



U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-0001

THE SECRETARY

February 22, 1999

Dear Colleague:

Two years ago, the Department of Housing and Urban Development's number one priority was to close a competence gap – to clean up waste, fraud and abuse and restore confidence in the Agency. The American people always believed HUD's mission was right; we had to show them that its means were right. We've worked hard to reform and reinvent HUD, and people took notice. In fact, last year, the Clinton Administration and Congress worked together and acknowledged the strides HUD made by funding the best HUD budget in a decade.

Building on this success, the President proposed an even stronger FY 2000 HUD budget. Enclosed is that budget, with related program impacts, for your information. Highlights include:

- A total of \$28 billion for HUD programs – a \$2.5 billion increase over FY 1999;
- Increased funding for virtually every major HUD program, including homeless assistance, AIDS housing, Community Development Block Grants, Youthbuild, HOME, Fair Housing, and the Public Housing Operating Fund;
- 100,000 new vouchers, on top of the renewal of all existing Section 8 vouchers, for low-income citizens, the elderly, homeless people and people transitioning from welfare to work;
- A Community Empowerment Fund and Empowerment Zone funding to create more than 100,000 jobs in distressed urban areas;
- America's Private Investment Companies to leverage \$1.5 billion private equity investment and help spur economic growth in untapped urban and rural markets;
- A \$50 million Regional Connections proposal to develop smarter regional growth strategies;
- A \$50 million Abandoned Buildings initiative to turn "Brown yards into Backyards" and \$50 million to convert "brownfields" into new commercial development;
- A Citizens Volunteer Housing Corps to reclaim dilapidated housing in dozens of cities; and
- A first-ever comprehensive housing security plan for the elderly – proposing \$747 million to help meet the changing housing needs of our Nation's senior citizens.

We are poised to help lead communities into the new century with a proposed FY 2000 budget that addresses many of the major challenges we face – challenges of affordable housing, homeownership, and economic growth for communities left behind in this strong economy. In his State of the Union Address, President Clinton reminded us that "our greatest untapped markets are not overseas – they are right here at home. And we should go after them." With this budget, with a bold vision for America, and with your help, that is exactly what HUD will do.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Cuomo".

Andrew Cuomo



**U.S. Department of Housing
and Urban Development**

DALE A. DARROW
Community Builder

310 W. Wisconsin Ave.
Suite 1380
Milwaukee, WI 53203-2289

(414) 297-3214, ext. 8013
Fax (414) 297-3947
Dale_A._Darrow@hud.gov
<http://www.hud.gov/local/mil/>



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and Urban Development**

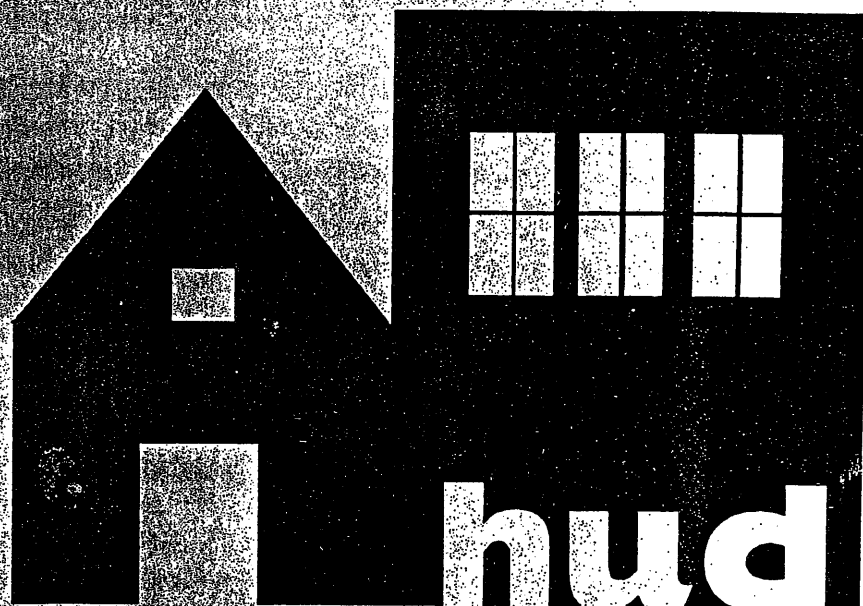
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Milwaukee, WI 53203-2289

(414) 297-3214, ext. 8013
Fax (414) 297-3947
Dale_A._Darrow@hud.gov
<http://www.hud.gov/local/mil/>

Opening Doors for More Americans

**Leading Communities into the
New Century**



Fiscal Year 2000 Budget Summary

hud

U.S. Department of Housing and Urban Development
Secretary Andrew Cuomo

**The FY 2000 Budget
of the
U.S. Department of Housing and Urban Development**

February 1999

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Message from the Secretary

The Department of Housing and Urban Development's fiscal year 2000 Budget opens doors for more Americans.

Two years ago, we at HUD made it our number one priority to close the competence gap. We were an agency slated for elimination, a poster child for failing government bureaucracy. We knew we had to change. To regain trust and move forward, the agency whose name begins with "Housing" had to get its own house in order. Simply put, the American people always believed our mission was right; we had to show them that our means were right.

I'm proud to say we have, and we did so by getting back to the basics. We cracked down on those who misuse taxpayers dollars, fighting waste, fraud and abuse. We renewed our commitment to first-class customer service through innovative initiatives like community storefronts and user friendly information kiosks. Our historic management reform (HUD 2020) put performance and product ahead of process.

While the job of reforming and reinvention is never complete, we have gone a long way towards fundamentally restructuring the Agency. In fact, David Osborne, the person who literally wrote the book "Reinventing Government" declared HUD could be "one of the great reinvention stories of our time." In the year ahead, we will continue to focus on reforming HUD – ensuring that our reform plan remains a top priority and that HUD is ready for the new century.

Last year, the Clinton Administration and Congress acknowledged the strides we made by funding a Budget that allowed us to begin the vital work of "Closing the Opportunity Gap" in America – a gap most noticeable in housing, jobs, and education.

It was our strongest budget in a decade. This year's Budget is even stronger. This Budget rewards performance – a \$2.5 billion increase from what was appropriated last year. This Budget acknowledges a new confidence -- the funding for virtually every major program is increased. This Budget offers opportunity and security for those who are often left behind -- including 100,000 new vouchers for citizens in our most distressed communities, the elderly, and the homeless. In short, we've closed the competence gap; we've worked hard to close the opportunity gap; now, we're "Opening Doors for More Americans."

Today, the Department of Housing and Urban Development is poised to help lead communities into the new century – not because we can, because we must; not only because it's right, because it's just. On the face of it, the booklet you are holding is about programs and funding. But behind the numbers are people and families. This Budget is a downpayment on their future. It addresses five of the major challenges our Nation's communities will face in the 21st century.

The first challenge is ensuring that our communities remain economically competitive. In a rapidly changing global economy, HUD's economic development mission becomes more important than ever. That's why this budget includes a community empowerment fund to help businesses create jobs where they are needed the most. It increases the amount of vouchers so more people can move from welfare to work. And it enhances programs with a proven track record -- programs that

give communities all across this country much needed resources and flexibility, like Empowerment Zones and Community Development Block Grants.


The second challenge is the housing affordability crisis. This record economic expansion has brought home ownership to an all-time high. But still, too many Americans, especially low- and moderate-income families, are being left out. That's why this Budget increases our commitment to our core mission: providing "a decent, safe, and sanitary home and suitable living environment for every American." It also redoubles our effort to assist some of our most vulnerable citizens: the homeless, the disabled, and people with AIDS/HIV.

The third challenge is moving closer to One America. Expanding housing opportunities for all is an essential part of building One America. The fact is, although it may not always be as overt as it has been in the past, there is still discrimination in America, especially in housing. That's why this Budget significantly increases our Fair Housing programs -- programs that at their heart say we will never reach One America until all have the opportunity of equal access.

The fourth challenge is finding regional solutions and creating sustainable communities. Never before have our cities and suburbs, our small towns and rural areas, been so dependent on one another for growth, health and vibrancy. That is why this Budget invests in programs like Regional Connections and the resources to redevelop Abandoned Buildings and Brownfields.

The fifth and final challenge is the "Aging of America." Just as we are committed as a nation to saving Social Security, we must also be committed to *housing security* for older Americans. Today, there are more elderly citizens than ever before, and thankfully, they are also living longer lives than ever before. We owe it to this generation, and those to follow, to do our part to make sure that their senior years are secure. That is why this Budget includes an innovative and historic housing commitment -- a Continuum of Care -- for the elderly.

Opening Doors to New Markets. Opening Doors to Affordable Housing. Opening Doors to One America. Opening Doors to a Better Quality of Life. Opening Doors to Lifelong Security. These are the major challenges that we must confront if we are to help prepare our communities for the new century. In his State of the Union Address, President Clinton reminded us that "our greatest untapped markets are not overseas -- they are right here at home. And we should go after them." Go after them we will.



Andrew Cuomo

The FY 2000 Budget
for the
Department of Housing and Urban Development

OPENING DOORS FOR MORE AMERICANS
Leading Communities into the New Century

Upon taking Office in February 1997, Secretary Cuomo stated publicly that for HUD to be a force for the improvement of America's cities; to be instrumental in the creation of critically needed jobs in neighborhoods throughout the country; and to accelerate the growth of home ownership, it first had to restore the public's trust. It had to prove that HUD was not only competent to fulfill its statutory mission but that it could be a responsible steward of the taxpayers' investment in our Nation's communities. Today, HUD stands ready to meet the challenges that lie ahead. HUD is ready to do its part to help President Clinton implement his ambitious agenda for the 21st century. HUD is ready to begin the vital work of "Opening Doors for More Americans."

1999 was the Strongest Budget in a Decade. With the enactment of the 1999 Budget, Congress agreed with the President that HUD should begin to reap the rewards of a difficult, 2-year long effort to reform and restructure. The President requested and the Congress enacted the largest single increase in HUD funding in over a decade. Congress passed bipartisan historic public housing reforms. We saw the first new housing vouchers since 1995. And loan limits for FHA insured loans increased to \$208,800 -- making housing affordable to thousands of first-time homebuyers.

Second, access to HUD and to HUD assistance has radically changed over the past 2 years. Simply put, HUD is now user friendly. Thanks to kiosks that are being located in convenient, easy to access sites throughout the country, citizens will have information about critical services and HUD-sponsored programs at their fingertips. HUD is user friendly; it is also customer friendly. HUD has new storefronts, staffed with newly appointed **Community Builders**. They will be a local community's first point of contact to HUD and its programs.

THE FY 2000 BUDGET: OPENING DOORS FOR MORE AMERICANS

HUD undertook this management reform for one reason and one reason only: to better serve our Nation. In so doing, we have worked to restore the public's trust, but also, the trust of the Administration and the Congress. With our house in order, the President is now calling upon HUD to become a driving force for economic development, home ownership, and equality in the 21st Century.

