NCDA WASHINGTON REPORT

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CELEBRATE THE 10TH ANNIVERSARY OF THE HOME PROGRAM!!!
NCDA EXECUTIVE SYMPOSIUM, OCTOBER 11-14, 2001: TUCSON, ARIZONA

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APPROPRIATIONS UPDATE

In a meeting, held on June 21 with staff of the Senate Subcommittee on VA-HUD-IA Appropriations, NCDA was told to expect level funding for CDBG and HOME in FY 2002. House staff have told NCDA the same thing. Senate staff also told NCDA that they have worked very hard to ensure that the $200 million set-aside within the HOME program for down payment assistance has been eliminated and the funding added back to the HOME formula allocation. House staff are also working to eliminate this set-aside and add it back to the HOME formula.

The House staff also acknowledged that we can expect EDI set-asides again this year under the CDBG program. However, they don't know how large this set-aside could balloon to this year, but are confident that it won't reach last year's level of $357 million. This set-aside is used to fund the "special purpose" or "pork" projects in the home districts of congressional members. As such, it seems to get out of control every year. Expect this year to be no different.

HUD requested no funding for EDI special projects set-asides as part of its budget.

The House Subcommittee on VA-HUD-IA is expected to mark-up their appropriations bill in mid-July, with the Senate Subcommittee on VA-HUD-IA marking-up shortly thereafter. With the August recess just a few weeks away, completion of the bill in both houses is not expected until September, or possibly as late as October.

Affordable Housing Production Programs

Senate appropriations staff also told NCDA that Senator Bond (R-MO) will introduce an affordable housing production bill, separate from the VA-HUD-IA appropriations bill this year. Once again, the bill will target all of the resources for his proposed housing production program to state housing finance agencies. NCDA urged Bond's staff to reconsider this allocation scheme, and instead focus on the HOME program as a model, which provides 60% of funds to local governments and 40% to states for distribution statewide. Senate staff also indicated that they see the completion of this bill as a two year process. They seem committed to allocating the funds to states at this point, though, and are also awaiting the recommendations of the Millennial Housing Commission, which are expected next March. **We urge members to contact their congressional representatives to voice support for allocating funds directly to local governments under any proposed affordable housing production proposal.** As previously stated, we support a scenario where the funds would be allocated based on the HOME program, with 60% distributed to local governments and 40% to states. Several legislative proposals will be introduced this year that will target all of the funds directly to states [Senator Bond's proposal, as well as those of Senator Kerry (D-MA) and Rep. Sanders (I-VT)]. We have also heard that Senator Sarbanes (D-MD) is working on a measure targeted to states. NCDA and the National Association of Local Housing Finance Agencies are working on statutory language for our affordable housing production proposal that we hope to have introduced shortly.

SUPPLEMENTAL BILL PASSES HOUSE; MAY TRIGGER HUD CUTS

On Wednesday, June 20, by a vote of 341 to 87, the House passed a $6.5 billion FY 2001 supplemental appropriations measure (H.R. 2216). In order to keep the cost of the supplemental from triggering the need for so many spending offsets, some $473 million of it was designated emergency spending that is exempt from normal budget rules. The lion's share of the funding contained in the bill is for defense. Other purposes include money for clean-up activities from recent floods in Texas and other natural disasters; providing energy assistance to low-income families; absorbing some of the cost of the tax cut rebate that was precipitated by the passage of the Bush tax package; and providing education assistance to low-income students. The supplemental also contains $40 million in additional credit subsidy for the FHA General Insurance and Special Risk (GI&SR) account, which is used to support multi-family programs. In the House bill, the $40 million becomes available on the condition that HUD raises the FHA mortgage insurance premium. HUD plans to increase the MIP from 50 to 80 basis points in order to make the multifamily programs more self-supporting.

The Senate Appropriations Committee voted out its version of the supplemental on the same day that the bill passed in the House. Senate majority leader Tom Daschle has yet to schedule a time for debate and a vote on the Senate bill (S. 1077).

Language in the HOUSE bill authorizing a $389 million rescission from FEMA's reserve fund and a $114 million recission from HUD's Section 8 reserve fund drew sharp criticism from the White House and Senate Appropriators. Indeed, Senate Appropriations Committee Chairman Robert Byrd (D-WVA) did not follow suit with either the rescissions or the House decision to designate some $473 million dollars of off-budget emergency spending. He has further stated that he will fight any efforts to do so on the Senate floor.

