr. Allison, I'd like to call on him now. Mr. Horace Allison is a senior vice president of the Housing Authority of the City of Houston. I thank you for being here.

**STATEMENT OF HORACE ALLISON, SENIOR VICE PRESIDENT,
HOUSING AUTHORITY OF THE CITY OF HOUSTON**

Mr. ALLISON. Thank you. Welcome to Houston. Chairwoman Waters, Congresswoman Lee, and Congressman Green, I want to thank you for your tireless efforts in support of affordable housing.

On behalf of the resident population that we serve, we want to thank you for convening this hearing here in Houston.

The Houston Housing Authority operates about 4,000 units of public housing and currently runs a voucher program of about 15,000 units. We have a waiting list of over 42,000 families for those two programs. We opened our waiting list last December and it was only open for 14 days. And to give you a magnitude of the need, we ended up with 30,000 people in 14 days wanting to get on the waiting list. This does not include people who may have not had the opportunity to or who may need housing assistance but who elected not to.

There's a vast need for affordable housing in Houston. Our current utilization rate is 99 percent for the Public Housing Program, and 98 percent for the voucher program. In our voucher program, we only have a turnover of about 120 units a month, which means if you look at that 30,000 waiting list, it will be a long time before those families can be served. Hence the need for additional vouchers in the City of Houston. The families that we serve, typically their income is about \$10,000 per year, whereas the median income for the City of Houston is \$61,000 a year.

How we've been trying to address some of these issues—the Housing Authority, several years ago, embarked with HUD's participation on the Hope VI program to develop additional affordable housing. We received \$56 million in Federal funding in which we turned around and leveraged into \$110 million. We did that in partnership with both the private sector, the public sector, and the City and State and local entities so that we could leverage those funds. Out of that, we created over 1,000 units of affordable housing. Rental, multifamily rental, single family rental, homeownership opportunities for families, inclusive of historic rental and homeownership, and the provision of social and community services. The effort revived a formerly neglected neighborhood in the near west end of Houston. It was done with the help and in partnership with various City leaders and departments.

Mayor Bill White of the City of Houston has formed a joint task force comprised of the Housing Authority, Houston Housing Finance, and Housing and Community Development to address the affordable housing needs here in Houston. It's on the front page. In Katrina and Rita, as you're aware, the Gulf Coast was devastated. But Houston welcomed the evacuees into the City of Houston. Working with the City, working with the County, we processed over 60,000 families during a 4-month period of time in helping them find shelters, moving from the shelters into homes or into multifamily units. It took some 80 of our key staff people working 12- to 14-hour days, 7 days a week, for over 6 weeks, to address this need. The impact on our current program was felt, however, knowing the need for maintaining the existence of affordable housing in Houston, we prevailed, and our current programs are functioning well.

Currently under the KDHP DVP and DHAP program, we manage about 1,500 DVP vouchers and we're working on 2,400 DHAP vouchers. Our concern when this program ends is the need to address those who will not be assisted, i.e., the elderly and/or the dis-

abled. There will be a need for additional vouchers to address these families.

Some of the challenges that the Housing Authority faces are: this vast waiting list, as I said earlier, 42,000 families; shortfall in the availability of development funding; and operating subsidies at only 80 to 85 percent. And just imagine if your household was only receiving 82 percent of what you thought would be needed, you can feel the impact of that as well as the Housing Authority. So there's an increased need for public housing units in the City of Houston. A city of our size should have upwards of 10,000 public housing units, and we only have 4,000. There's a need for additional funding and support to adequately support healthcare, education, and employment, and provide supportive services, needs from HUD, simplification of the rules and regulations so that Housing Authorities can be more proactive in addressing housing needs, reforming the adjusted income definition, and something as simple as—for the seniors and the elderly, just something as simple as having the elderly to be able to provide medical information through a copy as opposed to having to go to the doctor to obtain a certified copy.

Chairman, Chairwoman, and committee members, we want to thank you for coming to Houston. We want to recognize again your tireless efforts in support of affordable housing in Houston. And we want to make sure that you're aware that the Houston Housing Authority and others in the City are doing their best to deliver and create additional affordable housing opportunities as we move forward. Thank you.

Chairwoman WATERS. Thank you all very much for your testimony. I recognize myself for 5 minutes for questions. I think I'll start with Mr. Gerber.

You mentioned that this legislature provided a 60 percent increase in the State housing trust fund. Could you tell me what that puts the funding level at and just discuss a bit about the mechanism for funding the State trust fund as well as the targeted requirements. And I think it was you that I talked to earlier. You asked me about the City of Los Angeles housing trust fund. I gave you a wrong figure. It's \$100 million for the City of Los Angeles. I think I was talking with you about that. So tell me about yours.

Mr. GERBER. Sure. I wish I could say ours was anywhere near a \$100 million. We have historically received about \$7 million a year from the legislature. Thanks to the efforts of folks in this room, it was increased by \$5 million. The \$7 million that has been available remains largely limited to something called our bootstrap program. That's—

Chairwoman WATERS. This is for the entire State?

Mr. GERBER. For the entire State.

Chairwoman WATERS. \$7 million?

Mr. GERBER. \$7 million—\$12 million. \$12 million is the total.

Chairwoman WATERS. \$12 million is the total?

Mr. GERBER. \$12 million now. It was \$7 million, but now it has gone up by \$5 million.

Chairwoman WATERS. Provided by the legislature.

Mr. GERBER. The \$5 million. And that's the only money.

Chairwoman WATERS. Did you put any of your CDBG money in too?

Mr. GERBER. No, ma'am.

Chairwoman WATERS. No CDBG.

Mr. GERBER. No CDBG.

Chairwoman WATERS. Do you have any money that's coming from the developers to support this fund in any way?

Mr. GERBER. No, ma'am. That's the only money.

Chairwoman WATERS. So this is the total amount of your state-wide housing trust fund?

Mr. GERBER. That's correct. And the \$7 million, a little over, is largely used again for the bootstrap program, which is a self-help, sweat equity program largely done in the Colonias along the U.S.-Mexico border.

Chairwoman WATERS. Largely on what?

Mr. GERBER. Largely sponsoring homes in the Colonias, which are areas along the U.S.-Mexico border, that have just tremendous needs. It's a sweat equity, Habitat for Humanity-like construction program, and we have had tremendous success down there using those very limited resources. The \$5 million, though, that the State legislature has put in, we're trying to do a number of very innovative things. And we actually have several notices of funding availability out for those funds. Our hope is that we can prove that a little bit of housing trust fund money can go a long way. And there are opportunities to increase home ownership through production in senior housing, multi-family housing. There are a variety of different homeownership program options that might be available, additional programs to provide barrier removable for the disabled community and accessibility benefits for the disabled community. That has certainly been a key thing.

We're also using some of those funds for gap financing for disaster victims who are not able to quite get into a safe and affordable repaired home or new home because they just don't have enough money in the current benefit that we have in our CDBG program for disaster recovery. So that gap—that missing gap is also—we have about \$1 million that is going into meeting that, those gap financing needs for those folks in Southeast Texas as well.

Chairwoman WATERS. Just give me the total amount of State assistance for housing for Houston. Tell me basically that in addition to your housing trust fund, whether CDBG or HOME funds, or any other funds or tax credits, give me an idea of what the State does to assist housing in the Greater Houston area, in Harris County.

Mr. GERBER. Sure. Thanks again to our tax credit program, which is \$42 million statewide, roughly 25 percent of that goes here into the Greater Houston area for affordable housing. So that's putting real multifamily housing units on the ground, either new construction or rehabilitation. In terms of the home program—

Chairwoman WATERS. Wait. So going to both nonprofit and for-profit developers?

Mr. GERBER. Yes, ma'am. That's correct. The HOME program, the City of Houston is a participating jurisdiction, so they receive a direct award of HOME funds. And that gets administered by Mr. Celli.

Chairwoman WATERS. That's from the State?

Mr. GERBER. From the Federal Government.

Chairwoman WATERS. From the Federal—so that is CDBG through the State to the local?

Mr. GERBER. That's the HOME program. The HOME program, which can be used for a myriad of purposes, including tenant-based rental assistance, homebuyer assistance, or owner-occupied rehab. We at the State level manage a pot of about \$45 million in home funds, but it's for largely the rural parts of the State, the non-participating jurisdictions that aren't big enough or sophisticated enough to manage their program on their own. Large cities like Houston, of course, have that ability, so they receive a direct allocation from HUD for the HOME program.

Our other big program that we have are certainly the first-time homebuyer program. We do a tremendous amount of business here in the Houston area, not just in Harris County, but in the surrounding counties which have large, booming suburbs. I'm very pleased that just with our last issuance of first-time homebuyer funds, \$16 million got used within 30 minutes to provide mortgages for families here in the Houston area, first-time homebuyer mortgages here in the Houston area. So that's another program. And right at the moment, we have \$120 million in funds available for folks here in Houston as well as Statewide.

Chairwoman WATERS. What would say is the poorest area of—and maybe the Mayor would like to—the absolute neediest, poorest area of the Houston area in your City, say, Mr. Celli?

Mr. CELLI. We have several neighborhoods, Congresswoman, that we're focusing on with Houston Hope—the Settegast area on the near north side of Houston, Acres Home, and Sunnyside. Those are the areas that we're focusing our attention with the Houston Hope foreclosure program where we're trying to create affordable housing and redevelop these neighborhoods.

Chairwoman WATERS. So what do you do as the City and the State combined to try to work together and target funding to some of the neediest areas? And how is that realized? What can you tell me about a combination of HOME funds, Housing Trust Funds, CDBG, and other funds that you've directed? What percentages do you put into the poorest areas?

Mr. CELLI. Primarily we work with the State, with the low income housing tax credit program. We try and leverage those funds to do multifamily projects. Lately we've been focusing our efforts on the homeless. We've done just one project that we—that just scored number one in the State of Texas, an SRO right on the Gulf Freeway in Houston, right as you come in from Hobby Airport, where they were awarded low income tax credits. And partnered with our dollars two to one, we're going to credit about 175 brand new units of single room occupancy.

Chairwoman WATERS. So are you focusing on permanent housing for the homeless or basically still emergency shelters?

Mr. CELLI. Still emergency shelters. We have a desperate need for permanent housing for the homeless. We've spent our initial efforts with rapid rehousing, but with—after the rapid rehousing, we need to create some permanent housing in the City of Houston along with the commensurate programs to get people back on their feet, some support programs. Those cost money, and there is a lot of money involved in that.

Chairwoman WATERS. That will be a focus of our committee to try and get permanent housing for the homeless. We think that this vicious cycle of emergency shelters and people lined up has to stop.

Mr. CELLI. We applaud that.

Chairwoman WATERS. Thank you. So we'll be looking forward to the efforts put forth here and see what we can do to provide some assistance.

To Mr. Allison, that waiting list that you have is typical of what's happening all over the country. And the only way to deal with that is what we're attempting to do through the Housing Trust Fund, the National Housing Trust Fund, that will present some new opportunities for people who need housing. Hopefully, as Mr. Green described, through the resources that we will get from the GSEs, Fannie Mae and Freddie Mac, and Federal Home Loan, we'll be able to make some new money available for the creation of new housing units.

As we look at our public housing, we have to figure out how to expand those opportunities and give people some choices. And as we look at Hope VI projects, we have to make sure that we don't eliminate housing as been done with some of the Hope VI projects where they redesigned these projects so that they look beautiful and they're wonderful, but they don't tell us what happened to the people who get lost after they redevelop the housing projects and they reduce the size of those projects. So we're going to look out for public housing and for expanded opportunities for people who really do need that assistance.

With that, I'm going to turn to Mr. Green for his questions.

Mr. GREEN. Thank you, Madam Chairwoman. And I thank the members of the panel for being here today. Your testimony has been very enlightening.

Let me start by just asking if we have any persons in the audience who are with NGOs or some sort of 501(c)3, some sort of entity that is trying to assist with housing? If you are, would you raise your hand so that I can just get some sense?

Okay. We have a lot of people here who are working with housing. And this is important. So I would like to ask each member of the panel, as tersely as you can, to tell us about some of the products that are available for these NGOs so that they can benefit from much of what may not be published widely. I understand that you have problems in terms of getting your information out. You don't have big budgets to PR your products. So let's talk about some of the products that you have that they can benefit from. And friends, this would be a good time for you to take out your pen and your paper. Because one of the things that we want to do in Congress is make sure that what we know and, to a limited extent some of what we don't know, you have an opportunity to know.

So let me start with you, Mr. Allison. Tell me some of the things that NGOs are doing that can be of benefit to them.

Mr. ALLISON. We have been partnering with other entities in the development of affordable housing.

Mr. GREEN. Say that again.

Mr. ALLISON. We have been partnering with other entities in the development of affordable housing. We don't have an open RFP

process, but any organization that desires to partner with the Housing Authority or trying to obtain assistance through the Housing Authority to develop affordable housing is welcome to come in. We will sit down with them and evaluate their project or their proposal and work with them to try to see if we can go forward. We do have some limited capital moneys that we are investing, whether it be with a nonprofit or a private developer, but that is our process.

Mr. GREEN. Are you currently working with not-for-profits in developing products right now?

Mr. ALLISON. No, we are not partnered directly with a not-for-profit.

Mr. GREEN. If you have one that will perform some outreach, you would be amenable to working with a not-for-profit—

Mr. ALLISON. Absolutely.

Mr. GREEN. —to develop a product?

Mr. ALLISON. Absolutely.

Mr. GREEN. All right. Thank you very much. Now, Mr. Celli, in giving your explanation, if you would, tell us about the low income tax credit just briefly, because we have a lot of NGOs that can benefit from that kind of intelligence in terms of how that can work to develop affordable housing.

Mr. CELLI. Well, a low income housing tax credit is the best way to create quality affordable multifamily housing for low income individuals as well as seniors. It basically provides a Class A property with Class C rents. No other vehicle can leverage dollars the way that does, and we like to use our Federal dollars in partnership to leverage the low income housing tax credits.

Generally, we can do that sometimes two and sometimes three to one. So what that really relates to, it costs about \$100,000 to build a multifamily apartment unit that's a quality, livable, decent place for people to live, but it only debt service about \$30,000 of that cost. So low income housing tax credits, along with our dollars, can bring down that affordability for our senior citizens as well as for our low-income individuals.

Mr. GREEN. For further explanation, that low income tax credit means that there is a tax certificate that is made available to someone that we'll call a developer. Is that a fair statement?

Mr. CELLI. Yes, it is. And then it's sold to investors.

Mr. GREEN. Let's just make that clearer. When we say that it's sold to investors, that means that this developer will go out and find an investor who can benefit from a tax break?

Mr. CELLI. Yes, sir.

Mr. GREEN. And he then will partner with him, and he'll receive moneys from the investor that he can couple—that the investor will benefit from the tax break, so he's willing to give the money to the developer to develop property?

Mr. CELLI. Yes, sir.

Mr. GREEN. And when this property is developed, of course they all go to the bank. But it means that some not-for-profit or some entity we'll call a developer has had the opportunity now to build this low-income housing.

And tell me if we have some NGOs that are participating in this process. Do we have some?

Mr. CELLI. Yes, we do.

Mr. GREEN. Okay. Now for the benefit of those of you who are listening and you want to get into the business of helping to develop affordable housing, this low income tax credit is an excellent means by which you can get involved. It really provides money from the private sector by virtue of a tax break that is accorded. Is that a fair statement, Mr. Celli?

Mr. CELLI. Yes, it is.

Mr. GREEN. All right. Do you have another product that you can tell us about briefly? Because my time is quickly passing.

Mr. CELLI. The City of Houston just provided \$700,000 to 10 different community development corporations to construct 10 houses in the Houston Hope neighborhoods. Those are the neighborhoods that I mentioned earlier, like Sunnyside, Acres Home, Settegast, and Independence Heights. That's a single family program where we're encouraging new homes by community development corporations with our product. Along with that, we're coupling our down payment assistance program where for the homeowner, you can buy down the mortgage up to \$30,000 in the Houston Hope neighborhoods.

Mr. GREEN. And for additional information on these products and others that you may have, how would people access the intelligence?

Mr. CELLI. Call me. 713-868-8444.

Mr. GREEN. Now, if you did not get that number, raise your hand—you need to repeat it.

Mr. CELLI. 713-868-8444. That's a direct line to my office.

Mr. GREEN. Thank you, Mr. Celli.

Mr. GERBER. In the interest of time, I'll just add on. The tax credit program, that is a very complex program. We were very pleased about 3 or 4 months ago to do a—actually less than that, an event with Congresswoman Jackson Lee, a workshop with members of the faith-based community who are interested in participating in that program. It is a very complex and challenging program that really is something that requires some degree of expertise. And many of the folks in this room have those skills. We would very much welcome a chance to do another workshop, maybe even partnered with the City of Houston and the County under your good offices. Let's try to piece that together to invite folks in this room to come together and learn in a, you know, full-day workshop, which is really what it takes to get, I think, a grounding of some of the benefits and the risks of going into this. Because building a 250-unit apartment complex is not something that one wants to go into lightly. There's a lot that is involved. So we welcome that chance. And, of course, we really value the leveraging that goes on with locals in order to make those tax credit deals work in places like Houston. So I would just focus really on that program.

Mr. GREEN. Well, I want to thank you for volunteering and being accessible. I think we'll take you up on that offer and have that workshop. Absolutely. There's a competitive side to the low income tax credit program. Are you prepared to address that, or should I go to the next speaker?

Mr. GERBER. Well, there are really two tax credit programs. There's a 4 percent tax credit program, and then there's the 9 per-

cent tax credit program. It's the 9 percent tax credit program that has the deepest subsidy and is the program that is the most competitive. And, you know, we're oversubscribed for those funds 3 to 1.

In contrast, the 4 percent tax credits are generally layered with a bond transaction. And the Harris County, you know, Housing Finance Corporation of Southeast Texas has a finance corporation. All are bond issuers. The Texas Department of Housing and Community Affairs is a bond issuer. And then we will layer onto it 4 percent tax credits. There are plenty of those. It's based on the volume counts the State receives to be able to do an additional deeper targeting to make the economics of the deal work. So for both a bond transaction, layered with 4 percent credits, or the 9 percent competitive program, I would propose that we do a workshop that would link both of those and talk about both of them. Because in many cases, in a City like Houston, a bond transaction makes a lot of sense at those 4 percents. You can make the economics of it work as you can with the 9.

Mr. GREEN. Ms. Lucinda Daniels will contact you about it.

Mr. GERBER. I'll look forward it.

Mr. GREEN. Mr. Ozdinec, if you can respond quickly, because my time is very limited.

Mr. OZDINEC. Sure, Congressman. As you know, the Department's annual budget is about \$32 billion a year. A little more than half of that is the Housing Choice Voucher Program. That's the engine that drives the rental assistance market pretty much across the country. Our ambassadors to our programs are literally public housing authorities and our cities. All of our funds flow through the cities. But there are things that can be done, obviously, in the Section 8 program for the nongovernmental folks out here that do small-scale development. They can reach out to their Public Housing Authority. Each Public Housing Authority has the ability to project base their vouchers. To the extent that a Housing Authority is looking for properties or rental units in—

Mr. GREEN. Let me just intercede quickly. Explain that term, "project base." Many people may not understand exactly what that means. That's an important term.

Mr. OZDINEC. I'll give you an example, a hypothetical. If a Housing Authority had 1,000 vouchers in their program, they could take the budget authority for up to 20 percent of that voucher program and solicit proposals from developers, nonprofit or otherwise, to provide rental units through the project-based program. And they would sign a 10-year contract with the Housing Authority to provide that unit for waiting list families for that period of time.

That helps to support some of the deals that Mr. Gerber discussed. The 4 percent deals are tough to do, but often when there's project basing associated with it, it's the grease that makes the wheel run.

Mr. GREEN. Thank you very much. Madam Chairwoman, I'd like to submit for the record a statement from Council Member Adrian Garcia. Without any objection, I offer it at this time.

Chairwoman WATERS. Without objection, it is so ordered. Thank you very much. Ms. Jackson Lee?

Ms. JACKSON LEE. Madam Chairwoman, thank you very much. And to all the witnesses, let me thank you for very instructive testimony. Might I just repeat, because I think we have already acknowledged the leadership of Chairwoman Waters, but let me repeat these numbers that are so striking.

I want to pose a line of questioning that hopefully maybe will change attitudes: 30,000 people came on the waiting list in 14 days; 42,000 are waiting for Section 8 vouchers. I know we can do better here in Houston. We can do better. And I thank you for that instructive information, because we have to find a way to move toward a corrective action. And so let me just quickly—Mr. Ozdinec, let me quickly just refresh your memory. As you know, about a decade or so ago, there was a mindset that suggested that large structures such as Cabrini-Green in Chicago, and some others in Atlanta, were not the way to go in terms of public housing. Unfortunately, Houston got caught up in the overall umbrella where Houston was not high density. And so my question to you, listening to Mr. Allison and the crisis we have here, that's Section 8, but he also mentioned the need for public housing units. We have only 4,000. We've had 4,000 for decades. We now are minimally needing 10,000. What policies, because of the policy that I've just enunciated—you worked in New Orleans, you worked in Chicago and Atlanta—can be altered to work with a city that really needs these public housing units?

Mr. OZDINEC. Thank you. And I appreciate the question. The thing that I think is the most important lesson that we could have learned through the 1990's through the Hope VI program, if there's one very important lesson, is partnerships. Up until that point, Housing Authorities were doing public housing developments on their own through direct appropriations from Congress to build public housing projects. I think in the last decade, we've gotten housing authorities familiar with the terms that many of the people in this room are familiar with, the difference between a 9 percent and a 4 percent credit.

What do I need to do to be a good partner to a private developer so I can participate as part of a development process where, for example, a 250-unit multifamily development can support perhaps 100 very-low-income families as part of the public housing program. We have, as part of that new development process, instituted ways for nonpublic housing authorities to own public housing through long-term rental assistance agreements and other mechanisms that are available to take what were traditionally operating subsidies to support market rate and tax credit units combined together to generate additional low rent public housing units in the context of a larger community.

To the extent that housing authorities can take those tools that they've learned on financing, mixing incomes, mixing financing tools, partnering with developers who develop affordable public housing across the country, and being a good steward and a good partner for those sorts of deals, using their Section 8 program potentially to project base, those are all tools, I think, that we've learned through the 1990's. To the extent that the Congress decides to appropriate any additional development funds for the Department, my recommendation would be for those funds to be used

very similar to the way we use the tax credit equity both on the 9 percent and the 4 percent credits; that developers submit proposals—

Ms. JACKSON LEE. I'm sorry. My time is limited.

Mr. OZDINEC. I apologize.

Ms. JACKSON LEE. If you can wrap up.

Mr. OZDINEC. Well, that's it. I mean, that would be my number one lesson, partnerships and a variety of funds being pulled together to create partners and stakeholders around affordable housing developments.

Ms. JACKSON LEE. I guess the question I would have is whether or not we have the ability through legislation or otherwise to go back to those underutilized communities that never had the density and let them build public housing. Is that a possibility?

Mr. OZDINEC. If the money is there, Congresswoman, I think the answer is yes to that. I think the method of development now has changed from 30 years ago to something more akin to what you see in Atlanta and some parts of Chicago now.

Ms. JACKSON LEE. Thank you. Let me ask Mr. Celli on another issue that I'm very keen on and, Mr. Ozdinec, if you can respond to this as well, and that is the question of senior repair housing under your community development funding. It is in your consolidated plan. I understand the program is, if you will, suspended. The question is the ability to be able to address senior repair programs in a way that meets the needs in this community. And Mr. Ozdinec, if you can speak from a housing perspective—from HUD's perspective in the utilization of these funds, so what we call senior repair reconstruction, as to the viability of that. And why don't I go to you first and then Mr. Celli, please.