To do this, the President is proposing a total Budget of \$28 billion for HUD programs, which is a \$2.5 billion budget authority increase and a \$3 billion programmatic increase over the levels enacted by Congress for FY 1999, an increase of more than 10%. In addition to renewing all expiring

Section 8 rental assistance, virtually all program areas receive increases over the major increases already enacted for 1999. As the following table shows, HUD is continuing to invest increased resources in FY 2000 in those programs, such as CDBG, HOME and Homeless programs, that address communities' worst case needs.

Furthermore, to accelerate solutions in a number of areas, such as housing discrimination, crime among our Nation's youth and slower economic growth in many of America's cities, many program enhancements will be initiated.

Taken as a whole, the HUD Budget for FY 2000 enables the Department to meet five interrelated challenges that face the Nation:

- Opening Doors to New Markets
- Opening Doors to Affordable Housing
- Opening Doors to One America
- Opening Doors to a Better Quality of Life
- Opening Doors to Lifelong Security

TABLE 1
Summary of FY 2000 Budget Increases
(Budget Authority in Millions)

	1999	2000	Increase
Increases for FY 2000:			
Housing Certificate Fund	\$10,326	\$11,522	\$1,196
25,000 Welfare to Work Incremental Vouchers*	[283]	[427]	[144]
18,000 Homeless Individuals and Families	[0]	[104]	[104]
42,000 Fair Share	[0]	[243]	[243]
Contract Administrators	[0]	[209]	[209]
Public Housing Operating Fund	2,818	3,003	185
Regional Opportunity Counseling	10	20	10
Community Development Block Grant	4,750	4,775	25
Entitlement/Non-Entitlement Formula Funding	[4,218]	[4,348]	[130]
Youthbuild	[43]	[75]	[32]
Metro Job Links	[0]	[10]	[10]
Homeownership Zones	[0]	[25]	[25]
EZ/EC Targeted Technical Assistance	[0]	[10]	[10]
EZ Round II Planning and Implementation Grants	[0]	[10]	[10]
Citizens Volunteer Housing Corps	[0]	[5]	[5]
Resident Opportunity Supportive Services (ROSS)	[40]	[55]	[15]
Community Empowerment Fund/EDI	[0]	[125]	[125]
Brownfields	25	50	25
Regional Connections	0	50	50
Urban Empowerment Zones	45	150	105
Regional Empowerment Zone Initiative	0	50	50
Redevelopment of Abandoned Buildings	0	50	50
America's Private Investment Companies (APIC)	0	37	37
APIC Commitment Level	0	[1,000]	[1,000]
HOME Investment Partnership (Grants)	1,600	1,610	10
Housing Counseling	[18]	[20]	[2]
Regional Affordable Housing Initiative	0	25	25
Housing Opportunities for Persons with AIDS	225	240	15
Homeless Assistance Grants (Continuum of Care)	975	1,020	45
Homeless Multi-Agency Demonstration	0	5	5
Research and Technology	48	50	2
Fair Housing	40	47	7
Mortgage Insurance Limitation	[110,000]	[120,000]	[10,000]
GI/SRI Credit Subsidy	81	153	72
Ginnie Mae Guarantee Limitation	[150,000]	[200,000]	[50,000]
Ginnie Mae Program Account	9	15	6
Federal Housing Administration	636	695	59
Special Populations (Elderly/Disabled)	854	941	87
Elderly Capital Grants/Assisted Living	[0]	[100]	[100]
Elderly Service Coordinators	[15]	[50]	[35]
15,000 LIHTC Vouchers for the Elderly	[0]	[87]	[87]
Salaries and Expenses	535	559	24

* \$283 million of the year 2000 amount is for renewal of 50,000 WTW Vouchers made available in FY 1999.

** In FY1999, this account was used largely for special purpose grants and not the targeted CEF program.

OPENING DOORS TO NEW MARKETS

Although the economy has created over 18 million new jobs in the last 6 years, the rising tide of opportunity and assets has not lifted all communities. A rapidly changing global economy is challenging the Nation to leave no community behind as we enter the new century. The task is to ensure strong metropolitan economies that connect inner-city firms to regional business clusters, tap new sources of private capital, reverse the pattern of under investment in our urban cores and poor rural areas, remove blight, and tackle the jobs-housing imbalance that undermines regional strength.

Community Development Block Grants. The mainstay of HUD's responsibility to help communities remain competitive and to create economic opportunity, especially jobs, is the Community Development Block Grant program (CDBG). The CDBG program is HUD's most flexible tool for assisting cities, towns and States to meet local community development priorities and objectives. With its multi-faceted eligible uses, the block grant program is routinely used to rehabilitate housing, improve infrastructure, provide job training, finance revolving loan funds, and finance other community-determined projects.

The FY 2000 Budget will increase funding for this program to \$4.775 billion, an increase of \$25 million over 1999 enacted levels. This represents a \$100 million increase in this program over the past 2-year period. But the real increase is even larger. In fact, as the following table shows, *funding available for formula allocation to over 900 communities, States and urban counties will increase by \$130 million over 1999 enacted levels.*

Formula funds will increase for two reasons. First, in addition to the increase in requested appropriations, the program will have far fewer set-asides in FY 2000 than in FY 1999, freeing up additional funds that will be distributed in accordance with the block grant formula—i.e., funds available to address locally determined priorities. In fact, compared to FY 1999 levels, \$104.3 million in additional funds will be allocated directly to eligible communities and States solely as a result of the reduction in set-asides. Second, the program will support \$1.3 billion in **new loan guarantees** administered under **Section 108** of the Housing and Community Development Act. Over the past 6 years, \$3.5 billion in Section 108 guaranteed loans have enabled economic development projects to create 300,000 jobs in distressed areas.

For **Native American** economic development assistance, \$67 million is requested as a set-aside. This is vital, flexible aid to generate commercial activity and job opportunities in Indian country. In addition, HUD will continue to support innovative self-help housing work, including Habitat for Humanity, from funds already appropriated by Congress for this important purpose and through other avenues.

TABLE 2

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

	1999	2000	2000 vs. 1999
TOTAL APPROPRIATION	\$4,750	\$4,775	\$25
Net Formula Funding	4,218	4,348	130
Set-Asides:			
Supportive Services	55	55	0
Youthbuild	43	75	32
Community Empowerment Fund/ Economic Development Initiative	225	125	(100)
Indian Tribes	67	67	0
Section 107	50	46	(4)
Habitat for Humanity/Self-Help	28	0	(28)
Other small programs and one-time appropriations	65	0	(65)
Program Initiatives:			
Metro Job Links	0	10	10
Homeownership Zones	0	25	25
EZ/EC Targeted Technical Assistance	0	10	10
EZ Round II Planning/Implementation Grants	0	10	10
Citizens Volunteer Housing Corps	0	5	5
Total Set-asides	533	428	(105)

* In FY 1999, this account was used largely for special purpose grants, whereas in FY 2000, it will be used for the Community Empowerment Fund.

Community Empowerment Fund/Economic Development Initiative. The Federal Government has a number of programs that encourage private market investments in distressed urban and rural communities, including the Empowerment Zones/Enterprise Communities (EZ/ECs), new Small Business Administration (SBA) initiatives targeted to venture capital and small business development in distressed areas, the US Treasury's Community Development Financial Institutions (CDFI), and the Economic Development Administration's revolving loan funds. HUD's new Budget request includes two new tools for tapping America's most important new markets—the ones right here at home in distressed areas.

HUD's FY 2000 proposal would fully fund the **Community Empowerment Fund (CEF)** at **\$125 million**, to substantially increase capital for business investment and job creation in underserved inner city and rural areas. By combining \$125 million in Economic Development Initiative (EDI) grants with an estimated \$625 million in Section 108 guaranteed private loans, the CEF will provide a total of \$750 million in grants and low-cost loans in these communities. The program is thus expected to leverage up to *five times* the guaranteed loan amount in additional private sector financing, and this will create an estimated 100,000 jobs through direct business development and other spill-over effects. Job creation projects funded through the CEF will include: loans for business expansion and modernization; start-up costs for new and small medium-sized businesses; preservation and expansion of existing industrial facilities; and retail and commercial revitalization initiatives, such as grocery stores and neighborhood shopping centers.

In FY 2000, the CEF will emphasize two priorities: ensuring the success of welfare reform and connecting distressed areas to regional economic growth.

- The first component, funded with up to \$75 million in direct grants, is a **Welfare-to-Work Targeted Job Creation Initiative**, designed to help close the “jobs gap” facing many communities. HUD’s 1998 State of the Cities report indicated that despite significant recent increases in job growth in many cities, there is still a sizable mismatch between the number of low-skilled jobs available and the number of low-skilled urban residents who need work. This initiative is designed to help close this gap, with special emphasis on welfare recipients entering the workforce.

This targeted job creation initiative will support the expansion of businesses that emphasize hiring of those in transition from welfare to work – projects like the state-of-the art Learning and Work Complex opened by the Cessna company in a long-vacant industrial facility in Wichita, Kansas. Funded with a HUD grant and a HUD-guaranteed loan, the complex is helping TANF recipients prepare for well-paying manufacturing jobs. Of the 237 graduates so far, 200 have moved into Cessna jobs that start at more than \$10/hour, and 26 are employed at other companies. Like the Cessna project, communities competing successfully under this targeted job creation initiative will combine the HUD incentives for business development with local public and private supports—like job training, child care, and more—as needed. The initiative will ensure that those facing the transition from welfare to work get jobs that pay and that employers get the workers they need to be competitive.

- A second component of CEF in FY 2000 will be **City-Suburb Business Connections**, funded at up to \$25 million. Metropolitan areas are the building blocks of the global economy, yet too many inner-city businesses lack connections to regional growth and prosperity. This CEF component will boost economic partnerships between city and suburban firms in a common metropolitan area. These linkages would include joint ventures, regional employer commitments to targeted hiring in central cities, first source agreements between suburban firms and urban suppliers, and more.

An additional \$25 million for CEF will be available to competitively fund a broader array of local economic development projects. Selected economic development loans funded through the CEF will also be eligible to participate in the **CEF Trust**, being piloted later this year with FY 1998 funds. The CEF Trust will standardize the underwriting, documentation, servicing and performance monitoring of selected economic development loans. It will also pool these loans and create a loan loss reserve, thereby reducing the risk to individual communities’ CDBG grants that are pledged as security for Section 108 loans. Some of these loans may be sold to private secondary market investors. A key additional outcome will be to develop the information base needed to nurture private secondary markets for economic development loans. Enabling these secondary markets – the defining element of America’s uniquely successful home mortgage system – is a key step towards expanding private business capital investments in distressed communities.

America’s Private Investment Companies (APIC). The CEF will be complemented by a second major vehicle for expanding investment capital for distressed areas, both urban and rural. For years, America has supported the Overseas Private Investment Corporation (OPIC) to promote growth in emerging markets abroad. Now we must do the same in America’s new markets—closing an equity capital gap that undercuts growth and business opportunity. The Administration is proposing a

major equity incentive program to fill that gap. For FY 2000, HUD is requesting \$37 million to pay for the subsidizing of, and the risk associated with, \$1 billion in privately issued loans that the Federal Government will guarantee to go with \$500 million in private equity commitments for new investment partnerships—for-profit venture capital funds known as America's Private Investment Companies (APICs). APICs will, in turn, make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas. The \$37 million in Federal credit subsidy would thus leverage an estimated \$1.5 billion in private funds, creating an estimated 200,000 jobs in distressed areas (through direct business development and spill-over effects). Private investors' funds would be at risk ahead of Government funds, but the individual investment decisions would be approved by Government for consistency with the public policy purpose of the program.

