NCDA
WASHINGTON REPORT

TO: NCDA MEMBERS

FROM: CHANDRA WESTERN
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DATE: June 30, 1999

FEATURE ARTICLES

APPROPRIATIONS UPDATE: HOUSE AND SENATE MOVE UP DATES FOR SUBCOMMITTEE MARK-UP FOR HUD/VA/IA BILLS

On June 28, 1999—In a surprise move, both the Senate and House Appropriations VA-HUD sub-committees have announced their intentions to speed up the mark-up dates for the fiscal year

2000 VA-HUD appropriations bills. Originally anticipated not to take place until late August or early September, it was revealed that in the Senate the committee mark-up has been tentatively scheduled for the week of July 11, 1999. The House VA-HUD sub-committee is planning to hold it's mark-up hearing on the 19th of July. Both sub-committees hope to report out their VA-HUD funding bills to their full Appropriations Committees by July 23, 1999. Obviously, this sudden schedule change leaves precious little time for organizing effectively to protect CDBG, HOME, and related programs from previously discussed 11-14% across the board budget cuts being considered for the FY 2000 HUD-VA appropriation. New information suggests that cuts to HUD programs could go even deeper. Based on information from the leadership of the sub-committee, staff has been directed to increase medical benefits for veterans, and fully fund Section 8. This leaves other programs for the chopping block. As we have seen in the past, the bigger the program the larger the cut. This could only be CDBG. According to Senate staff, a 40 % cut would not be out of the realm of possibility. We still don't believe cuts of this magnitude will materialize.

The House Appropriations Committee is expected to approve slightly revised discretionary spending allocations to it 13 subcommittees. The committee has found about $3.4 billion to add to some of the allocations. The money comes from reductions in other subcommittees' spending allocations and from lawmakers' recent realization that accelerated government sales of broadcast spectrum will produce an additional $2.6 billion in revenue. The Department of Interior will be the major beneficiary of these funds. A $2.7 billion increase will help, but not guarantee passage on the House floor. A $650 million "chunk" will be put in reserve for other spending bills to be named later. This new allocation is part of the House GOP leadership's strategy to make some of the spending bills easier to pass by shifting money into them from less contentious spending measures. Among those that have seen initial allocations reduced are Military construction, at $299 million; transportation (HR 2084), $300 million; and agriculture (HR 1906), $106 million.

These new allocations will not devote more money to the two spending bills considered least likely to pass under the initial allocations –Labor/HHS and HUD/VA. Those bills are slated to be trimmed by $10.7 billion and $5.7 billion, respectively, from fiscal 1999 levels. House leaders have promised to dramatically increase the pace of action on spending bills after next week's Fourth of July recess.

During the first week back, five Appropriations subcommittees tentatively are scheduled to mark up their bills, including Labor/HHS and Defense. The other bill slated for markup that week cover foreign operations, energy and water development and the District of Columbia. The two remaining spending bills – HUD/VA and Commerce/Justice/State – are expected to be marked up by subcommittees during the following week, July 12-16. Only two appropriations bills await full committee markups in the Senate– HUD/VA and Labor/HHS. Both of these markups could take place during the week of July 12-16.

NCDA's STRATEGY TO ADDRESS POTENTIAL CUTS

In the coming weeks NCDA will be working vigorously with allied organizations and advocacy groups– NAHRO, NACCED, NACO, ALHFA, COSCDA, the National League of Cities, and the U.S. Conference of Mayors— to make sure members of Congress understand what the kinds of draconian cuts being bandied about on Capitol Hill will mean to vital CDBG/HOME sponsored programs and services in the communities they represent. Some of our plans include, coordinating with the U.S. Conference of Mayors to ensure that CD practitioners from key cities and regions participate in Hill visits with their mayors in order to rally support for CDBG/HOME funding; working with the National Priorities Project on the Federal Budget to distribute information kits to key appropriators detailing exactly what the proposed cuts will do to the health of CDBG/Home sponsored initiatives in their states and/or congress-ional districts; and joining with a host of other advocacy groups in attempts to dissuade Congress from using savage cuts in needed "human infrastructure' programs to finance other budget activities.