Mr. OZDINEC. Thank you, Congresswoman. That is not my account, unfortunately.

Ms. JACKSON LEE. I understand.

Mr. OZDINEC. But I met with your staff this morning, and I will definitely get them in contact with our Deputy Assistant Secretary who runs the CDBG program. We can have a conversation about that to ensure that your concerns are being met.

Ms. JACKSON LEE. Mr. Celli.

Mr. CELLI. We are in the process of going back and looking at about 1,800 homes that are required by us, by HUD, to go back and reinspect homes that we did senior repair to going back to 2001 through 2005. And we have to go back and reinspect those houses and fix them if they need to be fixed. Unfortunately, we have a waiting list of about 2,000 individuals who are on that that are in need of repair work. And that list was created when Federal funds were cut off to the City of Houston in 2005. And so we're in the process—on that 2,000 waiting list, we're looking at, I believe, 200 of those houses right now. And we're beginning to try to whittle down that waiting list.

Ms. JACKSON LEE. So, Mr. Ozdinec, we can work with you to correct this seemingly heavy burden on the City of Houston, which is looking behind and not forward, the crisis of senior housing and disabled housing on rehab and reconstruction, maybe we can move along, because it really is at disaster proportions in terms of seniors and the disabled not being able to have home repair because

the work that the City is now doing is work that is fix-up work, meaning going back to try and correct ills. And I know there should be a parallel track of them being able to fix the problems of the past and report to HUD but move forward on a program that is literally now stagnated and people are suffering.

Mr. OZDINEC. Yes, ma'am.

Ms. JACKSON LEE. Thank you.

Chairwoman WATERS. Thank you very much. The Chair will grant herself an additional minute because, as we walked in, we were handed pictures from some of the citizens about homes that were built, developers that were contracted with by the Housing Authority, that are falling apart. Who is responsible for making these homeowners whole for these homes that have been paid for by HUD, I'm told?

Mr. ALLISON. I would need to see the properties. The Houston Housing Authority is only responsible for homes in Houston. We are not responsible for homes in San Antonio.

Chairwoman WATERS. Well, without looking at these particular ones—I'll give you a copy of these, are you aware of this problem?

Mr. ALLISON. No, I'm not aware that—of the problems with some homes that we have developed that are in disrepair. Not at all.

Chairwoman WATERS. All right. Are you going to stick around after the panel?

Mr. ALLISON. Yes, ma'am.

Chairwoman WATERS. Very good, because I think we have some people here who will describe it in more detail to us. With that, I think—yes?

Ms. JACKSON LEE. May I read just two questions into the record—

Chairwoman WATERS. Yes, you may.

Ms. JACKSON LEE. —just very quickly? This is for the Secretary for HUD. Let me ask for a response to a series of letters that I have written regarding the Allen Parkway Village and the non-fulfillment of the Hope VI requirements that were agreed to in the reconstruction and rehab of Allen Parkway Village. The second one is the issue of HUD programs that may be applied in a discriminatory fashion as relates to low-income residents, particularly in the Fourth Ward area. And I'd appreciate it. We have a series of letters in to you on that issue.

Mr. OZDINEC. I'll look into that, ma'am.

Chairwoman WATERS. They will be included in the record. The Chair notes that some members may have additional questions for this panel which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record. This panel is now dismissed. I would like to welcome our second panel. Thank you very much. I will call on Mr. Green to introduce the second panel.

Mr. GREEN. Thank you. And as you're coming forward, I will start the introductions because time is of the essence and we want to cover as much as possible. So panelists, if you would, kindly move forward as expeditiously as possible.

Our first witness will be Mr. John Henneberger. He is the director of the Texas Low-Income Housing Information Service. This or-

ganization provides a great service in terms of statistical information. We are honored to have Mr. Henneberger with us.

Our second witness is Mr. Robert Muhammad, the chief executive officer of ACTION CDC; they very much involved when the Katrina survivors were coming to the City and in need of a multiplicity of services. They were, of course, there to be of assistance.

Our third witness is Ms. Debra Junor, a member of the Texas Tenants' Union. She, I believe, has testified in Washington, D.C. If not Ms. Junor herself, we've had a member of the organization to testify before us in Congress.

Our fourth witness is Ms. Toni McElroy, the president of Texas ACORN. Texas ACORN has been to Washington many times on behalf of Katrina survivors, and we're honored to have Ms. McElroy with us today.

Our fifth witness is Mr. Daniel Bustamante, the executive director of the Greater Houston Fair Housing Center, a long-time community activist and champion for persons who are suffering from homelessness.

Our sixth witness is Mr. Gordon Quan, founding partner of Quan, Burdette and Perez, here today on behalf of the National Coalition of Asian Pacific American Community Development, also shown as CAPACD.

And, finally, we have Mr. Manuel Lopez, the housing director of the Tejano Center for Community Concerns. I would add also that Mr. Quan is a former city council person—I neglected to say this—who chaired the Housing Committee for the City of Houston. And Mr. Lopez has been involved in this community for some time as well. I don't see him currently; but if he does arrive, of course we will hear from him. With this said, Madam Chairwoman, I yield back to you.

Chairwoman WATERS. Thank you very much. We will start with Mr. Henneberger. We will recognize you for 5 minutes.

**STATEMENT OF JOHN HENNEBERGER, CO-DIRECTOR, TEXAS
LOW INCOME HOUSING INFORMATION SERVICE**

Mr. HENNEBERGER. Thank you, Madam Chairwoman, and members of the subcommittee. I want to thank you for the opportunity to be invited to testify today. I'm John Henneberger. I'm the director of an NGO that undertakes education, research, and advocacy concerning the low-income housing and community development needs of Texans. Madam Chairwoman, beyond the course of this hearing, I would urge the committee to help us shine the light on the problems and challenges that have been encountered with providing housing assistance to the 75,000 Texas families who lost their homes or had their homes severely damaged by Hurricane Rita. We are coming to a train wreck regarding this program because of a lack of adequate funding and the fact that many of the poorest people who had their homes destroyed by Hurricane Rita in Texas stands not to be able to receive any housing assistance because of the shortage of available funds, but that is a topic for another day.

And today I would like to first begin by talking to you about the current state of affordable housing in Houston, which I can best characterize as a worsening crisis. There are four trends that high-

light the critical housing challenges that face Houston; first of all, the large share of Houston residents who rent rather than own. Madam Chairwoman, it is counterintuitive to those of us in Texas who are very proud of our independence and our ownership to find that we are 41st among the States in homeownership. And it is deeply distressing to find that Houston is 57th among the large U.S. cities in terms of homeownership. We are 22 percentage points below the national average of homeownership here in Houston. And we are 10 percent below the rate of homeownership of central cities in the United States.

So Houston is a profoundly troubled city in terms of its extremely low rate of homeownership. Houston's rate of homeownership is lowest among all the major cities in the State of Texas. We also have a very large share of renters who pay too much of their income for rent and utilities—36 percent of all the renters in Houston have incomes below \$20,000. And many of these, as I think you have already well summarized in statistical data, are severely rent-burdened; 140,000 households in the City of Houston with severe rent burdens. I provided you 20 pages of testimony which provides you detailed statistics, so I won't go into all of the details here.

The fourth characteristic trend in Houston is the shortage of rental housing to the low-income families who need that housing. And the City has, based on our estimates of the 2005 American Community Survey, a deficit of 49,323 homes for extremely-low-income families, that is, families below 30 percent of median family income. I provided you in my testimony a breakout by congressional district. And those congressional districts which represent the Greater Houston area have a deficit of 108,000 homes for families with incomes below 30 percent of median family income. The crisis is truly astronomical.

The fourth trend is the sizable gap between the homeownership of the City of Houston and its suburbs. This gap is 23 percent. The ratio of Houston homeowners to suburban homeowners is 23 percent lower in the City of Houston than it is in the suburbs. And this is in excess of national trends of major metropolitan areas and their suburbs.

And, finally, government housing subsidies, as Ms. Jackson Lee has explored with a previous witness, in Houston are disgraceful. And the government housing, in essence, has to provide the safety net for the poorest families in most cities. In Houston, the rate is substantially below that of most of the rest of the country. Houston has the smallest number of per poverty population—smallest number of Section 8 units and public housing units per the number of people in poverty of any of the 20 largest cities in the country, with the exception of Detroit and Phoenix. We are well below the rate. We have only one Section 8 and public housing unit for every 22.5 persons in poverty in this town. That is that a disgracefully low rate. All of these make for a major affordable housing crisis in Houston. And then came Hurricanes Katrina and Rita, and things suddenly got a whole lot worse.

I'll briefly summarize a few of the challenges that the City of Houston and the surrounding community have faced in meeting the housing needs of Katrina and Rita evacuees, first and foremost of which is that Texas has received grossly inadequate levels of fund-

ing for hurricane survivors for housing assistance. The total amount budgeted currently for assistance for Katrina evacuees in this City, which received by far the largest number of Katrina evacuees of any city in the country, is only \$60 million.

Now, of that \$60 million, in our opinion, the City made a poor choice to spend a large portion of that money for additional policing and for reimbursement of various costs the City has incurred. We believe that if you only have \$60 million, the first people in line ought to be the people who were hurt and lost their homes. And the government ought to stand behind them. The housing programs, furthermore, that we have available, housing resources that we have available—the other housing resources we have available is largely limited to the Low Income Housing Tax Credit Program. And Texas did get an allocation from Congress of additional funds under the Low Income Housing Tax Credit Program. But the Tax Credit Program cannot serve people at the income levels of the average Katrina and Rita evacuee. They just cannot afford those rents. And, in fact, a recent market study by the Texas Department of Housing and Community Affairs has shown that Houston is actually overbuilt with tax credit units of 60 percent of median family income while we have 140,000 plus families below 30 percent of median family income who are paying more than 50 percent of their income for rent. Texas came together and submitted a plan for long-term housing recovery and submitted it to the President in 2006, which I've attached to my testimony. Unfortunately, those specific recommendations have largely not been provided for.

I know my time is up, and I'll briefly—I'll move quickly to our specific recommendations from that letter. First of all, if Houston is going to make it, it's going to need substantial new Section 8 Housing Choice Vouchers, and I don't know exactly where they're going to come from given the budget situation the way it is. The combined organizations which looked at the Rita and Katrina problem estimated that Texas cities all together needed 36,000 incremental additional Section 8 vouchers in order to deal with the Katrina and Rita population that we've had.

We need an additional, in our estimate, \$97.5 million of low income housing tax credits, but only if we can get that coupled with a rules waiver which will allow the State issuing entity to permit the State to fund a portion of the apartments within each development at a higher level than the 9 percent credits. In other words, use the total cap of authority that Congress would give the State for low income housing tax credits but allow them to enhance the subsidy so we can get some units at the 40 percent of median family income rate, because we are only able effectively to generate at the upper 50 percent and 60 percent of median family income rate with tax credits.

Chairwoman WATERS. Mr. Henneberger, is all of this in the attached testimony that you've given us?

Mr. HENNEBERGER. Yes, ma'am, it is. And I thank you very much for the opportunity to testify before you today.

[The prepared statement of Mr. Henneberger can be found on page 71 of the appendix.]

Chairwoman WATERS. Thank you. And I'm hopeful that you will make sure that the plan that you alluded to that was presented to

the President about how to fix some of this is not only made available to us but you will perhaps even, at the invitation of Mr. Green, come to Washington and work with us on that.

Mr. HENNEBERGER. Thank you.

Chairwoman WATERS. I appreciate it very much. And I'm sorry. We're going to have to move on in order to get to everybody's testimony in the time that we have been allotted. Mr. Muhammad.

STATEMENT OF ROBERT MUHAMMAD, CHIEF EXECUTIVE OFFICER, ACTION COMMUNITY DEVELOPMENT CORPORATION

Mr. MUHAMMAD. Chairwoman Waters, Representative Green and of course my own representative, Sheila Jackson Lee, I am Robert Muhammad. I'm the founder and CEO of ACTION Community Development Corporation. I would like the record to reflect, Madam Chairwoman, that I am being joined today by Ruqayya Gibson who is our executive director, and Sadiyah Evangelista, who is a board member and our general counsel for ACTION CDC.

I hold a master's degree and I am currently beginning the dissertation phase in my Ph.D. work in the field of urban planning and environmental policy at Texas Southern University here in Houston. I have served as a student in the ministry and a community servant in Houston for over 20 years.

ACTION CDC's mission is to empower low- and moderate-income individuals, families, and neighborhoods. Our motto is, "Improving Our Nation One Neighborhood at a Time."

Houston— Just some background, Madam Chairwoman. Houston is a nonzoned, low regulation, market-driven, developer-friendly city. Houston's cost of living is relatively low, as you noted, in comparison to California. When rental cost and unit availability are the variables used in determining housing affordability, one could reasonably conclude that there's no shortage of affordable housing stock in the City of Houston. However, a more thorough examination will reveal that there is a shortage of safe, hazard free, environmentally sound, energy-efficient, handicap accessible, senior citizen and family friendly affordable housing, conveniently located near transit, decent schools, and job centers.

In Houston, for-profit developers would gladly build affordable housing if it was in their best interest. Land acquisition and carrying costs, predevelopment expense, construction, and marketing for sales and rental dictates that each project in its highest and best use results in the highest return on investment. Therefore, housing stock in Houston is built—or affordable housing stock in Houston is built by small for-profit developers or nonprofits or is the result of cyclical market forces that make housing units available because they cannot reasonably command market prices without major reinvestment and redevelopment.

I just want to go through the challenges of meeting the housing needs of Katrina evacuees, and then I will, if time allows, tell you the projects that ACTION is working on in terms of building some housing. After Hurricane Katrina, ACTION CDC provided housing counseling to 1,400 Katrina families, financial recovery counseling to 1,120 families, case management services to 916 families, employment services to 1,620 families, food services to 5,090 families, and transportation assistance to 2,050 families. We have provided

\$172,164 to families in unmet needs assistance from the long-term recovery committee of Houston, \$85,000 in direct financial assistance, \$240,000 in financial assistance through the American Red Cross. Our staff of eight hard-working case managers includes four Katrina evacuees.

Now, according to a recent statistic, nearly 3 years after Hurricane Katrina, an estimated 100,000 survivors still reside in Houston and have no concrete plans to leave and return to New Orleans. Many are elders and they are losing hope, suffering from prolonged mental anguish and/or dying.

Another challenge is that in assisting 30 percent of the survivors who are elderly or disabled, with meeting the long-term needs, the survivors who were able to live off of a \$600 disability check in New Orleans cannot do so in Houston due to our cost of living. And they cannot do so in New Orleans any longer because the cost of living there has doubled since the hurricane. According to a recent Zogby poll, a large number of survivors are currently employed, but 70 percent earn less than \$25,000 per household. Many survivors that we have been engaged are living two and three families to a household, which contains 9 to 18 individuals per apartment. The constant instability in the FEMA housing program has had a negative effect on the mental health of survivors. For the past 2 years, ACTION CDC has made it our priority to assist the survivors with recovering and achieving self-sufficiency.

The HUD-funded Disaster Housing Assistance Program administered jointly through the City of Houston and Harris County Housing Authorities will not help every survivor. There are an estimated 25,000 households in Houston not covered by DHAP, and at least 50 percent of those households need additional assistance. This is a complex situation, meeting housing and human needs, will most certainly require patient pragmatic, holistic case management. And funding to provide these services has to be adequate and ongoing.

In terms of tools that are needed to increase and preserve affordable housing and our position on the National Housing Trust Fund Act of 2007, H.R. 2895, let me say it like this to this distinguished panel subcommittee. Nonprofits in a nonzoned, low regulated, market-driven, developer-friendly city such as Houston are at a distinct disadvantage. Sometimes it feels like we're being asked to make brick without straw. In order to increase and preserve affordable housing, we request that you consider the following.

Continued and increased access to funding, programs such as HOME and Community Development Grants are critical to nonprofits to be able to design, build, and manage quality affordable housing in the communities we serve. Operating funds for Certified Housing Development Organizations is equally, if not more, important because it frees the nonprofit to focus on project delivery versus a preoccupation with seeking funds to cover related overhead. Funds for staff, consultants, and quality training are important to building the internal capacity necessary for continual project success.

Transparency and clarity of process has already been stated. Federal and State and City entities should simplify processes and documentation requirements.

Land acquisition funds, nonprofits cannot build or preserve affordable housing stock if we cannot assemble parcels near job centers, transit, or in low-income areas that are going through gentrification. Land cost normally should not exceed 20 percent of one's total project cost. Nonprofits need gap land acquisition funding in order to build affordable projects that would otherwise be impossible under highest and best use analysis.

Lastly, we need predevelopment funds. Nonprofits cannot properly assess the feasibility nor deliver affordable housing projects without competent, professional expertise. Private lenders will not participate in projects that are not packaged properly or fail to cash flow. ACTION predicts that energy usage and expense along with public safety will become major determinants of housing affordability in the future. Energy efficient "green" building and safety through design programs increase cost during the development phase. However, these predevelopment expenses increase development sustainability and property value over the life of the project.

I close with this. ACTION CDC fully supports the National Housing Trust Fund of 2007 because it will provide increased funding and clear benchmarks for achievement. The addition of significant funds will be tremendous in its impact on underserved communities. In a major metropolis such as Houston, new and existing nonprofits need to be positioned to assist government in meeting our low-income population's needs. We see H.R. 2895 as a wise use of taxpayer funds. H.R. 2895 helps deconcentrate poverty by allowing nonprofits to offer quality workforce housing to middle class first responders, teachers, and other public employees. It is good for nonprofits because it has the potential to help create innovative affordable housing developments that are mixed income, mixed use, transportation oriented, environmentally sound, energy efficient, hazard mitigated, safe, handicapped accessible and financially feasible. May God bless you for your concern for the poor and less fortunate. On behalf of the Board and staff of ACTION CDC, thank you in advance for your invitation and consideration of our testimony.

[The prepared statement of Mr. Muhammad can be found on page 110 of the appendix.]

Chairwoman WATERS. Thank you very much.

I'd like to ask the other members of the panel to please summarize your testimony. We're going to try to wrap each of your presentations up in about 4 minutes. We allowed the first two to go far beyond the 5 minutes, because I know they have been waiting a long time to tell somebody about what is going on and what the needs are. I think they have done a pretty good job of kind of identifying what the needs are, so I'd like you to just add to it as quickly as you possibly can, and then we'll give the members an opportunity to ask some questions. We will then have to catch planes to go back to Washington to vote. Thank you very much.

**STATEMENT OF DEBRA JUNOR, MEMBER, TEXAS TENANTS'
UNION**

Ms. JUNOR. Good morning, Congresswoman Waters, Congressman Green, Congresswoman Jackson Lee, and members of the committee. My name is Debra Junor, and I'm here of behalf of the

Texas Tenants' Union, a nonprofit tenants' rights organization which empowers tenants through education and organizing to protect their rights, preserve their homes, improve their living conditions, and enhance the quality of life in their community. I am a former tenant of a HUD-assisted apartment complex, a former HUD-funded VISTA volunteer, and a former tenant organizer for the Texas Tenants' Union.

The HUD properties I have worked in and will discuss today are privately-owned apartment complexes that either have HUD-insured loans or project-based Section 8 Housing Assistance Payments contracts, or both. In the 1960's and 1970's, HUD encouraged private developers to build affordable housing through low-interest HUD-insured loans. In exchange, the owners were required to keep rents affordable to low- and moderate-income people.

In the late 1970's and early 1980's, HUD began providing additional subsidies to some of these developments and created new apartment complexes with the project Section 8 program. This program provided great affordability to low- and extremely-low-income people similar to the public housing or Section 8 voucher program.

In the mid 1980's, some owners began paying off these HUD-insured loans which released them from the obligation to provide affordable housing. One of the first prepayments in the country occurred in Dallas, Texas, where the apartments were demolished and replaced with a 17-screen theater. At that time, there was no Federal program designed to keep the properties affordable and no protection at all for the residents.

I'm going to skip a whole lot because of the 4 minutes. The Texas Tenants' Union participates in the Preservation Working Group, which has a number of recommendations:

Provide adequate appropriations to renew Section 8 contracts. HUD's failure to request appropriate appropriations is a huge threat to the success of preserving this housing. It is essential for Congress to fix this problem very soon. TTU is working with a property in South Texas now that is likely the casualty of this fiasco.

Strengthen the mark-to-market program. Mark-to-market has generally been an effective tool for preserving and improving Section 8 housing; 134 properties in Texas are involved in this program, including nine in Houston. At least two dozen Houston properties could still benefit from mark-to-market restructuring in the reforms pending in H.R. 3965.

Amend H.R. 3965 to direct HUD to fund the technical assistance programs to tenants. Expiring subsidies can have a drastic impact on residents. And tenants can play a critical role in determining the outcome of these properties. Please include the amendment that was submitted in the National Alliance of HUD Tenants testimony on mark-to-market last week.

Enact a Federal first right of purchase. This could be a very useful tool in getting at-risk properties under new ownership willing to keep the subsidies in place.

Ensure vouchers are provided for all families and units when properties are not preserved. Too many low-income families have fallen through the cracks as subsidized properties convert to market-rate housing.

Empower tenants to enforce their rights when HUD enforcement is lacking.

Provide HUD with the direction to save troubled properties and other at-risk housing through the enactment of H.R. 44. Our written testimony elaborates on the recommendations. Thank you for giving me the opportunity to testify on these issues.

[The prepared statement of Ms. Junor can be found on page 93 of the appendix.]

Chairwoman WATERS. Thank you so much, Ms. Junor.

Ms. McElroy, thank you for being here. We are very much aware of the work of ACORN all over the country. You made your presence known in Washington.

STATEMENT OF TONI McELROY, PRESIDENT, TEXAS ACORN

Ms. MCELROY. Okay. Thank you, Chairwoman Waters, Congressman Green, and Congresswoman Jackson Lee. Thank you. I'm glad to have the opportunity to testify today about the affordable housing needs of low-income residents in the City of Houston. I'd just like to skim over some of the challenges of affordable housing needs in this City as well as the challenges of low-income families to achieve and maintain homeownership, the lack of protection for renters, the remaining long-term housing needs of Katrina survivors which has been documented today, and finally some recommendations to enhance the availability of affordable housing.

There's a shortage of affordable housing construction within the City. The developers are building affordable housing, but it's outside of the City limits. Many times they are putting minority residents, outside of the City of Houston where there's no public transportation, where there's no healthcare facilities, where there are few, if any, job centers. So our neighborhoods are being gentrified. And the infrastructure is being improved, but the traditional residents are gone, so we don't benefit from that at all.

Third Ward is an example of such a community. Let me talk a little bit about our predatory lending and housing campaign. We have issued a report called "Foreclosure Exposure" which examines the Home Mortgage Disclosure Act data and talks about what's happening right here in Houston. African-Americans were issued 26 percent of all the high-cost home purchase loans in Houston in 2006, but only 6.7 percent of the prime home purchase loans. Latinos were issued 32.8 percent of those same high-cost loans originated here in Houston and 20 percent of the prime loans, which is greater than their—which is really out of whack. In contrast, Whites received 52.5 percent of the prime loans originated in Houston, 52.5, which is greater than their 30 percent share of the high-cost loans originated here.

African-Americans represent 16.6 of the population in the metropolitan area, but they're getting a great number of the high-cost loans. Latinos in the Houston area represent about 28.7 percent of the population. So the home loans, the mortgages that are being written are really bad predatory loans, and they're affecting minority buyers out of proportion of their population in Houston. Immigrant families are falling victims to a number of scams which we have worked on, including the contract for deeds.