With respect to the HUD recission, it appears that the Department is facing a minor budget crisis already. During oversight hearings that took place before the Senate VA-HUD Appropriations Subcommittee on Tuesday, June 14th, Dave Gibbons, HUD's Budget Director, testified that the Department does not have enough in unobligated Section 8 funds to meet an existing $3 billion worth of funding offsets and rescissions required by FY 2001 budget legislation. As it stands right now, HUD is obligated to find some $1.83 billion in rescissions by September 1, 2001. The problem is HUD only has $400 million dollars in unobligated Section 8 funds to do this with. Unless Congress does something soon to address this gap, the Department may have to initiate about $1.4 billion in across-the-board program cuts to stay in compliance with federal law. Obviously, adding a new $114 million recission only makes an already bad situation worse.

In explaining why there is so little money in the Section 8 reserve fund to meet the costs of rescissions, Dave Gibbons pointed to rising utility costs that have forced the Department to pay out more in subsides to tenants and property owners. HUD is scheduled to make a sweep of Section 8 funds in August, in the hope of recaputuring the needed dollars from unobligated project-based and tenant-based vouchers.

HR 1191 UPDATE

NCDA staff and its fellow advocacy organizations have been working diligently over the past few weeks to, one, determine the level of Congressional support for HR 1191, the Community Development Block Grant Renewal Act, sponsored by Carrie Meek (D-FL); and, two, alert key members to be watchful that it could be attached an amendment to the HUD/VA appropriations bill during conference negotiations. For those members who are unaware of HR 1191, it is a bill that, if passed, would change the CDBG program so drastically that it makes it impossible for many cities to implement. (Please see the April 9 and May 3 issues of *The Washington Report* for details.)

Because Ms. Meek has managed to gain 53 co-sponsors for her bill, we felt that it was wise to speak directly with the chairmen of the appropriate committees, namely Chairman C.W. Bill Young (R-FL) of the House Appropriations Committee and Jim Walsh (R-NY) Chairman of the HUD/VA Appropriations Subcommittee. Chandra Western, Vicki Watson and John Murphy of NACCED met with staff of both chairs to determine their knowledge and level of support for the Meek bill. As we suspected, they were both very aware of the bill and were not supportive. We made it clear how difficult it would be for local governments and states to implement the CDBG program if this bill passed, and wanted to voice our concerns that legislation of this nature might be able to get attached to appropriations bills without broad-based support. We wanted to alert them to be watchful of H.R. 1191 as a "rider" on an appropriations bill. We were assured that this would not happen. The staffers said that CDBG was very much supported and that they had no intention of jeopardizing its local flexibility. This was good news to us, however, we are still encouraging members to write their Congressional delegations and ask them to oppose HR 1191. A sign-on letter has already been made available to members. However, if you have not received it, please contact Chandra Western and she will ensure that you receive a copy.

MARTINEZ FACES SENATE APPROPRIATORS

As part of its preparations for marking up the FY 2002 HUD spending bill, the Senate Appropriations Subcommittee on VA-HUD held a general oversight hearing on HUD operations on Tuesday, June 14th.

Reflecting the change in party control of the Senate that recently took place, Barbara Mikulski (D-MD) wielded the gavel during the hearing. As the ranking Republican member of the panel, the former chairman, Senator Christopher Bond (R-MI), sat immediately to the right of Ms. Mikulski. Justifying its reputation as a bastion of bi-partisan cooperation and civility, throughout the hearing senators Mikulski and Bond worked very closely together to probe the Administration's FY 2002 HUD budget request and the Department's current operations.

Secretary Martinez was the only witness to testify for any significant length of time. The major issues discussed during the oversight hearing were **President Bush's FY 2002 budget request for HUD; Section 8 contract renewals and rental voucher usage; predatory lending; and the need to increase the production of new affordable housing throughout the country**. HUD's role in President Bush's plan to promote faith-based initiatives and the possibility of further rescissions to the FY 2001 HUD budget were also raised during the hearing.