At this crucial time in FY 2000 appropriations process it is very important that Senate and House appropriators and all other members of Congress hear from NCDA members and their respective city governments early and often about why it is essential for Congress not to slash funding for CDBG, HOME, and related programs. As we all know, the well being of the nation's most vulnerable families is dependent on the continued strength of these programs.

WHITE HOUSE PROJECTS A $1 TRILLION SURPLUS OVER THE NEXT 15 YEARS; REPUBLICANS EYEING A TAX CUT MEASURE

President Clinton has announced, based on recent projections developed by the White House, that the budget surplus over the next 15 years will be $1 trillion. These new numbers have been released just days prior to the release of the Congressional Budget Office's projections, scheduled to be released on July 1. For FY 2000, the President projects a $99 billion surplus; a $94 billion Social Security surplus and a $5 billion non-Social Security surplus (the first such surplus in four decades). Clinton proposes to use the surplus to pay down the national debt, keep Social Security solvent through 2053, bolster Medicare, and increase spending on defense and domestic programs.

This rosier budget scenario is already prompting Republicans to craft a tax bill. House Republicans have released their framework for a tax measure. The tax cut proposal includes a 15-year phase-out of the marriage penalty tax, gradual elimination of the estate tax, reduction in the capital gains tax, allowing self-employed persons to deduct all health insurance costs, making permanent the research and experimentation tax credit, and addressing the growing alternative minimum tax. Some Democrats have already said that President Clinton will not sign such a measure. The budget resolution requires the House Ways and Means Committee to move a tax bill by July 16 and the Senate Finance Committee to move its version by July 23. The House Ways and Means has tentatively scheduled a July 14 markup.

House and Senate appropriators would like to see the non-Social Security surplus used to ease the squeeze on spending bills created by the discretionary spending caps. The Labor-HHS-Education bill and the VA-HUD-Independent Agencies bill have been hit especially hard this year with cuts. Cuts to the VA-HUD-IA appropriations bill range from 8% on House side to 14% from the Senate. A budget surplus could assist in increasing funding for these two bills and reducing the chances of a showdown by Congress and the Administration over passage.

CBO BUDGETARY SURPLUS SIGHTLY LESS ROSY THAN THE PRESIDENT'S

The Congressional Budget Office released its end of the fiscal year projections at $996 billion over the next 15 years. This figure is slightly less optimistic than that of the President however, the fiscal 1999 surplus is estimated at $120 billion and $161 billion for fiscal 2000. This would assume approximately $14 billion non-social security surplus for fiscal 2000. Obviously, both Democrats and Republicans want to use this extra revenue for their own benefits. The Republicans would like to see an even larger tax cut, and the Democrats would like to use the surplus to increase the budget caps on domestic spending. Still, with additional resources found by the budget scrubs and holding newly passed spending bills under the caps, the surplus may provide the Congress with the means to save itself and get all 13 spending bills passed before the end of the fiscal year. There is still hope for HUD and HHS programs.

THE FINANCIAL MODERNIZATION BILL (HR 10) GOES TO THE HOUSE FLOOR JULY 1

H.R. 10, the financial modernization and reform bill which greatly expands the size and function of banks in the United States without simultaneously expanding the Community Reinvestment Act, will come to the floor of the House of Representatives for a vote on Thursday, July 1.

Representatives Luis Gutierrez (D-IL) and Thomas Barrett (D-WI), among others, have amendments ready to be offered which would substantially strengthen H.R. 10. However, it will take much effort to convince the House Rules Committee to allow any pro-consumer and pro-Community Reinvestment Act amendments to be offered on the House floor during consideration of H.R. 10 on July 1.

The Pro-Community, Pro-CRA Amendments

1. An amendment authored by Representatives Gutierrez and Barrett would apply the Community Reinvestment Act to banking and lending activities of a bank holding company's non-bank affiliates (such as securities firms and insurance and mortgage companies). This amendment seeks to expand the CRA to cover the new kinds of institutions created by H.R. 10.