Also, it has been mentioned about the home repair program. ACORN members, along with Members of Congress, Congresswoman Jackson Lee have fought tooth and nail. We went to the City, we went to HUD, and there's still not enough money for senior home repairs. There has been a lot of improvement under Mayor White, but we need more dollars, especially Federal dollars, to get into the program to help seniors who are literally dying before their repairs can be made. So we're encouraged by the improvements, but we know that there is a need for more.

There are few protections absolutely for renters, because Houston, as been alluded to, has such a high number of renters for a city this size. For a major city, most of the folks are renters. And there is no protection. ACORN members in other areas have gotten legislation, such as having landlords being licensed and being fined for not keeping up their properties. Something of that nature is needed right here, right now.

And, of course, the housing needs for Katrina survivors, the rise in foreclosures, ACORN is—along with its sister organization, ACORN Housing, has been meeting with banks, mortgage companies, and services to try and get some relief for the almost 2 million families that could lose their home in foreclosure in the next few years. So we'd like to see a number of things happen, one of which is that the State of Texas should enhance enforcement and oversight of landlords, of which we have none now.

[The prepared statement of Ms. McElroy can be found on page 104 of the appendix.]

Chairwoman WATERS. Thank you very much, Ms. McElroy.

We are going to have to move to Mr. Bustamante now. Thank you.

**STATEMENT OF DANIEL BUSTAMANTE, EXECUTIVE
DIRECTOR, GREATER HOUSTON FAIR HOUSING CENTER**

Thank you. Good morning to the honorable members of the subcommittee. My name is Daniel Bustamante, and I'm the executive director of the Greater Houston Fair Housing Center.

I'm here today to testify before you about the fair housing needs and the state of fair housing in Houston, Texas. After hearing testimony today, all I have to say is that housing discrimination is alive and well in our City. It is a daily occurrence in the lives of thousands of families and children, Blacks, disabled individuals, Latinos, and other protected class members.

Since the passage of the Federal Fair Housing Act in 1968, and its amendment in 1988, the issue of housing discrimination has continued to be prominent in the development of the City of Houston. Studies and surveys have consistently shown that housing discrimination against African-Americans and Hispanics continues unabated in our region. The influx of Hurricane Katrina evacuees exacerbated this historical housing discrimination problem and has been documented through testing.

The area's demographics include an ever-growing immigrant population, with limited English proficiency, who are victimized daily by unscrupulous housing providers. The disabled in our region are in constant need of fair housing enforcement services, such as rea-

sonable accommodations and modifications to ensure their rights to barrier-free living.

Houston is the largest city in the south as well as the fourth largest city in the country. The use of racially restricted covenants to maintain segregated communities is not very far removed. The 1968 Civil Rights Act through the Fair Housing Act made housing discrimination practices illegal and created the protected classes that exist today. In spite of these laws, housing discrimination has continued throughout America and still occurs on a daily basis in the Houston area.

In general, people move into better housing situations so they can improve their quality of life. The ability to access quality housing will impact access to quality education, employment opportunities, retail establishments, parks, churches, and other public services. Most people are totally unaware of their fair housing rights. Discriminatory practices in housing can be quite subtle and are unlikely to be detected by victims.

The United States Census clearly shows segregation and the changing patterns in the ethnic and racial composition of Greater Houston's neighborhoods. Over the last 30 years, the primarily White communities have developed in areas towards the outskirts of the City of Houston and in the surrounding counties. In recent years, many of the historically minority low rent communities in the inner city have been redeveloped into high-rent mostly white communities.

The metropolitan Houston area includes a large region with multiple counties, and the further away you get from the City of Houston into the surrounding counties, the less colored the community becomes and the more White it is. The City of Houston, for example, is a majority-minority community, but if you take the population surrounding Houston, it is primarily White. And what has been happening, and this has been documented by studies all the way from Harvard and a lot of other prominent universities that are quoted in my documents, Houston is still a segregated community. We have desegregated, but we have not really paid attention to what's going on in our community with discrimination.

The 2007 Fair Housing Trends by the National Fair Housing Alliance indicates that the incidence of discrimination against African-Americans, Latinos, and Asian-Americans continues unabated. In Houston, the Housing Discrimination Study in the year 2000, which was conducted by HUD, found that African-Americans and Latinos were discriminated against 25 percent of the time when they went to rent homes and 19 percent of the time when they went to purchase them. These statistics continue to be very real.

Our agency did a rental audit in 2001, and through testing, we found the following: 85 percent of families with children were discriminated against when they sought to rent; 80 percent of African-Americans were discriminated against when they sought to rent; and 65 percent of Hispanics were discriminated against when they sought to rent. These are very real figures that we have documented through independent testing that we have done.

These figures continue to trouble us because we understand that people move for the right reasons. The disabled in our community, for instance, are being forced to file complaints, Federal complaints,

to get such basic needs as accommodations and modifications for their living situation because of landlords' inability to comply with the law.

Our City is experiencing a tremendous growth right now. Over 29 percent of our City is foreign born. 47 percent of the population over 5 years old speak a language other than English. This community is bringing new dynamics to our City, and they're very much being targeted by unscrupulous landlords. Families with children, for instance, represent a significant part of this tremendous growth. Single-parent families and two-parent homes with several children are very common in the City. Many families are denied their fair housing right when they seek to improve housing. Children are constantly made to suffer policies by landlords who don't tolerate children. They frequently take advantage of families through penalties and fines when they're trying to get them to move to larger units. I do want to address this panel about the Housing Fairness Act of 2007.

[The prepared statement of Mr. Bustamante can be found on page 44 of the appendix.]

Chairwoman WATERS. We are going to have to move on to Mr. Quan. I'm so sorry. We're going to have to limit our time. Thank you very much.

STATEMENT OF GORDON QUAN, FOUNDING PARTNER, QUAN, BURDETTE AND PEREZ, ON BEHALF OF THE NATIONAL COALITION FOR ASIAN PACIFIC AMERICAN COMMUNITY DEVELOPMENT

Mr. QUAN. Thank you, Chairwoman Waters, Congresswoman Jackson Lee, and Congressman Green. My name is Gordon Quan, and I am here representing the National Coalition of Asian Pacific Community Development, as well as the Asian Chamber of Commerce, our largest Asian business group in the Houston area. You have copies of my testimony, so I'll go straight to the items that have not possibly been covered.

Houston, as you see, has a very unique situation. You asked the question, Ms. Waters, as to what areas are in greatest need. And the mayor has designated seven areas of development that we need to be looking at. We have this mixed blessing of tax-delinquent properties that we can redevelop into affordable housing in the future. What I propose is greater cooperation between government agencies, both Federal, State, and local, to earmark funds to these different areas, and also a public-private partnership that looks at working with CDCs and developers. As has been said by the panel previously, this City has been long an area for private development, where developers have really taken a major role in the City. Unleash that power. Work with nonprofits and see how we can develop communities, not just low income but multi—mixed income communities where we have middle income and higher income homes. We don't want to stigmatize areas of the City as ghettos. In 10 years, nobody will want to live in those areas, and we've wasted our time. So how do we look at developing long-term neighborhoods that will have a lasting effect.

Another thing you talked about was homelessness. In our City, we did a poll to indicate that 12- to 14,000 individuals every night

are homeless. What we have found is that 35 percent of those individuals have mental or physical ailments that do not allow them to live independently in our City, and 55 percent need a structured environment where they can receive the counseling that they need to get back on their feet, so it is only 10 percent that are left in shelters. So while we're looking at sheltering, we're not looking at the long-term benefits. How do we get these people off this treadmill, not just a bandage approach? Permanent housing is the answer. Unfortunately, we have been producing very few permanent housing units.

Mr. Celli talked about this one project, 175 units. That's great. But we need 7,000 units if we're really going to address our needs. So we're talking about project-based tax credits. We talked about housing vouchers. Those are things that we need because, otherwise, these projects are not feasible because there's very low income, so no bank will finance these projects.

We also need to be building capacity. There are only two organizations in Houston that really develop SROs, the Housing Corporation of Houston and the New Hope Housing. We need at least five or six of these corporations. We need to have more people who know how to do that. Catholic Charities, the women's—so many groups would like to do it, and they don't know how. We need to instruct them.

Education is the third point I want to reach, because I know I'm running out of time. As mentioned by Mr. Bustamante, we have a changing demographic in Houston, and many new immigrants don't know about homeownership. I know there are programs that have been raised up, but I look at the Vietnamese community where we have had condominiums that have been foreclosed upon because people didn't know their obligations to maintain within that common structure. We've had, as Ms. McElroy talked about, deed—contract for deed. So many immigrants are coming who don't know how to purchase homes in our community, not to mention subprime lending, which we all know about, and first-time homebuyer programs, which many people don't know about.

Finally, I'd like to just hit upon the Fair Housing Act. One of things we're trying to develop in this community is senior housing specifically geared towards certain communities where there are special needs, such as the Vietnamese community. We're going to be having a ground breaking this afternoon for the Golden Bamboo Village, which will work with the Vietnamese community. But we want to make sure the Fair Housing Act does not inadvertently discriminate against organizations that seek to meet special needs groups that are not otherwise being enforced. So I thank you for this time, but I know my time is up. I'm available to answer any questions you have. Thank you.

Chairwoman WATERS. Thank you very much.

A big round of applause for this panel. I'm going to kind of forego what would be our traditional questions to say, we get it. We get it. We understand. And all that has been mentioned from this panel about funding, adequate funding for housing survivors, and the extreme shortage of government-subsidized housing, the market-to-market program we just heard, we're going to insist that all of those owners of those buildings be paid and be paid on time, and

that they be paid fair market value for the rents. And we're working on that, including moneys to help, you know, fix up some of those places.

For the predatory lending, we have a big bill that we are putting together. We know that there are people who should be given prime loans but have been forced into the subprime market. That market has collapsed because of all of the reasons, greed mostly, that have taken place out there. And we're now focused on trying to save some of these homes from foreclosure. Housing discrimination is one of the shames of this country, and we have to continue to work on it. I'm so pleased that Mr. Green has presented us with legislation to deal with housing discrimination in America and fair housing. We understand what is going on. You have adequately described the gentrification that is going on, and you are absolutely right. The need for 7,000 units—I'm absolutely shocked at the fact that there are only 4,000 public housing units here. I hear what you're saying about the seven areas that have been identified, the tax delinquent properties.

And I want to thank you all for reinforcing what we've already come to understand, but we came here to have you document what is going on at the invitation of Mr. Green. I will yield time to Mr. Green and ask him to keep his comments and his questions to a minimum so that we can get out on time. Thank you very much.

Mr. GREEN. Thank you. I will be brief, but I do want to thank you, Mr. Bustamante. In your testimony, you mentioned the Housing Fairness Act of 2007. And just for edification purposes, friends, we can end discrimination in housing in this country. We really can. We can. The most efficacious tool that we have available to us is something known as testing. Testing works. When we can send our persons equally qualified of different ethnicities or different stations in life, we can find out who is performing this dastardly kind of behavior, and we can catch them. We can catch them. But it takes not only an act of Congress to do this; it takes a Congress willing to act. That is what it takes.

And I assure you that this committee chaired by Congresswoman Waters is willing to act. I have been very grateful and benefited from her help with this Housing Fairness Act. I just want to tell you that in that Act, we have \$20 million annually from HUD—for HUD to administer nationwide testing. We also have in that Act a requirement that HUD presents a report to Congress on testing every 2 years—every 2 years—so that we can track what's happening as a result of what we are doing. And we have other means by which NGOs can get involved, and the NGOs can go out and do the testing and bring lawsuits. The NGOs can test and also litigate to make sure that, when we catch them, we can punish them. That must happen.

And finally, to Ms. McElroy from ACORN. You mentioned contracts for deed. Let me just share this with you. Some of them are contracts for misdeeds. Many people find themselves having made a long history of payments only to have what they thought would be their home taken from them when they're right near the point where they can purchase. So I share your concern, and I assure you that is something that I will be working with you and others on in the Congress of the United States to see if we can make some

corrections. I want to only echo what the Congresswoman had said, "From time to time it's good to say amen." This is one of those days when we should say, "A woman, a woman, a woman." Thank you.

Chairwoman WATERS. Thank you very much. Now Ms. Jackson Lee.

Ms. JACKSON LEE. Madam Chairwoman, let me thank you and Congressman Green. And let me—because of the great panel—Mr. Henneberger, Mr. Muhammad, Ms. Junor, Ms. McElroy, Mr. Bustamante, and Mr. Quan, and I know Mr. Lopez was detained—let me champion and thank Congresswoman Waters for recognizing that we live in a diverse America. All of the amendments that have been discriminatory relating to housing and immigrants have been fought back by this chairwoman. And we have joined her with Chairman Frank and Congressman Green, and we will continue to do that.

Let me quickly do a few thank you's, and acknowledge the presence of Mr. Love of the Coalition of the Homeless. I hope he has been inspired today. I would also like to thank, in his absence, Chad Bogany and Gerald Womack. Both of them are leaders in the real estate area and they have fought these issues of discriminatory housing. And we thank them. I want to acknowledge Gladys House as well and just put on the record in particular that the Gregory School received HUD-earmarked dollars and the project is yet to be finished. We recognize that.

Let me quickly just say not only do we get it, Ms. McElroy and ACORN, I can't thank you enough. We're going to reignite the battle on senior housing, particularly on the reverse mortgages that Congressman Green—we'll all be working, but also on the senior repair, which does not make sense. I want to make sure that we reignite that fight. And I do want to put into the record that we—Mr. Henneberger, if you would share with us additional legislative fixes to help us, if you will—and I'm going to get you to put it in the record, but to help us overcome what has happened to Houston where they only have 4,000 public housing units when they should have more. I know that you can think about it collectively.

And then would you also note that we—your point about segregated housing. What we want to do, and I think what we heard, people think the Third Ward is segregated, or the Fifth Ward. But we want to come out and fix it up. We don't mind our seniors and low incomes coming in, but let's have them have beautiful properties. Let's get ACTION CDC to take up this project that HUD has said where they can joint venture on the Section 8. Let's let the CDCs build these facilities for Section 8. I'd like to develop it, but let's get the CDCs to do it.

I close, Madam Chairwoman with this: We are champions of what our cities do. All we do is take back the message of our cities. And so when you hear the term Houston HOPE, we champion it. We think, in fact, that we have a wonderful effort because it has Houston HOPE. But I want to put into the record, Edith Salaville, 87 years old, at Weinburg & Delanore on the front page of the Houston Chronicle. Her inherited property by a historic civil rights leader in our community and she, I think was a granddaughter, fell behind in property taxes after she lost her senior exemption.

She was foreclosed on, an 87-year-old woman who lived in this property under the pretense we can get these houses and put them in Houston HOPE. We must have restraint and oversight federally of a program that builds itself on foreclosures which might catch up the elderly and the disabled. We want Houston HOPE, but we want it to work in a nondiscriminatory fashion.

And so I am grateful for the presence of all of you here today. And, again, I thank you, Madam Chairwoman, and Congressman Green. I thank you for allowing me to participate in this outstanding hearing. With that, I yield back.

Chairwoman WATERS. Thank you very much. I'd like to thank both Congressman Green and Congresswoman Jackson Lee for their great advocacy and the time and attention that they put into their work in Washington, D.C. I know there are days when many of you have felt that there's no help coming, that Washington is not doing what it should do. But I want to tell you that we do have the gavel now, and it is going to make a difference. We are going to use our power to correct some of these ills that have existed for far too long. Again, I'm so pleased that Al Green is on that committee doing such a great job. He is a workhorse. He has a fabulous work ethic. And so I'm delighted to be here. The Chair notes that some members may have additional questions for this panel which they may wish to submit in writing. And without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record. I understand that there are some other things that should be submitted for the record, and without objection, Mr. Green first.

Mr. GREEN. We have these photographs, and I would ask that the parties submitting the photographs give us a narrative that will be placed in the record as well, if there are no objections.

Chairwoman WATERS. Yes. And also do you have any other documents to submit, Ms. Lee?

Ms. JACKSON LEE. Yes, Madam Chairwoman. I'll read it because I have written on it. Just simply to announce again, the Harris County Housing Authority that developed the disaster housing process that may become a national model for disaster housing assistance. And if there is anyone from Harris County Housing, just raise their hand. I'm just putting that statement in the record. Thank you very much.

Chairwoman WATERS. Thank you very much. And I would also like to submit for the record the written statements of the Houston Center For Independent Living and historic Freedman's Town and Allen Parkway Village as well as that of Mr. Malaika Adan will be made part of the record. And if the young lady in the back who submitted these being would raise her hand—oh, I'm sorry—in the front, will raise your hand, and make sure we get a narrative to go along with those pictures so that we can put that in the record and have an opportunity to address what you brought to our attention, I would appreciate it very much.

I'd like to thank all of you for being here. This is a fantastic turnout for rather short notice to be here today. And we really do appreciate it. You bring to us the support that we need to be able to move forward. This hearing is adjourned. Thank you very much.
[Whereupon, the hearing was adjourned.]

A P P E N D I X

October 29, 2007

October 29, 2007

Testimony to the:

United States House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

Provided by:

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Good Morning to the Honorable Members of Congress, the Committee on Financial Services, and the Subcommittee on Housing and Community Opportunity. My name is Daniel Bustamante and I am the Executive Director of the Greater Houston Fair Housing Center. Thank you for the opportunity to testify before you today regarding the state of fair housing in Houston, Texas.

The Greater Houston Fair Housing Center is a Qualified Fair Housing Organization (QFHO) and a Traditional Civil Rights Organization (TCRO) that has been providing fair housing enforcement services under the Federal Fair Housing Act since 1999 to protected class members: race; color; religion; sex; national origin; familial status; and disability.

The GHFHC was set up as a new organization with FHIP PEI FY1999 funding as a sub grantee of the National Fair Housing Alliance (NFHA). The agency received a FHIP PEI grant in FY2001 and in FY2003. The GHFHC is currently executing a FY 2006 FHIP PEI grant. The GHFHC was not funded for FY2007. There is no other fair housing enforcement agency in the area.

Housing discrimination still exists in the City of Houston. It is a daily occurrence in the lives of thousands of families with children, Blacks, disabled individuals, Latinos, and other protected class members. Since the passage of the Federal Fair Housing Act in 1968 and its amendment in 1988, the issue of housing discrimination has continued to be prominent in the development of the City of Houston. Studies and surveys have consistently shown that housing discrimination against African Americans and Hispanics continues unabated in our region. The influx of Hurricane Katrina evacuees in 2005 exacerbated the historical housing discrimination problem and has been documented through testing. The area's demographics include an ever growing immigrant population with limited English proficiency that is daily victimized by unscrupulous housing providers. The disabled in our region are in constant need of fair housing enforcement services such as reasonable accommodations and modifications to insure their rights to barrier free living.

Houston is the largest city in the South as well as the fourth largest in the country. The use of racially restrictive covenants to maintain segregated communities is not very far removed. The 1968 Civil Rights Act through the Fair Housing Act made discriminatory housing practices illegal and created the protected classes of race, color, religion, and national origin. In 1974, sex was added to the protected classes. The Fair Housing Amendment Act of 1988 added disability and familial status to the protected classes. In spite of these laws, housing discrimination has continued throughout America and still occurs on a daily basis in the greater Houston area.

The passage of fair housing laws provided the vehicle for correcting illegal activities. In order to address this discrimination and prevent future discrimination, enforcement actions are

necessary to insure that violations of fair housing laws are dealt with appropriately according to federal law.

In general, people move into better housing situations so that they may improve their quality of life. The ability to access quality housing will impact access to quality education, employment opportunities, retail establishments, parks, and other public services. Most people are totally unaware of their fair housing rights. Discriminatory practices in housing can be quite subtle and are unlikely to be detected by victims.

The U.S. Census clearly shows segregation and the changing patterns in the ethnic and racial composition of greater Houston's neighborhoods. Over the last thirty years, the primarily white communities have developed in areas towards the outskirts of the City of Houston and in the surrounding counties. In recent years, many of the historically minority low-rent communities in the inner city have been redeveloped into high-rent mostly white communities.

The metropolitan Houston area includes a large region with multiple counties. People drive from home to work and travel from surrounding counties to the city. Our testing and investigation has shown that the ability of protected classes to move into housing in these mostly white areas is not easy and is hindered by discriminatory practices. The percentage of Hispanics, African Americans, and Asian Americans decreases among the counties surrounding Houston and the white population percentage increases as you get away from the city.

In a report released in April 2001 by the Civil Rights Project of Harvard University entitled "Housing Segregation: Causes, Effects, Possible Cures", author Gary Orfield discusses the fact that housing discrimination is very prevalent in America. Despite the passage of federal

fair housing laws and the widespread belief among whites that there is equal opportunity in housing, the enforcement effort is very minimal. He discusses the white flight to suburbia and the re-segregation of American cities. (www.civilrightsproject.harvard.edu/) The Houston Chronicle in an article by Lori Rodriguez on April 15, 2001 describes the same white flight in the greater Houston area. (www.chron.com)

The white population has maintained a large majority in the outermost suburbs since the 1990 census as documented by the 2000 census. The demographics of our agency's service area indicate a historical pattern of segregation. The 2005 estimate for the City of Houston is 42% Hispanic, 24% African American, 6% Asian American, and 27% White. The combined Houston/Harris County population is: 33% Hispanic; 18% African American; 5% Asian American; 42% White. In the counties surrounding Houston, the combined population is 18% Hispanic, 13% African American, 4% Asian American, and 64% White. Almost 1/3 of the Houston area residents are foreign born or are the children of persons born abroad. Nearly 75% of Houston's growth since 1990 has been among Hispanics or Asians. (www.census.gov)

The 2007 Fair Housing Trends Report by the National Fair Housing Alliance indicates that the incidence of discrimination against African Americans, Latinos, Asian Americans, and American Indians in rental and sales markets alone is estimated at 3.7 million violations per year. This a conservative estimate as it does not reflect disability, familial status, religion, sex, or other national origins. In 2006, the number of complaints filed with all public and private agencies was less than 1% of the estimated violations. (www.nationalfairhousing.org)

The latest national study commissioned by HUD in 2000, "Discrimination in Metropolitan Housing Markets: Phase I", found that discrimination was still existing at unacceptable levels since the previous 1989 study. In the year 2000, Hispanics were more likely to experience discrimination than African Americans in their search for housing. In the year 2000, Hispanics renters were more likely to be quoted a higher rent than a white counterpart for the same unit and more so than in the 1989 study. Hispanics were less likely to receive help in finding mortgage financing from real estate agents than non-Hispanic whites. African Americans were found to be more often "steered" to minority neighborhoods as compared to whites.

The national study's figures for African Americans and Hispanics in Houston show that discrimination still exists in both rental and sales. For African Americans, there was consistent adverse treatment against blacks 19% of the time in rentals. In the area of sales, there was consistent adverse treatment 24% of the time against blacks. For Hispanics, there was consistent adverse treatment 19% of the time in rentals. In the area of sales, there was consistent adverse treatment against Hispanics 27% of the time in sales.

In 1989, the National Discrimination Study conducted by the Urban Institute found that on a national level African Americans were discriminated against in their housing searches at a rate of 56% and Hispanics were discriminated against in 50% of their attempts. (www.huduser.org/publications/hsgfin/hds.html)

In Houston, 55% of the housing units are rentals and 45% are owner occupied according to the 2005 U.S. Census American Community Survey. A majority of the rental units are minority occupied. (www.census.gov/acs/www/)

In March 2001, the Greater Houston Fair Housing Center released a Rental Audit of the City of Houston that looked at three protected classes, race, national origin, and familial status. The audit found that 85% of families with children, 80% of African Americans, and 65% of Hispanics experienced disparate treatment when they sought to rent. (www.nationalfairhousing.org)

In 2004/5, a housing survey conducted by University of Houston Professor Ritalinda DeAndrea among lower income persons who were housed or homeless showed that one third of respondents experienced denial of access to a house, apartment, or section 8 housing, and received differential treatment. The study found that 25% were "steered" or directed away from accessing housing.