Described as the "domestic OPIC," the APIC program will be jointly administered by HUD and the Small Business Administration (SBA). Its financing structure will be modeled after the current Small Business Investment Company (SBIC) program. Five potential organizations will be selected, each with a minimum of \$100 million in private equity capital and each eligible for twice that much in additional Federal loan guarantees. The Government leverage will be provided by using debenture securities similar to the SBIC debentures and funded through the same process. Key targets will be leveraged buyouts, corporate divestitures, roll-ups, and focused market expansion that could be relocated to serve low- and moderate-income communities with the appropriate financial tools.

Only a few categories of investments would be prohibited, such as real estate, financial institutions or other conflict of interest dealings. With those exceptions, each selected member of APIC can act as either a wholesaler (a funding mechanism for venture capital funds) or a retailer (making deals directly on a project-to-project basis). Performance measures for the program include the number of jobs created for low-income persons, the ratio of public to private dollars leveraged and the number of new businesses created.

Welfare-to-Work Vouchers. HUD is also requesting, for the second year in a row, new vouchers as part of the Administration's Welfare-to-Work initiative. These vouchers will be an extremely valuable tool for local communities and States to use in meeting the challenge of moving families currently on welfare to permanent employment. In FY 2000, HUD is requesting \$144 million to fund an additional 25,000 vouchers. These new Welfare-to-Work (WTW) vouchers would be in addition to the 50,000 vouchers enacted in 1999 and renewed in the FY 2000 request, providing a total of 75,000 vouchers to assist in the welfare-to-work transition.

WTW vouchers are especially valuable when job opportunities in a region are not located where the welfare recipients currently live. Although most new jobs are being created in the suburbs, three-fourths of the families on welfare live in the cities. Long commutes on public transit often create formidable barriers to obtaining and keeping employment. The vouchers go beyond transit solutions by providing the rental assistance needed to allow families to move near employment opportunities.

WTW vouchers are made available to Public Housing Authorities and to Indian Tribes and their tribally designated housing entities on a competitive basis. These groups must develop plans to use the new vouchers in supporting families transitioning to permanent jobs. These plans must also be developed in close coordination with local welfare offices and with the Welfare-to-Work grantee,

which is often a local private industry council. This ensures that both State and local agencies are involved with all decisions over the use of these vouchers. Other community-based partners will ensure success in outreach and the provision of services.

As in 1999, the WTW vouchers will be targeted to families that must have housing assistance to successfully transition from welfare to work. While local authorities have substantial leeway in designing programs that meet local conditions, HUD will ensure that broad guidelines are met nationwide. The selection of the plans that best meet local needs will be made by HUD in consultation with the Department of Labor, the Department of Health and Human Services, and other agencies. The WTW vouchers are included as part of an Administrationwide effort to ensure that welfare-eligible families can smoothly and permanently transition from welfare into the world of work and careers.

Empowerment Zone and Enterprise Community Initiative. The FY 2000 Budget for Enterprise Zones is inextricably linked to funding provided in 1999. The Clinton-Gore Administration has recently designated 15 new zones—more than doubling the number of Empowerment Zones from the 9 previously selected to 24. The FY 2000 Budget proposes to fully fund this major initiative by providing a guaranteed level of funding of \$150 million each year for the next 10 years. In addition, the FY 2000 Budget would provide expanded funding for three highly related programs, including a Regional EZ/EC initiative that will fund innovative linkages between EZ activities and the broader regional economy, emphasizing strategies that employ urban youth.

TABLE 3

EMPOWERMENT ZONES AND ENTERPRISE COMMUNITY INITIATIVE
Summary of Funding FYs 1999 - 2001
 (Budget Authority in Millions)

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Empowerment Zones	\$45	\$105	\$150
Non-designated Zones	0	45	0
Strategic Planning Communities ^{1/}	0	10	0
EZ/EC Technical Assistance ^{1/}	0	10	0
Total Funding	45	170	150

^{1/} Set-aside in CDBG funding level.

Empowerment Zones are designated areas which receive a number of important Federal tax incentives as well as direct federal, local and private funding for economic development and social services. Tax incentives for businesses located in an EZ include accelerated Section 179 expensing of investments, credits for hiring zone residents, special Brownfields tax incentives and public school renovation tax credits, to name just a few. Communities selected to become EZs must have developed comprehensive revitalization strategies, with the active involvement of local stakeholders, including residents, non profits, businesses and governments. Using criteria established by the 1997 Tax Relief Act and subsequent guidance for the competition, HUD has recently selected 15 new EZs in Round II -- to complement the 9 selected previously. Selections

were based on the quality of the applicants' strategic plans and the level of commitment by zone partners to implementing the plan.

In FY 1999, Congress provided \$45 million in new direct funding for EZs. Each of the 15 new urban EZs will receive \$3 million to begin implementing its revitalization plan. To sustain and fully fund the EZs, however, long-term funding is needed and certainty in funding will be critical to the successful implementation of these long-range plans. Hence, the Administration is requesting that each Zone be assured of \$10 million each year through the year 2009. To accomplish this, the Administration is seeking a total of \$1.5 billion over the next 10 years as a mandatory funding requirement, i.e., funding that will not be subject to the annual appropriations process.

In FY 2000, a total of \$105 million will be divided equally among the 15 new EZs. The remaining \$45 million will be targeted to Strategic Planning Communities, the communities that placed 16 through 30 in the competition. Each Strategic Planning Community will receive a one-time grant to launch their revitalization efforts. After FY 2000, all the funding in the outyears will be solely dedicated to the 15 designated Empowerment Zones. This will ensure that each designated Zone receives the full complement of \$100 million in direct Federal funding envisioned in the program's authorization.

In addition, the FY 2000 Budget includes funding for three programs to complement and expand on the EZ/EC initiative. The underlying philosophy of the EZ/EC program -- a compact between the Federal Government and local leaders -- goes well beyond the selection of 15 winners in a competition. First, the Administration recognizes that many of the non-designated communities have active, ongoing strategic plans with well-defined goals and projects. Therefore, the Federal Government will recognize these communities and respond to their plans in a coordinated fashion. HUD will allocate \$10 million in CDBG set-aside funds to respond to specific plans that require small amounts of Federal funds to make a project work or make a local goal achievable. Often a grant of \$50,000 or \$100,000 to a well-designed public/private initiative can enable a community to sustain momentum until future project funds are secured from other sources.

Second, the Administration will use \$10 million of total CDBG funding to establish partnerships with non-designated EZ/EC communities through an accelerated and highly targeted EZ/EC "Technical Assistance" program.

Regional Empowerment Zone Initiative. Finally, to complement the Empowerment Zone and Enterprise Community Initiative, HUD is requesting \$50 million in FY 2000 to develop regional approaches to the economic revitalization of inner cities. The Regional Empowerment Zone Initiative (REZI) will award competitive grants to help empowerment zones and enterprise communities link their economic development strategies to the broader economy of the surrounding metropolitan region, expanding their current strategies to include regional employers and job markets. Special emphasis will be placed on applicants with well-defined plans to significantly increase employment rates among EZ/EC youth.

Youthbuild and the President's Youth Initiative. As part of the broader Administrationwide Youth Initiative, the Youthbuild program will be increased from \$43 million in 1999 to

\$75 million in 2000. The HUD-administered Youthbuild program has a proven history of success and, in 1999 alone, will serve between 5,000 and 6,000 disadvantaged youth. The FY 2000 proposal will provide approximately 9,000 youth with skills to obtain jobs and will provide approximately 1,300 families in distressed communities with homes. The HUD request for 2000 reflects a major acceleration of the program and its integration into a larger Administrationwide Youth Anti-Drug Diversion Initiative.

The second major element of HUD's responsibility is the refocus and targeting of \$100 million in Drug Elimination Grants Program to reduce youth crime and youth dependency on drugs. The youth-oriented **Anti-Drug Diversion Program** is a Governmentwide effort that will help steer America's youth away from drugs and into long-term employment and self-sufficiency. Funding for this initiative will focus on:

- Mentoring programs, such as the Boys and Girl Clubs of America, that provide youth with positive alternatives and positive role models and adult support as they make the transition to and through adolescence;
- After-school programs to provide alternatives to delinquency, gang involvement, violence and substance abuse through education or vocational employment opportunities; and
- Family strengthening programs that provide crisis intervention and follow-up case management for families with children in the juvenile justice system and for families with children identified as at risk because of truancy, substance abuse or family violence.

These programs also provide intensive supervision and after-care and treatment programs including skill-building counseling that focuses on employment and job training.

Metropolitan Job Links (\$10 million) builds on the leading place-based workforce development and welfare-to-work efforts nationwide. It will allow a place-based, regionally oriented workforce approach in one or more housing developments operated by community development corporations (CDCs) or other private or nonprofit housing managers. To qualify, housing organizations will have to inventory job skills, perform a comprehensive needs assessment for each family, and identify gaps in locally available services. Metro Job Links would support technology costs and staff who act both as job developers, creating ties to employers metro areawide, and as outreach specialists who organize the housing complex to support the pursuit of employment by residents. Nationwide, some 280,000 residents of Federally assisted housing receive TANF and face time limits. This is HUD's first proposal to target assisted housing complexes with connections to the metro areawide system for workforce development -- connections that start right in the housing complex.

TABLE 4**Summary of Economic and Community Development Programs**
(Budget Authority in Millions)

	<u>1999</u>	<u>2000</u>	<u>Change</u>
Community Development Block Grants	\$4,750	\$4,775	\$25
Youthbuild	43	75	32
Community Empowerment Fund	0	125	125
America's Private Investment Companies	0	[1,000]	[1,000]
Incremental Vouchers	283	578	295
EZ/EC Initiative	45	150	105
Regional Empowerment Zones Initiative	0	50	50
Regional Connections	0	50	50
Brownfields and Better America Bonds	25	50	25
Metro Job Links	0	10	10
Youth Anti-Drug Diversion Program (within Drug Elimination Grant Program)	0	100	100

OPENING DOORS TO AFFORDABLE HOUSING

At the core of HUD's mission is the charge to provide housing that is decent, safe, sanitary and, affordable to all neighborhood residents. Despite the longest peacetime economic expansion in the Nation's history, rents have soared in many regions with strong job economies. In fact, an all-time high of 5.3 million households face the high rent burdens known as "worst case" housing needs. What's more, persistent gaps in home ownership remain for low- and moderate-income families and other under-served groups. With the Nation's home ownership rate running at a record high, large gaps remain -- cities lag suburbs, and under-served groups need increased access to mortgage credit and financial literacy. Special housing needs persist for homeless people, disabled people, and people living with HIV/AIDS.

