



Columbus Housing Partnership

**U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity**

**Housing and Economic Development Policy in the State of Ohio
Public Hearing: July 29, 2003**

Mr. Chairman and the honorable members of the Subcommittee,

I am Amy Klaben, President/CEO of Columbus Housing Partnership, Inc. (CHP). Thank you very much for inviting CHP to participate in the hearing on Housing and Economic Development Policy in the State of Ohio, a very important issue for our state.

ORGANIZATIONAL MISSION AND DESCRIPTION

Columbus Housing Partnership, Inc. (CHP) is a private, non-profit corporation established in 1987 with the belief that safe, decent and affordable housing is the cornerstone of family life and a healthy community. CHP provides quality, affordable housing and related services to low- to moderate-income working households in Columbus and the surrounding area. Through its activities, CHP is a partner in revitalizing communities and improving the lives of its residents.

CHP was formed through the joint efforts of The Columbus Foundation, City of Columbus, The Enterprise Foundation and the Columbus Board of Realtors in partnership with local faith-based and private sector leaders and is now a member of the Neighborhood Reinvestment Corporation. Today, with a staff of 27 full-time employees and under the direction of a 17-member Board of Directors, CHP develops strategic public/private partnerships with local lenders, businesses, governmental entities, community and faith-based organizations, developers and community development corporations to accomplish its goals.

CHP's activities support the goals and objectives outlined in the *City of Columbus and Franklin County Consolidated Plan 2000-2003* of not only increasing homeownership and rental opportunities, but also assisting those moving from poverty or public assistance to stability and self-sufficiency through education.

ORGANIZATIONAL PROGRAMS

The following is a brief overview of CHP's affordable housing and related services:

Affordable Housing Development

CHP provides a wide range of housing opportunities throughout Franklin County. Since 1987 CHP has produced in excess of 3,200 affordable homeownership and rental opportunities for

low- to moderate-income working families and individuals. CHP utilizes funds from Low Income Housing Tax Credits (LIHTC), bonds, and government funding to develop affordable single- and multi-family housing, typically with 3-4 bedrooms. 71 homes are now under construction, 67 homes will be started this fall and winter, and another 70 will be started next year. We have a systematic business approach to developing safe, affordable homes.

Down Payment Assistance Program

Low homeownership rates often correlate with lower resident long-term commitment to, and investment in, the health of the neighborhoods. Since 1996, in an effort to increase homeownership, CHP has administered down payment assistance programs. In the past two years CHP has dispersed \$166,375.84 to help 79 families and individuals achieve the American dream of homeownership.

Homebuyer Education Program

CHP staff is dedicated to providing the complex, quality programming necessary to promote affordable homeownership for Franklin County residents. CHP's HUD certified Homebuyer Education Program educates individuals and families that income alone is not the sole indicator of financial ability, economic status, or life outcomes. When participating in CHP Housing Counseling programs, clients are taught: how to develop a family budget, how to find a home, how to negotiate a contract, how to find a lender and mortgage that fits their financial needs, what a lender looks for when approving a mortgage loan, the importance of insurance, and the closing process. During the first 6 months of 2002, 178 people completed our Homebuyer Education Program. 324 people completed the program during the first 6 months of 2003.

Counseling Programs

All CHP clients are encouraged to participate in pre-purchase and post-purchase individual counseling. Freddie Mac under its Affordable Gold program (2001) reported 47.6 percent of nonprofit community service organizations provide pre-purchase counseling but only 32.2 percent provide *post-purchase* counseling. Study outcomes determined post-purchase counseling reduced the 60-day delinquency rates of borrowers by *63 percent*. The loss of employment and the increased incidence of predatory lending practices make it necessary for CHP to offer this program. In 2002, CHP housing counselors conducted 300 default-counseling sessions.

AmeriCorps Community Safety Program

CHP's AmeriCorps Community Safety Program develops the capacity within communities to maintain a physical environment that promotes public safety and increases resident involvement in crime prevention; strengthens communities by bringing people of all backgrounds together to solve problems locally and encourages responsibility through service and civic education. Activities range from working with the police and community residents to identify problem locations; organizing and strengthening blockwatches; cleaning vacant lots; planting gardens; holding community forums and celebrations on safety; developing and strengthening safe havens

and activities for youth; and serving in various capacities within target communities as they are identified.

NEED FOR AFFORDABLE HOUSING

One of the most significant needs identified in the Franklin County and City of Columbus Consolidated Plan 2000-2003 was the need to increase affordable housing in Franklin County as part of a comprehensive community revitalization strategy. Presently, there are 405,418 total households in Franklin County. Of these households, 174,634 or, 43.1% have incomes below 80% AMI (\$51,050). Without affordable housing available, renters face severe financial pressures, many merely a paycheck or unexpected bill away from homelessness. Families are challenged to meet daily basic needs, such as food and medical care. Particularly serious are the pressures faced by individuals who have transitioned from welfare to work—families for whom housing is typically the number one cost burden (U.S. Department of Housing and Urban Development/2001).