(www.houstontx.org)

The 2005 American Community Service found that there were 1,820,951 households in the area. Of these, 38% or 691,961 were households composed of families with children under 18. (www.census.gov/acs/www/)

The 2005 American Community Survey for the Houston PMSA found that there were 570,513 disabilities in the area or 12% of persons age 5 and over. This is a substantial increase from the 2000 U.S. Census that had 507,235 persons age 5 and over with disabilities living in the area. (www.census.gov/acs/www/)

The disabled in the Houston area are in critical need of fair housing enforcement services. (www.census.gov/acs/www/) The need for reasonable accommodations and modifications are among the many problem areas for the disabled. Housing providers, both private and public, refuse on a routine basis to provide the federally guaranteed right to a reasonable accommodation or modification by a disabled person. There is a critical need for fair housing

enforcement services to the disabled community as many housing providers make no effort to comply with the Federal Fair Housing Act.

The region is experiencing a tremendous growth and the number of protected class members moving into the area is increasing at a very rapid rate. Houston's growth is diverse and the immigrant communities represents about one third of the city.

Over 29% of the city is foreign born. The fastest growing population has been the Hispanic immigrant population. This population, like the Asian, African, European, and other immigrants with limited English proficiency, are mistreated on a daily basis in their housing searches. In Houston 47% of the population over 5 years of age speak a language other than English at home. The lack of access to housing of their choice severely limits the ability of children to receive quality education and forces parents into limited employment opportunities. The need for Spanish language fair housing services in the region is critical.

(www.census.gov/acs/www/)

In an article on Houston immigration, University of Houston Sociology Professor Nestor Rodriguez states, "The very presence of new immigrant populations means the existence of new social and cultural boundaries". (www.uh.edu/cir/) The 2000 census identified more than 750,000 foreign born immigrants in the Houston area. This number had grown to 1,113,875 by 2005. (www.census.gov/acs/www/) This underserved Houston population of mostly non-English speakers faces multiple housing discrimination practices. 47% of the population speaks a language other than English at home. The largest and fastest growing immigrant group is Spanish speaking. (www.census.gov/acs/www/) The lack of English skills creates countless opportunities for fair housing violations of all types. Our project provides comprehensive services in Spanish as well as English. The need to reach new immigrant

populations is critical. Translations of information to all communities can only further fair housing awareness and enforcement. The Greater Houston Fair Housing Center strives to reach all the very diverse communities of the Houston metropolitan area.

Families with children represent a significant part of the tremendous growth. Single parent and two parent homes with several children are very common in the city's housing. Many families are denied their fair housing rights when they seek to improve housing. Children are constantly made to suffer by policies that tolerate disparate treatment. Landlords frequently take advantage of families with children through discriminatory fines and policies.

Low income Houstonians are relegated to the worst housing available in our city. Families are struggling to work two or three jobs in order to pay rent, feed their children, provide clothing, and minimal basic health care. Affordable housing is not a reality for low income people in our community. Most housing developments are totally out of reach to low income families. The dream of home ownership continues to be just a dream for most working people. The more new housing development that comes into the city, the more low income people are being forced into inferior housing and all the social ills that come with it. Most low income people are minorities. The cycle of poverty continues to impact families, schools, law enforcement, and the social service system.

The fair housing needs of Hurricane Katrina evacuees are critical. They have been denied housing in many areas of our community because of their race. The charging of higher deposits and rents has been among the most common complaints.

The City's Department of Planning and Development estimated the number of Katrina evacuees in Houston in February 2007 at 33,724 households, about 100,000 evacuees. There were 39,333 Katrina households in October 2005. Surveys of the evacuee federal housing

recipients which number about 12,000 households show that most are poor, with limited education and job skills. A survey in February by Zogby International showed that 38 percent of those receiving housing aid were employed, and 58 percent were looking for a job. These statistics demonstrate the evacuee population's extreme vulnerability to the historical discrimination in our city.

In this era of predatory lending, the tremendous loss of homes by Americans due to inferior loan products is particularly bad for minorities. Poor credit and low-incomes make minorities prime targets for predatory lenders. The "American Dream" of owning a home is becoming a nightmare for many families. Fair lending is critical to insure that all people are treated equal as required by the Federal Fair Housing Act.

The Federal Financial Institutions Examinations Council (FFIEC) gathers data on home mortgage activity from the federal agencies that regulate the home mortgage industry through the Home Mortgage Disclosure Act (HMDA). The data contains variables that facilitate the analysis of mortgage lending activities like: race, income, census tract, loan type, and loan purpose.

The 2003 HMDA data for the Houston metropolitan area demonstrates significant disparities in the loan process for minorities. In all categories of conventional loans and government backed loans, Whites are disproportionately represented. Whites submitted more applications, Whites had the lowest denial rates, Whites had the highest origination rates, and Whites had the highest refinance rates.

The summary from the HMDA data is as follows: the number of FHA, FSA/RHS, and VA home purchase loan applications received for Whites is twice as high as Blacks and over 40% higher than Hispanics; the FHA, FSA/RHS, and VA home purchase loan application

origination rate was 76% for Whites, 64% for Blacks, and 67% for Hispanics; the denial rate for FHS, FSA/RHS, and VA loans was 9% for Whites, 19% for Blacks and 14% for Hispanics; Blacks were denied twice as much as Whites and Hispanic over 50% as much as Whites; the number of conventional home loan applications received was 58,107 for Whites, 16,729 for Blacks, and 26,693 for Hispanics. Whites had 41,378 or 347% more applications than Blacks and 31,414 or 218% more applications than Hispanics; the conventional home purchase loan origination rate for Whites was 70%, Blacks were 44%, and Hispanics were 57%. Whites had 40,675 originated applications compared to 7,361 for Blacks, and 15,214 for Hispanics. Whites have a tremendous advantage in the acquisition of homes over Blacks and Hispanics: the denial rate for conventional home purchase loans was 11% for Whites, 24% for Blacks and 19% for Hispanics. Blacks were denied over twice as much as Whites and Hispanics were denied 73% more than Whites; the number of applications for refinancing a mortgage was 136,533 for Whites, 27,625 for Blacks, and 39,117 for Hispanics. Whites submitted 500% more applications than Blacks and 350% more than Hispanics; the origination rate for applications to refinance a mortgage was 60% for Whites, 39% for Blacks, and 45% for Hispanics. Given the high numbers of White applications for loans to refinance, Blacks and Hispanics are at a clear disadvantage. There were 81,920 originated applications for Whites, compared to 10,774 originated applications for Blacks, and 17,603 originated applications for Hispanics. There were 755% more White mortgage refinance originations than Black, and 465% more White originations than Hispanic; the denial rate for applications to refinance was 37% for Blacks, 35% for Hispanics, and 21% for Whites. (www.ffiec.gov/hmda)

The City of Houston has historically not kept up with civil rights in housing. It is well known as a real estate development boom town with no zoning. Segregation was official ended in 1968 but its vestiges still abound.

The City of Houston does not have a fair housing enforcement program and has a limited fair housing education program in its Housing and Community Development Department. There is no avenue for enforcement of fair housing complaints through the City. It refers fair housing enforcement complaints to the Greater Houston Fair Housing Center and to HUD.

The Greater Houston Fair Housing Center has historically received complaints of disparate treatment from residents of the City's public housing and from recipients or applicants of housing services. Many of these complaints come from disabled individuals who are seeking reasonable accommodations guaranteed by the Federal Fair Housing Act. Other complaints come from families with children alleging harassment from employees and from people that are attempting to access housing benefits.

Under federal law, when the City receives a federal grant such as CDBG it insures that "the grant will be conducted and administered in conformity with the Civil Rights Act of 1964 (42USCA§2000a) and the Fair Housing Act (42USCA§3601) and the grantee will affirmatively further fair housing." Id. §5304(b) (2). This means that the jurisdiction should be pro active in fighting housing discrimination.

The City of Houston's 2005 Consolidated Plan provided an "Analysis of Impediments to Fair Housing" for the first time. This required federal document that identifies barriers to fair housing was not part of the Consolidated Plan until 2005. Historically hundreds of millions of dollars in federal grants have been given to the City with out any real effort on its part to "affirmatively further fair housing" as required by the Federal law.

The 2005 "Analysis of Impediments to Fair Housing" identified the need to pass a substantially equivalent (to federal law) fair housing ordinance and to support fair housing efforts. As Executive Director of the Greater Houston Fair Housing Center, I acted as a consultant to the city in its preparation of the 2005 Analysis of Impediments to Fair Housing. (www.houstontx.gov/housing/index.html)

The City of Houston passed a Fair Housing Ordinance prohibiting housing discrimination in 2006 for the first time after requests by the Greater Houston Fair Housing Center and other advocacy groups. The City had not altered the previous housing ordinance since the 1970's and it did not mention all the current protected classes.

The City of Houston is currently going through the multiyear process of having the Fair Housing Ordinance become substantially equivalent to the Federal Fair Housing Act. If it does become substantially equivalent, the City would become eligible to apply for federal fair housing funding to establish a Fair Housing Administrative Program (FHAP) to enforce fair housing laws.

The City should establish a Fair Housing Administrative Program (FHAP) to enforce fair housing violations like the Cities of Austin and Corpus Christi, Texas. The FHAP should be independent and not part of the City's Housing and Community Development Department or any other department.

The City should fund fair housing enforcement efforts by Qualified Fair Housing Organizations through its CDBG funds.

The City should fund fair housing education and training efforts through its CDBG funds.

The City should require that all staff involved in the provision of housing related services be trained in federal fair housing requirements.

The Housing Fairness Act of 2007, H.R. 2926 introduced by Congressman Al Green and his distinguished colleagues in the House would significantly impact the fair housing situation in Houston, Texas.

The Act proposes to implement a nationwide program of testing to detect and document differences in the treatment of people when they seek housing related services. It would measure the prevalence of such incidents and allow for corrective enforcement action to take place. The Act provides for 20 million dollars nationally for such testing.

The proposed Act calls for increase in the Fair Housing Initiatives Program to an amount of 52 million dollars annually for qualified private nonprofit fair housing organizations. This is a significant commitment to fight housing discrimination,

The proposed Act also calls for 5 million dollars annually to study the cause and effects of housing discrimination and to create pilot projects to deal with discrimination.

Federal funding is critical to fair housing in Houston. The City of Houston, Harris County, and the State of Texas do not fund fair housing enforcement efforts. The only source of public funds for fair housing enforcement has been the federal government. The extremely limited federal fair housing funding for Houston has been sporadic and unpredictable.

The current system of federal fair housing funding has been inconsistent for Houston's fair housing organizations. It has met the needs of the community. The proposed Act should consider some sort of entitlement by state population in the distribution of the proposed funds. States like Texas and communities like Houston with a high number of protected class members have not fared well historically in the current funding system.

Thank you again for allowing the Greater Houston Fair Housing Center to provide input to this committee.

Testimony of Richard Celli to the Subcommittee of Housing and Community
Opportunity of the United States House of Representatives
Monday, October 29, 2007

Thank you very much for the opportunity to appear before you today and present brief remarks relating to the unique challenges and opportunities in housing faced by the City of Houston today.

Two factors create increasing demand for affordable housing in Houston: new households forming due to immigration or population growth; and pent-up demand from homeless persons or low income households who are enduring sub-standard housing conditions by two or more families sharing one roof. The data analyzed in this section was taken from the 2000 US Census.

Houston's population is projected to grow by 120,900 persons, or 45,426 households, by 2010. This means that 8,917 households per year will be moving to Houston. In addition, 65,000 households were reported as overcrowded in the 2000 Census and approximately 12,000 individuals in the City of Houston are currently homeless. Total demand for affordable housing must include some accounting for these underserved households.

Due to the low incomes earned by many Houston households, the overwhelming majority of these housing units will have to be affordable *rental* units, with less than 10% affordable single family home ownership units. As is reported in the Consolidated Plan, the under 50% of AMI, small family sub market is the most underserved in the Houston market. Over 27,000 small families are rent-burdened, meaning that they spend more than 30% of monthly income on housing.

Houston continually receives proposals for housing targeted as special groups, such as the elderly, persons with disabilities, and persons with HIV/AIDS, all populations with very-low-incomes and all needing supportive services.

The demand for affordable housing is staggering. My staff estimates that, including new arrivals and underserved current residents, 2000 households per year will demand affordable housing products; of these 1300 households are projected to have income below 30% AMI and 700 households are projected

to fall in the 30%-60% AMI range. In addition, the Katrina evacuees currently living in Houston and benefiting from re-extended housing vouchers will eventually need to find housing on their own. This will increase demand further.

This projection is supported by the demand for affordable housing services seen by my partner agencies. For example, 42,000 households are on the Houston Housing Authority's Section 8/Public Housing waiting list. A further 5000 households are on Harris County's wait list. In addition, 200-300 would-be clients just walk in to the Housing Authority's offices each day, without an appointment, seeking housing help.

Historically, Houston city programs have invested about \$54.5M per year in housing. Houston has worked diligently to leverage all available resources, using low-income housing tax credits, HOME funds, and requiring developer equity and outside debt in many multi family transactions. The City of Houston has encouraged private investment in redeveloping, historic neighborhoods via the Houston Hope program, by granting down payment assistance to low-income families purchasing their first home, thus reducing mortgage risk to the lender.

Houston, like all major cities, works hard to meet the needs of its citizens. Meeting all the demand for housing would cost approximately \$99M per year. To close this gap, additional resources are needed. I assure you, as Director of Housing and Community Development, I could easily invest three times my current allocation of HOME funds every year and still not meet the needs of working, deserving Houstonians. My colleagues from the Housing Authority will probably say the same thing: Houston, especially in the wake of the hurricanes, needs more permanent rental assistance vouchers.

Enactment of the National Affordable Housing Trust Fund Act of 2007 and the related Expanding American Homeownership Act of 2007 would help the City of Houston by providing more funds to benefit low- to moderate- income families both directly and indirectly. As a Participating Jurisdiction, Houston would receive some portion of the Trust funds intended to create 150,000 units of affordable housing nationwide each year. The requirement that such housing be primarily targeted to families with AMI below 30% would help those families here who have the greatest demonstrated need for housing assistance. Restructuring the FHA's program to reduce the need for private-market sub-prime lending

would provide some benefit to Houston even though our housing stock is priced very affordably. Any product that provides lower-cost alternatives for lower-income households who qualify for mortgages is a good product. I applaud the Representatives' study of the needs of everyday households and welcome your interest in Houston. Thank you.



Testimony on:

TDHCA, Houston housing issues

**HOUSING SUBCOMMITTEE of
HOUSE FINANCIAL SERVICES**

U.S. CONGRESS

October 29, 2007

- **Good morning Madam Chair, Congressman Green and Members.**
- **I'm Michael Gerber, Executive Director of the Texas Department of Housing and Community Affairs, and I would like to thank you for the opportunity this morning to appear before you.**
- **My department – TDHCA – is the lead state agency to assist low income Texans in finding safe, decent affordable housing.**
- **Without you and your colleagues in Congress we could not do our jobs, and we would like to thank you for all you do to help provide a better standard of living for low income Texans.**
- **We especially want to thank you for your efforts in passing the new Housing Trust Fund legislation that will help even more low income persons across the country — including Texans — have more access to affordable housing.**

- **Thankfully, the Texas Legislature also provided an almost 60 percent increase in our own state housing trust fund in the last legislative session.**
- **Even with all of that help, we are still not reaching the need that is out there as you well know.**
- **So what exactly are we doing . . . with the federal funds available, we allocated more than \$680 million for low income Texans during the 2007 fiscal year that just concluded.**
- **With those funds we rehabilitated seniors and single head-of-household homes in rural Texas allowing families to stay in their community while repairing their homes to a decent standard.**
- **We used private activity bonds to place a record level of assisted and low-interest rate unassisted mortgages helping those people who are ready to take the next step in the housing continuum of home ownership.**

- **These are safe, traditional mortgages that provide real security rather than people going to higher interest rate loans to gain homeownership.**
- **Locally, through our Texas First Time Homebuyer Program, we've been able to help 1,586 families in the Houston area achieve the American Dream of homeownership.**
- **We offer the lowest interest rates of any state agency and we have a very safe and traditional mortgage product that is firmed up by conventional underwriting. You'll find no exotic ARMs or balloon mortgages through TDHCA.**
- **We also work with the DOE Weatherization program that not only saves energy, but helps a family afford to heat and a very important component in Texas, cool its homes without making choices between food and electricity.**

- **And of course, the public-private partnership of the Low Income Housing Tax Credit Program has had a tremendous impact in creating additional affordable housing or rehabbing existing housing and improving the quality of life for the residents in those communities.**
- **For instance, here in the Houston area, we've placed more than 26,000 units of affordable housing since the program's inception in 1986.**
- **We also make sure that every dollar is spent, leveraged, and utilized for its maximum impact.**
- **And as a responsible steward of these valuable but limited Treasury funds, we closely monitor these units for compliance with all state and federal regulations. Once the units are placed in service, we make sure that the residents and the tax payers get the full benefit of their bargain.**

- **This past year, our state legislature gave us the power to levy financial penalties against those developers who are not keeping their commitments. Accordingly, we will make sure that those few “bad actors” are firmly removed from the program and that a clear message is sent industry-wide that TDHCA will not tolerate slumlords. Our ultimate concern is always for the safety and welfare of our low-income tenants.**
- **I also wanted to share with you this morning the active work we’ve done in leading Texas’ disaster recovery efforts stemming from Katrina and Rita.**
- **While we appreciate the efforts of the entire Congress in assisting Texans, I would be remiss if I did not thank you Madam Chair along with congressmen Al Green, Ruben Hinojosa, Kevin Brady, Sheila Jackson Lee, and the entire Texas Delegation for their efforts in assisting Texans receive disaster funding that we anticipate will help well over 5,000 Texans.**

- **Shortly after Congress appropriated the funds, Texas Governor Rick Perry designated TDHCA as the lead agency for administering the funds that Congress has given to help.**

- **In May 2006, we received our first allocation of funds in the amount of \$74.5 million dollars, \$40 million of which went towards housing needs while the remainder was designated for infrastructure repairs.**

- **The housing portion will serve 537 families who are reconstructing or rehabilitating their homes. We anticipate that all of these funds will be expended by August 2008.**

- **The second allocation of funds came just earlier this year in the total of \$428.6 million dollars. From that amount, we've already awarded over 180 million dollars which is having an impact with repairing infrastructure, reconstructing 813 low income rental units, and delivering services and housing rehabilitation right here in Houston to help people who suffered through Hurricane Katrina and were displaced from their homes in Louisiana and living in the Houston area.**
- **Governor Perry designated \$60 million specifically for Houston and Harris County. Houston will use its \$40 million to aid with law enforcement overtime and public safety issues associated with the influx of approximately 150,000 Katrina evacuees. The city will also use the funds to rehab several multifamily developments that are called home by Katrina evacuees, ensuring that they will have safe and decent affordable housing.**

- **The remaining \$20 million will be used by Harris County for a myriad of social service assistance to evacuees with aid such as crisis counseling and medical services to name a few.**

- **The remaining funds from the second allocation -- \$222 million -- are being used for a housing assistance program administered by a third-party contractor that we have selected and with whom we are finalizing contracts.**

- **We have closely watched other programs and have determined that a concerted effort to help as many people as possible get back to the lives that they had two years ago before Hurricane Rita, is best done by working with local home builders and contractors to either re-construct a home or make the needed repairs.**

- **Twenty percent of the total in our housing assistance program will help the elderly and those with special needs. Local communities and our state housing trust fund are assisting with gap financing to make the federal dollars go as far as they can.**
- **The contractor will work closely with the Councils of Government and faith-based organizations to reach out to those Texans who still need assistance and we anticipate those funds to be moving within the next 6-7 months.**
- **All in all, I report to you that your funds are being well managed and targeting the people who need them the most. While it is unfortunate the need is there, from shelter grants helping the homeless to handing the keys to a first time home owner, we all have a lot to be proud of in helping people who now have better, more affordable housing in the State of Texas.**

- **Again thank you for your interest in low income Texans and their standard of living and thank you for the opportunity to be here today. I would be happy to answer any questions.**



Texas Low Income Housing
Information Service

Testimony of John Henneberger

co-director - Texas Low Income Housing Information Service

before the House Financial Services Committee Subcommittee on Housing and Community Opportunity

Houston, Texas

October 29, 2007

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Introduction

Chairwoman Waters and Members of the Subcommittee, thank you for the opportunity to testify today about the affordable housing needs of the City of Houston two years after Hurricanes Katrina and Rita.

I am John Henneberger, co-director of the Texas Low Income Housing Information Service (TxLIHIS). My organization undertakes education, research and advocacy concerning the low-income housing and community development needs of Texans. Our mission is to support low-income Texans' efforts to achieve the American dream of a safe, decent, affordable home in a quality neighborhood. We collaborate with housing stakeholders across the state to achieve our mission, 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. TxLIHIS does not represent any sector of the housing industry. Rather, TxLIHIS 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. To maintain our independent voice on behalf of low-income Texans TxLIHIS, as a policy, receives no government grants or contracts and is entirely funded with private donations.

Let me begin by expressing our sincere appreciation to you and the members of your staff who have done a terrific job of raising awareness of the housing needs of Hurricane Katrina survivors and of supporting federal resources to help them recover from the storm's lasting devastation. The thoughtful process with which you have addressed this issue and organized this field hearing is a cause for optimism among survivors and advocates who are overwhelmed by the post-Katrina housing needs in Houston.

Beyond this hearing today I would urge the committee to help shine a light on the problems and challenges that have been encountered with providing housing assistance to 70,000 Texas families impacted by Rita. Many of these families have extremely low-incomes and are persons of color who live in an area of our state which has long struggled with civil rights abuses. The plight of these families is a crisis of great import that has unfortunately not received the attention it merits. This committee's investigation into the problems with the Hurricane Rita housing programs could help ensure families receive the help they desperately need.

The tragedy in New Orleans, where public housing is being demolished instead of rebuilt and historically minority neighborhoods like the Lower Ninth Ward remain in ruins, is tragic. But there is a tragedy of a different kind in Texas, home to the largest population of hurricane Katrina survivors outside of Louisiana. Today, half of the Hurricane Katrina survivors receiving federal disaster rent assistance are living in Texas, and an estimated 100,000 survivors are living in Houston alone. Many of them are on the brink of homelessness, living in housing they cannot afford and segregated into high-poverty, deteriorating neighborhoods.

To mark the two-year anniversary of Hurricane Katrina, President George W. Bush visited a charter school in New Orleans' Lower Ninth Ward to declare, "better days are ahead." Yet thousands of the predominantly poor and black residents who fled Katrina's floodwaters were not present to hear the president's words. The streets of abandoned

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homes are a reminder that they have been unable to return home. Surveys suggest that up to half of the predominantly low-income evacuees who came to Houston in 2005 are still living in the city today.

Congress has focused its attention on providing resources to the areas where the physical destruction of Hurricane Katrina is most apparent. Rightly so, Louisiana and Mississippi have received resources to assist survivors in recovery. But Texas, and especially Houston, with its large remaining evacuee population and its terrible low-income housing deficit, has received pennies compared to what it needs to ensure survivors have decent housing options. Houston has been allocated just \$60 million in Community Development Block Grant (CDBG) funds for long-term hurricane recovery. This is grossly insufficient.