First and foremost, the HUD Budget for FY 2000 proposes to maintain the commitments of the past, ensuring that all families currently receiving assistance will continue to do so as long as they remain eligible. In addition, the Department is proposing significant changes that will improve the living conditions of low-income residents, and especially low-income elderly residents.

The Nation's affordable housing needs remain substantial. As HUD reported to Congress last year, more than 5.3 million very low-income families have "worst case housing needs" -- paying more than half their limited income for rent. And, as many as 600,000 individuals have no home at all on any given night. The FY 2000 Budget continues and expands on our efforts to reduce these staggering statistics, efforts which began anew in 1999. Section 8 programs will be expanded for the second year in a row with another 100,000 vouchers. HOPE VI programs will be expanded and extended to continue the highly successful effort to improve living conditions. Homeless grant programs will reach a record level of funding in FY 2000 and will significantly enhance the Continuum of Care programs that help homeless families and individuals achieve self-sufficiency. Also included is a multi-agency demonstration of effective collaboration between housing and human service providers.

Homeownership opportunities will also increase in the FY 2000 Budget. In 1999, the FHA loan limits have been raised by Congress and at the request of the President significantly (to \$208,800) and the positive impact is already being felt nationwide as thousands of families, especially first-time home buyers will now be able to purchase a home that had been unaffordable just last year. The 2000 Budget seeks to build on that effort by improving access to affordable housing and making more affordable housing available for purchase. Strategies include housing counseling, the creation of new Homeownership Zones, the Abandoned Buildings program and an expanded HOME Investment program that includes an enhancement called the Regional Affordability Housing Initiative, an important new pilot. HUD will help ensure that housing is more affordable by implementing homeownership vouchers, extending the advanced technology program begun last year and continuing the Rural Housing program.

This section is organized into three categories:

- A. Expanding Affordable Rental Housing
- B. Expanding Homeownership
- C. Meeting Special Needs

A. Expanding Affordable Housing

TABLE 5

**Expanding Affordable Housing
(Budget Authority in Millions)**

		1999	2000	Change
A.	Expanding Affordable Rental Housing			
	Section 8 Rental Assistance			
	(Incremental Vouchers (all types))*	283	491	208
	(Contract Administrators)	...	209	209
	Regional Opportunity Counseling	10	20	10
	HOPE VI	625	625	0
	Public Housing Operating Fund	2,818	3,003	185
	Public Housing Capital Fund	3,000	2,555	(445)
	HOME Investment Partnership	1,600	1,610	10
	Regional Affordable Housing Initiative	0	25	25
	Drug Elimination Grants	310	310	0

* In addition, 15,000 vouchers at a cost of \$87 million are being made available through the mandatory budget.

Section 8 Rental Assistance for Needy Families. Over three million families currently depend on the annual renewal of rental assistance, either directly through contracts with private landlords or through subsidies administered by Public Housing Authorities on behalf of individual families. HUD has steadfastly maintained a policy that all contracts will be renewed every year. In FY 2000, HUD will require \$10.6 billion in new budget authority to renew existing contracts covering 2.4 million rental units. In addition, the Department began last year a comprehensive reform of the administration of Section 8 project-based contracts. This initiative will ensure more effective oversight of the project-based program while at the same time enabling HUD field staff to focus on asset management issues relating to HUD subsidized and HUD-insured multifamily developments.

The Department is also requesting a total of \$580 million in increased funding for 100,000 incremental vouchers to help address the tremendous need that remains—this includes \$87 million for 15,000 vouchers funded from the mandatory side of the budget (as part of the Low Income Housing Tax Credit). A number of vouchers have designated purposes, including elderly, homeless and welfare to work, but 42,000 will be unencumbered (“fair share”) and will be distributed to Public Housing Authorities to help the many families on the Section 8 waiting lists throughout the country.

TABLE 6

Summary of Section 8 Program for FY 2000
(Budget Authority in Millions)

	1999		2000		2000 vs. 1999	
	Units	BA	Units	BA	Units	BA
Incremental Vouchers	50,000	\$283	100,000	\$491 ^{a/}	50,000	\$208
Welfare to Work	[50,000]	[283]	[25,000]	[144]	[(25,000)]	[(139)]
Homeless Vouchers	...	...	[18,000]	[104]	[18,000]	[104]
Fair Share Vouchers	...	...	[42,000]	[243]	[42,000]	[243]
<i>Elderly LIHTC ^{a/}</i>	...	...	[15,000]	[87]	[15,000]	[87]
Regional Opportunity Counseling	NA	10	NA	20	NA	10
Contract Administrators	...	...	NA	209	NA	209
Section 8 Contract Renewal	2,087,621	9,600	2,383,687	10,640	296,066	1,040
Tenant Protection Assistance	NA	433	NA	156	NA	(277)
Subtotal, Housing Certificate Fund	2,137,621	10,326	2,468,687	11,522	331,066	1,196
HOPE VI Vouchers	[5,000]	[39] ^{b/}	5,000	39	5,000	39
Total, Section 8 Program	2,137,621	10,326	2,473,687	11,561	336,066	1,235

^{a/} The \$87 million for 15,000 LIHTC Elderly Vouchers are not reflected in HUD's budget authority figures, because funding for these vouchers will come from the mandatory side of the budget, to serve elderly living in LIHTC-funded housing. Thus, the total HUD budget authority for vouchers reflects the cost of the other 85,000 (non-elderly) incremental vouchers, while the total number of vouchers (100,000) proposed includes the Elderly LIHTC vouchers.

^{b/} Funded within the Housing Certificate Fund.

Homelessness. One of the most difficult barriers homeless people face is the ability to find and afford permanent housing when they are ready for this level of independence. Therefore, the Department will provide that \$104 million for 18,000 of the 100,000 incremental vouchers be dedicated to providing homeless persons with the rental assistance needed to secure permanent housing.

Welfare-to-Work. The FY 2000 Budget continues the 1999 effort to support welfare recipients in their effort to meet the challenge of moving from welfare to work. In many parts of the country, jobs are being created that are not close to where some welfare recipients live, and in some cases a majority of the jobs are not accessible by public transportation at all. HUD is proposing that \$144 million for 25,000 of the 100,000 incremental vouchers be dedicated to providing welfare recipients with rental assistance that will enable them to move closer to the job opportunities.

Elderly. The Department will dedicate 15,000 of the 100,000 vouchers for elderly residents that are eligible for rental assistance. Projects built under the Low-Income Housing Tax Credit (LIHTC) Provision of the 1996 Tax Act must dedicate their units to low-income families. The Department intends to dedicate 15,000 vouchers, which will be paid for and renewed on the mandatory side of the budget rather than by annual appropriations, to rental assistance for elderly residents who move into units located in LIHTC projects. This will take advantage of the already lower rents of LIHTC units, while providing needed assistance to very low-income elderly residents that could not afford this housing.

In addition to the 100,000 vouchers, new vouchers will be provided in a variety of circumstances under the Section 8 program, each of which will be renewed in future years. Although HOPE VI rental assistance vouchers, which are issued to residents of public housing units that are demolished, may be paid for from the HOPE VI account when first issued, all subsequent renewal of those vouchers are included in the Section 8 account. Additional vouchers are also made available for a variety of other purposes, such as housing participants in the Witness Relocation Program, the Family Unification Program, and residents displaced when a building or project is converted to serve the elderly.

Regional Opportunity Counseling. HUD is committed to funding innovative counseling programs that enable Section 8 families to secure housing opportunities across metro areas—often to move away from high concentrations of poverty to neighborhoods that offer high quality education and better job opportunities. The \$20 million requested for this program in 2000, as part of the Section 8 program, will have a major impact on families' quality of life and, by enabling best practices to be launched and documented, Regional Opportunity Counseling will show the way to wider housing opportunities through the Section 8 program as a whole.

Revitalization of Severely Distressed Public Housing (HOPE VI). The FY 2000 Budget proposes an appropriation of \$625 million for the Severely Distressed Public Housing (HOPE VI) program, the same as enacted in 1999. This fund provides grants to Public Housing Authorities to address the significant challenge of severely distressed public housing projects. By going beyond "bricks and mortar," HOPE VI gives local partnerships a chance to do comprehensive community building -- to use the revitalization of public housing to turn around neighborhoods. In FY 2000, the Department plans to approve the demolition of an additional 10,000 obsolete units, which will bring HUD closer to its goal of approving for demolition 100,000 units by 2000. In an effort to stimulate healthy and stable communities, the Department plans to fund approximately 5,000 "hard" replacement units as well as 5,000 units through Section 8 rental assistance. These units will be in well-designed, mixed-income communities where needed services are readily available to all.

HOPE VI funds are used to foster innovative and comprehensive approaches to the problems of severely distressed developments and their residents, including new ways for Housing Authorities and the Department to work together in collaboration with residents. Such efforts include:

- (1) leveraging of funds with other resources such as low-income tax credits and bond financing;
 - (2) creating results-based self-sufficiency programs to promote the economic independence of residents; and
 - (3) encouraging agreements with contract trade unions so that residents receiving job training in construction work can qualify for union apprenticeships.
- HOPE VI communities ensure strong partnerships among PHAs, residents, local governments, and even educational institutions, such as local boards of education. In the latter case, several state-of-the-art schools are being established to serve families at all income levels who live in the local HOPE VI communities.

Up to 2 percent of the requested appropriation will be used for technical assistance to fund data collection and to provide on-site technical assistance to build in-house capacity to both ensure innovative support programs and provide oversight of demolition and revitalization activities.

Public Housing Operating Fund. The FY 2000 Budget would provide a significant increase in public housing operating funds, from \$2.818 billion in 1999 to \$3.003 billion in 2000. This Fund provides operating payment subsidies to PHAs sufficient to cover the difference between the PHAs income (from tenant rents) and their operating costs. Approximately 3,200 PHAs, with a total of more than 1.2 million units under management, receive these subsidies, which are allocated on a formula basis. Funds pay for utilities, maintenance, and other operating expenses, including PHA staff.

Although the funding included in this Budget was based on the existing formula, called the Performance Funding System (PFS), Congress introduced a requirement in the recently enacted public housing reforms (Quality Housing and Work Responsibility Act of 1998) to revise the formula, which has not changed for 25 years. Pending the development of the new formula, which will be established through a negotiated rulemaking involving residents, PHAs and HUD, the existing formula will be applied.

The FY 2000 Budget also continues to pursue important reforms that will transform public housing by removing and replacing the worst units, restoring troubled PHAs to financial integrity, demanding household accountability, promoting greater income diversity in public housing communities and enhancing PHA's management performance and accountability. One critical effort to be implemented in 2000 is the Department's Income Verification Program. Authorized in the public housing reform legislation of 1998, income verification will ensure that HUD assists the right families with the right amount of assistance.

Public Housing Capital Fund. HUD's 2000 Budget proposes a total of \$2.555 billion, a slight increase over the amount requested in 1999. Congress appropriated \$3 billion in 1999, which included a one-time increase for modernization activities to reduce the backlog of capital improvements awaiting funding. However, the nature of the program has been changed in the public housing reform bill of 1998. Beginning in 2000, the Act provides for greater flexibility and fungibility in the use of capital and operating funds. Of the \$2.555 billion, up to \$100 million is being requested for technical assistance, training, contract expertise and intervention focused on troubled housing agencies, equal to the amount enacted in 1999.

