NCDA WASHINGTON REPORT

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APPROPRIATIONS UPDATE

With only a couple of short weeks left to complete official business, Congress is scurrying to try to complete the remaining 11 appropriations bills. The House has passed all of its spending measures, but the Senate is still trying to play catch-up. Senator Lott (R-MS), Majority Leader in the Senate, vows to have six spending measures passed next week and forwarded to the President, including the FY 2001 VA-HUD-IA spending measure. In order to quickly pass the spending measures, Congress hopes to pass two at a time, in the form of mini-omnibus measures. The FY 2001 Legislative Branch/Treasury-Postal bills were passed in this fashion this week. Rumor has it that the VA-HUD bill will be attached to the Transportation bill and forwarded to the President as a mini-omnibus measure.

The Senate Subcommittee on VA, HUD, IA Appropriations and the Senate Appropriations Committee completed the mark-up of the FY 2001 VA-HUD-IA bill this week [*see the August 4, 2000 edition of the Washington Report for an analysis of the House mark-up*]. The measure funds HUD at $30.633 billion in FY 2001. This is an increase of $4.754 billion above HUD's

FY 2000 budget level. CDBG received an allocation of $4.8 billion, an increase of $19.2 billion from the FY 2000 funding level. Approximately $388 million in set-asides were carved out of this allocation, including $130 million in EDI set-asides. The Senate version provides $1.6 billion for the HOME program in FY 2001, the same level as in FY 2000, with a $20 million set-aside for housing counseling.

The measure funds HUD's homeless assistance programs at $1.02 billion, the same level as in FY 2000. The measure creates a new, separate account for the Shelter Plus Care Program, and funds the account at $105 million in FY 2001. This account is to be used to fund expiring Shelter Plus Care renewals and to develop new Shelter Plus Care projects. Like last year, the Senate measure includes a provision that requires that 30% of HUD's homeless assistance funds be allocated for permanent housing. In addition, like last year's bill, this measure includes a 25% match requirement for homeless services. The bill also includes a provision that requires jurisdictions to pass on at least 50% of all administrative funds to the non-profits administering homeless assistance programs. This same provision was included in last year's bill.

In the bill, HUD is directed to require client level reporting at a jurisdictional level within three years. To assist communities in collecting this data, the measure makes the implementation of management information systems, as well as collection and analysis of this data, an eligible activity under the Supportive Housing Program. The bill also directs the use of 1% of the homeless assistance funds for technical assistance, management information systems, and to develop an automated, client-level APR system. The measure further instructs HUD to convene a working group of practitioners, national organization representatives, Federal officials, and State and local government officials to make recommendations to Congress by June 1, 2001 on alternatives to the formula by which "pro rata shares" are determined in HUD's "Continuum of Care" process.

The measure provides $13.171 billion for the Housing Certificate Fund to renew all expiring Section 8 contracts, but provides no funding for new incremental vouchers. The President had requested 120,000 new incremental vouchers as part of his budget request. Many Republicans, including Senator Bond (R-MO), Chairperson of the Subcommittee on VA-HUD-IA, are concerned about the underutilization of the vouchers that were allocated in the past two fiscal years and HUD's continued push for vouchers even though vouchers don't provide real housing choice for many families, especially families located in tight and low vacancy housing markets. In addition, Congress is concerned with HUD's Section 8 accounting system and the Administration's budget projections, which have created uncertainty over the ability of HUD to preserve and renew existing section 8 contracts. In the end, we expect that the President's request will be honored with some vouchers but not nearly at the 120,000 level.

The measure provides $2.955 billion for the Public Housing Capital Fund, an increase of $55 million over FY 2000. It funds the Public Housing Operating Fund at $3.192 billion, an increase of $54 million over FY 2000. The Committee directs HUD to work with the U.S. Department of Health and Human Services to develop strategies to expand housing-based health care for elderly and disabled people living in public housing, and to submit a report to the Committee. Three hundred ten million dollars is budgeted for HUD's Drug Elimination Grant Program, the same level as in FY 2000. The Committee scolds HUD for using this program in the past year to provide funds for its Community Gun Safety and Violence Reduction Initiative, remarking "HUD has no legal authority to provide direct grants for gun buy-back programs." The measure provides $575 million for the HOPE VI Program, the same level of funding as in FY 2000.