In an attempt to develop a broad-based consensus on what Texas and Houston needs to help hurricane evacuees obtain long-term housing, TxLHIS convened a Texas Hurricane Housing Forum in August 2006 at which 850 people representing all stakeholders, including evacuees, Congressmen Al Green and Gene Green, Houston Mayor Bill White, and advocates came together to talk through our differences and develop specific policy recommendations to address this crisis. (The recommendations of that forum, most of which have not been acted upon, are attached at the end of my testimony). Shortly I will detail these recommendations, which have become even more crucial in the year since we held the housing forum. During this time, the vast majority of low-income Katrina survivors lost their temporary FEMA rental assistance and their living conditions have become increasingly unstable.

We must also keep in mind that Hurricane Rita contributed may thousands additional low-income families to Houston who face very similar problems to those of the Hurricane Katrina evacuees. Because of grossly inadequate levels of federal housing assistance Hurricane Rita survivors in Texas will place an enormous additional burden on the grossly inadequate affordable housing resources of Southeast Texas. The failure of Congress to provide adequately or even proportionately relative to assistance provided Hurricane Rita survivors in Louisiana, will force many formerly financially independent families to seek government subsidized housing. The plight of these families has largely been invisible yet represents a civil rights and housing disaster of historic proportions.

On behalf of the half a million Katrina survivors who came to Texas in 2005 and the 70,000 native Texas Hurricane Rita survivors who have lost their homes, whose ability to obtain stable, decent housing depends on the vigilance of our representatives in Congress, I thank you. I thank you as well on behalf of hundreds of thousands more low-income families who were living in substandard, unaffordable or overcrowded conditions in Houston long before the hurricanes of 2005. The attention that this field hearing will bring to these crucial issues and the policy changes that will hopefully follow will help us begin to fill the vast unmet housing needs of low-income people in Houston.

The current state of affordable housing in Houston

Much of the data and analysis in this portion of my testimony is drawn from a draft of an upcoming report on affordable housing in major Texas cities titled "Connecting the Dots: Planning for Affordable Housing in Texas Cities" authored by Dr. Elizabeth J. Mueker, professor at the University of Austin, School of Community and Regional Planning. Dr. Mueker is also a board member of the Texas Low Income Housing Information Service. I have modified Dr. Mueker's statistical analysis in some instances to reflect my interpretation of the Houston market.

Four trends highlight the critical housing challenges facing Houston:

- The large share of Houston residents who rent rather than own;
- The large share of renters who pay too much of their income for rent and utilities;
- The shortage of rental housing affordable to the low-income families who need the housing; and
- The sizable gap between homeownership rates in Houston and its suburbs.

Houston's population is disproportionately renters

Policy makers have placed tremendous emphasis on extending homeownership to households historically unable to access credit due to poor credit or discrimination. Homeownership rates have been on the rise nationally since the mid 1990s (peaking in 1998 at 68.9 percent), and the expansion has finally reached minority and low-income households. Yet the news is not all good: While homeownership can bring important benefits to owners, it also brings risks. Some achieve homeownership through risky adjustable rate mortgage loans and subprime mortgage products which place their hold on their homes at risk. For low-income households who cannot buy under terms that ensure ongoing financial stability, renting remains the more prudent option. In addition, most households pass through stages in their housing life cycle where renting makes more sense.

Little attention has been focused on conditions and challenges facing renters in Houston. Yet renters comprise 382,642 households — a 52 percent share of the Houston population. In the US as a whole renters are only 33 percent of the population. Short of significant new government action, we believe there is little chance that the Houston share of population that rents will decline dramatically in the future. Furthermore, much of the Houston renter population is faced with very burdensome rent payments due to their low incomes.

Rents out of reach to more than one-third of Houston renters

According to the 2005 American Community Survey conducted by the US Department of the Census, renters in Houston are overwhelmingly low income. Renter households with annual incomes of \$35,000 or less form 63 percent of all Houston renters.

What can a household at this income level afford to pay in rent? The federal government defines "affordable" to mean that a household pays no more than 30 percent of its gross monthly income for housing costs. (For renters such costs include rent and utilities, for owners, mortgage, taxes and insurance). For a household with income of \$35,000 per year, affordable rent and utility costs cannot exceed \$875 per month.

In fact, most Houston renter households have annual incomes below \$20,000. This represents approximately 30 percent of regional median income. For a household earning \$20,000 per year, their maximum affordable rent and utility cost

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would be \$500. The HUD Fair Market Rent (FMR) for a two bedroom apartment in 2007 in the Houston metro area is \$711. A household with an annual income of \$20,000 spending 30 percent of its gross income on housing and utilities would have only approximately \$1,165 per month remaining to cover food, clothing, health care, child care and other essentials and to pay income and other taxes.

Clearly many Houston households face housing costs beyond 30 percent of their income. Those earning \$35,000 per year or less and paying more than 35 percent of gross monthly income for rent and utilities represent 38 percent of all renters. This translates to over 140,000 households in Houston.

The gap between what local renters can afford and the rental inventory available locally can also be illustrated through comparison of the number of renter households at various income levels with rental units available at prices affordable to them. This provides a very crude measure of surplus or shortage. Shortages are always most pronounced for the poorest households: extremely low-income households consistently outnumber apartments in their price range.

Based on data from the American Community Survey of 2005 we estimate that the city of Houston had a shortage of at least 49,323 rental units affordable to poor households. It is important to recall that these shortages are likely larger than this. For example, often households with higher incomes occupy units that rent for less than the maximum can afford. Generally, around half of rental units affordable to lower income households are occupied by households with higher incomes. This means the Houston low rent unit shortages may be as much as twice as large, approaching 100,000 rental units.

When the larger Houston metropolitan area is considered and when we account for the higher income households living in lower rent units the deficit of low cost rental units grows dramatically. According to estimates prepared by the national Low Income Housing Coalition based on the 2005 American Community Survey there is a deficit of 108,424 units affordable to households earning 30 percent or less of the area median family income.

Shortage of housing for extremely low-income households (<30% AMFI) in the greater Houston area

Congressional District	Representative	ELI deficit in affordable and available units	Severely burdened ELI households
2	Congressman Ted Poe	-5,224	6,439
7	Congressman John Culberson	-15,545	10,827
8	Congressman Kevin Brady	-5,264	4,610
9	Congressman Al Green	-9,709	10,107
10	Congressman Michael T. McCaul	-24,994	21,356
14	Congressman Ron Paul	-7,382	8,220
18	Congresswoman Sheila Jackson Lee	-20,270	16,969
22	Congressman Nick Lampson	-3,579	6,659
29	Congressman Gene Green	-16,057	11,556
TOTAL		-108,424	96,743

This problem is reflected in the number of renter households that experience what Congress has determined to be "worst-case housing problems". These are households that pay in excess of 50 percent of their income for rent, leaving them little for other living costs. Within the congressional districts representing the Houston area, the number of poor households (those earning 30 percent or less than the area median family income) paying more than half of their income for rent totals a staggering 96,743.

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The bottom line is that renters are a clear majority share of Houston residents and many are facing unaffordable rents due to a shortage of affordable units and there are large number of the poorest renters shouldering unbearable rent burdens.

Another view of the Houston affordability problem can be seen through a direct comparison of rent and income. The National Low Income Housing Coalition has produced a methodology for assessing affordability in their annual "Out of Reach" report. In the Houston-Baytown-Sugar Land, TX HMFA, the Fair Market Rent (FMR) for a two-bedroom apartment is \$768. In order to afford this level of rent and utilities, without paying more than 30% of income on housing, a household must earn \$2,560 monthly or \$30,720 annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into a Housing Wage of \$14.77.

In Houston-Baytown-Sugar Land, TX HMFA, a minimum wage worker earns an hourly wage of \$5.15. In order to afford the FMR for a two-bedroom apartment, a minimum wage earner must work 115 hours per week, 52 weeks per year. Or, a household must include 2.9 minimum wage earner(s) working 40 hours per week year-round in order to make the two bedroom FMR affordable.

Those with fixed government incomes are impacted especially severely. Monthly Supplemental Security Income (SSI) payments for an individual are \$603 in Houston-Baytown-Sugar Land, TX HMFA. If SSI represents an individual's sole source of income, \$181 in monthly rent is affordable, while the HUD determined Fair Market Rent (FMR) for a one-bedroom is \$633.

Houston's extremely low homeownership rates

A second challenge facing Houston is the geography of homeownership. Where first time buyers can afford to live affects both the sustainability homeownership for them and the direction of growth for the overall region. For households buying their first home, being located close to work, schools and basic services they need can affect both their budget and access to opportunities that will determine their ability to move up over time. To the extent that new buyers are pushed outward within regions, they may be benefiting less from ownership due to higher transportation costs and lower access to jobs, and the basic goods and public services they need. In addition, if they are concentrating in areas where home prices are unstable or not appreciating, they will gain less over time from ownership. With these considerations in mind, we examined the rates and patterns of ownership across the Houston metropolitan area.

In the fast growing Houston metro area, these divides were driven by rapidly rising prices, pushing new buyers outward, and by rising property taxes, raising the costs of ownership for low-income owners within cities.

As a state, Texas ranked 41st among states in homeownership in 2005 (at 64.7%). Houston has a homeownership rate of only 44.9 percent, the lowest among major Texas cities and in 59th place among major US cities. This places Houston 22 percentage points below the national rate of 66.9 percent. Comparing Houston to aging central cities where incomes and homeownership rates are historically low does not offer any consolation. Houston is a full ten percentage points behind the national average homeownership rate of central cities in 2005.

Within metropolitan areas around the country, homeownership rates are generally lower in central cities than in the surrounding portions of the metropolitan area. The contrast between the city of Houston and the surrounding areas within the MSAs is striking. The gap between suburban residents who were homeowners in 2005 compared to city residents is 25 percent (47.8 percent homeownership rate in Houston vs 73.2 percent in the Houston suburbs). This gap exceeds national trends: in 2006, the gap between the average rate for central cities and for suburban areas was 22.2 percentage points.

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But the absolute rates of ownership being achieved in the suburbs of Houston still lags the nation. So Houston has a wide divide based on relatively low rates of homeownership in both city and suburbs. Nationally, suburban homeownership was 76.4 percent in 2005.

The prospects for narrowing the gap between city and suburb are not good, based on current trends. In the fifteen years from 1990 to 2005 the homeownership rate between Houston and its suburbs widened from 21.2 to 25.4.

The rising cost of low-income homeownership

Low income homeowners (those with incomes below \$35,000 per year) constitute an important share of the owners in Houston, comprising about 30 percent of all owners in the city. Of this group, about half are owners with incomes below \$20,000. This lowest income group is more likely to include households living on fixed incomes. A high share of low-income households have housing costs beyond 30 percent of their gross monthly income.

Many low-income owners are long term residents who paid off their mortgages years ago. For this group, high costs are the result of rising taxes. In fact, between 31 percent of low-income Houston owners paying more than 30 percent of gross income for housing costs had no mortgage.

Homeowners with low incomes facing problems paying taxes may also face problems maintaining their homes. Poor maintenance puts at risk the value of their homes and may even put them at risk of losing their insurance and ultimately their homes.

Foreclosures disproportionately hit minority, low-income census tracts

Another threat facing low-income owners and neighborhoods is the loss of property due to mortgage foreclosure. Recent news articles on the scale of subprime lending and of the potential vulnerability of certain types of loans to foreclosure has heightened awareness of this issue. A recent study conducted by the Texas Department of Housing and Community Affairs (TDHCA) assessed the magnitude of the problem in the state's five largest cities and outlined the characteristics of neighborhoods where foreclosures were most highly concentrated.

In Harris County foreclosures were highly concentrated, with one-quarter of city census tracts containing 45 percent of foreclosures. Foreclosures were concentrated in neighborhoods that had higher minority populations (minority population exceeds 60 percent) and lower average incomes than the county as a whole. Finally, the disproportionate share of loans made at "high rates" (e.g. where the APR is at least 3 points above the treasury rate) in these neighborhoods should raise concerns about predatory lending practices targeted at residents of these communities.

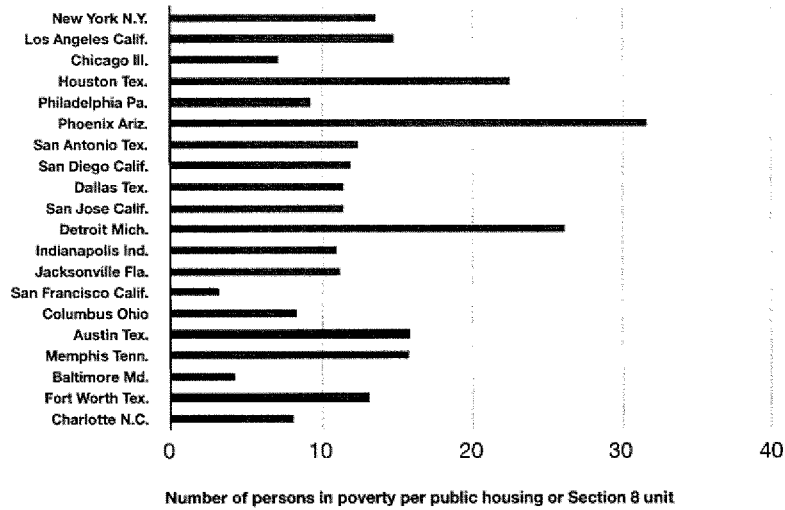
Houston's extreme shortage of government subsidized housing

Traditionally public and Section 8 Housing Choice Vouchers play a major role in providing affordable housing within major US cities. This is not the case in Houston however.

In excess of 60 percent of the affordable housing stock in Houston is privately owned unsubsidized housing. Only about 10 percent is Section 8 subsidized and less than 3 percent is public housing. Approximately 23 percent is subsidized by the Low Income Housing Tax Credit program.

The city of Houston has the third smallest amount of Section 8 and public housing per city resident in poverty of the twenty largest US cities, behind only Phoenix and Detroit. Houston had one unit of public housing or one Section 8 voucher for every 22.5 of its citizens below the poverty level.

Number of persons in poverty for each public housing and Section 8 unit in 20 largest US cities



Summary

This survey of the current state of affordable housing presents a very disturbing picture for the nation's fourth largest city.

A huge population of low-income renters cannot afford where they are now living. There is a shortage of over 100,000 rental units affordable to extremely low-income families yet there is no significant effort to provide this housing. A huge share of the city's renters are bearing unsustainable rent burdens.

Meanwhile the city's homeownership rate trails the nation and the state while many of the existing low-income homeowners are severely burdened by the cost of taxes and upkeep on their homes. The homeownership gap between the city and suburbs is growing. Foreclosures have disproportionately hit low-income and minority communities.

Finally, government housing subsidies, which provide a safety net for the poor in most major US cities, are not available in Houston at nearly the rate of most of the rest of the country.

All of these make for a major affordable housing crisis in Houston. And then came Hurricanes Katrina and Rita and things suddenly got a lot worse.

Challenges to meeting the needs of Katrina and Rita evacuees

One year after about half a million predominantly poor and destitute Hurricane Katrina survivors evacuated to Texas, approximately 251,000 remained in the state. According to the U.S. Census, Harris County gained about 123,000 residents, many of them Katrina evacuees. A survey conducted by the Houston city government in January 2006 revealed that roughly one-fourth of the city's hurricane evacuees were living in apartments funded by the Federal Emergency Management Agency (FEMA), located in high-crime, high-poverty neighborhoods on the city's southwest side.

A 2007 Zogby International poll of Katrina and Rita evacuees in Texas found that:

- 86 percent have household incomes of less than \$25,000 a year;
- 69 percent have incomes of less than \$15,000 a year;
- Prior to their evacuation, 72 percent were employed. Now only 38 percent are employed;
- 58 percent were seeking a job in Houston; and
- 24 percent are 55 years of age or older and 6 percent of the under 55 evacuees are disabled.

An unstable housing situation.

In 2006, 135,000 Hurricane Katrina survivors across the state, including 55,000 children, were dependent upon temporary housing assistance. Seventy percent rented single-family homes before Katrina struck. Now 84 percent are renters, mostly in apartment developments. Half of those surveyed indicated that they planned to remain in Texas by May 2007 and 18 percent didn't know where they would live. Most have extremely low-incomes and are living in Houston, without local community ties, family support, employment, or certainty about whether affordable housing will be available in New Orleans.

Houston received the greatest number of Katrina evacuees. According to Robert Johnson, assistant attorney at the City of Houston, an estimated 90,000 – 100,000 hurricane survivors, mainly from New Orleans and some from East Texas, were still living in the greater Houston area as of September 2007. Approximately 1,950 Houston-area families remain assisted through HUD's Disaster Voucher Program designed for families who were living in HUD assisted housing before the storms. Johnson estimates that by November 1, about 8,000 families will be assisted by HUD's new Disaster Housing Assistance Program (DHAP), which replaces FEMA's temporary housing program and is the most recent in a chain of several federal transitional housing programs for hurricane survivors. By Johnson's estimation, only one in three evacuees in Houston — or about 30,000 people — continue to receive subsidized housing.

Housing instability negatively impacts children's education.

This housing instability impacts the education of evacuee children in Texas. More than 40,000 displaced school age children arrived in Texas in 2005. By February 2006, that figure had not changed much: a total of 37,595 children displaced by Hurricane Katrina were living in Texas and attending Texas public schools.

When hurricane evacuee children first entered Texas public schools in 2005, they were all classified as "homeless" by the Texas Education Agency. Emergency shelters were the first homes most of these children knew in Texas. Later they moved with their families to housing with temporary subsidies from either HUD or FEMA, where the duration of assistance was never certain.

"A lack of a good supply of affordable housing has led to many families who were victims of the hurricanes, including children, to being homeless," said Barbara James, Project Director for the Texas Homeless Education Office. Income insecurity and a lack of affordable housing are directly correlated to high rates of mobility, and FEMA's outdated records for evacuees are evidence that a large portion of evacuee families have moved, probably more than once. Numerous studies indicate that high rates of school mobility reduce the academic achievement of children. For the segment of low-income children who are homeless, those who transfer schools are 35 percent more likely to repeat a grade and 78 percent more likely to have poor attendance than homeless children who remain in stable school placements.

Texas has not received adequate federal funding for housing survivors.

TxLIHIS estimates that federal hurricane relief has fallen at least \$700 million short of what is needed to house low-income Hurricane Katrina survivors who remain in Texas, and primarily in Houston.

Congress left decisions on how to divide the multi-billion dollar appropriations among the affected Gulf states to the US Department of Housing and Urban Development (HUD). It took the Bush Administration longer to provide significant housing relief funding to Texas than to Louisiana and Mississippi. Initial HUD decisions to provide Texas only \$74 million in assistance to deal with both Hurricane Katrina evacuees and Hurricane Rita reconstruction infuriated Texas elected officials.

A second congressional appropriation gave Texas an additional \$420 million in hurricane recovery funds but still left the state far short of meeting the rebuilding needs and far short of the per capita levels of funding awarded to Mississippi and Louisiana.

The delayed appropriation of funds for Texas meant that Louisiana and Mississippi would set up their long-term housing assistance programs well before Texas. This has hurt Texas families waiting for assistance, but it did offer the state the opportunity to watch and potentially learn from the experiences of the other Gulf states in establishing and administering their programs.

But the fact remains that the lack of adequate federal funding for housing means many will get no help.

The Texas congressional delegation secured a total appropriation of only \$503,194,849 for all hurricane rebuilding programs to serve Katrina evacuees and Rita victims. The Texas Governor's Office set aside \$40,259,276 of \$74,000,000 in Round 1 for housing assistance and \$305,238,257 in Round 2 funding, with \$222,371,273 reserved for owner-occupied rehabilitation and reconstruction. This amounts to \$347,790,309 available for owner-occupied housing assistance for both rounds combined. If divided evenly this could provide \$4,637 for each of the 75,000 households that

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were damaged or destroyed by Hurricane Rita. That is a far cry from the \$150,000 that Louisiana and Mississippi homeowners are eligible to receive.

Katrina evacuees were massively shortchanged in the allocation of funding. The state set aside a mere \$60 million for Houston and Harris County to use to aid Katrina evacuees. Other Texas cities which are home for thousands of evacuees received nothing.

Limited resources for housing relief have been spent on other activities.

HUD recently approved a waiver submitted by the City of Houston and Harris County for permission to spend a third of their \$60 million in available CDBG funds — \$20 million dollars — on an assortment of non-urgent, public safety-related activities that do not provide housing to evacuees. This is the only funding appropriated by Congress to Texas that can be used to provide housing assistance Hurricane Katrina evacuees.

The 2006 Emergency Supplemental Appropriations Act for Hurricane Recovery is very clear about the intended purpose of the CDBG Disaster Relief funds. The Act explicitly prioritizes that funds should be used "for infrastructure development and rehabilitation and the rehabilitation and reconstruction of the affordable rental housing stock including public and other HUD-assisted housing." Nevertheless, HUD approved Houston's waiver request allowing the city to divert CDBG funds from directly benefiting evacuees to reimbursing local government for out of pocket expenses and for additional law enforcement activities directed at neighborhood complaints against alleged crime produced by the evacuees.

Housing programs do not serve evacuees with the greatest need.

The other long-term, post-Katrina housing resource awarded to Texas by the federal government was \$3.5 million in special low-income housing tax credits. Apartments financed with these tax credits generally rent to families earning 60 percent of the area median income (AMI) — or about \$36,600 in Houston for a family of four. Yet the greatest demand for affordable rental housing in Houston is overwhelmingly among poorer families, according to a professional market study released by Texas' housing agency in 2006 that evaluated housing financed by the tax credit program.

The report found that there is a need for 13,970 more apartments affordable to very low-income families (earning less than 50 percent of median family income) in the Houston metropolitan area, and a surplus of 2,685 apartments for families in the somewhat higher income group traditionally served by the tax credit program. The implications of this report are heightened by Houston's poll of evacuees, which found that half have incomes that are less than \$15,000 a year.

In response to these findings, Texas housing advocates called on Congress to make a special allocation of housing tax credits to Texas, and to provide a rules waiver to allow the state to increase the level of tax credit subsidy per development so that the housing will be affordable to very low-income hurricane evacuees. Congress has yet to act on this request.

FEMA's temporary housing assistance program housed the evacuee population, but it was just that: temporary. Very low-income evacuees, especially seniors and people with disabilities on fixed incomes, have never been offered the long-term, stable housing assistance they need. On September 1, 2007, hurricane survivors who were receiving FEMA assistance began the process of transitioning to a new temporary housing program known as the Disaster Housing Assistance Program (DHAP). The program, administered by HUD, is transitional. Families will be required to pay a portion of their housing costs starting March 2008. Rent which will begin at \$50 per month and increase by \$50 each month until the program concludes on March 1, 2009. By the program's end, families will be responsible for paying the full market rent on their own.

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This program fails to provide for the needs of elderly and disabled households and single women with young children who cannot be reasonably expected to transition to full Houston area market rents over the course of the next eighteen months. These families will require long term rent assistance. Yet, there are no provisions in place to provide any.

Temporary rental assistance programs are poorly defined and confusing.

In the two years since Hurricanes Katrina struck, survivors have struggled to navigate a labyrinthine system of qualifying for and recertifying temporary housing assistance from FEMA and HUD. Numerous complaints filed against FEMA allege that housing assistance has been denied unjustly. For the families who did manage to keep their assistance, the transition to the new DHAP program has been anything but smooth. According to Robert Johnson, assistant city attorney, thousands of evacuee addresses on file with FEMA are incorrect. As a result, of the 9,100 families who qualified for the DHAP program, Johnson estimates that about 1,600 families will lose their assistance due to FEMA's failure to maintain accurate records.