The requested level will only provide limited assistance to further reduce the backlog of modernization needs. The amounts included in the 2000 Budget are, however, sufficient to address the annual accrual of capital needs. As a comprehensive, formula-driven program based on need, the Capital Fund provides local authorities with maximum flexibility. Typical projects include modernization of public housing projects, demolition of abandoned public housing units, vacancy reduction, resident relocation, security, safety enhancements, and homeownership.

Beginning in 2000, up to 20% of the Capital Fund allocation may be used by large PHAs for operating expenses. For "non-troubled" housing authorities that have fewer than 250 units, capital and operating funds provided by HUD are fully interchangeable.

The amounts for technical assistance are critical for the successful implementation of the HUD 2020 management reforms. These funds support HUD's new Real Estate Assessment Center, which handles the inspection of public and assisted housing units for their physical condition, and the Troubled Agency Recovery Centers (TARCs). If PHAs are unable to obtain a passing score, they are referred to the TARC for intensive and immediate recovery efforts. HUD will have its new evaluation tool—the Public Housing Assessment System (PHAS)—fully operational by 2000. The PHAs evaluate housing authorities not only on the physical condition of their properties but the financial condition of the PHA itself. Housing authorities scoring below 60 (on a scale of 100) are immediately transferred to a TARC for remedial technical assistance.

TABLE 7

Summary of Funding for HOME
(Budget Authority in Millions)

	<u>1999</u>	<u>2000</u>	<u>2000 vs. 1999</u>
TOTAL APPROPRIATION	\$1,600	\$1,610	\$10
Set Asides:			
Insular Areas	3	3	0
Housing Counseling	18	20	2
Management Information Systems	7	7	0
Technical Assistance	22	22	0
Regional Affordable Housing Initiative	0	25	25

HOME Investment Partnership Program (HOME). HOME, HUD's successful housing rehabilitation and production program, is a key tool for increasing the availability of decent, safe and affordable housing in both urban and rural America. HUD has found that HOME exceeds the program's own affordability targets as well as the targets for funding local nonprofit housing organizations and creating mixed-income housing opportunities. The program works through local governments to finance the construction and rehabilitation of multifamily rental housing, improve substandard housing for current owners, and assist new home buyers through acquisition, construction and rehabilitation. HOME may even provide rental-based assistance to families. Beyond its impact in bricks and mortar terms, HOME has been an important tool for enhancing the capacity and experience of the nation's affordable housing producers.

In FY 2000, the HOME program is requested at \$1.610 billion, an increase of \$10 million over the 1999 enacted level. This Program level will provide 85,400 additional units of decent, safe and affordable housing for both owners and renters through the combination of new construction (34%), rehabilitation (48%) and acquisition (15%). About 3% will be used for tenant based-assistance.

The value of this program was underscored by a 1998 HUD publication: *Rental Housing Assistance - the Crisis Continues* (The Report to Congress on Worst Case Housing Needs). Despite strong economic growth, the number of very low-income renter households increased while the number of affordable private rental stock decreased by 900,000 units.

HOME has been particularly successful at serving low-income renters. In fact, 97% of the households receiving tenant-based assistance and 83% of the residents in HOME rental projects have incomes below 50% of the median income.

HOME funding levels also include \$25 million for a Regional Affordable Housing Initiative (RAHI) pilot program to address critical housing needs in targeted regions that develop creative, inter-jurisdictional housing strategies. Of that amount, \$17.5 million will be allocated by the HOME formula. These consortia would be encouraged to develop inter-jurisdictional strategies where it makes sense. The remaining \$7.5 million will be awarded among regional consortia, with the strategies and impacts documented by HUD.

Balancing the creation of affordable housing and the availability of jobs has proven to be a difficult task in many metro areas. Hence, mobility for low-income residents in need of jobs has been restricted, and businesses in many high-growth areas have trouble attracting and retaining employees who can afford local rents. This "jobs-housing mismatch" undermines regional competitiveness. Local regulatory barriers and a lack of experience and capacity in some communities may further inhibit the development of needed affordable housing throughout the metro economy, across the jurisdictional lines.

The FY 2000 pilot proposed would assist localities in overcoming these obstacles. Funds will be used for planning, regulatory streamlining, technical assistance, and housing development. Applicants must demonstrate a close link between a regional housing plan and the geographic pattern of job growth in the region. The FY 2000 pilot would fund a handful of inter-jurisdictional housing partnerships, as well as a careful evaluation of the pilot project as it unfolds.

Drug Elimination Grants and the Youth Anti-Drug Diversion Program. The Drug Elimination Grant Program (DEG) is a major competitive grant program that is directly aimed at improving the living conditions of residents in public housing. In doing so, it creates a more livable community for entire metropolitan areas. In fiscal year 2000 the DEG will introduce a major new effort to focus its resources on youth and to fulfill its ongoing obligations. Overall, HUD is proposing \$310 million for fiscal year 2000, the same level as enacted for 1999. The program was authorized in 1988 to reduce crime in public housing, restore safety and build better surrounding communities.

First and foremost, PHA staff and residents use the DEG funds, which are allocated on a competitive basis, to increase police coverage and tighten security measures. Funds are used to reimburse local law enforcement agencies for additional services, security contracts, investigators and training for volunteer residents. Recent appropriation acts have expanded the use of funds to include patrols, fences and gates, drug prevention and home intervention and treatment strategies. The recent public housing reform broadened the eligible use of funds even further to address drug related violent crime "in and around public or assisted housing." Clearly the creation of more livable communities depends on the successful implementation of the DEG program.

The major feature of this program, beginning in FY 2000 is the targeting of \$100 million in funds to diverting the Nation's most vulnerable youth away from drugs and crime. This initiative, part of the Administration's broader initiative for youth, will complement HUD's own Youthbuild initiative. Youth Anti-Drug Diversion will focus resources on three objectives—

mentoring, after school programs and family strengthening. The third component of DEG also includes \$20 million for the New Approach Anti-Drug program, which is at the same level enacted for FY1999.

The fourth component of the DEG program continues prior year funding of \$20 million for “**Operation Safe Home.**” This program has been administered by the Department’s Inspector General to combat violent crime in public and assisted housing. Operation Safe Home brings together a coalition of forces to combat gang activity. The success of this effort directly and immediately improves the environment of the entire area or neighborhood.

Low-Income Housing Tax Credit. While not a part of the HUD budget, the Low-Income Housing Tax Credit (LIHTC) has, since its creation in 1986, given states tax credits of \$1.25 per capita to allocate to developers of affordable housing. As the largest source of development capital, the LIHTC currently helps to fund 75,000 to 90,000 units per year. Even though building costs have increased 40% in the last decade, the amount of the tax credit has not been adjusted for inflation. Therefore, the Clinton Administration proposes to increase the cap on the LIHTC from \$1.25 to \$1.75 per capita at a cost of \$5 billion over the next 5 years. This will result in the production of an additional 150,000 to 180,000 units for American families over the same period. Last year, over two-thirds of the House and Senate were co-sponsors on bills to raise the cap on the LIHTC—more support than that given any other tax legislation.

B. Expanding Home ownership—Realizing the Dream for More Americans

TABLE 8
Expanding Home Ownership
(Budget Authority in Millions)

	<u>1999</u>	<u>2000</u>	<u>Change</u>
B. Expanding Home ownership			
Home ownership Zones	0	25	25
Rural Housing & /Economic Development	25	20	(5)
Indian Housing Block Grants	620	620	0
Indian Loan Guarantee	[69]	[72]	[3]
Citizens Volunteer Housing Corps	0	5	5
FHA - Mortgage Insurance Limitation	[110,000]	[120,000]	[10,000]
GNMA - Guarantee Limitation	[150,000]	[200,000]	[50,000]

HOME Investment Partnership Program (HOME). As outlined earlier, the successful HOME program does much more than expand the Nation’s stock of affordable rental housing. HOME opens new doors to homeownership for many low- and moderate-income families. HOME funds both improve substandard housing for current owners and assist new home buyers through acquisition, construction and rehabilitation. Again, the HOME program is requested at \$1,610 million for FY2000, an increase of \$10 million over the 1999 enacted level.

Housing Counseling. HUD requests \$20 million for the Housing Counseling program, a set-aside within HOME designed to provide pre and post-purchase counseling assistance on homeownership issues. This request is a \$2 million increase over the 1999 level enacted by Congress. Despite the

record-breaking success of the President's National Homeownership Strategy, demand for homeownership education and credit literacy remains high. Innovative research made possible with HUD funding confirmed that such education is critically important for minority and immigrant households—and these are the fastest growing markets in homebuying and mortgage lending. Still, these groups remain the least likely to own homes, because of a lack of knowledge about the homebuying process, a lack of conventional credit histories to justify mortgage applications, and a lack of information about the ever-changing financing options available in America's dynamic mortgage markets.

Homeownership Zones. To complement the Redevelopment of Abandoned Buildings Initiative, HUD is also requesting \$25 million in FY 2000 as a set-aside in the CDBG program to fund large-scale homeownership projects in targeted areas. Funds will be awarded competitively to communities that have large numbers of units in a target neighborhood that need reconstruction and/or rehabilitation, where homeownership is part of a holistic strategy for turning around distressed neighborhoods. Homeownership serves as a foundation for bringing back commercial reinvestment and more, because new owners create demand for neighborhood economic activities, such as grocery stores and other retail. The request of \$25 million will support 5 to 7 Homeownership Zones, based on the average grant of \$3 million to \$5 million. These funds will create an estimated 1,500 new homeowners. (In 1997, HUD was able to fund just 6 of the 70 applications received.)

Rural Housing and Economic Development. The fiscal year 2000 budget proposes \$20 million to encourage new and innovative approaches to addressing the housing and economic development needs of the Nation's rural populations. There is a great need to expand the supply of affordable housing in our rural communities. In addition, because of out-migration and disinvestment, many rural areas suffer from severe economic distress, with few employers and limited commercial activity. Rural areas must be able to attract and retain firms in economic growth sectors -- innovative manufacturers, for example -- to revitalize commercial streets where demand clearly exists but infrastructure has aged and capacity building is needed, and to carry out flexible micro-lending that supports promising enterprises.

HUD has significant experience in the funding and development of housing and community economic development programs in rural areas—through the CDBG and HOME programs and others. The Department has special expertise in delivering technical assistance and building institutional capacity. The new Office of Rural Housing and Economic Development at HUD will effectively integrate the impact of HUD's formula grant programs with highly targeted new funding for innovative projects. HUD will continue to work closely with the U.S. Department of Agriculture (USDA), the Department of Interior, the Appalachian Regional Commission, other Federal agencies, and leading rural development groups to design more effective responses to the housing and economic development needs of our Nation's rural communities.

Indian Housing Block Grant Program (IHBG). The fiscal year 2000 Budget for HUD proposes an appropriation of \$620 million for the IHBG program, the same as enacted in 1999. This is a needs-based formula grant program to Tribes or Tribally Designated Housing Entities (TDHEs).