The Senate recommends $100 million for HUD's Office of Lead Hazard Control in FY 2001, an increase of $20 million from last year.

Bond Proposes Housing Production Program

The Senate bill includes a measure (S. 3033 – The Housing Needs Act of 2000), introduced by Senator Bond (R-MO), which would create a new housing production program using excess Section 8 reserves. The Senate proposes to fund the program at $1 billion in FY 2001. Although preferring an increase in the HOME program to the development of an entirely new program, NCDA supports this program because it does provide additional funds for housing production that may not otherwise be available. NCDA, NAHRO, NALHFA, and the U.S. Conference of Mayors, have forwarded comments to Senator Bond on the proposed structure of the program. Currently, the program allocates all funds directly to State housing finance agencies. We have asked that local units of government also be direct grantees of the funds and that a 60/40 allocation share be instituted, with entitlement cities, counties and consortia receiving 60% of the funds and States receiving 40% (the current scenario under the HOME program). The bill would require a 75% match. We have asked that the match be eliminated entirely and that consideration be given to leveraging and coordination of other funding sources instead. We have also asked that the funds be allocated on a needs-based formula similar to the HOME program formula. Senator Phil Gramm (R-TX), Chairman of the Senate Committee on Banking, and Senator Wayne Allard (R-CO), Chairman of the Senate Subcommittee on Housing and Transportation, have forwarded a letter to both Senator Bond, Chairman of the Senate Subcommittee on VA-HUD-IA Appropriations, and Senator Stevens (R-AK), Chairman of the Senate Appropriations Committee, opposing the program because it was never authorized through their respective committees.

(A detailed chart of various FY 2001 appropriation plans for HUD is located on the pages 8 and 9 of this issue of *The Washington Report*.)

NEW MARKETS-COMMUNITY RENEWAL/LIHTC BILL LIKELY TO PASS

Apart from a much anticipated increase in the minimum wage, perhaps the only other non-appropriations legislative measure that enjoys enough support among key leaders in the Congress and the unqualified backing of the White House to actually become law this year is a package of legislation designed to spur private investment and economic growth in the nation's poorest urban and rural communities. Commonly dubbed the New Markets-Community Renewal bill, the U.S. House of Representatives passed its version of the measure, H.R. 4923, by an overwhelming margin before the Congress adjourned for the legislative recess. The final vote on the House's "Community Renewal and New Markets Act of 2000" (H.R. 4923) was 394-27, with 14 representatives abstaining. A Senate New Markets bill, S. 2779, introduced and co-sponsored by Senators Rick Santorum (R-PA) and Joseph B. Lieberman (D-CT) enjoys strong bi-partisan support in that chamber and is expected to be an integral part of the Administration's 'end-game' FY 2001 budget negotiations with

Congressional leaders**.**Generally speaking, both New Markets-Community Renewal bills cobble together some of the leading Republican and Democratic proposals for directing private sector investment into distressed communities, including the creation of 40 Renewal Communities, expansion of the existing Empowerment Zone program, the Administration's New Markets tax credit and APICS initiatives, and a controversial proposal to allow faith-based charities to compete on an equal footing with secular and governmental social service providers for federal substance abuse treatment dollars. (A blow by blow account of the legislation is available in the August 4, 2000 edition of *The Washington Report*.)

Beyond its basic focus on low-income economic development, the New Markets-Community Renewal legislative package is of particular interest to community development and affordable housing interest groups because it contains language authorizing the most substantial increase to the per capita cap on the Low-Income Housing Tax Credit in15 years. Moreover, with the effective collapse of the Congressional Republicans' broad tax cut agenda (in the last two weeks President Clinton has successfully beaten back all attempts to override his earlier vetoes of Republican sponsored inheritance tax and 'marriage tax penalty' relief legislation), the New Markets-Community Renewal package has emerged as the premiere legislative vehicle for increasing the per capita cap on the LIHTC and volume cap on private activity bonds this year.