The following conditions currently exist throughout Franklin County:

Rental Housing Affordability:

- The National Low Income Housing Coalition reports that in 2001, a household would need an income of \$25,040, or 234% of the federal minimum wage, to afford a two-bedroom apartment at fair market rent in Franklin County.
- 44.1% of all households in Franklin County rent their residence. 76.3% of these renter households have incomes at or below 30% AMI.¹
- 76,866 renter households are considered to be *cost burdened*, paying more than 30% of their income for housing costs, including utilities.²
- 35,703 Franklin County renter households are *severely cost burdened*, paying more than 50% of their income for housing costs, including utilities.³
- A 1997 analysis of the Central Ohio rental housing market found a deficit of 21,892 rental units affordable to extremely low income households, or one affordable unit for every two households.⁴

Owner Housing Market:

- The Franklin County homeownership rate is nearly 10% below the national average.⁵ New housing stock priced below \$130,000 has dropped 77% since 1998.
- The average price of a new detached single-family home in Franklin County increased from \$202,501 in the fourth quarter of 1999, to \$228,958 during the second quarter of 2001, for a 13.1% increase during the 18-month period.⁶

¹ 2001 Franklin County and City of Columbus, Community Research Partners

² 2001 Franklin County and City of Columbus, Community Research Partners

³ 2001 Franklin County and City of Columbus, Community Research Partners

⁴ 2000 – 2003 City of Columbus Consolidated Plan

⁵ National homeownership rate is 66.8%, Danter Company, 2001,

⁶ 2001 Franklin County and City of Columbus, Community Research Partners

- January 2001 – June 2001, 8,128 homes were sold in Franklin County. Of these, only 40, or less than 0.5%, were priced less than \$100,000.⁷

Income and Employment:

- Based on HUD's basic family budget—an estimated 175,000 persons in Franklin County are in families with incomes insufficient to meet basic living costs.⁸

PARTICIPATION IN GOVERNMENT PROGRAMS

Section 8 Program

As an owner of rental housing, CHP does not discriminate against tenants on the basis of their source of income so many residents utilize Section 8 vouchers to pay their rent. There are many issues that we would like you to be aware of in the administration of the Section 8 program. We must wait three to five months before we receive the first rent check for a new resident. This creates undue hardship as we need the rental income to pay operating expenses. We have found that inspectors do not administer the housing quality standards (HQS) in a uniform manner. Rather, inspectors interpret the rules their own way as they inspect units and the results are inconsistent. In addition, units may not meet HQS Standards due to tenant damage. A system needs to be in place to ensure that landlords are notified when units do not meet such standards and are given an opportunity to correct such damage prior to rent being abated.

There is a policy that Section 8 funds may not be used to pay for damage caused by tenants. This policy needs to be changed as landlords cannot bear the entire cost of correcting such damage. Most importantly, there are not enough Section 8 vouchers in Columbus, Ohio, causing many children and families to not have adequate housing.

CDBG and HOME Programs

Columbus Housing Partnership receives CDBG funds from the City of Columbus. For the past three years, the funds have been utilized to assist us in providing our homebuyer education, down payment assistance, and individual development account programs. Such programs would not be available without such funding, are crucial to increasing the low homeownership rate in Columbus, and enable people to be successful long-term homeowners. The City of Columbus is in need of more funding to enable it to impact more neighborhoods.

CHP receives both CDBG and HOME funds for its rental and homeownership housing development activities. The Federal Government needs to increase the amount of funding available as such funding is not enough to deal with the issues of revitalization in Columbus' Central City. These amounts do not address the issue of appraisal gap, and do not allow for the quality of rehabilitation needed to make existing housing safe, decent, and marketable. In addition, CDBG and HOME programs will allow for subsidies only to individuals below 80% of the Area Median Income. This should be increased to 100% of AMI in revitalization areas to attract higher income people to live in these areas.

⁷ 2001 Franklin County and City of Columbus, Community Research Partners

⁸ 2001 Franklin County and City of Columbus, Community Research Partners

Lead and Historic Issues

When receiving government funds through HUD, we must deal with lead and historic issues. The lead regulations are extraordinarily burdensome and complicated. Few contractors are willing to get licensed due to the difficulty of understanding the rules. The rules need to be streamlined so that lead can be dealt with in a financially reasonable and timely manner. Lead abatement can add anywhere from \$15,000 - \$30,000 to the cost of rehabbing a home but such cost does not increase the value of the home and can thus not be recovered in the sale price.

Historic rules have also been difficult to comply with. Not all neighborhoods with homes over 50 years old should be deemed “of historic significance.” Because the rules are strictly interpreted, neighborhoods with a lot of vacant boarded-up houses, crack houses, and other types of crime may be “deemed historic” and can not be efficiently or affordably rehabilitated and houses cannot be demolished for development of other housing. HUD should revise these rules so that only when housing is being built or rehabbed in a designated historic district do historic rules apply. Otherwise, the area should be free of such rules. Building or rehabbing homes to meet historic requirements adds significant costs and do not make for better homes. In addition, homes that meet the needs of disabled occupants need to be built in historic districts. One-story homes must be built for easy accessibility. When the issue of accessibility arises in areas that may have historic significance, accessibility should prevail to allow people to live where they choose.

Tax Credit Programs

Columbus Housing Partnership develops rental housing through the low-income housing tax credit program. Such funding is crucial for the development of affordable housing and is used in conjunction with HOME funds to enable the housing to be affordable to low-income people. These two programs have been an important part of revitalization of many neighborhoods in Columbus. However, tax credits are available for use only in a qualified census tract (low-income areas). Consequently, low-income housing is being developed in areas that currently have an over abundance of low-income people. The tax credit program needs to be modified to allow for the development of affordable housing in areas where employment opportunities exist. As land is typically more expensive near areas of employment growth, the tax credit program should be adjusted to allow builders to build in such areas.

Congress has not yet passed a homeownership tax credit. This credit is also very important and would enable us to increase the homeownership rate in targeted areas of Columbus.

Our Experience with HUD

The staff in our local HUD office has been very helpful and knowledgeable. However, the rules of many HUD programs are too complex and constantly change. CHP staff spends significant amounts of time understanding the rules and figuring out how to comply with them. The rules and programs need to be streamlined and developed to work together.