Funds can be used for either modernization or operation and maintenance expenses or the development of new housing units to meet tribal needs.

The proposed Budget will continue the increase provided in 1999, in recognition of the growing backlog of operation and maintenance needs associated with the existing dwelling units that were developed with HUD funds. The Department cannot approve an Indian Housing plan unless the grantee makes these activities the top priority for the use of annual block grant funds.

However, other important purposes include the improvement of the health and safety of the residents. Housing services provide for counseling for rental or home ownership assistance, supportive and self-sufficiency services. Crime prevention and safety activities provide for security and law enforcement measures that will protect residents from crime. Technical assistance funds are used to conduct inspection of rental units in Indian Housing and to train tribes or TDHEs in the management and oversight of Indian housing projects.

Indian Housing Loan Guarantee Program. In addition to the Indian Housing Block Grant program, HUD has been implementing a significant program dedicated to increasing the supply of housing and the number of owners on tribal lands. Again in 2000, HUD is proposing \$6 million to fund a loan guarantee program that would guarantee up to \$72 million, or 325 new home mortgages. In addition, HUD is working to streamline the Federal lending process in support of the President's "One Stop Mortgage Initiative." The Center on the Navajo Nation will serve as a model one-stop center for all Indian tribes. Finally, a home building initiative on the Pine Ridge Reservation will include a financial institution to facilitate mortgage lending and disseminate information regarding the availability of loan products, self-help opportunities and training. It is expected that the institution will become a model for other tribes to follow in building programs of their own.

Citizens Volunteer Housing Corps. This new initiative will help increase the supply of affordable housing by mobilizing a corps of citizens to help reclaim and to rebuild abandoned and dilapidated housing in cities across the country. Supported by a \$5 million set-aside in CDBG, the Corps will tap into the spirit of civic pride and expand the stock of affordable housing. Working through mayors, community groups and especially faith-based groups, HUD will bring together a group of housing rehab experts in up to 80 cities to train local teams to do housing reconstruction. Technical expertise and other assistance will be provided by the **National Partners in Homeownership**--the leading organization in the President's successful home ownership coalition.

Federal Housing Administration Loan Limits and Loan Volume. One of the most important ways in which HUD opens doors to affordable housing and homeownership is through implementation of the recently enacted increase in the limits for FHA-insured mortgage loans, as requested by the President last year. Both the minimum and the maximum loan amounts were raised. The effects of this change in policy are just now beginning to be felt, particularly among potential first-time homebuyers. Because of the minimal down payment requirements for obtaining an FHA-insured loan, hundreds of thousands of first-time, low- and moderate-income home buyers can now purchase houses that just last year were out of reach.

To ensure that each and every qualifying FHA loan can be insured and to meet the significant increase in anticipated loan applications nationwide thanks to the loan limit increase, HUD is

requesting a \$10 billion increase in the cap on loan volume. By raising this limit from \$110 billion to \$120 billion, HUD will enable FHA to insure all qualifying loans in fiscal year 2000. Likewise, the HUD-owned **Government National Mortgage Association (Ginnie Mae)**, which acts as the secondary market for all FHA and VA loans, is requesting a guarantee limitation of \$200 billion, a \$50 billion increase over FY 1999.

Officer Next Door. To make central cities safer and to further the goal of community policing, HUD launched the Officer Next Door program. This program provides incentives for police officers to live in the communities where they work by offering a 50% discount on the purchase of HUD-owned foreclosed properties in locally designated revitalization areas. To date, HUD has accepted 2,484 sales contracts and closed 2,159 deals under this initiative, far exceeding our original goal of 1,000 sales.

C. Meeting Special Needs

TABLE 9

**Meeting Special Needs
(Budget Authority in Millions)**

	<u>1999</u>	<u>2000</u>	<u>Change</u>
C. Meeting Special Needs			
Homeless Assistance Programs	975	1,029	54
Housing Opportunities for Persons with AIDS (HOPWA)	225	240	15
Section 202 for the Elderly	660	660	0
Construction of new units	660	510	(150)
Elderly Capital Grants/Assisted Living	0	100	100
Elderly Service Coordinators	15	50	35
15,000 LIHTC Vouchers for the Elderly	0	87	87
Section 811 for the Disabled	194	194	0

Homeless Assistance Grants. Reducing homelessness is one of the Secretary's top priorities. In 1993, HUD initiated a new strategy for reducing homelessness, requiring communities to establish "Continuum of Care" (CoC) strategies. A Continuum of Care strategy is a coordinated community approach which focuses on ensuring that homeless persons move from homelessness into jobs and permanent housing.

HUD's innovative Continuum of Care approach ensures the specific needs of all homeless persons are served, including those living with mental illness, those in need of substance abuse treatment and those in need of job skills. Continuum of Care strategies focus on filling existing gaps in housing or other services within a community that are necessary to help individuals and families move from temporary homelessness and shelters to permanent housing. The Plan must, therefore, be inclusive of and utilize the services of public, private and non-profit participants within a community.

The Continuum of Care program has been highly praised by: nationwide providers and advocates of homeless people, Columbia University in a 1996 study and most recently, by Harvard University and the Ford Foundation, who recognized this program as one of 25 leading Innovations in American Government this year.

As a result of the success in helping thousands of homeless people reach self-sufficiency, the FY 2000 Budget is requesting a significant increase over the 1999 enacted levels. It also proposes an innovative new pilot project to test new ways to link homeless assistance programs, under the McKinney Act, to other mainstream services. In total, the CoC program will provide \$1.129 billion in funding in 2000. This includes a record level of \$1,020 million in grants, a \$5 million **Multi-Agency Demonstration** and \$104 million in funding for the 18,000 incremental vouchers for the homeless discussed above.

The results of this funding level will be impressive. When matched by the required 25% from other sources of funds, HUD funding will have created by the end of 2000, over 150,000 transitional housing beds and over 80,000 permanent housing beds, all of which will be linked closely to various supportive services.

Still, the demand for funds far exceeds their availability. In 1999, HUD could fund only 54% of the applications it received for HUD funding could be funded. On any given night, it is estimated that as many as 600,000 individuals are homeless. Some estimates conclude that more than 30% of the total homeless population is made up of families with children. Clearly there is much more that needs to be done. While the record level of funding for grants will make a significant contribution to that effort, new ways to combine resources must be investigated. Therefore, HUD is requesting, as a separate program, apart from the grants and vouchers, \$5 million for a multi-agency demonstration, combining services provided under the CoC program with services that are generally available. To the extent that homeless families are eligible for mainstream services and are not using them, new strategies that will facilitate the coordination of these programs should be developed.

Housing Opportunities for Persons with AIDS (HOPWA). HUD is proposing a significant increase of \$15 million to a level of \$240 million for the HOPWA program in 2000. This increase is solely dictated by the increase in the number of cases (and the commensurate increased demand for services) and the increase in the number of jurisdictions eligible for funding. Over the last 12-month period, 57,390 new cases of AIDs were diagnosed in the United States. At the end of 1997, over 247,000 persons were living with AIDS and an estimated 500,000 to 800,000 have the HIV infection.

To prevent homelessness, HOPWA funds are used to assist low-income persons with AIDS and their families with short-term rental assistance, mortgage assistance, and utility payments. Funds can also be used for facility-based assistance which includes construction, rehabilitation, acquisition, operating costs and supportive services.

Finally, funds may be used to develop information about housing and to help develop housing resources. In 2000, the Department is requesting that 1% of the HOPWA funds be allocated to technical assistance to enhance and support program performance by grantees.

Based on data from the Centers for Disease Control, an additional nine jurisdictions will be eligible for funding in 1999 plus the five states that remain eligible under the grandfather provisions of the 1999 Appropriations Act. An additional 5 to 10 jurisdictions will become eligible in 2000. HUD is proposing to retain the grandfather provision in 2000 as well. This brings the number of

jurisdictions receiving formula grants to 97 in 1999 and over 100 in 2000. The increase in funding is needed to retain the level of services in existing jurisdictions and include the new ones.

The 2000 Budget will support 44,000 units of housing assistance and will provide supportive services of some type to nearly 79,400 individuals.

Elderly and Disabled (Special Populations). In total, HUD is requesting \$941 million for elderly and disabled programs, an increase of \$87 million over 1999 enacted levels. The program being proposed has several distinct program elements.

Of the amounts proposed, \$194 million will be made available for the **Section 811 Program Serving Persons with Disabilities** through capital advances and project rental assistance. This is the same amount as enacted in 1999. Up to 50% of the funds may be used for tenant-based rental assistance. In addition, assisted disabled residents that are displaced by conversions of projects to all elderly will receive vouchers to find other assisted housing.

The remaining \$750 million is dedicated to fund programs that serve the growing elderly population. That amount includes \$660 million for **Section 202 Housing for the Elderly**, equal to the 1999 enacted level, plus new efforts within Section 202 to provide **Elderly Capital Grants (\$100 million)** for modernization and conversion to assisted living, as well as **Elderly Service Coordinators (\$50 million)**, an increase of \$35 million over the 1999 enacted level. Some **15,000 Elderly LIHTC Housing Vouchers (\$87 million)** are proposed to serve elderly living in housing funded by the Low-Income Housing Tax Credit (LIHTC), to be funded from the LIHTC on the mandatory side of the Federal budget. These programs and more are explained in detail under the fifth challenge in this book: "Opening Doors to Lifelong Security."

OPENING DOORS TO ONE AMERICA

Despite more than 30 years of prohibition of discrimination in housing, audits of race and national origin discrimination in the rental and sales market show that over 2.5 million instances of discrimination occur annually nationwide. It might not always be overt as it has been in the past, but it is there. And despite the highest level of home ownership in our Nation's history, a significant disparity remains between minorities and non-minorities. Over 73% of Whites own their own homes, while only 46% of African Americans and 44% of Hispanics are homeowners. We will only reach One America when all have equal housing opportunities. HUD is an integral part of the President's One America program and is cracking down on discrimination by substantially increasing the enforcement actions taken by the Department.

Over the past 30 years, Americans have made great strides in opening housing markets. More than ever before, all our citizens have an equal opportunity to live wherever they can afford. Yet the need to vigorously enforce fair housing laws remains as urgent today as ever. Providing housing opportunity is the key to letting all share in the American Dream, and the Fair Housing Act is an indispensable tool in this effort.

HUD's Office of Fair Housing and Equal Opportunity administers and enforces the Fair Housing Act and other legislation that ensures equal access to housing and provides equal opportunity and fair housing in all HUD programs.

Title VIII of the Civil Rights Act of 1968, better known as the Fair Housing Act, prohibits discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex or national origin. Title VIII was amended in 1988 by the Fair Housing Amendments Act, which expanded the coverage of the Fair Housing Act to prohibit discrimination based on disability or on familial status (presence of child under age of 18 and pregnant women). In 1997, at President Clinton's direction, Secretary Cuomo announced his commitment to "crack down" on housing discrimination and to double the number of enforcement actions taken by HUD.