It deserves to be mentioned that between the House and Senate, the 106th Congress has, in fact, already voted three times to approve legislation increasing the LIHTC and private activity bond caps as part of other legislation, but these bills have all failed due to partisan squabbles over taxes or the minimum wage or some other issue. Indeed, over 85 per cent of the Congress, including large majorities of both tax committees, has con-sponsored legislation calling for an increase in the amount of housing credits states can allocate each year.

One key difference between the House and Senate bills is that the Santorum-Lieberman bill (S.2779) authorizes an <u>immediate</u> increase in the LIHTC from $1.25 to $1.75 per capita starting in FY 2001, as well as indexing of the program to inflation for each year thereafter. The

House version phases in the LIHTC increase over a period of six years.

NCDA, the U.S. Conference of Mayors, the National League of Cities, NACO, NACCED, and practically every other affordable housing advocacy group in the nation is pushing to see the LIHTC per capita cap increased to $1.75 as soon as possible. White House officials have made it plain that this is a key budget priority for President Clinton as well. But in order to make this long-sought after victory for affordable housing a reality this year we will need your help.

We need everyone who cares about affordable housing to call their U.S. Senators as soon as possible and demand that they support the immediate increase in the LIHTC contained in S.2779, the Santorum-Lieberman New Markets-Community renewal bill. In fact, call them twice, once in their district offices back home and a second time at their Washington, DC office on Capitol Hill. House Speaker J. Dennis Hastert has agreed to defend an immediate increase in the LIHTC during the House-Senate conference on the final version of New Markets-Community Renewal legislation, even in the face of opposition from other senior members of his own caucus. The one caveat is that the Senate must do its part and pass a bill that leaves an immediate LIHTC intact.

This is a battle that we have been waging for at least three years now. This is a very critical time. It is imperative that you place your U.S. senators and representatives on notice that an increase in the LIHTC to $1.75 per capita is something America's communities need now and can not wait to have phased in!

If you don't know how to get in touch with your U.S. Senator or Representative, call Romulus Johnson at 202-887-5526 and he will be happy to tell you how to reach them.

BROWNFIELDS REFORM ON EDGE OF FAILURE

Since the onset of the August legislative recess no less than 64 United States Senators, two votes shy of a filibuster proof two-thirds majority, have signed on as co-sponsors to S.2700, the Brownfields Revitalization and Environmental Restoration Act of 2000. S.2700 is a package of brownfields liability reforms and remediation assistance crafted and wholeheartedly endorsed by the bi-partisan leadership of the Senate Environment and Public Works Committee. (For more specific details on the contents of the bill, please see "Senate Takes Up Targeted Brownfields Relief" in June 30, 2000 edition of *The Washington Report*.) In spite of the substantial support the measure enjoys among senators from both parties, Senate Majority Leader Trent Lott (R-MS) remains steadfast in his opposition to allowing the measure to be voted on the floor of the Senate. Consequently, the measure remains bottled up in committee.

It was revealed by *The Washington Post* in July that a secret compact had been established between Senator Lott and Idaho Senator Michael D. Crapo (R) to ensure that no targeted brownfields remediation bills would move this session independent of a broader Superfund reform legislative package. Senators Lott and Crapo feel that, as a matter of strategy, holding up brownfields reform is critical to winning broader support for some of the more sweeping and controversial liability changes they would like to see in the Superfund program, which was established by Congress in 1980 to deal with the most toxic and dangerous environmentally contaminated sites in America. (More information on the Lott-Crapo arrangement to stop brownfields reform is available in "Secret Deal Threatens Brownfields Reform," which can be found in the July 18, 2000 edition of *The Washington Report*.)

