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Sequestration. It sounds like an invasive medical procedure. In a way it is, and it's about to be performed on the entire country unless Congress acts fast.

In Portland, sequestration — a wonky term for general cuts in government spending — could result in less affordable housing and leave some of the city's most vulnerable people struggling to put a roof over their heads. And the political hiatus in Washington over the future budget has local housing agencies hanging in limbo over how to prepare for the chopping block.

"Almost every resource that we have to build affordable housing will see cuts," said John Miller, executive director of the Oregon Opportunity Network, of the looming and deep cuts to the federal budget.

This situation is the result of a squabble between Congress and the president that occurred last year over raising the ceiling on the national debt. After coming close to defaulting on the nation's debt, Congress passed and the president signed the Budget Control Act. The legislation, in addition to cutting federal spending, created a bi-partisan congressional committee that was tasked with reducing deficits by \$1.2 trillion from 2012 through 2021. Under the act, if the committee couldn't come up with a plan, an across-the-board sequestration would kick in as a back-up. The idea was that sequestration would be so unpalatable that the committee would be forced to cut a deal.

But the committee failed to cut a deal and unless Congress and the president work out a new agreement sequestration is slated to go into effect in January, resulting in an 8.4 percent across the board cut to nearly all federal spending, with smaller cuts for defense and Medicare.

Federal housing programs administered by the U.S. Department of Housing and Urban Development (HUD) that fund efforts to build affordable housing and other anti-poverty programs will be affected by the cuts.

"It's going to affect our ability to serve and how we serve families," said John Bohm, senior director of congressional relations for the National Association of Housing and Redevelopment Officials, a trade group for professionals working in housing and community redevelopment.

According to Bohm, public housing has been chronically under funded for years and a large back log of upkeep and maintenance has built up in these facilities. Additionally, he said that local housing agencies will have less money for capital and administrative operations, making it harder for them to perform basic functions.

One of the cuts that could produce a clear impact is the reduction in funding to the HUD housing choice vouchers, said Bohm. This program subsidizes the rent of very poor families, disabled individuals and the elderly. These cuts could increase homelessness, he said.

"Operationally, it's hard to think of how to respond until we know this is going to happen," said Bohm.

Here's what the cuts will mean for Oregon, according to numbers from the Center for Budget and Priorities:

■ In 2012, nearly 32,000 families received assistance from the U.S. Department of Housing and Urban Development in the form of housing choices vouchers, which aid low-income families. If

sequestration goes into effect, there will be 3,000 fewer families receiving assistance.

■ In 2012, Oregon received nearly \$25 million in funding for public housing, which would drop by about \$2 million under sequestration.

■ This year, Oregon received \$23 million in funding for homeless assistance. If sequestration goes into effect that amount will drop by \$2 million.

■ Oregon received \$1.5 million in 2012 for housing for people with AIDS. Sequestration could trim that amount by nearly \$133,000.

■ This year, Oregon received \$30 million in Community Development Block Grants - which provides funds for affordable housing, job training and other anti-poverty programs. Under sequestration, Oregon will see \$2.5 million less.

■ Lastly, Oregon will see the \$13 million in HOME grants it received in 2012 decrease by about a million dollars.

John Miller, of the Oregon Opportunity Network, said that the proposed cuts come when housing programs are stretched thin due to increased demand, and Oregon could see over \$8 million in less HUD money as a result of sequestration. Echoing Bohm, he said a clear impact of the cuts could be 2,600 families in becoming homeless as a consequence of cuts to HUD's voucher program.

Other vulnerable demographics, such as the elderly and disabled, could also face bleak situations as housing programs are cut, said Miller. Community development corporations, often builders of affordable housing, could have fewer resources to work with as well, said Miller.

"They're all bad," said Miller of the cuts. "There's not one that sticks out as worse than others."

Martha McLennan is the executive director of Northwest Housing Alternatives (NWAHA), an organization that provides affordable housing and other services in the Portland metro area. McLennan says that if sequestration goes through, it will mean some tough choices for organizations like hers, which operates 645 subsidized housing units. The cuts would require HUD to find a way to reduce assistance for this portfolio by an amount equal to 52 units.

"How they actually do that is anybody's guess," she said.

The cuts could result in tenants, some of whom have incomes as low as \$8,000 a year, losing some assistance and having to shoulder more cost, she said. Owners of subsidized housing could have less money, but still being required to offer the same services, resulting in these properties becoming financially unsustainable, she said. Another scenario is seeing assistance for vacant units canceled, she said.

Additionally, NWAHA helps connect

families experiencing homelessness to social services. With fewer funds available as a result of sequestration, it would mean fewer services NWAHA could provide to families, she said.

McLennan said that cuts to HOME funds, which she described as "gas money" for affordable housing, could also be significant. These funds are distributed to states and local governments that are used in partnership with non-profit and for-profit entities to build affordable housing. McLennan said that her organization relies on these funds along with a tax credit to build affordable housing. Reducing these funds along with an expected change in the rate of the tax credit could result in a 35 percent decrease in subsidized housing being built, she said.

"You'll have less stock of housing and fewer households served," she said of the cuts, which she added will further reduce programs that have already seen their funding decrease for years.

Shelley Marchesi, spokesperson for Home Forward, the entity that oversees some HUD programs for the Portland metro area, said there are many questions surrounding sequestration and what it will mean for Portland.

Marchesi said that with so much uncertainty surrounding the situation, Home Forward isn't preparing for sequestration. She said that the agency is just starting its budgeting process for the next fiscal year and is using last year's budget as a starting point.

"We knew that we would have a budget challenge before sequestration," she said.

According to Home Forward's most current budget, which went into effect April 1, 2012 and goes through March 31, 2013, the agency has an operating loss of \$9 million, despite getting a \$1 million increase to the housing assistance subsidy it receives from HUD. In total, Home Forward received nearly \$89 million from HUD, accounting for nearly 82 percent of its current budget, in the form of public housing subsidies, grants, vouchers and other contributions.

The Portland Housing Bureau (PHB), another local government entity that

administers HUD money, also isn't quite sure how sequestration would affect local housing programs.

According to PHB spokesperson Jaymee Cuti, funding from the federal government to the bureau will drop by an estimated 8.2 percent if sequestration goes through. The reduction, said Cuti, will result in \$870,000 in cuts to the two big HUD programs the PHB oversees, the Community Development Block Grant, which it directs toward a job-training program, and HOME funds, which the bureau uses for to development of affordable rental housing, home buying and homeowner repair programs and short-term rent assistance.

The PHB budget has about \$13.8 million in CDBG funds on hand. Approximately \$7.8 million is allocated to housing development activities, \$2.1 million to a job training program, \$1.2 million to homeless services, \$1.2 million to homeowner access and retention, \$250,000 for other services and about \$1.25 in bureau support costs. The PHB also has \$2.92 million in HOME funds.

"Strictly speaking, sequestration will mean less money to serve the most vulnerable in our community," said Traci Manning, director of the PHB. "A reduction would force us to decide which existing services to cut and by how much. Short-term rental assistance and affordable rental housing are two tools proven to end homelessness. Without them, we'll see more people on the street and an increased need for other public services."

The PHB isn't sure what these cuts will mean to local housing programs, as far as how many fewer units of affordable there will be or how many fewer people will be served.

"We don't actually think about it in those terms so we don't have estimates of how many fewer houses or how many people without housing," Cuti said. "We think of it in terms of how much less money is available for affordable housing developers."

It is possible that the Congress and the president will cut a deal to modify or soften the impending budget cuts. President Barack Obama doesn't support sequestration.

Oregon's affordable housing on the edge of the fiscal cliff

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