2. An amendment authored by Representatives Barrett, Gutierrez and Engel would require

homeowner, auto and small business insurance companies that are part of financial holding companies to report various information (including census tract data on the race, national origin, gender and income level of applicants).

Action Needed

1. If your Representative is on the House Rules Committee, contact him or her and urge that the two Gutierrez-Barrett amendments be offered on the House floor during consideration of H.R. 10. Members of the House Rules Committee: Republicans: Dreier (CA), Goss (FL), Linder (GA), Pryce (OH), Diaz-Balart (FL), Hastings (WA), Myrick (NC), Sessions (TX), and Reynolds (NY); and Democrats: Moakley (MA), Frost (TX), Hall (OH), and Slaughter (NY).

2. Call your Representative. Ask him or her to vote against H.R. 10 if the Gutierrez-Barrett amendments are not adopted as part of H.R. 10. Also, urge him or her to vote against any anti-CRA amendments that may be offered on the House floor. (It is possible that the House Rules Committee will allow votes on anti-CRA amendments and not on pro-CRA amendments during consideration of H.R. 10.) All U.S. Representatives can be contacted through the Capitol Switchboard at 202/224-3121.

If passed, the next step for H.R. 10 is a conference committee with the Senate. The Senate bill, S. 900, is far worse than H.R. 10. But, without improvements, H.R. 10 is disastrous for the Community Reinvestment Act. The CRA provides for federal banking agencies to evaluate lending institutions on how well they meet the credit and capital needs of all the communities in which they are chartered and from which they take deposits.

SUPPORT SOUGHT FOR THE LOW-INCOME HOUSING TAX CREDIT AND THE PRIVATE ACTIVITY BOND

Several bills have been introduced in Congress this year to increase the Low-Income Housing Tax Credit and the Private Activity Bond. H.R. 175, introduced by Rep. Nancy Johnson (R-CT) and Rep. Charles Rangel (D-NY), and S. 1017, introduced by Senator Connie Mack (R-FL) and Senator Bob Graham (D-FL) would amend the Internal Revenue Code of 1986 to increase the State ceiling on the low-income housing tax credit. H.R. 175 currently has 325 co-sponsors in the House, while S. 1017 has 62 co-sponsors in the Senate.

H.R. 864, introduced by Rep. Amo Houghton (R-NY) and Rep. Richard Neal (D-MA), and S. 459, introduced by Senator John Breaux (D-LA) and Senator Orrin Hatch (R-UT), would amend the Internal Revenue Code of 1986 to increase the State ceiling on private activity bonds. The low-income housing tax credit and the private activity bond have created hundreds of thousands of affordable housing units since 1986. Yet, neither of these resources have been increased since their inception. The legislation that is making its way through Congress would increase the cap on the private activity bond from its current level of $50 million per capita or $150 million per state to the greater of $75 per capita or $225 million per state and would increase the volume cap of the low-income housing tax credit from $1.25 per capita to $1.75 per capita per state. The legislation would index both the private activity bond and the tax credit for inflation.

SENATE HOLDS HEARING ON SECTION 8

The House Subcommittee on Housing and Transportation held an oversight hearing on June 30 on the preservation of expiring Section 8 contracts. Witnesses included Senator Grams (R-MN), Senator Kerry (D-MA), Senator Jeffords (R-VT), Senator Bond (R-MO), Rep. Lazio (R-NY), Rep. Frank (D-MA), and William Apgar, FHA Commissioner for HUD. The hearing focused primarily on the issue of owners opting-out of the Section 8 program. Some owners of federally assisted housing are choosing not to renew their Section 8 contracts when they expire or are choosing to prepay their FHA-insured mortgages early in order to place their units on the market to receive higher rents. Owners who opt-out do so because they are located in markets where they can charge higher rents for their units or they are located in tight rental markets where the availability of housing is minimal. HUD estimates that approximately 60,000 units of assisted housing have been lost since 1996 due to owner opt-out of the program and/or early prepayment of their mortgages. Some of the witnesses chided HUD for focusing too much on proposing new programs within its FY 2000 budget, instead of focusing on preserving assisted housing.