The House version of comprehensive brownfields liability and remediation reform legislation isn't faring much better than its Senate counterpart. After successfully clearing the House Transportation and Infrastructure Committee and the House Commerce Committee late last year, H.R. 1300, The Recycle America's Land Act, remains mired in the House Ways & Means Committee. H.R. 1300 is being stalled by the chairman of the Ways & Means Committee, Bill Archer (R-TX), who strenuously objects to a number of the bill's tax provisions.

Veteran Hill watchers have already begun to pronounce a death sentence on the chances of final passage for any brownfields reform legislation during the 106th Congress. It is believed that unless the White House forces the issue and makes getting brownfields reform done this year a priority during the on-going FY 2001 budget negotiations, the whole process of constructing, shepherding, and passing bi-partisan brownfields reform bills in the House and Senate will have to begin anew in January with the installment of the 107th Congress.

GRAMM HINTS OPPOSITION TO ANTI-PREDATORY LENDING BILLS

The powerful chairman of the Senate Committee on Banking, Housing, and Urban Affairs, Phil Gramm (R-TX), has begun suggesting that he might oppose any new legislation designed to curb predatory lending. Apparently, Senator Gramm is leaning toward opposing new bills to curb abusive lending practices aimed at disadvantaged populations because a recent report completed by GOP staffers working for the Senate Banking Committee concludes that federal bank regulators don't have enough "organized and systematic data" to generate a sound definition of what predatory lending is. This, in turn, says one committee staffer, "makes any talk of new legislation premature."

At the root of the problem lies the basic dilemma of how to effectively prevent the abuse of consumers by sub-prime lenders without shutting down or inhibiting the entire sub-prime lending industry, which specializes in servicing the credit needs of borrowers with less than perfect credit ratings or work histories, many of whom are low-incomes persons or minorities.

A report completed in April by a joint HUD-Treasury task force on predatory lending at the behest of senior Democrats on the Senate Banking Committee listed new legislation, along with better consumer education, as crucial to any strategy to eliminate some of the most egregious forms of abusive lending practices.

NCDA will continue to closely monitor this potential controversy to see what develops in the arena of predatory lending regulation.

HUD NEWS

HUD Increases FMRs

In response to tight rental markets in many areas of the country, Secretary Cuomo announced on September 12 an increase in the Fair Market Rents (FMRs) from the 40th percentile to the 50th percentile of recent movers. HUD estimates that this action will increase the pool of available apartments for low-income renters by more than 1.4 million across the country. HUD hopes this action will allow Section 8 voucher holders to more easily find decent, affordable housing. This new policy will become effective in December 2000. A description of HUD's new policy on FMRs is attached.

HUD Releases Lead-Based Paint Notice

HUD officially released its guidance on the Lead-Based Paint final regulation on September 11 in the Federal Register through notice FR-3482-N-09: *Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally-Owned Residential Property and Housing Receiving Federal Assistance*. A copy of the notice is attached for your reference. Through this notice, HUD describes the transition assistance that it will provide to grantees in implementing the Lead-Based Paint regulation, including the opportunity for jurisdictions to request a 6-month transition (deferment) period from the regulation [*please see the August 25th edition of the Washington Report*]. NCDA encourages all of its members to read this notice for direction in receiving assistance from implementation of the final regulation.

Federal Register Announcements

September 12, 2000. Section 8 Homeownership Program. This final rule implements the "homeownership option" authorized by Section 8(y) of the U.S. Housing Act of 1937, as amended by Section 555 of the Quality Housing and Work Responsibility Act of 1998. Under this section, a public housing agency may provide tenant-based assistance to an eligible family that purchases a dwelling unit that will be occupied by the family. This final rule follows publication of an April 30, 1999 proposed rule, and takes into consideration the public comments received on the proposed rule.

September 11, 2000. Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally-Owned Residential Property and Housing Receiving Federal Assistance. This notice describes the transition assistance that will be provided in connection with implementation of HUD's new requirements for notification, evaluation and reduction of lead-based paint hazards in federally owned residential property and housing receiving federal assistance. The Lead Safe Housing Regulation was published in the Federal Register on September 15, 1999, and becomes effective on September 15, 2000. To make certain that adequate service providers exist throughout the country to carry out lead-based paint hazard evaluation and reduction activities safely and effectively, and to target available resources to housing which places children most at risk, HUD has developed a transition assistance policy with three components.