Better, more innovative emergency housing solutions are needed.

In the 2006 Emergency Supplemental, Congress appropriated \$400 million to FEMA for a pilot program that could identify and evaluate new alternatives for housing disaster survivors. FEMA awarded funding to the Heston Group for over \$16 million to build pre-fabricated, panelized housing in Texas. These homes, while hurricane resistant, may be a viable temporary housing option but are not a long-term, permanent solution. The housing units will not work as long-term housing in an urban setting such as Houston because of their materials and design. Resembling industrial storage containers and previously used for temporary military and oil field housing purposes, they are unlikely to be embraced by local communities and may stigmatize their occupants.

An ad hoc coalition of affordable housing stakeholders in Texas known as "Housing Texas," is partnering with TxLIHS, the Texas Society of Architects and Covenant Community Capital in Houston to pioneer a post disaster housing demonstration project (<http://www.texashousing.org/growhome/background.html>). Together, we are collaborating to create three prototypes of well-designed, sustainable modular homes that will remain affordable to extremely low-income families in the long term and will integrate well into existing neighborhoods. These prototypes will be designed to be able to be built rapidly, on a large scale and efficiently in a post-disaster situation, but can also be used for urban in-fill housing. The "Texas Grow Homes" pilot project is far from being a major part of the hurricane housing solution unless it is backed by significant public funding.

Texas plan for long-term housing recovery not acted on.

Despite the fact that local organizations and leaders in Texas have come together to offer a comprehensive plan for dealing with the Hurricane Rita and Katrina survivors housing needs this plan has not been acted on by the president or Congress.

In August 2006, hurricane survivors, policy advocates, service providers, elected officials, and housing providers came together at a statewide hurricane housing forum and agreed upon specific solutions to the post-hurricane housing crisis in Texas. They called upon the federal government to provide Texas with: additional Section 8 Housing Choice Vouchers; \$97.5 million in Low Income Housing Tax Credits that can offer deeper subsidy to low-income families; and \$822 million in Community Development Block Grant (CDBG) funds. (The request and endorsers are attached at the end of my testimony).

Since then, Congress has authorized \$428 million in CDBG funds — about half of the estimated funding needed. The other parts of the request have not been acted upon.

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In March 2007, the House of Representatives did pass H.R. 1227, the Gulf Coast Hurricane Recovery Act of 2007. The bill includes provisions introduced by Congressman Al Green that address low-income housing shortages. But these provisions are not exclusive to Texas and we fear they will end up being disproportionately distributed to other states who, unlike Texas, have large amounts of housing resources already available. The legislation provides:

- 4,500 new project-based vouchers to create housing for persons displaced by Hurricanes Katrina and Rita.
- \$5 million for fair housing programs along the Gulf Coast, and a program requiring HUD to reimburse landlords who participated in the FEMA city lease program.
- \$36 million for new project-based Section 8 housing vouchers to support 1,500 permanent supportive housing units for Texas.

The Senate version of the bill, S. 1688, focuses primarily on recovery for Mississippi and Louisiana. It lacks provisions to help hurricane survivors in Texas or Houston.

“Compassion fatigue” is diminishing public support for hurricane survivors.

Although statistics suggest Katrina survivors are not solely responsible for Houston's spike in crime in 2005, public support for evacuees in the Houston area is in dramatic decline. In August 2006, 1,700 angry residents crowded west Houston's Grace Presbyterian Church to confront Houston Mayor Bill White and Police Chief Harold Hurtt about the evacuees' presence and rising crime and to demand that housing assistance to evacuees be ended.

A June 2007 survey by a Rice University sociologist indicates that an overwhelming 97 percent of Houstonians are proud of the way the city pulled together to help the victims of Katrina, yet 65 percent of those surveyed said the overall impact on the city has been a negative one. 74 percent of respondents concurred with the suggestion that “helping the evacuees has put a considerable strain on the Houston community,” and 66 percent were convinced that “a major increase in violent crime has occurred in Houston because of the evacuees.”

The evacuee “problem” cannot be addressed in Houston until adequate provision is made for evacuees to be able to obtain long-term affordable housing in desegregated settings away from the preexisting crime and poverty that characterize the neighborhoods that evacuees were located in when they first came to Houston.

Better preparing for the next disaster that impacts a low-income population

The most important lesson we have learned from long-term housing recovery in the wake of Hurricanes Katrina and Rita is that the housing needs of low-income disaster survivors are profoundly different from those of higher income families. Government-sponsored disaster assistance provided under the Stafford Act fails to give long-term housing stability to low-income families. In the case of the recent hurricanes and the several natural disasters that have beset Texas over the past two years, it seems that low-income families have come to constitute the majority of the victims.

Our country needs to develop a new and better way to help low-income families secure long-term affordable housing in the wake of disasters. The current process for using disaster housing resources is inefficient. Furthermore, the long-term housing needs of low-income families have not been a priority. Federal law contemplates the provision of only temporary housing relief. The Federal Emergency Management Agency (FEMA) is prohibited from paying for what is considered "permanent housing." Similarly, charitable organizations such as the Red Cross direct the bulk of their resources toward providing temporary housing assistance to disaster survivors.

Temporary assistance, coupled with private homeowners' insurance and direct public assistance is often all that is needed to help middle- and upper-income families reestablish their lives. But low-income families, who typically lack homeowners insurance and lived in unaffordable or substandard housing before a disaster, are not well-served by the existing disaster housing assistance system. This system fails to offer low-income families a clear path to permanent housing recovery.

Long term disaster recovery has historically been not a federal program but one administered by state and local governments. Besides the Rita effort, the state of Texas' approach to disaster housing is to allocate HOME federal block grant funds to a unit of local government (city or county). These local entities then provide housing assistance to disaster survivors. This process has proven to be highly inefficient. The provision of housing assistance often takes months— or even years—as local governments develop programs and administer housing funds. Additionally, localities are charged with the task of administering other—usually higher-priority—public infrastructure relief and rebuilding efforts. Housing programs take a back seat to these efforts.

There are two challenges: secure adequate resources to assist with long term housing and develop a program to provide that assistance more rapidly and efficiently. We urge Congress to work with the states to establish a pilot program to reinvent the federal/state approach to long-term disaster housing recovery. The goal would be to establish a model long-term recovery program based on the lessons learned through Hurricanes Katrina and Rita. Once the model is developed the it should be tested and demonstrated on a small scale in the next natural disaster that affects a low-income

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population. Successful demonstration of model relief efforts can be used to make the case for permanent modifications to federal programs.

Here are 10 specific improvements to existing programs based on the Katrina and Rita experience that we recommend be included in a model program:

1. In the immediate wake of a disaster be prepared to quickly conduct accurate damage assessments.
2. Identify and collect household economic and demographic data needed to determine the type of financial assistance that will be required. Develop a protocol with FEMA to collect useful data about survivors' needs.
3. Establish a housing delivery infrastructure, including program administrators and construction contractors who are prepared to go to work quickly. Develop pre-need contractual relations with private program managers and modular housing providers to allow them to deliver permanent housing very quickly in the wake of a disaster.
4. Work out in advance the type and terms of housing financial assistance that government will make available.
5. Design a program to minimize temporary housing costs. Use funds that would be spent for temporary housing to provide housing equity to disaster survivors. Secure authorization from Congress to carry out a pilot program that modifies the federal Stafford Act to use savings from temporary housing for permanent housing.
6. Be prepared to quickly inform disaster survivors about what options they have and how they can apply for assistance. Prepare public information materials including web, printed and video presentations that can be quickly modified to provide survivors immediate access to information about how to obtain housing help.
7. Establish relationships and protocols with faith-based organizations that will be providing housing assistance to prioritize the effective use of their volunteer resources and prevent duplication of effort. Integrate their efforts into government long-term recovery programs by conducting joint work write-ups and directing volunteer efforts into emergency rehabilitation that can be preserved as part of comprehensive home rehabilitation.
8. Conduct war game type disaster scenarios with state and local government agencies, FEMA, faith-based groups and housing contractors to prepare for real disasters.
9. Build support among members of Congress to work quickly with Governors in the wake of disasters to identify to secure funding for needs and break through federal logjams.
10. Establish, train and place under contract a rapid response team of federal, state and private organizations to prepare damage and needs assessments. Agree upon the data to be collected and the standards to be consistently applied in arriving at damage estimates.

How enactment of the National Affordable Housing Trust Fund and Expanding American Homeownership Act would assist Houston

National Affordable Housing Trust Fund

A review of the data presented earlier in my testimony will clearly show that the National Affordable Housing Trust Fund (NAHTF) (H.R. 2895), passed by the US House Of Representatives on October 10, 2007, is precisely the program that would best address the affordable housing crisis in Houston.

The NAHTF would provide targeted assistance to cities such as Houston to create rental housing for extremely low-income households. These are the very families which we show are most severely impacted by the Houston affordable housing crisis and relocation due to Hurricane Katrina. Our analysis shows a need for more than 100,000 new units affordable to households at this income level. There is currently no program producing any significant number of such units operating in Houston.

Existing housing resources and programs are not and cannot deal with the crisis. The current major source of housing funds, the Low Income Housing Tax Credit program creates units affordable at 60 percent of the area median family income. Recent market studies by the agency administering the tax credit program, the Texas Department of Housing and Community Affairs, shows that the Houston market is over saturated with units at this affordability level while the shortage is for units affordable to extremely low and very low income families.

In addition to the NAHTF Houston will need more Section 8 Housing Choice Vouchers. But, short of a massive infusion of additional Section 8 Housing Choice Vouchers, the passage of a well funded National Affordable Housing Trust Fund is the single most important action the Congress can take to address the Houston housing crisis.

Expanding American Homeownership Act

The Expanding American Homeownership Act (H.R. 1852) passed the US House of Representatives on September 18, 2007. The legislation amends the National Housing Act in a number of ways which would be useful in increasing homeownership within Houston and its suburbs. Especially useful are provisions to extend the mortgage term from 35 to 40 years; and revise requirements for cash downpayment by the mortgagor in the eligibility criteria for mortgage

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insurance, including mortgage insurance premiums for zero- and lower downpayment borrowers who obtain a mortgage secured by a one- to four-family dwelling.

The legislation's provisions regarding establishing a higher risk insured loan product would provide definite help to renters struggling to move into homeownership while allowing home buyers to avoid predatory subprime lending products. There is some evidence that it is these private subprime products which are contributing to the high rates of mortgage foreclosure in Houston's minority and lower-income census tracts which I described earlier in my testimony.

Recommended action by Congress

- 1) Congress should provide provide the State of Texas and Texas cities where hurricane evacuees live with:
 - 36,000 Section 8 Housing Choice Vouchers;
 - \$97.5 million in Low Income Housing Tax Credits coupled with a rules waiver to allow the state to increase the level of tax credit subsidy per development under this \$97.5 million allocation. This will permit the state to fund a portion of apartments within new developments at higher equity levels in order to obtain reduced rent levels affordable at the 40 percent of median family income level; and
 - \$319 million in Community Development Block Grant (CDBG) funds (original needs estimate of \$822 million less the \$503 million HUD has already allocated to Texas) with a requirement that these funds be used only to create housing.
- 2) Establish a fair housing counseling program so evacuees can relocate for concentrated and segregated low-income neighborhoods, understand their housing options and make informed choices for permanent housing.
- 3) Pass the National Affordable Housing Trust Fund to expand the supply of rental housing available to extremely low-income households.
- 4) Pass the Expanding American Homeownership Act to increase homeownership opportunity for lower income households.

Conclusion

The current state of affordable housing presents a very disturbing picture for Houston, the nation's fourth largest city.

A huge population of low-income renters cannot afford the rent where they are now living. There is a shortage of over 100,000 rental units affordable to extremely low-income families yet there are no resources and no significant effort to provide this housing. A huge share of the city's renters are bearing unsustainable rent burdens.

Meanwhile, the city's homeownership rates trail the nation and the state. Many of the existing low-income homeowners are severely burdened by the cost of taxes and upkeep on their homes. The homeownership gap between the city and suburbs is growing. Foreclosures have disproportionately hit low-income and minority communities.

Finally, government housing subsidies, which provide a safety net for the poor in most major US cities, are not available in Houston at nearly the rate of the rest of the country.

These factors combined to create a major affordable housing crisis in Houston. And then came Hurricanes Katrina and Rita and things suddenly got a lot worse.

Two years after Hurricane Katrina displaced about 150,000 low-income families to Texas and Hurricane Rita inflicted major damage or destroyed 75,000 Texas homes, the top priority should be ensuring the survivors are provided every opportunity to achieve long-term recovery. Yet due to a lack of adequate recovery funds from Congress and the Administration, most low-income hurricane survivors in Houston are suffering loss of temporary housing benefits and are increasingly unlikely to obtain any meaningful long term housing assistance.

In fact, data summarized in this testimony suggests low-income Hurricane Katrina and Rita survivors in Texas are likely to be worse off than they were before the hurricanes. Once the shelters closed, and temporary rental assistance ended for tens of thousands of families, they were left on their own to survive in a city which lacks any meaningful affordable housing for them. Now, most are unemployed, uninsured, and living in unaffordable housing segregated into high-poverty areas. Public opinion in Houston is turning against them and their plight has fallen from public consciousness.

Research indicates that without long-term recovery assistance, socially vulnerable and even middle-income disaster survivors will be at risk of destitution or lasting poverty. For evacuees, permanent housing opportunities are a crucial part of recovery. Despite challenges, there remains an opportunity to ensure hurricane survivors in Texas are able to achieve lasting recovery. It will require political support, additional financial resources, government competence in ensuring funds are used properly, and the sustained perseverance of hurricane survivors.

Attachment: 2006 Texas request, aid to Katrina evacuees

July 1, 2006

President George W. Bush
Members of Congress
Secretary Alfonso Jackson, Dept. of Housing & Urban Development
Washington, DC

Dear Mr. President, Members of Congress, and Mr. Secretary:

Hurricanes Katrina and Rita handed the state of Texas an unprecedented housing challenge. To date, there are no long-term affordable housing resources for Hurricane Katrina victims in Texas, and grossly inadequate resources for the 75,000 victims of Hurricane Rita.

Reclassifying Katrina evacuees in Texas as refugees and transferring them to an 18-month resettlement program, a strategy that has proven successful in other disasters of this magnitude, is a good approach for evacuees who have decided to stay. It is also important that evacuees have clear choices about returning to home. The decision to resettle or return should be up to the evacuees.

We support a five-step plan to provide housing to the more than 100,000 families living in Texas who are victims of Hurricanes Katrina and Rita.

1. Transfer long-term housing responsibility from FEMA to a government agency that understands housing: the U.S. Department of Housing and Urban Development.
2. Settle the elderly and people with disabilities who will require on-going government housing subsidy into permanent housing with Section 8 Housing Choice Vouchers.
3. Provide temporary Section 8 Housing Choice Vouchers to other families renewable at six-month intervals as a part of the resettlement plan.
4. Develop affordable rental housing and build and repair owner-occupied housing.
 - Rental housing production: Texas needs an allocation of Low Income Housing Tax Credits (LIHTC) coupled with a rules waiver that allows the state to increase the level of tax credit subsidy per development. This will provide at least one affordable apartment for every three evacuee households.

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- Owner-occupied housing production and rehabilitation: Using a special Community Development Block Grant (CDBG) allocation of \$10,000 per evacuee household, fund owner-occupied housing repair and construction programs.

5. Establish a housing counseling program so evacuees can understand their housing options and make intelligent and informed choices.

To carry out this plan, we call upon the federal government to provide Texas with:

- 36,000 Section 8 Housing Choice Vouchers,
- \$97.5 million in Low Income Housing Tax Credits and
- \$222 million in Community Development Block Grant (CDBG) funds.

Sincerely,

Organizational Endorsers:

Texas Low Income Housing Information Service
 National Low Income Housing Coalition
 Texas ACCPN
 Texas Applesseed
 Center for Public Policy Priorities
 United Ways of Texas
 The Texas IAF Network of Organizations
 House the Homeless, Inc.
 Houston Support Group
 Texas Interfaith-Interagency Disaster Response
 American Dream Self-Sufficiency Program
 Inclusive Communities Project
 Alamo Area Mutual Housing
 Antioch Project Reach, Inc.
 Universal Living Wage Campaign
 Texas Homeless Network
 North Central Texas WorkForce
 Family Eldercare
 United Cerebral Palsy of Texas
 Rev. John Bowie, Clergy Co-Chair of The Metropolitan Organization (TMAO)
 Texas Legal Services Center
 Foundation Communities
 Society of St. Vincent de Paul, Diocesan Council of Austin
 Communities in Schools, Baytown, Texas
 Family Eldercare
 Central Dallas Ministries
 Texans Care for Children
 North Central Texas Workforce
 Caritas of Austin
 Expanding Horizons Foundation
 The Praxis Project
 National Association of Social Workers

Individual Endorsers:

Holly Bell, Austin, Texas
 Scot More, Coalition for the Homeless of Houston
 Cathy Brown, The Gulf Coast Center
 Cynthia Smith, Mental Health Mental Retardation of Beaumont
 Carronda Keeton, hurricane evacuee
 Emily Schroeder, Houston Volunteer Lawyers Program
 Leticia Garza, G.R.A.C.E. Community Services
 Annel Naeik Ausley, Albert, Robertson & Flores, LLP
 David DeCuir, hurricane evacuee
 Vicki Johnson, Texas Rio Grande Legal Aid
 Karen Curtin, WorkSource Dallas County
 Barbara Mancoske, Harris County Housing Resource Center
 Patricia Laves
 Rosemary Wetherold, Austin, Texas
 Abe Louisa Young, The New Orleans Disaster Oral History Project
 Abram Himelstein, Neighborhood Story Project
 Monique Grant, Houston, Texas
 Courtney Carter, Austin, Texas
 Emily Steinberg, Austin, Texas
 Brandi Daniels, Brooklyn, New York
 Jim Bruce, Oakland, California
 San Alboroz, Austin, Texas
 Bernard Laves, hurricane evacuee
 Rebecca Sohlt, San Francisco, California
 Janet Davis, LCSW, Austin, Texas
 Michelle Augustine, Faith Presbyterian Church, Austin, Texas

Statement to the

Subcommittee on Housing and Community Opportunity
Financial Services Committee
United States House of Representatives

By Debra Junor on behalf of the
Texas Tenants' Union

October 29, 2007

Good Morning Chairwoman Waters, Congressman Green, and members of the committee. My name is Debra Junor and I am here on behalf of the Texas Tenants' Union, a nonprofit tenants' rights organization which empowers tenants through education and organizing to protect their rights, preserve their homes, improve their living conditions, and enhance the quality of life in their community. I am a former tenant of a HUD-assisted apartment complex, a former HUD-funded VISTA Volunteer, and a former tenant organizer for the Texas Tenants' Union. I have worked with tenants in HUD-assisted apartment complexes throughout the Houston area.

According to the U.S. Census Bureau's 2006 American Community Survey, there are 400,458 renter households in Houston and almost half (46%) pay 30% or more of their adjusted gross income on housing costs. These families and individuals suffer with affordability burdens which make them vulnerable to eviction and homelessness, substandard conditions and credit problems. This can result in multiple moves during the school year for families with children, determine the quality and quantity of food the family or individual is able to purchase, and impact whether needed medications and medical treatment is obtained. HUD housing programs help thousands of senior citizens, disabled people, and lower income working families keep a roof over their heads.

The HUD properties I worked in and will discuss today are privately-owned apartment complexes that either have HUD-insured loans or project-based Section 8 Housing Assistance Payments contracts, or both. In the 1960's and 1970's, HUD encouraged private developers to build affordable housing through low interest HUD-insured loans. In exchange, the owners were required to keep the rents affordable to low and moderate income people. In Texas, the rents were generally at least \$100 to \$400 less than private market rents, depending on bedroom size.

In the late 1970's and early 1980's, HUD began providing additional subsidies to some of these developments and created new apartment complexes with the project-based Section 8 program. This program provides greater affordability to very low and extremely low income people similar to public housing or the Section 8 voucher program. Generally, tenants pay 30% of their adjusted income for rent and HUD pays the rest. Many of these contracts had 15-20 year terms and some were as long as 40 years.

In the mid-1980's, some owners began paying off their HUD-insured loans which released them from the obligation to provide affordable housing. One of the first prepayments in the country occurred in Dallas, where the apartments were demolished and replaced with a 17 screen movie theater. In other places, owners simply raised the rents to market levels. At the time, there was no federal program designed to try to keep these properties affordable and no protection at all for the residents.

In 1987, Congress became concerned that much of the subsidized housing stock would be lost so they passed legislation designed to preserve the properties as affordable housing – First the Emergency Low Income Housing Preservation Act (ELIHPA) and later the Low Income Housing Preservation and Resident Homeownership Act (LIHPRA). These laws provided financial incentives for continued affordability and restricted owners from

prepaying their HUD loans. Congress lifted the prepayment restrictions in 1996 and stopped funding the preservation incentives the following year. There were relatively few properties in Texas preserved with these programs and none in Houston.

Owners of at least eight properties in Houston prepaid their HUD mortgages and converted to market-rate housing after the restrictions were lifted. Initial rent increases after prepayments in Texas were usually between 50% and 100%. Where the property has a Section 8 contract that remained, tenants living in the Section 8 units continue to pay 30% of their adjusted income for rent. The other tenants were eligible to apply for a "tenant protection" or "enhanced" voucher. Even with these vouchers, many tenants faced steep rent increases, and some tenants were screened out all together. Some owners overestimated how much unsubsidized tenants would be willing to pay, and faced high vacancies as voucher tenants moved. This resulted in worse conditions at some developments. Conversion to vouchers is also more costly for the government than retaining the project-based subsidies, as the below market rents are raised.

Houston Prepayments

Property Name	Total # units	Prepayment Date	Section 8 Contract?	# Section 8 units	Opt Out?
Allendale Village	96	10/19/98	No	N/A	N/A
Aristocrat/Palomino Pl.	272	5/31/98	Yes	178	No
Dyersdale/Sterlingshire	200	12/12/03	Yes	129	No
Northline	200	4/26/04	Yes	103	No
Parker Square	175	11/21/00	Yes	106	Yes
Southgate	224	12/2/99	Yes	69	Yes
Villa Americana	258	3/25/04	Yes	258	No
Yorkshire Village	248	9/21/00	Yes	103	Yes
	1673				

In addition to ending the affordability restrictions by prepaying HUD loans, there are several other ways HUD subsidized properties have been or can be lost to the affordable housing inventory:

- 1) The owner can "opt-out" (choose not to renew) the project-based Section 8 contract upon expiration.
- 2) HUD can choose to terminate the contract due to substandard conditions or other owner default.
- 3) The mortgage can reach the end of the 40 year term, thereby ending the rent restrictions.
- 4) The owner can default on the HUD loan, which sometimes leads to a foreclosure sale to the highest bidder with minimal use and rent restrictions.

Texas leads the nation in HUD multifamily foreclosures and ranks close to the top on prepayments and Section 8 opt-outs. The expiring mortgage issue will be upon us very soon. HUD has some programs to save subsidized properties, but they need better tools and more guidance from Congress so that preservation is achieved more often. Congress

also needs to provide better protections and options for tenants when they face the loss of their housing.

The Texas Tenants' Union participates in the Preservation Working Group, a coalition of tenants, advocates and owners who are concerned about subsidized housing losses. We have a number of recommendations, some of which are highlighted below.