Chairman Allard (R-CO) noted in his opening statement that HUD has responded slowly to the crisis of expiring Section 8 contracts. A full 20 months has passed since Congress passed the Multifamily Assisted Housing Reform and Affordability Act of 1997 and HUD has been slow to develop the Mark-to-Market Program to avert the thousands of Section 8 units that are expiring monthly. This Act included a provision for HUD to raise rents on Section 8 properties in order to prevent opt-outs by owners.

To respond to this crisis of owners opting-out of their Section 8 contracts, Senators Kerry, Grams, Sarbanes, and Wellstone will introduce the “Housing Opportunities Preservation and Promotion Act of 1999" on July 1. The legislation focuses upon three major strategies: (1) requiring HUD to make matching grants to states to promote partnerships between federal, state and local governments, and the private sector in the preservation, rehabilitation, or operation of affordable housing for low-income Americans; (2) requiring owners of assisted housing to waive their prepayment rights and agree to renew their Section 8 contracts for a minimum of 15 years; and (3) increasing the opportunity for non-profit groups to acquire these projects from owners.

Senator Kerry noted that although the focus on the preservation of affordable housing, there should also be a focus on the production of new affordable housing across the country. “We need to find ways to construct new, affordable, multifamily housing for low-income and working families, and we need to fund the 100,000 additional vouchers we authorized in last year’s public housing bill,” Kerry said. Kerry also called for the restoration of the $350 million taken from the Section 8 reserve account earlier in the year to fund part of the FY 1999 emergency appropriations bill. Kerry noted that with the deep cut to the VA-HUD appropriations being proposed, this and other additional funding will be needed to fund Section 8 this year and in coming years.

Senator Bond was particularly disappointed with HUD's inability to put in place procedures to renew expiring Section 8 contracts. Bond noted that over 14,000 assisted housing projects will expire in the coming years and HUD's lack of capacity to deal with this issue is not acceptable. An estimated 3,000 assisted units are lost each month because of HUD's inability to implement and administer the Mark-to-Market Program, Bond noted. Bond also criticized HUD for having poor data on the number of opt-outs. Bond said that under his leadership, the VA-HUD-IA Subcommittee will recommend full funding of Section 8 in FY 2000, but additional funds will be needed in order to protect HUD's remaining programs. Kerry said the discretionary budget caps will have to be increased because the VA-HUD-IA Subcommittee has a $7.5 billion gap from last year.

HUD began implementation of an initiative two months ago to prevent opt-out by owners, William Apgar said. The program focuses upon providing five year Section 8 contracts, instead of the current one year contracts, to owners of these properties in order to entice them to remain in the Section 8 program.

HUD has estimated that $100 million is needed for Section 8 opt-outs, while some on the hill estimate the number at $800 million. Chairman Allard questioned HUD on this discrepancy during the hearing. William Apgar told the Subcommittee that HUD is focusing upon those projects most likely to opt-out (i.e., good, quality projects that are located in tight rental markets). Apgar noted that many of the owners who can opt-out of the program won't because their projects are either located in soft markets or their properties are in poor condition and will not rent-up.

HUD NEWS

HUD ANNOUNCES "SWEAT EQUITY" PROGRAM AWARDS

Andrew Cuomo announced $20 million in awards to help low-income families become homeowners through their direct participation in building and rehabilitating their prospective home. The Self-Help Homeownership Opportunity Program (SHOP) enables families to become homeowners with an investment of "sweat equity" — contributing their own labor and receiving a subsidy to lower the price of their home in return. The grant funds will go to the following organizations to distribute the funds: (1) Habitat for Humanity — $12.4 million; (2) Housing Assistance Council of Washington, D.C. — $6 million; (3) Northwest Regional Facilitators of Spokane, WA — $785,000 — this group will primarily serve people in Washington State, Idaho, Oregon and Montana; and (4) ACORN Housing Corporation of Chicago — $750,000 — This group will distribute funds to more than 70 homebuyers in Chicago, Little Rock, New York City; and Phoenix.

