NCDA WASHINGTON REPORT

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DATE: **January 12, 2001**

HAPPY NEW YEAR!!!!

SECTION 108 TRAINING: Mark Tigan Associates– January 16, 2000– See Attached Flyer
NCDA WINTER MEETING: January 17-20, 2001– SEE YOU THERE!!

FEATURE ARTICLES

PRESIDENT-ELECT BUSH SELECTS LOCAL OFFICIAL AS THE NOMINEE FOR HUD SECRETARY

President-elect George W. Bush has selected a local government official as his nominee for HUD Secretary. Mel Martinez, County Board Chairman from Orange County, Florida, was announced as the candidate on December 20. As CEO of Orange County, Florida, Martinez governed the daily operations of a large urban county with a population of 860,000. In terms of housing experience, Mr. Martinez served for two years as the chairman of the Orlando Housing Authority in the 1980s. The Senate confirmation hearing for Mr. Martinez is expected to take place on Wednesday, January 17. If confirmed, he will be the first Cuban-American cabinet member. NCDA has invited Mr. Martinez to attend its Winter Conference next week.

107TH CONGRESS GETS ORGANIZED: HOUSE NAMES NEW COMMITTEE CHAIRS; SENATE AGREES TO POWER SHARING DEAL

The 107th Congress took its most important step toward getting itself ready to do business with President-Elect George W. Bush last week by starting the biennial ritual of organizing the various House and Senate committees and subcommittees that break-up the nation's business into manageable chunks. In both chambers of Congress, historic changes were made to the way in which the various standing and select committees will operate.

Committee Assignments

With only a nine seat majority in the House of Representatives, the Republican Steering Committee installed 14 committee chairmanships in the last two weeks left open by term limits and retirements. Democrats won't be finished with their roster of committee assignments until the end of the month. In the past, the Steering Committee selects the most senior members for choice committee assignments. This year, however, the Steering Committee passed over some senior members in lieu of newer members to chair choice committees. Rep. Marge Roukema (R-NJ), the most senior Republican member of the House Banking Committee, was passed over for Rep. Michael Oxley (R-OH). The House voted to re-name the House Banking Committee the Financial Services Committee and to expand the jurisdiction of the Committee to include securities and insurance, taking these issues from the House Commerce Committee. The Committee will still have jurisdiction over housing and community development.

With Rep. Rick Lazio's defeat in the New York Senate race and departure from the House, Rep. Bob Ney (R-OH) will take over as Chair of the House Subcommittee on Housing and Community Opportunity. Rep. James Walsh (R-NY) will retain his seat as Chair of the House Subcommittee on VA, HUD, and Independent Agencies. Sen. Christopher "Kit" Bond (R-MO) will remain as Chair of the Subcommittee on VA, HUD, and Independent Agencies in the Senate.

Power Sharing

Some pundits thought it wouldn't happen, but the Senate has relented, and made a landmark decision to allow equal representation by Republicans and Democrats on all committees and subcommittees. With the Senate membership now at 50-50, Democrats fought to gain equal representation with Republicans. The agreement calls for even splits on all committees and subcommittees, erasing the two-vote edge that the GOP enjoyed last year with its 54-46 edge over Democrats. The agreement also gives Democrats equal committee staff. Some conservative Republicans are not happy with the deal, arguing that the Republicans should retain the majority since the Vice-President Dick Cheney will cast the tie-breaking vote on legislation. Senator Phil Gramm (R-TX) is staunchly opposed to the deal. "I've always been concerned about the potential that we might build in guaranteed gridlock," said Gramm, who will resume his tenure as Banking Committee chairman.

BROAD COMMUNITY DEVELOPMENT TAX BILL PASSES

For months during the long-budget impasse, President Clinton and House Speaker J. Dennis Hastert were seeking to find a way to honor the commitment they made in November of 1999 to produce a bill that would spur private investment in distressed communities across America. Whenever they seemed close to 'inking a deal' that satisfied everybody, some flare-up in the struggle over the FY 2001 budget would invariably delay things. But on December 15th, 2000, the President and congressional leaders announced they had agreed to attach a compromise version of the New Markets-Community Renewal bill to the omnibus appropriation measure funding the Departments of Labor, Education, and Health and Human Services for the new fiscal year. Renamed The Community Renewal Tax Relief Act of 2000, the legislation, which was signed into law by President Clinton, on December 21, 2000, contains an array of provisions raising the level of funding for existing community development programs and creates several more. Specifically, the Community Renewal Act's sweep covers the volume cap on low-income housing tax credits and private activity bonds, empowerment zones, the new market investment credit, and Republican sponsored initiatives to establish Renewal Communities and permit federal funding of faith-based drug abuse treatment providers. What follows is detailed a overview of the Act's major provisions:

Low-Income Housing Tax Credit and Private Activity Bonds

Starting in FY 2001 the LIHTC volume cap will be increased from its current $1.25 level to $1.50 per capita per state, and rise once again to $1.75 per capita per state in 2002. This represents a total increase of 40% over the next two years, which is estimated to produce an additional 140,000 more affordable housing units over the next five years. The private activity bond cap is set to rise to the greater part of $62.50 per person per capita or $187.5 million per state in FY 2001, and rise again to $75 per capita or $225 million per state in 2002. Starting in 2003, the volume caps for both the LIHTC and private activity bonds will be indexed to the rate of inflation. Other changes include, making low-income community development a more explicit policy objective of the LIHTC by requiring states to give allocation preferences to projects in distressed census tracts that are part of a concerted community revitalization plan; allowing at least half the cost of a community service space facility (e.g., child care, health care, and workforce development centers) to be covered by tax credit equity; and making twice as many rural census tracts eligible for larger credits and the community service provision through a new 25% poverty test. The bill also changes "stacking" rules to make it easier for states to carry over unused allocations from previous years.

New Markets Initiative

New Markets Tax Credit –This credit is expected to spur $15 billion in equity investment and will be available to taxpayers who invest in certain privately-managed investment funds and institutions, which, in turn, will use these funds to finance businesses in low-and moderate-income communities. Though similar in structure to the LIHTC, the New Markets Tax Credit (NMTC) will be allocated by the Treasury Department not the states, and these credits are designed to focus primarily on economic development needs in low-income communities, such as commercial real estate and business financing. Rental housing is not an eligible NMTC use. The NMTC can only be used in targeted census tracts.

New Markets Venture Capital (NMVC) Firms–NMVC firms will provide incentives to increase the availability of venture in low and moderate-income communities for small businesses. Expert guidance will also be available to small business entrepreneurs in inner city and rural areas. Ten to twenty NMVC firms are planned. The agreement authorizes the SBA to guarantee up to $150 million in loans that will match $100 million in private equity for a total of $250 million. SBA will also have the authority to make $30 million in operating assistance grants to match equivalent private commitments.

- **Empowerment Zones**

Nine new Empowerment Zones (7 urban, 2 rural) will be added to the existing thirty-one. A range of tax incentives are also expanded to cover Round I, II, and III zones. These include a 20% wage credit on the $15,000 of wages paid to employees who live and work in the EZ, and tax-exempt financing for certain facilities located in an EZ. EZ tax benefits will generally be available from /1/02-12/31/09. The legislation also adds $110 million in discretionary investment in FY 2001 for existing Round I and II EZs, bringing the total for this year to $200 million.

- **Renewal Communities**

HUD is authorized to designate 40 Renewal Communities (28 urban, 12 rural). Renewal Communities will receive targeted, federal tax benefits in exchange for substantial small business regulatory relief on the part of state and local governments. Among the tax benefits are, no capita gains on RC assets held for five years or more, and up to $12 million per year in commercial revitalization tax deductions. Selection will be based on poverty. Low-incomes, unemployment, and general "distress." Preference for first 20 designations will go to current Empowerment Zones and Enterprise Communities. If an EZ or EC gives up its status to become a Renewal Community a new EZ or EC will be designated.

- **Faith-Based Organizations**

Faith-based substance abuse prevention and treatment programs will be eligible to qualify for federal funds on the same basis as other non-profits consistent with the 1996 welfare reform law and the constitutional separation between church and state.

HUD NEWS

HUD PUBLISHES ANTI-PIRATING PROPOSED RULE

HUD finally published its proposed "Job Anti-Pirating" regulation in late October, 2000. The rule was mandated by Section 588 of the Quality Housing and Work Responsibility Act of 19988, which prohibits state and local governments from using CDBG funds for "job-pirating" activities that are likely to result in "significant job loss." NCDA staff solicited reactions to the rule from the membership, and on December 21, 2000, submitted a formal letter of comments pursuant to HUD guidelines.

At its core, the proposed rule requires that communities who use CDBG dollars to provide relocation or expansion assistance to a for-profit business "certify' that the business will not move or eliminate jobs from a labor market area located in a different jurisdiction. The Association's comments on the proposed rule centered on its general lack of clarity with respect to establishing guidelines on how long entitlement grantees would be required to monitor the activities of private business that receive CDBG assistance, and its potentially adverse impact on the ability of grantees to use Section 108 and BEDI and EDI grants for large scale, long-term economic development projects. And, of course, we stressed the need to amend the rule in order to keep burdensome paperwork to a minimum.

NCDA members wishing to receive a copy of the letter should contact Romulus Johnson at 202-887-5526, or via E-mail: romulus@ncdaonline.org.