Provide Adequate Appropriations to Renew Section 8 Contracts

As you know, a huge threat to the success of preserving this housing stock is HUD's failure to request enough money for the project-based Section 8 program. If HUD is unable to make timely subsidy payments, or commit a full year's funding to renewal contracts, owners will likely opt-out at the first opportunity. We urge Congress to solve this problem by providing an adequate appropriation in FY '08 Appropriations bill, passing an emergency supplemental appropriation, or providing advanced funding from FY '09 as has been done for Section 8 voucher renewals.

The Texas Tenants' Union is working with tenants at a property in South Texas now that we suspect is a casualty of the inadequate appropriation request in FY '07. The Mercedes Palms Apartments were sold at a foreclosure auction last year with a 20 year Section 8 contract. Because the property had fallen into disrepair, the new owners were not allowed to draw on the subsidies until the units passed inspection. The first apartments were ready to inspect in December, but inspectors did not come until February. By April, 20 of the 48 apartments had passed inspection and the manager tried to request payment from HUD. She received conflicting instructions, but no real help, and finally was able to request payment in a form acceptable to HUD by the end of June or early July. At that point, HUD had run out of money and was juggling funds to pay owners. Many owners didn't receive rent for July and August until late in the summer, but the Mercedes owners had defaulted on their loan by then, and the property was taken by their lender.

On October 20th, HUD terminated the Section 8 contract and ordered vouchers for the tenants. The Mercedes Housing Authority is telling all the tenants they must relocate. All of the tenants we have talked with want to stay. In addition to the 20 renovated apartments, 9 others are 90% complete. Many tenants have indicated there are not appropriate bedroom sizes available for them nearby, and they don't want to leave their newly rehabilitated apartments or their community. If the senior citizens, disabled people and lower income families are forced out, the City of Mercedes will be left with a vacant, partially renovated property, vulnerable to vandals, with no subsidies to ensure it stays truly affordable.

Strengthen the Mark-to-Market Program

HUD's Mark-to-Market program has generally been an effective program for preserving and improving Section 8 housing in Texas. When Section 8 contracts expire, if the rent is above the market rent in that community, HUD will not renew at the higher rent level. Instead, they mark the rent down to the market level. Owners have two options in Mark-to-Market: a full restructuring with 20 year contract renewal or a simple rent reduction with a shorter term renewal. Because simply cutting the subsidy level might harm the

property and put the owner at risk of defaulting on their loan, the Mark-to-Market “full” program provides the owner with the opportunity to refinance the mortgage. The restructuring process also considers the physical needs of the property and has resulted in significant improvements to many properties.

In Texas, 134 properties have entered the Mark-to-Market program, most of which have been full restructurings. There have been nine properties in Houston: 2 full restructurings, 6 “lites”, and 1 determined to be ineligible due to below market rents. At least 2 dozen Houston properties could still benefit from full Mark-to-Market restructurings, including the 6 properties where rents were simply reduced.

We appreciate the reforms for the Mark-to-Market program pending in HR 3965. They include expanding eligibility to below market properties, extending the period to provide debt forgiveness for nonprofit transfers, expanding HUD’s ability to approve exception rents, and expanding the program in disaster areas. We support these reforms, but also think it is critical to ensure tenants are meaningfully involved in the process as the law intended.

Amend HR 3965 to Direct HUD to Fund the Technical Assistance Programs to Tenants

Expiring subsidies can have a drastic impact on the families and senior citizens living in the properties. The Multifamily Assisted Housing Reform and Affordability Act (MAHRA) required HUD to establish procedures to provide an opportunity for tenants to participate in the mortgage restructuring process, in any proposed transfer of the property, and in rental assistance assessment plans. MAHRA authorized up to \$10 million annually for technical assistance, but none has been obligated since 2002.

The Texas Tenants’ Union was awarded Outreach and Training Assistance Grants (OTAGs) in 1998 and 2001 to work with tenants in HUD assisted properties through the MAHRA technical assistance funds. We also utilized VISTA volunteers through a joint program with HUD, the Corporation for National and Community Service, and the National Alliance of HUD Tenants (NAHT). This program was very effective in training organizers specifically to involve tenants in the preservation and improvement of HUD housing, and NAHT’s involvement was critical. TTU recruited seasoned tenant leaders and recent college graduates who often worked in pairs to empower HUD tenants. We haven’t had VISTA volunteers since 2002, and our OTAG funds were completely spent by last year.

Tenants can and have played crucial roles in determining the outcome at their properties, but it rarely happens (if ever) without some outside assistance. Tenants are often initially skeptical that they can make a difference and need support and training to believe it is worth their while to get involved.

The Texas Tenants’ Union has helped tenants obtain improvements in Mark-to-Market Plans, convince owners to choose full Mark-to-Market restructurings instead of short-term “lite” renewals, identify new ownership for troubled properties, monitor the

implementation of the restructuring plans to ensure promised repairs and replacements were completed, and withstand harassment and retaliation from some owners and managers.

Properties in Texas that have entered Mark-to-Market since our funding ended have had very little tenant participation at the required information meetings, much less any sustained meaningful ability to actually influence the outcome. We continue to assist tenants at previously organized properties as best we can with very scarce private resources, but we only have one organizer and no travel money. The \$10 million cost to re-start this program immediately is a minute fraction of the overall budget but can be instrumental in determining if a property is saved for the long term or not.

Enact a Federal First Right of Purchase

Congress provided a “right of first purchase” for rural housing developments to allow preservation purchasers to acquire the properties before the subsidies are lost. Several states have similar laws for HUD properties. Establishing a right to purchase at the federal level could help save more housing.

There are currently 472 former HUD-assisted units sitting vacant and boarded up in a very nice North Dallas neighborhood. The mortgages for Northwest and Northlake Terrace were prepaid in 2000, and the Section 8 contract ended a few years earlier. We helped the tenants organize and identify a local non-profit partner to try to acquire the property under the LIHPRHA program in 1996, but the program ended and the owner decided not to sell. When we learned of the pending prepayment, we tried to convince the owner again to sell to the local nonprofit developer for the fair market price, but they refused to even negotiate in good faith. Instead, the property was sold to an investor interested holding the land for redevelopment. Last year, he displaced all the residents and closed the complex down, with the expectation that the property would be sold to a luxury townhouse developer. That sale fell through, the townhomes have not been developed, and what was once a very nice HUD property is now a ghost town. A right of first purchase would have resulted in the preservation of that property.

Ensure Vouchers Are Provided For All Families and Units When Properties Are Not Preserved

Currently, vouchers are provided to “eligible” tenants residing in HUD properties at the time of conversion. Owners are supposed to accept the vouchers if the property remains rental housing, but some refuse and HUD’s lease contract does not include a good cause for eviction requirement. In addition, Housing Authorities are allowed to “rescreen” tenants before issuing the vouchers. Tenants in good standing at the property have sometimes been denied a voucher due to things like minor criminal conduct committed by a family member long ago, or an outstanding debt to a housing authority due to moving from crime-ridden public housing prior to the end of a lease. Congress should clarify that all tenants living in the property at the time of conversion are entitled to a voucher, that the owner has a duty to accept, and require the lease contracts to include the good cause for eviction clause.

Vouchers also should be issued for each unit that is converted, instead of just each occupied unit. It is important to note that when a property is undergoing a conversion, landlords often stop leasing units and tenants often leave before the conversion actually takes place due to the confusion about the future of the development and/or due to disinvestment and deteriorating conditions. When HUD terminated the Section 8 contract on the Jerusalem Apartments in Longview, TX last year, there were only 78 vouchers issued for the 100 unit property. 85 units were occupied at the time of conversion, but 7 families were screened out or chose not to take the voucher.

Vouchers should also be issued when properties convert to market-rate housing when the mortgages reach their 40th year. There is currently no provision to protect these tenants from what may be very significant rent increases.

Empower Tenants To Enforce Their Rights When HUD Enforcement Is Lacking
Sometimes, HUD fails to step in to enforce their contracts in a timely manner, with unpleasant consequences for the tenants. Tenants are listed as third party beneficiaries on Mark-to-Market Use Agreements, but not on other agreements affecting their homes. Tenants should be listed as third party beneficiaries on Section 8 Housing Assistance Payments Contracts, Mark-to-Market Restructuring Commitments, and Rehab Escrow Deposit Agreements.

Tenants should also have the right to withhold their portion of the rent when their units fail to pass Housing Quality Standards.

Provide HUD with the Direction to Save Troubled Properties and Other At-Risk Housing through the Enactment of HR 44

Many HUD foreclosures have resulted in less than desirable outcomes for tenants and the community. Unless properties are sold with continued Section 8 contracts, the rents do not remain truly affordable for the long term. Getting property into responsible hands also requires better oversight. HR 44 would:

- restore HUD's ability to provide "up-front grants" from the mortgage insurance fund;
- repeal HUD's "flexible authority" which has been used to dump distressed properties with minimal tenant protections;
- require HUD to maintain rental assistance while properties are being rehabilitated, with the funds going into escrow until the units meet housing quality standards;
- close a loophole by requiring all purchasers to be in compliance with housing codes and statutes, even when HUD is the insurer or subsidizer, but not the direct seller of the property;
- allow HUD to transfer their non-judicial foreclosure authority to units of local government interested in preserving the housing;
- require HUD to maintain and post information on HUD properties including physical inspection (REAC -- Real Estate Assessment Center) scores, and prepayment and opt-out notices; and

- require HUD to use standard industry appraisal practices in determining the value of a property by considering the cost of repairs and the cost of maintaining affordability restrictions.

There are other recommendations in a package prepared by the Preservation Working Group that we hope will be enacted to help save this desperately-needed housing stock.

Thank you for the opportunity to appear before you today.

My name is Manuel Lopez and I am the Deputy Director and Chief Operating Officer for the Tejano Center for Community Concerns. I am providing testimony on behalf of Richard Farias, the organization's President and CEO. It is impossible for me to provide the Committee with information on the status of affordable housing throughout the City of Houston; however, I believe I can do so for the East End, where Tejano Center has labored for the past 15 years, attempting to impact social, economic, health educational, and housing conditions. Most particularly I can speak to issues regarding the providing of opportunities for homeownership to Hispanic families, which has been the primary focus of the organization's housing initiatives.

Tejano Center's service area is comprised of the East End's residential neighborhoods, most of which are predominately low-income, with many in a state of social and economic deterioration. Drugs, alcohol, and inhalant abuse are serious issues, as are juvenile delinquency and violence. Homelessness, blight and dilapidated housing are not uncommon. Between 1990 and 2000 the poverty rate in the service area grew by 7%. Per capita income is 56% of the city's average. In 2000 East End residents, 25 years and older, were 3 times more likely than the rest of the city to have less than a ninth grade education. Job losses in the East End between 1990 and 2000 totaled almost 1,500. New housing starts outside the downtown periphery are almost in a flatline, providing impetus, to overcrowding, as well as, to a more rapid deterioration of the existing residential stock. Employment is primarily in the manufacturing, trade, and construction industries, with operators and laborers dominating the job sector. Median household income in the East End ranges from \$12,083 in Groveland Terrace (CT 2118) to \$61,142 in McNair (CT 2532). The total number of low to moderate-income persons in 2000 was 162,538, or 72% of residents. Data on educational levels reflects that 32% of the population over age 25 have less than a 9th grade education. Over 55% of the same group did not graduate from high school and only 6% graduated from a college, or university.

The East End is a very large and fluid homogeneous community where commonalities amongst residents abound. In addition to neighborhoods sharing many similar characteristics such as low income and low literacy levels, there is a common language, ethnicity, and culture. Residents depend on jobs from the same industrial base and reflect like employment patterns. The extended family culture impacts housing trends and choices. Typically, families prefer to purchase a house close to their jobs and in neighborhoods and surroundings with which they are familiar. This means near to other family members, friends, and to churches and schools they know well. In the service area that is fast becoming a near impossibility. Housing opportunities in the East End's older neighborhoods are scarce and getting even scarcer. The few used homes that do get on the market command a price tag that approaches that of a new home of comparable size and amenities. For 40-60 year-old, two and three bedroom homes, the asking price ranges from \$50,000 to \$80,000.

Many families have opted to move out of the East End and into new subdivisions nearby. These have been opened up by private developers and builders between Hobby Airport and Beltway 8. There families pay between \$85,000-\$135,000 for 3 and 4 bedroom homes touted as affordable housing. However, several of the developers have shown little or no patience for governmental regulations that hold up their closings, or so they claim. As a result, some of the developers and builders have chosen not to participate in one of the few financial support mechanisms available

to low and moderate-income homebuyers, the HOME down payment and closing cost assistance program offered to LMI families by the City of Houston and Harris County. These actions have served to eliminate the lower end of the organization's client base from purchasing private sector products. Only the higher end families and others earning 80% or more of median income have been able to acquire and move into the homes.

The social and economic benefit of homeownership to a community and to society in general has been amply documented. However, in many urban areas such as the East End, huge gaps in homeownership rates persist. The salient need to provide additional affordable homeownership opportunities in our service area is evidenced by the huge numbers of low and moderate-income renter households. Of the 162,538 low and moderate-income residents, an estimated 40% are renters, representing 65,015 persons, or 18,800 households. However, a precise count of families is difficult to calculate, due to the fact that there is a significantly large number of situations in which two or more families live in a single residential unit. The fact is that such cases augment the actual number of renter households in a particular census tract, oftentimes skewing the official count.

Low and moderate-income Hispanic homeowner families can be the most significant stabilizing force in arresting and reversing social and economic deterioration of residential neighborhoods in the East End. This population sector, however, faces severe barriers to homeownership. In brief, specific obstacles are poverty, low-income levels, and low literacy levels, with large numbers of families possessing little or no knowledge of the English language. There is limited information in the community on the homeownership process, or of opportunities for homeownership, or of typical bank and mortgage company requirements and procedures. Typical East End households are comprised of large families with limited capital assets.

According to the U.S. Bureau of the Census, there are 156,387 Hispanics in the service area, or 69.2% of the district's total population of 225,599. A significantly large percentage of these are undocumented residents, most of whom are Hispanic in origin. These families face particular hardships when exerting any attempt to realize their dream of homeownership. A major obstacle in qualifying such households for home mortgage loans is income documentation. Many program clients do not have legal status to live or work in the United States and most have not yet initiated the process to legalize their stay. Nearly all receive the bulk of their income in cash, and do not have a history of filing federal income tax returns. Income documentation obstacles exist even with families who have legalized their status in this country. Many clients do not report all of their taxable income, others have two jobs and get paid cash in one or both, and others work in the food and beverage service industries where cash tips make up the lion's share of their income. The reasons families give for failing to properly document their income vary, and the underlying cause for the phenomena may be cultural, economic, and/or ignorance, or some combination thereof. However, the hard reality remains that many mortgage worthy Hispanic families fail to receive approval because of the lack of income documentation.

There are other problems that inhibit homeownership among the Hispanic population in the East End. The barriers stem principally from housing condition in the service area. Foremost among these is the status of the existing housing stock. Large numbers of residential structures are dilapidated or in a state of severe deterioration. Most houses are extremely old. The average age

of the housing stock ranges from 21 years in Census Tract 2523 to 58 years in Census Tract 3104. Over 75% of the housing is 40 years old or older. Such conditions are aggravated by high rates of overcrowding and significant numbers of abandoned properties and boarded up homes. New housing starts that would serve to replace the dilapidated and deteriorating homes would barely make a bleep on the radar screen. On the other hand, economic activity in the greater Houston Metropolitan Area has caused the price of existing houses in the East End to skyrocket. This has led to serious repercussions to an area where income levels are at less than 50% of that for the City as a whole. The availability of housing has become extremely limited for families looking at either the rental or the homeownership market. Families who are actively seeking to purchase a home more often than not have had to look elsewhere to meet their housing needs.

Tejano Center supports expansion of existing homebuyer counseling and education programs as a major step to increasing affordable housing opportunities for low and moderate-income families. Such an expansion should target the application of funding and other resources directly to communities and provide support to organizations laboring in the trenches on a daily basis, creating affordable housing opportunities one family at a time. Tejano Center also supports an expansion of HOME programs with increased appropriations for down payment and closing costs assistance to low and moderate-income homebuyer families, as well as, increased allocations for CHDO (Community Housing Development Organization), set-aside funds that will serve to build the capacity of CHDOs to develop new, affordable replacement housing and rehab existing residential structures in their service area. Tejano Center additionally supports the providing of categorical federal assistance for Houston Hope and LARA, high impact and innovative affordable housing programs created by the City of Houston under the guidance and leadership of Mayor Bill White and which will facilitate their expansion to other residential neighborhoods not now benefiting from these initiatives. As well, the organization supports continuation of Fair Housing legislation and appropriations, and curbs on the practices of lenders engaged in the issuance of subprime mortgage loans currently causing devastation to many low and moderate-income homeowners.

**Testimony of Toni McElroy, Board President
Texas Association of Community Organizations for Reform Now (ACORN)
Presented to the
Financial Services Subcommittee on Housing and Community Opportunity
U.S. House of Representatives
Houston, Texas
October 29, 2007**

Chairwoman Waters, Ranking Member Capito, Congressman Green and members of the subcommittee, thank you for the opportunity to testify today about the affordable housing needs of low-income residents in the City of Houston.

I am Toni McElroy, Association Board President for the Texas state chapter of ACORN (Association of Community Organizations for Reform Now), the nation's largest grassroots community organization of low- and moderate-income families consisting of 350,000 members organized into 850 neighborhood chapters in more than 100 cities across the United States. Ten thousand members belong to the Houston chapter, which has been an active community organization since 1975.

My testimony today will highlight the affordable housing needs of low-income residents in Houston as well as the challenges faced by low-income families to achieve and maintain homeownership; the lack of protections for renters; the remaining long-term housing needs of Katrina survivors who reside in Houston; and finally, my testimony will make policy recommendations to enhance the availability of affordable housing.

Shortage of Affordable Housing Construction

Developers are building more affordable housing outside the city limits - often with public dollars - which exacerbates the shortage of affordable housing inside the city limits. With the exception of the City of Houston's HOPE Project, the ACORN Housing Corporation, and a handful of others affordable housing developers, few projects are underway to address the need to build for purchase affordable units inside the city limits. Consequently, low- and moderate-income families who aspire to become homeowners are being forced out of their communities and are moving outside the beltway.

Third Ward, the neighborhood where I was born and raised and where I continue to live, is a perfect example of this. My neighbors and their families are being forced to move out to Missouri City and other surrounding suburbs to the South in the search for better housing. This is also occurring in the city's north side, where residents are increasingly moving to Spring, Katy, and other suburban areas. As our Houston neighborhoods become more gentrified, improvements in services and infrastructure are made to meet the needs of upper income residents who are moving in. Unfortunately, in the suburbs, where former residents are relocating, often there are few health services, no public transportation, and longer commutes to jobs. To make matters worse, as our communities become more dispersed and displaced, our voting power becomes subsequently diluted, making it even more difficult to hold public officials accountable to address the very needs we are talking about today.

Predatory Lending and Housing Scams

In addition to the lack of affordable housing options for purchase in Houston, communities remain vulnerable to predatory lending and other unscrupulous housing sale practices that are rampant in certain Houston neighborhoods, especially in African American, Latino, and immigrant communities. Based on our report, *Foreclosure Exposure*, which examined Home Mortgage Disclosure Act (HMDA) data, African-Americans were issued 26% of all high-cost home purchase loans in Houston in 2006, but only 6.7% of the prime home purchase loans. Latinos were issued 32.8% of all high-cost loans originated and 20.1% of the prime loans originated. In contrast, Whites received 52.5% of the prime loans originated, which is greater than their 30% share of the high-cost loans originated. African-Americans represent 16.6% of the population in the Houston metropolitan area while Latinos represent 28.7% of the population.

Additionally, immigrant families have fallen victim to abusive lending practices, such as “contract for deed” and “lease with option to buy” scams. A contract for deed is a contract between the owner of the real property and a person who wants to buy the property for an agreed-upon purchase price. When the full amount of the purchase price is paid, the owner is supposed to deliver legal title to the buyer by an actual deed. Unfortunately, the buyer has neither rights as a homeowner, nor rights as a tenant, and in most cases, buyers never obtain the title to the property, even after the principle has been fully paid, due to problems with titles and liens. Often, these scams are perpetrated by unethical realtors, who convince aspiring low-income, often unsophisticated, homebuyers to enter into contracts as their only means of buying a home. As a result of the scam, we have seen families swindled by these abusive contracts when they should have been purchasing their house with a traditional mortgage product from a reputable lender.

For example, Rosa Chavez, an ACORN member from Houston, paid \$5,000 for what she was told was a down payment on her home. She signed a “Lease with an Option to Buy” contract in English although all of her communications with the seller were in Spanish. After three years, she was told she would again have to pay \$5,000 as an “option fee” and enter into an 11% interest loan in order to remain in the property. Although she has invested thousands in repairs on the home and always paid her monthly payments, Rosa is in danger of losing her home because she cannot pay the \$5,000 “option fee”.

In 2005, ACORN with the help of Texas Low Income Housing and Information Services, worked to pass legislation curbing such abuses associated with contract for deeds and lease options, but realtors, organized and better funded, are attempting to gut such legislation at the state level. We were able to keep the bill intact during the 2007 session, but we expect another fight in 2009, when the Texas Legislature reconvenes.

Challenges for existing home owners

Many low-income residents, especially seniors, are unable to make the necessary repairs to maintain their home and to make it energy efficient. With spiraling energy costs in Texas, this dilemma is worsened when people are forced to choose between paying their light bills or their

mortgage, or other important bills, such as food and medicine. The home repair program administered by the City of Houston's Housing and Community Development Department has been mismanaged for decades. Under Mayor White's administration, the program has drastically improved. Nonetheless, we would like to see more done to ensure that all low-income residents and seniors on the waiting list get the repairs they need in a timely fashion. ACORN Members met with HUD Secretary Alfonso Jackson, and as a result of this meeting, we were able to have entire homes demolished and rebuilt. However, many more wait for repairs that never come and unfortunately, some seniors have passed away while still waiting for their home repair grants to come through. It is our understanding that the city pilot project, which weatherized hundreds of homes in the Pleasantville neighborhood since its implementation, is being expanded to other neighborhoods as well. We wholeheartedly support this move.

Few Protections for Renters

The city of Houston has a significant renter population, which faces its own unique challenges, especially low-income tenants. As we organize communities, we find properties in horrible conditions where residents complain of unfinished repairs, problems with rodents and roaches, inadequate plumbing, and other safety problems. Katrina survivors filled tens of thousands of the vacant rental units in Houston, and many of them were moved into apartments located in the highest crime areas of town. Landlords of these complexes continue to receive compensation from FEMA despite their failure to properly maintain these properties resulting in less accountability to tenants.

Remaining Housing needs for Katrina survivors

Two and a half years after the storm, many families from New Orleans have settled in Houston temporarily and in many cases, permanently. ACORN took a very proactive role in organizing and fighting for the rights of Katrina survivors in Houston to have their housing needs met. Additionally, we have advocated for Katrina survivors to obtain the necessary resources to return and rebuild the city of New Orleans should they decide to return. ACORN's constant pressure on FEMA ensured disaster housing assistance for displaced survivors and numerous extensions of the program, preventing thousands of evictions from hotels and apartments. On November 29, 2006, ACORN won a landmark legal victory on behalf of Katrina survivors when a federal judge ruled that FEMA *immediately* resume providing housing benefits to an estimated 4,200 families who had been unfairly denied aid. ACORN's work at the local and national level recently led to a federal decision to move Katrina housing assistance out of FEMA and under HUD's control.