HUD ANNOUNCES GRANTS FOR RURAL HOUSING AND ECONOMIC DEVELOPMENT

A total of $25 million has been awarded to rural communities in 29 states and Puerto Rico to create jobs, spark economic development, build and improve housing in rural areas. HUD received around 700 applications for the funding. The grants awarded through this new program will go to rural non-profit organizations, Native American tribes, community development corporations, state housing finance agencies, and state community development agencies. The grants will go to recipients in the following states: Alabama, Alaska, Arizona, California, Florida, Idaho, Indiana, Iowa, Louisiana, Maine, Maryland, Michigan, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Puerto Rico, South Carolina, Texas, Virginia, Washington, West Virginia, and Wisconsin.

BEST PRACTICES SYMPOSIUM, JULY 20-24 IN KANSAS CITY, MISSOURI

HUD will be sponsoring its 3rd annual Best Practices Symposium on July 20-24, 1999 in Kansas City, Missouri. This year the symposium will feature all of HUD program areas for best practice awards. Accommodations and information are available on the web at http://www.hud.gov/bestpractices.html or by calling 1-877-747-3861.

NCDA staff will be attending the conference in order to report on successful CDBG initiatives. If there are any Best Practices topics or issues of special concern that member communities would like to receive reports on, please contact Chandra Western and Romulus Johnson as soon as possible so that they might plan their conference panel schedules accordingly.

NCDA NOTES

NCDA CELEBRATES THE 25TH ANNIVERSARY OF THE CDBG PROGRAM

Ten Cities, Laurence Wagner Receive "Excellence in CDBG" Award

On Saturday, June 5, 1999, during its annual meeting in Washington, D.C., NCDA hosted a gala celebration recognizing the 25th anniversary of the creation of the Community Development Block Grant program. At the gala, ten cities and Laurence Wagner of L. Wagner and Associates in Waterbury, CT received "Excellence in CDBG" awards. The municipal awardees were selected based on their success in administering CDBG at a high level and their participation in 25th anniversary promotional activities. Laurence Wagner was singled out for special commendation because of the outstanding effort and firm dedication he has displayed in encouraging towns and small communities to stage events commemorating CDBG's 25th anniversary.

East coast cities that received awards include Fall River, MA; Perth Amboy, NJ; Pittsburgh, PA; and Jacksonville, FL. From west of the Mississippi, Rockford, Il; Beaumont, TX; Davenport, IA; Denver, CO; Tucson, AZ; and Seattle, WA all received honors.

Noteworthy CDBG programmatic accomplishments realized by the gala honorees run the gambit from programs which consistently and successfully increase home ownership among low income families to the creation of neighborhood study centers to enhance student performance. In the spirit of heralding all the good things CDBG has done to improve the lives of millions of Americans during its 25 years, in this and subsequent issues of the Washington Report some of the many wonderful CDBG funded activities currently taking place in the communities that were recognized at the gala will be highlighted. This week's spotlight awardees hail from regions I, II, and III.

- Fall River, MA–CDBG funds are being put to work on behalf of needy children in the city's Child Development Center. To help insure that these children have the opportunity for quality employment when they grow up, the Fall River Community Development Agency is also directing CDBG dollars toward the redevelopment of the city's old airport and defunct Kern Mill into a new commercial business park and research facility.

- Perth Amboy, NJ–The Perth Amboy Housing Development Corporation (PAHDC) achieved its highest rate of affordable housing support ever last year. With CDBG funds, PAHDC was able to provide $1,171,447.00 worth of funding to 175 units of affordable housing. Better still, PAHDC has won approval to commit future CDBG dollars toward the design and construction of the city's first brand new affordable housing units in ten years. In tandem with its new construction projects, The New Jersey Office of Housing's Department of Community Affairs has awarded PAHDC a housing scholar. A trained architect and design specialist, the housing scholar will help PAHDC to develop some of the highest quality new affordable housing stock in the country.

- Pittsburgh, PA–Grants and loans to rehabilitate elderly housing and provide for the construction of rental units for the disabled are just some of the ways CDBG is making life better for people in Pittsburgh. On the promotional front, Pittsburgh combines its shrewd use of CDBG dollars with an educational campaign to raise public awareness about the positive impact of CDBG in the neighborhood. In addition to distributing commemorative postcards and posters to every business and community group that directly benefits from CDBG, Pittsburgh has placed a CDBG 25th anniversary exhibit in the city/county building.