There are two major HUD programs designed to attack housing discrimination: through the **Fair Housing Assistance Program (FHAP)**, which provides Federal funds to support a network of State and local civil rights agencies who enforce laws that are equivalent to the Federal Fair Housing Act, and through the **Fair Housing Initiatives Program (FHIP)**, which funds private, not-for-profit, fair housing groups who carry out enforcement (such as testing and private litigation) and education and outreach activities.

TABLE 10
FUNDING FOR ONE AMERICA PROGRAMS

(Budget Authority in Millions)

	1999	2000	Change
Fair Housing Assistance (FHAP)	\$16.5	\$20	\$3.5
Fair Housing Initiative (FHIP)	23.5	27	3.5
Total	40	47	7

Total funding for the Fair Housing Programs in 2000 is significantly increased to \$47 million, an increase over 1999 enacted levels of \$7 million or 18%. This increase will provide \$3.5 million each in higher funding to the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiative Program (FHIP).

Also, HUD will establish an innovative **Fair Housing Partnership** between State and local government fair housing enforcement agencies and private fair housing groups. This initiative will attack housing discrimination by expanding existing cooperation among FHIP and FHAP entities—the partnerships will achieve results that the two types of groups, working independently, could not.

Fair Housing Assistance Program (FHAP). The request for 2000 increases funding for this program by \$3.5 million over 1999 enacted levels to \$20 million. Substantially equivalent agencies will undertake case investigations and enforcement actions against identified discrimination. Other activities include capacity building to develop comprehensive case processing capability, training and special funding to address new or underserved protected classes. Funding in 2000 will support 90 agencies, compared to 85 being supported in 1999.

Fair Housing Initiatives Program (FHIP). The FHIP program will also increase by \$3.5 million in 2000 to a level of \$27 million. Funds are for three major components. First, “private enforcement” efforts include testing and other investigative activities such as audits of new construction to determine compliance with accessibility requirements, and testing in real estate market transactions. Second is “education and outreach” focusing on national campaigns to educate protected classes and to educate the housing industry about the Fair Housing Act. The 2000 FHIP budget also includes \$7.5 million for the second year funding of a national audit of discrimination in housing rental and sales. This audit will create the first ever report card at both the national and local levels of the extent of discrimination against the Nation’s major racial and ethnic groups. The national audit will include urban, suburban and rural areas.

Third, in FY 2000, the Department is proposing to use \$3.5 million for a special initiative to develop organizations that will address discrimination against under served individuals who are members of special groups, including those that face language and cultural barriers. Fiscal year 2000 funds will support the creation of 2 new private organizations in this area, as well as the continued development of at least 10 organizations as they become more experienced in fair housing enforcement.

OPENING DOORS TO A BETTER QUALITY OF LIFE

Our communities face a number of inter-related challenges to sustainable development, from uncontrolled growth (the congestion and urban disinvestment that come with sprawl) to crime and drug abuse, from environmental hazards and a lack of energy efficiency in housing to blight and under-investment in vital community infrastructure. Many of these challenges call for regional solutions that span jurisdictional lines.

Smart Growth for Livable Communities. Another program that both reflects the continuing regionalization of the American economy and attempts to proactively address relevant issues with inter-jurisdictional solutions is **Regional Connections**. HUD is proposing \$50 million in competitive funds for states, or consortia of local governments, businesses, non profits, and community groups—acting together to pursue smarter growth strategies across jurisdictional lines. Examples include: compact development rules and incentives for new growth areas in neighboring jurisdictions and coordinated reinvestment in areas with established infrastructure. Eligible activities will include planning, institution building and part of the costs of implementing inter-jurisdictional projects. Funds can be used to hire staff or consultants, purchase materials needed to run collaborative workshops or conduct background analyses and implement changes in local land development rules and incentives.

Beyond its primary purpose of ensuring meaningful collaboration toward sustainable development and a better quality of life at the regional level, the purpose of regional connections is also to complement existing Federal programs that influence growth and investment patterns. Examples include the Brownfields program (noted below), the consolidated plans required by HUD, and also DOT-funded transportation funding and EPA's water and sewer grants.

Brownfields Initiative and Better America Bonds. The Department is proposing a doubling of funding for the Brownfields Initiative, from \$25 million to \$50 million per year for the next 3 years, beginning in FY2000. This will accelerate and expand upon the Administration's previous commitment to a 4-year \$100 million program.

Brownfields are moderately contaminated industrial sites that are usually the remnants of the American industrial revolution in our major cities. Sites are not contaminated enough to be on the EPA Superfund list of highly contaminated sites but not clean enough to be rebuilt without substantial clean up costs and potential future liability for investors. As such, these sites have received no clean up action and remain an environmental, esthetic, legal and economic barrier to the revitalization of our urban areas. The acceleration of the program is merely a reflection of the growing intensity of the State and local efforts to begin reclaiming the nearly 450,000 sites that qualify as Brownfields sites. Since 1997, the Brownfields Initiative has been a top priority for the Conference of Mayors, the League of Cities, the National Association of Counties, the National Governors' Association and the Large Urban County Caucus.

The increase in direct Federal funding, however, is being complemented in the FY 2000 Budget by the initiation of a major funding source -- **Better America Bonds**. The Administration is proposing an innovative mechanism to improve the quality of life or "livability" of communities and the quality of life through "smart growth" objectives. The President is proposing \$200 million in FY 2000 and a total of \$700 million over the next 5 years for "Better America Bonds." This funding

will support federal tax credits and enable States to issue \$9.5 billion in bonds. Communities will have access to zero-interest financing because investors who buy the bonds will receive a tax credit in lieu of interest.

Better America Bonds have three purposes: preserving and enhancing green space; protecting water quality and; cleaning up Brownfields sites. In the latter case, the Better American Bonds will supplement the HUD Brownfields initiative by providing additional resources to assess and clean up Brownfields for use as open space or commercial, industrial, residential or mixed development. Preference will be given to proposals that incorporate regional planning and ensure partnerships among cities, suburbs and rural areas.

Abandoned Buildings Initiative -- From Brownyards to Backyards. Beginning in FY 2000, The Administration is proposing a 3-year innovative program for the redevelopment of abandoned buildings. This program will address some of the primary sources of blight in our urban neighborhoods: abandoned apartment houses, single family homes, warehouses, even office buildings. Through this initiative, HUD will provide \$50 million in competitive grants to local Governments to support the demolition of blighted abandoned buildings as part of a comprehensive plan to redevelop properties for commercial or for residential use.

The plans must involve significant private sector funding. On average each building will receive \$30 thousand for demolition, removal of debris, environmental remediation of soils and site preparation. This program will go a long way in creating more livable communities by stabilizing and redeveloping neighborhoods and providing the new hope by changing a neighborhood's direction from deterioration to development and unlocking the competitive advantages that are now locked away in the inner city neighborhoods.

Lead Reduction Programs. The FY 2000 Budget requests \$80 million for the lead hazard program, the same as the FY 1999 Appropriation. Of this, \$10 million is dedicated to implementing the "Healthy Homes Initiative," which addresses housing-related childhood diseases and injuries.

In FY 2000, the Initiative will implement a public education campaign on preventing diseases and injuries around the home as well as taking other important actions. The Initiative responds to increases in housing-related diseases and injuries. For example, much of the increase in childhood asthma is attributed to allergies to house dusts, and 80 percent of all fires now occur in the home. The Initiative will help develop a national strategy to coordinate and implement health and housing responses to these diseases and injuries.

The lead hazard control program continues to score significant gains; in FY 2000, \$70 million will be dedicated to this program. Currently, 36 States have enacted lead-based paint contractor certification programs; this achievement is due in large measure to such certification being a requirement for States receiving the Department's lead hazard control grants for work in privately-owned, low-income housing. Funding in FY 2000 will help increase this activity in these and additional States. Technical studies and technical assistance will be conducted to improve the effectiveness of private, local, State, and Federal lead hazard control efforts.

Partnership for Advancing Technology in Housing (PATH). The PATH Initiative, a public-private partnership announced by the President last year, aims to dramatically improve the quality, cost effectiveness, durability, safety and disaster resistance of the next generation of housing. PATH will do this by speeding the identification and adoption of building technologies. In 2000, HUD is again requesting \$10 million for the second year of a multiyear program.

Innovative technologies will be identified by the PATH industry partners and working with the governmental partners will develop and deploy the technologies for the next generation of American housing. The PATH program enhances livable communities in two distinct ways. First, new technologies almost always make housing more affordable over the long run because they are more energy efficient and more cost effective. One of the principal objectives of the PATH program is the reduction in the monthly costs of new housing.

Second, PATH program is part of an Administrationwide commitment to enhancing the technology infrastructure of the United States and reducing carbon emissions, a major source of Global Climate Change. PATH is a partnership of Federal agencies working with home builders, manufactured housing producers, product manufacturers, finance, insurance and other industry leaders.

TABLE 11
Summary of Programs for a Better Quality of Life
 (Budget Authority in Millions)

	<u>1999</u>	<u>2000</u>	<u>Change</u>
Regional Connections	0	50	50
Brownfields	25	50	25
Abandoned Buildings	0	50	50
Lead Based Paint Reduction	80	80	0
PATH	10	10	0

OPENING DOORS TO LIFELONG SECURITY

Recent decades have seen a monumental demographic shift in America's population, with our elderly citizens leading longer, healthier and more active lives. The challenge now is to meet the housing needs of this rapidly expanding population of elders. Just as we work to save Social Security, we must also work to provide housing security for our seniors.

TABLE 12

Summary of FY 2000 Elderly and Disabled Programs
(Budget Authority in Millions)

	<u>1999</u>	<u>2000</u>	<u>Change</u>
Elderly Programs (Section 202)	\$660	\$660	0
Conversion to Assisted Living	[0]	[100]	[100]
Service Coordinators	[0]	[50]	[50]
15,000 LIHTC Vouchers	0	87	87
Disabled (Section 811)	194	194	0

HUD is proposing a total of \$750 million in fiscal year 2000, and significant changes in existing programs, which are aimed at **both** increasing the supply of housing for America's low-income elderly **and** improving the housing of those already receiving assistance.

As many as 1 in 5 Americans will be elderly by 2050, swelling the current elderly population to 80 million people over the age of 65. The number of people over 85 years of age will grow even faster, making up 25% of the elderly population by 2050. To address this looming crisis and meet the needs of low-income elderly, the Administration is proposing a comprehensive plan -- a Continuum of Care -- that will enable low-income and frail elderly to obtain decent housing and access the services that aging requires.

Helping Seniors Stay in Their Own Homes. Elderly residents are often house-rich and cash-poor. To help them get the money they need to stay in their homes, HUD will expand and focus its **Healthy Homes for Healthy Seniors Initiative** on the needs of the elderly. Healthy Homes will allow seniors to convert the equity in their homes into rehabilitation and property improvement loans through HUD's reverse mortgage program.

A Family First Policy. Because caring for our elders starts with the family, the Administration has proposed a **\$1,000 long-term care tax credit** to help families meet the costs of long-term care for their relatives. HUD will build on this proposal by allowing families who own apartments to rent them to family members under the Section 8 program while retaining appropriate safe guards against abuse. With over one million elderly persons facing severe rent burdens, this easing of Section 8 rules will offer a family-based option for elders to get the support and services they need.

