

CONGRESS FOR THE NEW URBANISM

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September 30, 2008

Memo

To: Honorable Barney Frank, chair of the House Financial Services Committee
From: Ray Gindroz, chair Congress for the New Urbanism
John Norquist, President CNU
Sam Sherman, Chair developer committee of CNU, Chair, Pennsylvania Building Industry Council

Subject: Housing component in the Stimulus Bill.

The Congress for the New Urbanism recommends that the following appropriations be considered for any 2009 economic-stimulus bill. These measures will directly spur much-needed, sustainable economic activity and provide a helping hand for American families temporarily trapped by the housing crisis.

1. Low Income Housing Tax Credits. Of the federal government's various housing programs, this program has shown the most long-term success in creating new low-income affordable housing. CNU recommends that this program be bolstered with an additional \$9 billion in funding for 2009. To ensure that this results in actual building activity, banks receiving federal bailout funds should be required to purchase low income tax credits equal to at least 2% of bailout funds received.

2. HOPE VI. This valuable program has completely transformed the face of American public housing, sparking new economic life in many inner-city neighborhoods -- perhaps none more so than Chicago's Kenwood neighborhood, where Barack Obama chose to live. Earlier this year, the HOPE VI Improvement and Reauthorization Act of 2007 (HR 3524), was passed by the House. This bill addresses many concerns that stakeholders had raised about the earlier iteration of HOPE VI and funds the program at \$800 million annually from 2008 to 2015. CNU recommends that the text of HR 3524 be incorporated into the bill, and further, that the first-year funding be increased to \$1.6 billion to address a backlog of projects accumulated during several years of underfunding.

In addition, CNU recommends that HUD begin to examine ways to apply the HOPE VI model -- using relatively small, competitive grants to focus local and regional governments' on planning for and building walkable, sustainable, accessible, and affordable neighborhoods -- to redevelopment opportunities beyond public housing sites. Countless such opportunities exist all across the country, including poor-quality privately-owned affordable housing, industrial brownfields, and derelict shopping centers and office campuses. A new program with a broader scope can ensure that all American neighborhoods, not just those with public housing, have a chance to plan for smarter growth.

3. Section 8. The housing crisis has resulted in thousands of foreclosures and evictions all across America. The housing program of last resort for an increasing number of families is the Section 8 Rental Voucher Program. This program should be temporarily bolstered in order to keep more American families in quality housing in this time of need. Rent vouchers, like food stamps and other forms of direct assistance to those in need, have a high "multiplier effect" as economic stimulus.

4. HOME & CDBG. These two block-grant programs provide much of the funding for innovative local programs that address housing and community needs. Now more than ever, municipalities need the resources to effectively address local problems. Whether it's repairing foreclosed or abandoned houses, housing the newly homeless, or seizing new opportunities to shape tomorrow's communities through innovative planning efforts, municipal governments stand on the front lines of our housing crisis. In addition, most municipal budgets have been severely stressed by the economic downturn, and the future viability of even the most effective municipal projects is under threat. CNU recommends a temporary, two-year increase in these programs' budgets.

5. Mixed-use development financing. The role of Fannie Mae and Freddie Mac in American housing finance has changed dramatically, and their policies should also change to address new needs. Fannie and Freddie's regulations set the national standard for lending to both homebuyers and residential developers. Yet their valuation models limit housing market innovation, notably a key restriction that limits their lending to, or in, mixed-use developments. Both Fannie and Freddie have guidelines that advise against loans in buildings where commercial uses occupy more than 25% of the building. This has the effect of discouraging high-intensity mixed-use development. CNU recommends that Congress direct the two GSEs to remove these and any other lending requirements which might have a deleterious impact on mixed-use and infill development in America's cities. CNU further recommends that the GSEs undertake a comprehensive review of how their policies can promote smart growth patterns that will ensure durable economic stability for the GSEs and communities alike.

We understand that immediate action is needed for the stimulus package to be effective. "Shovel-ready" projects are needed that can result in truly sustainable neighborhoods with a range of services and uses. Such ready to go projects can be found in most cities in the US because of the recent hiatus in HUD funding. Most of these are known to the staff at HUD in the Public Housing and HOPE VI programs. In many instances, federal regulations may require these projects to find a local funding match or commercial financing that may be difficult to arrange in the current financial crisis; in these cases, the federal government may consider suspending such requirements and directly providing bridge financing in the interest of expediting worthy projects.

The Congress for the New Urbanism believes that the federal government must help create sustainable neighborhoods by aligning transportation and housing policies towards a common goal of creating healthier neighborhoods within stronger metropolitan areas. Existing federal housing programs, such as tax credits for affordable and historic housing, subsidized low income rental housing, and public housing construction, deserve expanded and renewed commitments during this national housing crisis. We hope that the stimulus package will avoid the pitfalls of past programs, which relied on one type of housing per project and resulted in large concentrations of low income residents, separated and often alienated from the neighborhoods of a city.

Let's not forget that America faces another grave crisis. We must rebuild America in a more energy efficient, carbon neutral way. Therefore, preference should be given to compact development patterns within areas that can be served with existing infrastructure, transit, and services. Because transportation costs are especially burdensome for low-income families, it is important that low income housing be sited near transit, employment, and other amenities.