JOB OPPORTUNITIES/ATTACHMENTS
(To access attachments online, please go to NCDA*online*–www.ncdaonline.org)

- **Description of HUD's New Policy on Fair Market Rents**
- **Federal Register Notice on Lead-Based Paint**
- **Job Announcements**

FY 2001 HUD Program Funding

Program	FY 2000 Enacted	FY 2001 President's Request	FY 2001 House Allocation	FY 2001 Senate Allocation
CDBG	$4.8 billion	$4.9 billion	$4.505 billion	$4.8 billion
Set-asides:				
Indian Block Grant	$67 million	$69 million	$67 million	$67 million
Housing Asst. Council	$3 million	$3 million	$3 million	$3 million
Nat. Am. Indian Council	$2 million	$2 million	$3 million	$2.2 million
Tribal Colleges/Univ.	0	$5 million	0	$3 million
National Community Dev. Initiat. (NCDI)	$24 million	$24 million	$23.45 million	$25 million
Section 107	$42 million	$69 million	$39.5 million	$41.5 million
*EDI Special Purpose Grants	$231 million	0	$10 million	$130 million
Youthbuild	$43 million	$75 million	$45 million	$60 million
Neighborhood Init. Demo.	$30 million	0	$10 million	0
Resident Opport. & Self-Suffic. (ROSS)	$55 million	0	$55 million	$55 million
Self-Help Homeownership	$20 million	$18 million	$20 million	0
Habit for Humanity	$4 million	$8 million	*$3.4 million	0
Mississippi Delta	0	$22 million	0	0
Faith-Based Program	0	$20 million	0	0
Transfer to the Working Capital Fund	0	0	$15 million	0
CEF/EDI	$25 million	$100 million	$10 million	0
2000 Winter Olympics	0	0	0	$2 million
Total Set-asides	$546 million	$415 million	$300.9 million	$388.7 million
Net Formula Allocation	*$4.254 billion*	*$4.485 billion*	*$4.214 billion*	*$4.411 billion*

Section 108 Loan Guarantees	$30 million	$30 million	$28 million	$29 million
HOME Set-asides: Housing Counseling Information Systems Total Set-asides *Net Formula Allocation*	$1.6 billion $15 million $7 million $22 million *$1.578 billion*	$1.650 billion $24 million $5 million $29 million *$1.621 billion*	$1.585 billion $15 million $17 million $32 million *$1.553 billion*	$1.6 billion $20 million 0 0 *$1.580 billion*
Homeless assistance grants	$1.02 billion	$1.2 billion	$1.02 billion	$1.02 billion
Housing Certificate Fund	$11.376 billion	$14.127 billion	$13.275 billion	$13.171 billion
Brownfields	$25 million	$50 million	$20 million	$25 million
Regional Connections/Smart Growth	0	$25 million	0	0
HOPWA	$232 million	$260 million	$250 million	$232 million
Rural Housing and Economic Dev.	$25 million	$27 million	$20 million	$27 million
Public Housing Capital Fund	$2.869 billion	$2.955 billion	$2.8 billion	$2.955 billion
Public Housing Operating Fund	$3.138 billion	$3.192 billion	$3.139 billion	$3.192 billion
HOPE VI	$575 million	$625 million	$565 million	$575 million
Drug Elimination Grants	$310 million	$345 million	$300 million	$310 million
Section 202 Elderly	$710 million	$779 million	$710 million	$779 million
Section 811 Disabled	$201 million	$210 million	$201 million	$210 million

**included in NCDI amount*

Special Notice

We regret to inform you that, due to a lack of interest, the Pacific-Hawaii/ Northwest-Alaska Regional Meeting (Regions IX and X), originally scheduled for October 11, 2000, in Tucson, AZ, has been cancelled.