Building More Senior Housing. HUD will continue its commitment to the successful **Section 202 Housing for the Elderly program**. In fiscal year 2000, \$660 million is being provided for that purpose. The funds in fiscal year 2000 will expand non-profit housing available for unserved elders by an estimated 5,790 new rental units. In addition, HUD will increase the flexibility of the

202 program to help it work in partnership with other sources of funding, including the Low Income Housing Tax Credit.

As mentioned previously, HUD is proposing that **15,000 new vouchers** be targeted to very low-income elderly who move into projects constructed using the Low-Income Housing Tax Credit (LIHTC). Unlike the funding for all other incremental vouchers, the \$87 million for these vouchers would not be part of HUD's appropriated budget. Instead, funding would be part of the LIHTC provision and would be automatically available in 2000 and future years for reducing the growing need for elderly assisted housing.

Adapting Housing to Changing Needs. It is clear that the elderly segment of the American population is growing and the over 85 segment is growing the fastest. To meet this challenge, HUD will adapt existing housing to the changing needs of the elderly community. \$100 million of the 202 funds will be used for an innovative competitive **grant program to convert elderly housing to assisted living facilities** to meet the growing need for additional services. This initiative will enable HUD to better serve a large number of elders for whom current buildings are no longer appropriate due to the residents' increased frailty. A portion of the grant funds for conversion of 202 elderly housing will be used to develop **intergenerational learning centers**, where the skills and experiences of the elderly can be harnessed to meet the need for affordable child care, while encouraging seniors and children to learn new skills together.

In addition, there is a major increase in the **Service Coordinator program** to \$50 million in fiscal year 2000. This funding will increase the number of coordinators of outside services, either Federally or locally funded, for elderly residents of HUD projects. At the same time, it will allow the coordinators to reach out to the community beyond HUD projects and help other lower income seniors access services from their own homes.

Integrating Housing and Health Care Funding. HUD is proposing to partner with the Department of Health and Human Services (HHS) to better integrate housing assistance and Medicaid funding for services. As part of this effort, HUD will be proposing a **change in law to allow vouchers to cover the rent portion of assisted-living costs**. The more than 200,000 lower-income elderly who already use housing vouchers should not be locked out of assisted living simply because a voucher issued by one part of the Government does not work in conjunction with Medicaid payments issued by another part of the same Government.

APPENDIX A

**Summary of 2000 Budget Increases
Comparison to 1999 Budget
(Budget Authority in Millions)**

FY 1999 Appropriation		\$25,517
Increases for FY 2000:	Change	
100,000 new vouchers		
25,000 Welfare to Work Voucher	\$144	
18,000 Homeless Vouchers	104	
42,000 Fair Share Vouchers	243	
15,000 LIHTC Elderly Vouchers	[87]	
Section 8 Renewals/Tenant Protection/Oother	2,152	
Contract Administration	209	
Empowerment Zones (EZs/ECs)	[105]	
Public Housing Operating Fund	185	
Community Development Block Grants	25	
Regional Connections	50	
Regional Empowerment Zone Initiative	50	
Redevelopment of Abandoned Buildings Initiative	50	
America's Private Investment Companies	37	
Brownfields	25	
HOME Investment Partnership (Grants)	10	
Housing Opportunities for Persons with AIDS	15	
Homeless Assistance Grants and Demonstration	50	
Fair Housing	7	
Federal Housing Administration	78	
Ginnie Mae	6	
Policy Development and Research	2	
Salaries and Expenses	24	3,466
LINE ITEM DECREASES FOR FY 2000:		
Flood Disaster Supplemental	(130)	
Public Housing Capital Fund	(445)	(575)
OTHER CHANGES		
Offsetting Receipts and Other Adjustments	(373)	(373)
TOTAL APPROPRIATION FOR FY 2000		\$28,035

Note: Items in parentheses reflect reductions

APPENDIX B

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 BUDGET AUTHORITY BY PROGRAM
 COMPARATIVE SUMMARY, FISCAL YEARS 1998-2000
 (Dollars in Millions)

	1998 ACTUALS	1999 ENACTED	2000 ESTIMATE
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants Fund	4,675	4,750	4,775
Community Empowerment Fund (CEF/EDI)	(138)	(225)	(125)
Metro Job Links	...	...	(10)
Youthbuild	(35)	(43)	(75)
Homeownership Zones	...	...	(25)
Round II Planning/Implementation Grants	...	...	(10)
EZ/EC Targeted Technical Assistance	...	...	(10)
Citizens Volunteer Housing Corps	...	...	(5)
CDBG Disaster Assistance (Supplemental)	250	130	...
Community Development Loan Guarantees:			
Program Account	30	30	30
Loan Guarantee Limitation	(1,261)	(1,261)	(1,261)
Regional Connections/Smart Growth	...	...	50
Brownfields Redevelopment Program	25	25	50
Urban Empowerment Zones (Mandatory):			
Urban EZs	5	45	(105)
Strategic Planning Communities	...	...	(45)
Total, Urban Empowerment Zones	5	45	(150)
HOME Investment Partnerships Program	1,500	1,600	1,610
Regional Affordable Housing Initiative	...	...	(25)
Homeless Assistance Grants	823	975	1,020
Vouchers (18K)	...	...	(104)
Multi-Agency Support Services	...	...	5
Total, Homeless	(823)	(975)	(1,129)
America's Private Investment Companies:			
Loan Guarantee Limitation	...	...	(1,000)
Credit Subsidy	...	...	37
Housing Opportunities for Persons with AIDS	204	225	240
Rural Housing and Economic Development	...	32	20
Regional Empowerment Zone Initiative	...	...	50
Redevelopment of Abandoned Buildings Initiative	...	...	50
Subtotal, Community Planning and Development	7,512	7,812	7,937
PUBLIC AND INDIAN HOUSING			
Housing Certificate Fund:			
Section 8 Contract Renewals/Amendments	9,030	9,599	10,640
Tenant Protection/Replacement Certificate	303	394	156
Contract Administration	...	...	209
Incremental Vouchers -- 60K (18k for Homeless)	...	...	347
Non-Elderly Disabled	40	40	...
Regional Opportunity Counseling	...	10	20
Welfare-to-Work incremental vouchers (25K Vouchers)	...	283	144
Admin Fee Change	...	...	6
Subtotal, Housing Certificate Fund	9,373	10,326	11,522
Public Housing Capital Fund	2,500	3,000	2,555
Revitalization of Severely Distressed Public Housing	550	625	625
Public Housing Operating Fund	2,900	2,818	3,003
Drug Elimination Grants for Low-Income Housing	310	310	310
Operation Safe Home	(20)	(20)	(20)
Youth Anti-Drug Diversion	...	...	(100)
New Approach Anti-Drug	(20)	(20)	(20)
Indian Housing Block Grants	600	620	620
Title VI Fed. Guarantees for Tribal Hsc. Activities:			
Program Account	(5)	(6)	(5)
Loan Guarantee Limitation	(45)	(54)	(45)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 BUDGET AUTHORITY BY PROGRAM
 COMPARATIVE SUMMARY, FISCAL YEARS 1998-2000
 (Dollars in Millions)

	1998 <u>ACTUALS</u>	1999 <u>ENACTED</u>	2000 <u>ESTIMATE</u>
Indian HOME Loan Guarantee Fund:			
Program Account	5	6	6
Limitation Level	[62]	[69]	[72]
Subtotal, Public and Indian Housing	16,238	17,705	18,641
HOUSING PROGRAMS			
Housing Counseling Assistance (Funded in HOME)	[20]	[18]	[20]
Housing for Special Populations:			
Elderly Housing (Section 202)	645	660	660
FHA/CAP Grant (Rehab)/Conversion to Assisted Living	...	...	[100]
LIHTC Vouchers (15K-Mandatory)	...	...	[87]
Service Coordinators	...	...	[50]
Disabled Housing (Section 811)	194	194	194
Subtotal, Hsg. for Spec. Populations	839	854	854
FHA Funds:			
HMI and Coop. Mt. Housing Ins. Funds:			
Program Account	338	329	491
Mortgage Insurance Limitation	[110,000]	[110,000]	[120,000]
Direct Loan Limitation	[200]	[100]	[50]
GI and SRI Funds:			
Program Account:			
Administrative Expenses	222	211	208
Credit Subsidy	97	81	...
Mortgage Insurance Limitation	[17,400]	[18,100]	[18,100]
Direct Loan Limitation	[120]	[50]	[50]
Subtotal, FHA Funds	657	621	699
Subtotal, Housing Programs	1,496	1,475	1,553
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Guarantees of Mortgage-Backed Securities:			
Program Account	9	9	15
MBS Guarantee Limitation	[130,000]	[150,000]	[200,000]
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology	37	38	40
Technology Advancement Partnership (PATH)	...	10	10
Subtotal, Policy Development and Research	37	48	50
FAIR HOUSING & EQUAL OPPORTUNITY			
Fair Housing Assistance Program	15	17	20
Fair Housing Initiatives Program	15	23	27
Subtotal, Fair Housing Activities	30	40	47
OFFICE OF LEAD-BASED PAINT AND POISONING PREVENTION			
Lead-Based Paint Hazard Reduction	...	80	80
MANAGEMENT AND ADMINISTRATION			
Salaries and Expenses, HUD	446	469	502
Transfers (FHA/GNMA/CFD)	[559]	[529]	[529]
Subtotal, Salaries and Expenses, HUD	[1,005]	[998]	[1,031]
Salaries and Expenses, OIG	40	50	38
Transfers (FHA/PIH)	[27]	[32]	[32]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 BUDGET AUTHORITY BY PROGRAM
 COMPARATIVE SUMMARY, FISCAL YEARS 1998-2000
 (Dollars in Millions)

	1998 ACTUALS	1999 ENACTED	2000 ESTIMATE
Salaries and Expenses, OFHEO	16	16	19
Subtotal, Management and Administration	502	535	559
Rescissions, Offsets and Other Adjustments	(3,018)	(1,656)	(319)
Subtotal, Discretionary Budget Authority (Gross)	22,806	26,042	28,563
Deductions for Offsetting Receipts (Discretionary)	(360)	(531)	(528)
Total, HUD Discretionary Budget Authority (Net)	22,426	25,517	28,035
MANDATORY PROGRAMS			
FEA GI/SRI Funds Liquidating	134	46	1164
Elderly Vouchers	...	...	87
Interstate Land Sales	...	1	1
Manufactured Home Inspection and Monitoring	14	15	16
Low-Rent Public Housing Loans	37	50	40
Urban Empowerment Zones	...	...	150
Subtotal, HUD Mandatory Budget Authority (Gross)	185	112	1458
Deductions for Offsetting Receipts (Mandatory)	(1,401)	(6,117)	(237)
Credit Subsidy Reestimates	(188)	1,264	
Total, HUD Mandatory Budget Authority (Net)	(1,404)	(4,741)	1,221
Total, HUD Budget Authority	21,022	20,776	29,256

