

Testimony of

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Insurance, Housing and Community Opportunity and
Oversight and Investigations Joint Subcommittee hearing:

Fraud in the HUD HOME Program

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Madam Chair Biggert, Chairman Neugebauer, Ranking Member Gutierrez and Ranking Member Capuano:

On behalf of the Corporation for Supportive Housing (CSH), I appreciate your consideration of my testimony regarding HUD's HOME program. CSH is a national non-profit organization that works in communities across the country to create affordable housing linked to services that prevent and end homelessness. Supportive housing is a highly successful and cost-effective model for reducing homelessness, particularly for families and individuals with the greatest barriers to housing stability.

I appreciate the Subcommittees conducting oversight of HUD programs, particularly those that have been the subject of fraud. Defrauding publically-funded programs has two significant consequences: denying or delaying the provision of much-needed assistance to the most vulnerable families in our communities, and eroding the public's confidence - and potentially its support - for vitally important government programs.

CSH urges HUD to respond to abusive activity through far more aggressive oversight and enforcement of its programs. At the same time, CSH urges Congress to not make the mistake of punishing poor people and depressing an already strained housing development industry by cutting funding for the HOME program, which provides critical financing to housing development, and which has innumerable more success stories than it does failures.

CSH is submitting this testimony because it may not be outwardly apparent just how important the HOME program is to ending homelessness in the United States. CSH estimates that 80 percent of the supportive housing we've worked to create utilizes HOME dollars. While it is not always a large source of capital funding in absolute terms, HOME fills critical gaps in the development of supportive housing and other affordable housing. It is not uncommon for supportive housing to bring together a dozen different sources of financing to make the project a reality. The great benefit of HOME is that states or localities can invest these funds in a project to leverage private investment, or use it to fill in while the project pulls together other forms of permanent financing. Here are just three quick examples:

In Dallas, Texas, CSH worked with the Central Dallas Community Development Corporation to help create Citywalk@akard. Citywalk is a premier example of "integrated housing" where supportive housing units are set-aside within a larger affordable housing development for formerly homeless families with supportive service needs. This development, a rehabilitation of a 200-unit affordable and supportive housing project with 50 units set-aside for homeless individuals, includes retail space and an indoor parking garage, office space, a community room, a cyber café, and an outdoor patio area. Citywalk makes a positive contribution to Downtown Dallas in four major ways: it increases the diversity of the downtown population; reduces the homeless population; creates jobs; and increases the life and activity of Downtown Dallas. It could never have become a reality without a key \$2.25 million HOME investment from the City of Dallas.

In San Diego, California – a city with a significant problem of homelessness – HOME played a particularly important role in saving the development of 34 affordable housing units, including twelve units set aside for people living with HIV/AIDS along with the chronically homeless with serious mental illness. Despite the presence of Townspeople, an experienced community provider, a committed government partner and a nearly “done deal”, the economic downturn hampered the developer’s ability to secure state tax-exempt bonds. To save the project, the City made a carefully considered decision to provide an additional \$880,000 loan using HOME funds. In exchange for the City’s extensive support of the project, the developer agreed to extend the period of affordability of the property for an additional 10 years. The result was a true win-win-win for the developer, the city, and the homeless and very low-income people who all benefit from the housing, services, revitalized tax base and community resource the project provides.

In Chicago, Illinois – CSH was proud to partner with the City of Chicago and its investment of a \$1.5 HOME loan to St. Andrew’s Court. St. Andrews Court is an award winning residence that includes 42 units for formerly homeless men with disabilities. St. Leonard’s Ministries provides comprehensive, individualized case management, including substance abuse and mental health services, to help each resident succeed. Services include life skills classes, financial management assistance, substance abuse relapse prevention, and employment and educational programs. Once again, HOME played a crucial role in making this remarkable residence a reality.

The bottom line is that Congress must understand just how important a role HOME plays in developing supportive housing, and therefore reducing homelessness in communities across the country. Anytime fraud takes place, it is one less person served who is in need. The answer should be more strict enforcement and oversight of the program, not a reduction of Congressional funding.

We greatly appreciate your thoughtful consideration of our testimony.