Rising Foreclosures

As you well know, recent financial losses on Wall Street have generated much attention and concern about subprime predatory lending practices, which have trapped millions of borrowers into unaffordable loans threatening not only the financial security of these homeowners and their communities, but also undermining the safety and soundness of the marketplace. As many as 1.3 million adjustable-rate mortgages are expected to reset at higher interest rates by the end of next year, and as many as 2 million families could face foreclosure and lose their homes.

Consequently, community-based housing counseling agencies, such as our sister organization ACORN Housing Corporation, who traditionally provide pre-purchase homeownership counseling to first-time homebuyers, have begun aggressively to provide more specialized post-purchase assistance to distressed borrowers, including delinquency counseling and foreclosure prevention. The effectiveness of delinquency counseling is contingent on the willingness of servicers to engage in reasonable loss mitigation, often including loan modifications that typically involve changing a loan from an adjustable rate to a fixed rate or changing other terms to enhance affordability.

Therefore, ACORN is calling on the lending industry to abide by a set of standards that will keep the maximum number of families in their home, including implementing a policy of restructuring loans for delinquent borrowers based on their income and ability to repay. Recently, ACORN has targeted Carrington (which purchased New Century's loan servicing business) because it has refused to modify loans. As a major buyer of subprime loans, Carrington is responsible for managing the mortgages of some 100,000 borrowers across the country.

With \$39 billion or more in loans funded every month, ACORN has also targeted Countrywide - the nation's largest mortgage lender - and one of its top two mortgage servicers. Americans owe about \$13 trillion in mortgages, and Countrywide services about \$1.4 trillion - or 10% - of that. Countrywide made a recent announcement that it will modify or refinance up to \$16 billion in adjustable-rate mortgages through the end of 2008 to help about 82,000 borrowers who face higher payments stay in their homes. While we are encouraged by this news, Countrywide has yet to divulge all the details related to these modifications or refinances.

Recommendations

In conclusion, Texas ACORN, one of the state's largest citizen organizations, is committed to ensuring that Houston's low-income residents have a strong voice in the planning and development of affordable housing in their community. Given our experience and involvement with such programs, our members would make the following recommendations to local, state, and federal policymakers:

1. **The State of Texas should enhance enforcement and oversight over negligent landlords.** Texas ACORN supports better enforcement policies for landlords that would include penalties for their failure to make critical repairs. Specifically, we support an enforcement regime that would penalize landlords who are consistently negligent in making key repairs and who fail to weatherize apartments, which could result in energy savings. We would like to see state legislation that requires licensing for apartment managers and owners as well.
2. **The City of Houston should create a permanent funding stream for home repairs available to low-income households in the city.** The home repair program run by the City of Houston's Housing and Community Development Department improved under the leadership of Mayor White but waiting lists remain long. We call on the federal

government to infuse more monies to support the city efforts to expand this program as well the weatherization pilot project.

3. **Support increased funding for HUD-certified counseling agencies for first time homebuyers and delinquent homeowners facing foreclosure.** ACORN National sought and supported \$150 million in funding for HUD-approved housing counseling - \$100 million of which would be set aside for foreclosure prevention - as provided by the Senate in its version of the Transportation-HUD Appropriations bill. The House provided only \$42 million in housing counseling with no money set aside for foreclosure prevention. Housing counseling agencies across the country, such as the ACORN Housing Corporation, are on the front lines of the current foreclosure crisis. We need Congress and the Administration to assist those organizations that have a proven track record of assisting troubled borrowers but are in need of greater resources to reach and intervene on the behalf of many more delinquent borrowers facing foreclosure.
4. **Congress should support the Gulf Coast Housing Recovery Act of 2007 (H.R. 1227/S. 1668).** This legislation, which has already passed the House, authorizes funds for the repair and rehabilitation of public housing and supplies replacement housing vouchers. Under the bill, FEMA is also required to transfer funds to HUD to provide rental assistance to families still in need of temporary housing. Unfortunately, Senator Vitter has objected to the public housing provisions of the bill and consequently, has blocked the bill from moving forward.
5. **Congress should support passage of H.R. 2895, the Affordable Housing Trust Fund Act of 2007.** There is an acute lack of affordable housing in Houston and all over the country. Nationwide, there are only 6.2 million homes renting at prices affordable to the 9 million extremely low-income renter households – a shortage of 2.8 million homes. Earlier this month, the House passed H.R. 2895, which creates a national housing trust fund to establish dedicated sources of funding for the production, preservation and rehabilitation of 1.5 million affordable homes in 10 years. At least 75% of the funds will be for housing for households that are extremely low-income. ACORN is supportive of this legislation and would like to see additional monetary incentives and increased subsidies to build more affordable housing inside the city limits of Houston, and especially in the neighborhoods under the biggest threat of gentrification.
6. **Cities, states, and the federal government should pass comprehensive predatory lending legislation:**
 - Cities, counties and states should identify neighborhoods at greatest risk from the growing number of foreclosures and the vacant properties that so often result, and should implement emergency action to help prevent the decline of these neighborhoods. They can do this by pressing lenders and servicers to stop foreclosures; increasing funding to deal with vacant properties and blight; partnering with community organizations to perform targeted outreach and foreclosure prevention work; and targeting affordable housing resources to help stop foreclosures.

- Cities should pass laws requiring all owners and/or trustees to maintain their vacant properties. In neighborhoods with high foreclosure rates that cannot be prevented, cities and counties should fund and negotiate affordable housing programs to get these homes into the hands of working families that need them.
- Congress should pass legislation to protect families against predatory mortgage lending and foreclosure rescue scams. Strong predatory lending legislation would place a duty of care on mortgage originators; establish an ability to repay standard; ban prepayment penalties and yield spread premiums on subprime loans; prohibit steering; and hold the secondary market accountable for predatory loans it purchased, among other improvements.

7. Lenders, servicers, and investors should aggressively modify unaffordable loans to prevent foreclosures. Lenders and loan servicers should implement a streamlined, standardized approach and method for evaluating and modifying all loans which are delinquent, in foreclosure, or carry an adjustable rate. These changes to the loans must create long-term affordability for homeowners. The system must efficiently handle the unprecedented numbers of delinquent and soon-to-reset loans.

Again, thank you for giving me the opportunity to testify. I would be happy to answer any questions.



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Prepared testimony of Robert Muhammad, Founder and CEO of Accepting Challenges to Improve Our Nation (ACTION) Community Development Corporation appearing before the October 29, 2007 field hearing of the Subcommittee on Housing and Community Opportunity regarding "Affordable Housing Needs in the City of Houston: Unique Challenges and Opportunities."

Distinguished Chairwoman Representative Maxine Waters; Subcommittee Host and Representative Al Green; Subcommittee members; I am Robert Muhammad, Founder and CEO of ACTION Community Development Corporation. I have served as a student in the ministry and community servant in Houston for over twenty years. I hold a Masters of Science and I am currently beginning the dissertation phase of my PhD work in the field of urban planning and environmental policy. My professional background includes banking and finance; business management; along with urban and transportation planning. I am a member of numerous grassroots community based organizations and serve on several non profit and governmental boards.

ACTION CDC's mission is to empower low to moderate income individuals, families and neighborhoods by developing the human capital needed to build affordable housing and commercial development; spur economic development; provide human and social services; and promote arts and culture. Our motto is "Improving our nation one neighborhood at a time."

Current state of affordable housing in the City of Houston

According to the U.S. Census Bureau, Houston had a rental housing occupancy rate of 89% pre Katrina. Since Katrina, our rental housing occupancy rate has reached 98% as reported in the *Houston Chronicle March 2006*. Houston is a non zoned, low regulation, market driven, developer friendly city. Houston's cost of living is relatively low. When rental cost and unit availability are the variables use in determining housing affordability; one could reasonably conclude that there is no shortage of affordable housing stock in the City of Houston. However, a more thorough examination will reveal that there is a shortage of safe, hazard free, environmentally sound, energy efficient, handicapped assessable, senior citizen and family friendly affordable housing conveniently located near transit, decent schools and job centers.

In Houston, for profit developers would gladly build affordable housing if it was in their best interest. Land acquisition and carrying cost; predevelopment expense; construction and marketing for the sale or rental of each project dictates that the highest and best use results in the highest return on investment. Therefore, affordable housing stock in Houston is built by small for profit developers and non profits or is the result of cyclical market forces that make housing units available because they cannot reasonably command market prices without major reinvestment and redevelopment.

ACTION CDC's role in the provision and preservation of affordable housing

ACTION CDC is in the final design stage of our first affordable housing project. It is a \$6 million dollar mixed use, mixed income multifamily transit oriented development project on a 2.3 acre site located on Old Spanish Trail in Houston, Texas. *The Granada on OST* will consist of 56 residential rental units with 7,000 square feet of commercial retail space. This is being financed by a combination of bank loans, grants, HOME and CBDG funds through the City of Houston Housing and Community Development Department.



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Challenges in meeting the housing needs of Katrina evacuees

After hurricane Katrina, ACTION CDC provided housing counseling to 1406 Katrina affected families, financial recovery counseling to 1120 families, case management services to 916 families, employment services to 1620 families, food services to 5,090 families, transportation assistance to 2,050 families. We have provided \$172,164 to families in unmet needs assistance from the Long Term Recovery Committee of Houston, \$85,000 in direct financial assistance, \$240,000 in financial assistance through the American Red Cross. Our staff of eight hardworking case managers includes four Katrina evacuees. We have provided a range of services to evacuees and area residents, including housing assistance.

Prior to hurricane Katrina, 19% of Houstonians lived below the poverty level compared to a national average of 12%. According to the U.S. Census Bureau, in the area that ACTION CDC operates and will focus our building projects, 31.7 % of individuals live below poverty level. Many families in Houston do not have access to housing that is safe and affordable. Nearly three years after hurricane Katrina, an estimated 100,000 survivors still reside in Houston and have no concrete plans to leave Houston.

Assisting the survivors of hurricane Katrina has been particularly challenging due to the inconsistencies and confusion in the housing programs that were made available to them. FEMA has changed the program requirements multiple times which made it difficult to keep the survivors focused on long term goals such as employment and their children's education. Many children who were displaced missed days of school in 2005 and have been held back and unfortunately, some have even dropped out. The uncertainty about their future has adversely affected the mental stability of the survivors. Many elderly are losing hope, suffering from prolonged mental anguish and are dying. FEMA's inconsistency has also caused landlords to wrongfully evict many survivors and even withdraw their agreement to participate in the housing of Katrina survivors.

There is another challenge in assisting the 30% of survivors who are elderly and/or disabled with meeting their long term needs. The survivors who were able to live off of a \$600 disability check in New Orleans can not do so in Houston due to the cost of living and they can not do so in New Orleans any longer because the cost of living there has doubled since the hurricane. According to a recent Zogby poll, a large number of survivors are currently employed, but 70% are earning less than \$25,000 per household. Many survivors are living 2 to 3 families (9-18 individuals) per apartment. The constant instability in the FEMA housing program has had negative effects on the mental health of the survivors. For the past two years ACTION CDC has made it our priority to assist the survivors with recovering and achieving self sufficiency.



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ACTION CDC recognizes that true self sufficiency and recovery will require comprehensive housing and case management programs which will provide ongoing services to ensure that each family has the opportunity to succeed. We have studied this concept with our *Twin Image* program wherein the participants achieve employment, self sufficiency and an increased self esteem at a 53% higher rate than participants in traditional case management. The disheartening part is that we have yet to receive the fiscal support required to take the disaster recovery to the level that is required. We will not make a significant difference in their lives until we provide the comprehensive social and housing services that are required.

The HUD funded Disaster Housing Assistance Program administered jointing through the City of Houston and Harris County Housing Authorities will not help every survivor. There is an estimated 25,000 households in Houston not covered by the DHAP program. At least 50% of those households need additional assistance. This is a complex situation, meeting housing and human needs, will most certainly require patient, pragmatic, and holistic case management. The funding to provide these services has to be adequate and ongoing.

**Tools needed to increase or preserve affordable housing
 National Housing Trust Fund Act of 2007 (H.R. 2895)**

Non profits in a non zoned, low regulation, market driven, developer friendly city such as Houston are at a distinct disadvantage. Sometimes it feels like we being asked to make brick without straw. In order to increase and preserve affordable housing, we request that you consider the following:

- a. **Continued and Increased Access to funding** – programs such as HOME and CDBG are critical to non-profits being able to design, build and manage quality affordable housing in the communities we serve. Operating funding for Certified Housing Development Organizations is equally if not more important because it frees the nonprofit to focus on project delivery versus a preoccupied with seeking funding to cover project related overhead. Funds for staff, consultants and quality training are important to building the internal capacity necessary for continual project successes.
- b. **Transparency and Clarity of Process** – federal/state/city entities should simplify processes and documentation requirements. Capacity building educational programs focused on the processes and documentation could expedite the building of affordable housing. Ongoing certification sessions should be held to ensure compliance with regulations, answer questions, and share best practices.
- c. **Land acquisition funds** – Non profits cannot build or preserve affordable housing stock if we cannot assemble parcels near job centers, transit, or in low income areas that are going through gentrification. Land cost normally should not exceed 20% of one's total project cost. Non profits need gap land acquisition funding in order to build affordable projects that would be otherwise impossible under highest and best use analysis.



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- d. **Predevelopment funds** – Non profits cannot properly assess the feasibility nor deliver affordable housing projects without competent professional expertise. Private lenders will not participate in projects that are not packaged properly or fail to cash flow. ACTION predicts that energy usage and expense along with public safety will become major determinants of housing affordability in the future. Energy efficient “green” building and safety through design programs increase cost during the development phase. However, these predevelopment expenses increase development sustainability and property value over the life of the project.

ACTION CDC supports The National Housing Trust Fund Act of 2007 because it will provide increased funding and clear benchmarks for achievement. The addition of “significant” funds will be tremendous in its impact on underserved communities. In a major metropolis such as Houston, new and existing nonprofits need to be positioned to assist government in meeting our low income population’s needs. We see H.R. 2895 as a wise use of taxpayer funds. H.R. 2895 helps deconcentrate poverty by allowing non profits to offer quality workforce housing to middle class first responders, teachers and other public employees. It is good for non-profits because it has the potential to help create innovative affordable housing developments that are mixed income, mixed use, transportation oriented, environmentally sound, energy efficient, hazard mitigated, safe, handicapped accessible and financially feasible. May God bless you for your concern for the poor and less fortunate. On behalf of the Board and staff of ACTION CDC, thank you in advance for your invitation and consideration of our testimony.

Written Statement of Milan Ozdinec
Deputy Assistant Secretary, Office of Public Housing and Voucher Programs
U.S. Department of Housing and Urban Development
Before the Subcommittee on Housing and Community Opportunity
U.S. House of Representatives
"Affordable Housing Needs in the City of Houston:
Unique Challenges and Opportunities"
October 29, 2007

Chairwoman Waters, Ranking Member Capito, distinguished members of the Subcommittee; I am Milan Ozdinec, Deputy Assistant Secretary for the Office of Public Housing and Voucher Programs at the U.S. Department of Housing and Urban Development (HUD). On behalf of Secretary Alphonso Jackson, I am honored to have the opportunity to testify before you today

In August 2005, Hurricane Katrina struck the Gulf Coast area of the United States causing unprecedented and catastrophic damage to property, significant loss of life, and the displacement of tens of thousands of families from their homes and communities. In September 2005, Hurricane Rita hit the Gulf Coast area, adding to the property damage and displacement of individuals and families.

Under a Mission Assignment from the Federal Emergency Management Agency (FEMA), the Office of Public and Indian Housing (PIH) developed the Katrina Disaster Housing Assistance Program (KDHP) and issued guidance to the nation's Public Housing Authorities (PHAs) on how to assist public housing residents displaced by Hurricane Katrina.

HUD's KDHP provided housing vouchers for evacuee households that were previously receiving public housing and other HUD housing assistance, including homeless people. Under KDHP, participating individuals and households were eligible to receive rental assistance payments for up to 18 months. These payments were calculated at 100 percent of the fair market rent in any community in the country the evacuee selected, from Portland, Maine to Portland, Oregon. More than 15,000 families received KDHP voucher assistance.

In December 2005, an additional \$390 million in funds were appropriated by Congress to HUD, under Section 8(o) of the United States Housing Act of 1937, 42 U.S.C. 1437f(o) to provide previously HUD-assisted and homeless families displaced by Hurricanes Katrina and Rita with disaster vouchers. Under this legislative authority, HUD was able to once again partner with PHAs and conduct a successful conversion of KDHP families to DVP. As a result of HUD efforts, over 33,000 families have been assisted under DVP. .

The Administration has recognized the need for continued coordinated, long-term housing solutions for Gulf Coast residents displaced by Hurricanes Katrina and Rita, and HUD has been called upon to design a program to assist displacees through an Inter-Agency Agreement (IAA) between HUD and FEMA. Last spring, HUD and FEMA announced that HUD will take over long-term rental assistance for approximately 45,000 eligible non-HUD assisted families displaced by Hurricanes Katrina and Rita from FEMA through a demonstration program called

the Disaster Housing Assistance Program (DHAP). DHAP will be implemented in two phases. During the first phase, FEMA referred approximately 30,000 families to HUD who are receiving financial or rental assistance from FEMA. During the second phase, FEMA will refer approximately 15,000 families currently living in FEMA travel trailers. DHAP will be vital for helping these families rebuild their lives, get on a path to self-sufficiency and have the opportunity to return home.

Under the DHAP, HUD will utilize its extensive national network of Public Housing Agencies to provide housing assistance and case management services to DHAP eligible families. These local PHAs already administer the Housing Choice Voucher Program (HCV), the Department's largest rental assistance program, and as a result have the necessary local market knowledge and expertise to assist families through a tenant-based subsidy program. In addition, through their administration of both the KDHAP and DVP, PHAs are experienced in working with significant numbers of families that have been displaced by disasters.

The Department firmly believes DHAP will help even more families whose lives were so severely affected by Hurricanes Katrina and Rita to find stable, more long-term housing solutions. The implementation of DHAP is well underway. To date, HUD has:

- Developed Standard Operating Procedures for PHAs that will administer DHAP;
- Developed Case Management Procedures;
- Developed web-based case management software for PHAs ;
- Conducted on-site meetings with PHAs, landlords and advocacy groups in jurisdictions that have the largest number of DHAP eligible families;
- Conducted on-site technical assistance at PHAs to assist in the pre-transition process;
- Conducted three interactive webcasts to provide program information and respond to questions on the program;
- Conducted seven training sessions across the country on case management and the web-based tracking system;
- Developed the Disaster Rent Subsidy Contract and Lease Addendum;
- Developed a Federal Register Notice to apprise the public of DHAP;
- Worked with the Office of the Inspector General to ensure procedures are in place to safeguard against fraud;
- Together with FEMA, executed 336 grant agreements with PHAs that have agreed to participate in DHAP representing over 26,000 DHAP eligible families.
- Established a referral call center with a toll-free number for families and PHAs seeking additional information.

DHAP provides a monthly rent subsidy to assist eligible families displaced by Hurricane Katrina or Hurricane Rita. PHAs that currently administer the HCV program will administer DHAP in their jurisdictions. PHAs willing to participate in DHAP are entering into Grant Agreements with FEMA to administer DHAP. Rental assistance payments under DHAP will commence December 1, 2007. However, PHAs administering DHAP began pre-transitional case management services for the first group of families transitioning to DHAP on September 1, 2007. Originally HUD and FEMA announced that HUD would assume payments on behalf of DHAP eligible families commencing November 1, 2007, however, as PHAs began the pre-

transitional efforts, we determined that family and owner outreach would greatly benefit and the risk of disruption in the flow of assistance payments could be minimized during the transition process by postponing that effective date until December 1, 2007.

To be eligible for DHAP, the family must have been displaced by Hurricanes Katrina or Rita and consequently is either receiving, or is eligible to receive, rental assistance administered by FEMA. FEMA, not the PHA, determines if the family is initially eligible to receive assistance under DHAP. The PHA verifies that a family has been determined eligible for DHAP by FEMA through HUD's web-based Disaster Information System (DIS). DHAP families are required to participate in case management services as a condition of receiving DHAP rental assistance. All family members of the DHAP eligible household are eligible for and will be provided with case management services.

PHA responsibilities under DHAP include calculating the monthly rent subsidy and making monthly rent subsidy payments on behalf of participating families, performing housing quality standards inspections, applying appropriate subsidy standards for families, and determining rent reasonableness for certain units. The PHA is also responsible for terminating the family's participation in DHAP if the family fails to comply with the family obligations of the program.

The monthly rent subsidy is based on the higher of the Fair Market Rent (FMR) published by HUD, or the payment standard established by the PHA for the HCV program for the area in which the family's unit is located. In addition, if the family was receiving FEMA rental assistance in the unit immediately before the family's transition to DHAP, the amount of the monthly rent subsidy shall not be less than FEMA rental assistance payment paid on behalf of the family for that particular unit. In no case may the monthly rent subsidy exceed the rent to owner under the lease.

Family income is not considered in calculating the monthly rent subsidy. A family may rent a unit under DHAP where the rent exceeds the monthly rent subsidy. However, in such cases, the family is responsible for covering the portion of the rent that exceeds the monthly rent subsidy. Tenants are also responsible for any utility costs that are not included in the rent under the lease.

DHAP is a temporary housing assistance program that terminates as of March 1, 2009. In order to prepare the family for the inevitable discontinuation of federal disaster assistance, case management services are provided for the entire duration of DHAP. These case management services include assisting participants to identify non-disaster supported housing solutions such as other affordable housing options that may be available for income-eligible families.

HUD is paying special attention to elderly and disabled residents to ensure they receive services and housing consistent with their needs. HUD expects to have a full count of all DHAP heads of household that are elderly and disabled by March 1, 2008. This will include an assessment of how many will require long-term subsidized or supportive housing. DHAP case managers will work with elderly and disabled residents to increase their activities of daily living, connect those that are able to work with employment, and ensure that they transition into permanent housing as soon as possible.

In addition, beginning on March 1, 2008, families will be required to pay a portion of rent (in addition to the family's share in cases where the monthly rent exceeds the monthly rent subsidy) of \$50.00, which will increase by an additional \$50.00 each subsequent month. This gradual increase in the family share will further prepare the family to assume full responsibility for their housing costs at the end of DHAP. A family may qualify for an exception to this rent transition policy on the basis of economic hardship. In order to be eligible for a hardship exception, the family must have complied with all case management services requirements and must demonstrate that the applicable incremental rent transition amount will exceed 30 percent of the family's gross monthly income.

The following two categories of families constitute the vast majority of families that are being transitioned to the DHAP first, with pre-transitional case management services:

- (1) A family that is currently receiving rental assistance under the Stafford Act from FEMA through FEMA's contractor, Corporate Lodging Consultants (CLC), and FEMA determines the family is eligible for continued rental assistance. These families have a lease with the owner and CLC has entered into a Direct Assistance Program (DAP) contract with the owner.
- (2) A family that is receiving rental assistance from FEMA in a privately-owned rental unit, but not through CLC, and FEMA determines the family is eligible for continued rental assistance. In this situation, there is no contractual relationship between FEMA and the owner.

Beginning in January 2008, HUD will work with FEMA to transition eligible families out of travel trailers and into rental housing in the private market.

There will be some families that will not be able to transition to DHAP by December 1, 2007. Such families include those located in areas where there is no PHA in the jurisdiction to administer DHAP assistance, and families where the owner refuses to participate in DHAP and the family has not yet found a replacement unit. For these families, HUD will make bridge rental assistance payments on their behalf for a limited period.

Like KDHAP and DVP, the Department developed and is implementing DHAP. With the help of our network of knowledgeable PHAs, DHAP will be as successful as its predecessor disaster programs.

We look forward to working with you to ensure the housing needs of disaster displacees continue to be met. Thank you and I look forward to your questions.