CDBG 25th ANNIVERSARY/NATIONAL CD WEEK PRODUCTS INFORMATION

CDBG 25th Anniversary products are still available to assist communities with their celebrations. Please note that **25TH ANNIVERSARY LOGO STICKERS ARE STILL AVAILABLE** for purchase at $100 per roll of 1,000 stickers. NCDA has depleted its supply of CDBG postcards and posters. T-shirts, hats, mugs, sweat-shirts, tote-bags and puzzles are still available. It will take approximately 14 days to receive products.

PUBLICATIONS ON THE INTERNET: UPDATE

Enclosed with this newsletter is the new membership dues schedule for the period July 1, 1999 through June 30, 2000. Please note that NCDA members who wish to continue receiving the NCDA WASHINGTON REPORT via regular mail will incur an additional charge of $250. For those members who will be accessing the newsletter via the internet and have not established permanent user IDs and passwords, the NCDA website address is **www.ncdaonline.org/members/asplogin/input.asp.** The temporary user ID and password is "temporary" in both fields, after which you will be prompted to another screen to input your permanent information.

Please complete the enclosed form and return it to NCDA. If you have questions, please contact Karen Means or Carla Sauls at (202) 293-7587.

NCDA Welcomes Romulus Johnson

Romulus Johnson recently joined the NCDA staff as a Legislative Assistant, focusing on economic development, housing, and technology related concerns. Before coming to NCDA, Romulus completed a five month internship with CDTI in Newport, Rhode Island. Prior to entering the world of community development advocacy, Romulus occupied himself with earning a joint B.A. degree in English Literature and Political Science from Lewis & Clark College in Portland, Oregon and an Masters Degree in English Literature from Princeton University. Romulus can be reached directly at 202-887-5536

FEDERAL REGISTER NOTICES

June 23, 1999. Pet Ownership in Public Housing. This proposed rule would establish pet ownership requirements for residents of public housing other than federally assisted rental housing for the elderly or persons with disabilities.

June 23, 1999. Public Housing Agency Organization; Required Resident Membership on Board of Directors or Similar Governing Body. This proposed rule would implement section 2(b) of the U.S. Housing Act of 1937. Section 2(b) requires, with certain exceptions, that the membership of the board of directors or similar governing body of a public housing agency must contain not less than one member who is directly assisted by the public housing agency.

June 17, 1999. Tenant Participation in Multifamily Housing Projects. This proposed rule would amend HUD's regulations for tenant participation in multifamily housing projects. The proposed rule would expand the number of categories of multifamily housing projects in which tenants have the right to establish and operate tenant organizations. The rule would also clarify the requirements for establishing and operating a tenant organization.

JOB OPPORTUNITIES/ATTACHMENTS

Community Development Committee Minutes
Housing Committee Minutes (draft)
Technology Committee Minutes

NCDA ANNUAL MEMBERSHIP DUES SCHEDULE

	DUES AMOUNT
Affiliate Members:	**$ 2,500.00**
Alumni Members:	**450.00**
Non-Entitlement Members:	**375.00**
Subscriber Members:	**375.00**

Entitlement Members:

POPULATION	**FY 2000 DUES ON LINE**	**FY 2000 DUES HARD COPY**
Under 50,000	**$550.00**	**$ 550.00**
50,000 - 100,000	**$875.00**	**$1,125.00**
101,000 - 250,000	**$1,440.00**	**$1,695.00**
251,000 - 500,000	**$1,865.00**	**$2,115.00**
Over 500,000	**$3,210.00**	**$3,460.00**

Subscriber Member: An additional department within an existing NCDA member community.

Alumni Members: Individuals previously employed in the community development and/or housing administrator capacity of an active NCDA member community.

Affiliate Members: State Community Development Agencies

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NAME:____

COMMUNITY:____

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______ **I do not wish to receive the NCDA WASHINGTON REPORT via online. I understand that an additional increase in the amount of $250 will be added to my membership dues.**