PRESIDENT CLINTON ANNOUNCES HOMELESS AWARDS

Just in time for the holidays, President Clinton announced HUD's FY 2000 homeless awards on December 23. Nearly $895 million was awarded through HUD's "Continuum of Care" grants, which provide transitional and permanent housing, and a variety of support services to the homeless nationwide. Another $150 million was awarded through HUD's Emergency Shelter Grants Program, which is formula allocated to States and local jurisdictions, to fund emergency shelters and connected services across the country. For a complete list of awards by State and jurisdiction, please go to HUD's web site at www.hud.gov

HUD staff told NCDA that all "Continuum of Care" renewal projects were funded this year, but that some non-permanent housing projects which were rated higher by juris-dictions in their applications were passed over for lower-rated permanent housing projects. HUD was forced to do this in order to meet the statutory requirement that at least 30% of the projects funded by HUD must be permanent housing projects.

HUD RELEASES 80,000 SECTION 8 VOUCHERS

HUD Secretary Cuomo announced on December 14 the availability of $453 million to fund 80,000 Section 8 vouchers. The vouchers will be allocated on a "fair share" basis to housing authorities across the country. Public housing authorities will compete for the vouchers through an application process. Applications are due to HUD headquarters by January 29. Because the demand for vouchers is expected to exceed the supply, applications will be evaluated and ranked by HUD according to the number of very low-income renters with severe rent burdens, efforts by housing authorities to promote area-wide housing opportunities for families, and the numbers of disabled families or Medicaid-eligible individuals served by the authorities who are at risk of being institutionalized. No housing authority will receive more than 25 percent of the vouchers it normally receives, nor will any housing authority receive more than 25 percent of all additional vouchers awarded to its state. If applications from one state seek less vouchers than the number allocated to it by HUD, the balance will be reallocated to other states.

NCDA NOTES

NCDA National and Regional Events

Section 108 Training (Tigan Associates) – January 16, 2001
Washington Marriott Hotel
1224 22nd Street, NW
Washington, DC 20037
202-872-1500
Registration Fee $135

NCDA WINTER MEETING-JANUARY 17-20, 2001
Washington Marriott Hotel
1224 22nd Street, NW
Washington, DC 20037
202-872-1500
Cut Off Date: December 26, 2000

REGION IV ANNUAL CONFERENCE
March 10-13, 2001
Sheraton Birmingham Hotel
2101 Richard Arrington, Jr.,Drive North
Birmingham, AL 35203
205-324-5000

NCDA Annual Conference-May 23-26, 2001
Omni Bayfront Hotel
900 North Shoreline Blvd.
Corpus Christi, TX
361-887-1600
Cut Off Date: May 1, 2001

FEDERAL REGISTER NOTICES

January 5, 2001. Lead; Identification of Dangerous Levels of Lead. EPA is issuing a final regulation under section 403 of the Toxic Substances Control Act (TSCA), as amended by the Residential Lead-Based Paint Hazard Reduction Act of 1992, also known as Title X of the Housing and Community Development Act. This regulation supports the implemen-tation of regulations already promulgated, and others under development, which deal with worker training and certification, lead hazard disclosure in real estate transactions, require-ments for cleanup under State authorities, lead hazard evaluation and control in Federally-owned housing prior to sale and housing receiving Federal assistance, and U.S. Department of Housing and Urban Develop-ment grants to local jurisdictions to perform lead hazard control. In addition, this reg-ulation also establishes, under authority of TSCA section 402, residential lead dust cleanup levels and amendments to dust and soil sampling requirements and, under authority of TSCA section 404, amendments to State program authorization requirements.

December 27, 2000. Truth in Lending. The Board is proposing amendments to the provisions of Regulation Z (Truth in Lending) that implement the Home Ownership and Equity Protection Act (HOEPA). HOEPA was enacted in 1994, in response to evidence of abusive lending practices in the home-equity lending market. HOEPA imposes additional disclosure requirements and substantive limitations (for example, restricting short-term balloon notes) on home-equity loans bearing rates or fees above a certain percentage or amount. The amendments would broaden the scope of mortgage loans subject to HOEPA by adjusting the price triggers used to determine coverage under the act. Certain acts and practices in connection with home-secured loans would be prohibited. HOEPA's prohibition against extending credit without regard to consumers' repayment ability would be strengthened. Disclosures received by consumers before closing for HOEPA-covered loans would be enhanced.

January 4, 2001. Public Housing Total Development Cost. This proposed rule would amend HUD's regulations governing Total Development Cost (TDC) for the development of public housing. The amendments would implement statutory changes made to the statutory TDC requirements. Among other changes, this proposed rule would limit the amount of public housing funds that a public housing agency may use to pay for housing construction costs. The rule would also provide that demolition and environmental hazard remediation costs are included in TDC only to the extent that such costs are associated with the replacement of public housing units on the project site.

JOB OPPORTUNITIES AND ATTACHMENTS

To view attachments, please go to ncdaonline.org.

- 2001 National Community Development Week Promotional Items Flyer