Both Chairman Mikulski and Senator Bond expressed disappointment with the Administration's $30.4 billion FY 2002 budget request for HUD. They felt that the funding levels the White House was requesting for a number of HUD programs were inadequate and would "reverse progress made in the last several years." While both recognized that the numbers were largely driven by the Office of Management and Budget and not Secretary Martinez, still, Senator Bond pointedly reminded Secretary Martinez that in the future the subcommittee expected to see him emerge as a strong advocate for HUD within the Administration and that the subcommittee wanted him to wrest control of devising HUD's annual budget request from OMB staffers. Specifically, Chairman Mikulski and Senator Bond expressed disappointment with the effort to cut $700 million from the Public Housing Capital fund, the decision to eliminate the $309 million Public Housing Drug Elimination program, and a plan to ask Congress to terminate the Rural Housing & Economic Development program, which just happens to be a product of legislation authored by Senator Bond.

With respect to the cut to public housing capital funds, the Secretary reiterated the Administration's view that due to a multi-billion dollar back log in unobligated funds, the cuts will have no immediate impact on PHAs. Secretary Martinez stressed that there is close to an $8 billion dollars in unspent public housing capital funds. Senator Mikulski countered that the need for repairs and modernization in the nations public housing stock far outpaces the existing allocations. From the Secretary's testimony, it appears that the Administration has no intention of backing down on this matter. As for the Public Housing Drug Elimination fund cuts, the Secretary argued that law enforcement is outside of HUD's basic mission and that local communities concerned about crime in PHAs have a plethora of Justice Department programs to apply to for grant funding. Morever, by isolating PHAs with separate crime funding applications, Congress was inadvertently perpetuating the view that local law enforcement is somehow not responsible for seeing to the safety and protection of public housing residents. The rationale offered for cutting the Rural Housing & Economic Development program was that it simply duplicates efforts already being carried out more successfully by the Department of Agriculture.

Another budget issue that received particular attention from the subcommittee was the President's plan to set-aside $200 million in the HOME program budget to provide for downpayment assistance. The subcommittee's response to the plan was lukewarm at best. Once again, while both Mikulski and Bond were in agreement that the idea was a poor one, Secretary Martinez found himself in the ironic position of taking most of the heat for the proposal from a fellow Republican and conservative, Senator Bond. The senior senator from Missouri bluntly told Secretary Martinez that he could not support the President's downpayment initiative, and that neither HUD nor the White House have given the subcommittee one good reason for taking away local government flexibility by requiring the use of HOME dollars for homeownership as opposed to other pressing housing needs.

Senator Mikulski made it plain that preserving Section 8 contracts was the subcommittee's number one priority. She further called for HUD to develop a list of actions/ recommendations that are needed to improve the usage of Section 8 vouchers. Secretary Martinez responded by saying that HUD intends to raise subsidy levels up to 110% of the fair market rent in some areas to make Section 8 vouchers more attractive to landlords.

The subcommittee's inquiry into the nation's severe affordable housing shortage and HUD's current and future response to it focused on two major themes: raising the FHA multifamily housing loan limits to spur the development of affordable rental housing, and plotting out what legislative steps the Senate should consider to spur affordable housing development. Almost everyone identified the need to raise FHA loan limits as key to increasing the supply of affordable privately owned rental units. Secretary Martinez stated that he too believes the limits should be increased by about 25 per cent.

Senators Bond, Mikulski, and Sarbanes (D-MD), the chairman of the Senate Banking Committee, are working together to develop a major affordable housing development bill. When asked whether HUD would like to weigh in on any new affordable housing legislation, Secretary Martinez reiterated his determination to wait on the report of the Millennial Housing Commission before making a formal set of proposals to the Congress.

Predatory lending was the last major issue taken up by the subcommittee. Mr. Martinez told the chairman that HUD was in the process of adopting new FHA guidelines that would combat the practice called flipping–the fraudulent resale of overvalued homes to unsuspecting low-income homebuyers. FHA mortgage insurance will be denied to properties sold within an inappropriate period of time. And to secure the integrity of the appraisal process, HUD intends to establish a registry of reputable appraisers that relators, banks, and municipalities seeking to avoid predatory lenders will be encouraged to utilize.

FAITH-BASED INITIATIVE TOPS BUSH AGENDA

Having secured passage of the $1.35 trillion dollar tax cut that is the center piece of his domestic policy agenda, White House officials are acknowledging that the President intends to place winning Congressional approval of his plan to have the federal government give direct financial assistance to faith-based social service providers at the top of his legislative to do list. During the 2000 presidential campaign, then Texas governor George Walker Bush touted a scheme by which faith-based social service providers would be able to compete on an equal footing with secular charities and local and state governments for contracts to provide a range of social services to needy Americans. Mr. Bush's contention is that religiously inspired charities often succeed where standard secular or government-based entities do not in terms of efficiently and effectively alleviating chronic social ills like drug abuse, homelessness, and inadequate childcare. Therefore, the argument goes, faith-based institutions should be allowed to receive federal contracts to support and encourage them in all the good work that they do. One of Bush's first actions upon becoming President was to set up a White House Office of Faith-Based and Community Initiatives (OFBCI). But even in the wake of the deeply partisan battle over the tax cut, President Bush finds himself in the awkward position of having to build support for his faith-based legislation on both sides of the political and philosophical divide. This week White House aides conceded that even among the reliably conservative House Republican Conference, support for the President's proposal, at least as it is currently constructed, is quite soft. Worse still, only one House Democrat has publicly stated that he thinks the President's initiative is a good idea in theory, but is less willing to publicly support the specific White House plan. And with Democrats in control of the Senate, the conventional wisdom is that President Bush is going to have do a whole lot of negotiating before his faith-based initiative has any chance of becoming law. The White House had hoped to have authorizing legislation approved for an $8-$10 billion faith-based initiatives grant program by the 4th of July.

Challenges Facing The House Bill

For now, the best detailed example of what the White House's faith-based initiative looks like when converted in to actual legislation is **H.R. 7**, or the Charitable Choice/Community Solutions Act (also called the Faith-Based and Community Initiatives bill), which was introduced by Representative J.C. Watts (R-OK) in late March. Title II of H.R. includes religious organizations as federally recognized "non-governmental providers"of social services for "purposes of programs concerning": (1) juvenile justice and crime prevention; (2) housing assistance; (3) job training; (4) elder care; (5) hunger relief; (6) domestic violence prevention; (7) and after school and adult education services. **NCDA members and other CD/housing professionals should take note that in both the legislation and all the promotional materials authorized by the White House,**

the Community Development Block Grant program is consistently listed by name as one of the federal programs that will be open to grant competition from faith-based contractors. Moreover, in testimony he gave before the Senate VA-HUD Appropriations Subcommittee two weeks ago, HUD Secretary Mel Martinez all but confirmed that if the faith-baesd legislation is approved, HUD will be the leading agency in implementing the president's vision of how the program is supposed to work. Other titles in H.R. 7 deal with the establishment of Individual Development Accounts, and various tax incentives to spur charitable giving.

In terms of constitutionally inspired restrictions on the actions of faith-based charities receiving federal funds, at present H.R. 7 contains only one. A religious organization receiving a federal grant to provide a public service may not discriminate against persons seeking to enjoy the service on "the basis of religion, a religious belief, or a refusal to hold a religious belief." However, in order to make sure that the religious character of faith-based institutions are not diluted by government regulations, the bill specifically states that ***"not withstanding any other provision of [federal] law" religious institutions offering social services to the general public are free "to require that [their] employees adhere to the religious practices of the organization." Finally, the federal, state, or local government entity funding the social-service contract must provide a "non-religious alternative" accessible to individuals or beneficiaries who object to receiving the given service from a faith-based service provider. Moreover, that alternative must have "a value that is not less than the value of the assistance that the beneficiary would have received from such religious organization."***

Conservative skeptics of H.R. 7, like House Judiciary Committee Chairman Jim Sensenbrenner (R-WI), point out that the bill "opens up the possibility of lawsuits against cities and states that contract with the religious organizations for services." Moreover, others ague that the bill is tantamount to an unfunded mandate on states on local governments, if money that would have otherwise gone to them to meet the needs of the poor is merely diverted to faith-based providers. Renowned evangelical conservative leaders like Pat Robertson, Chairman of the Christina Coalition, have also expressed doubts about the legislation. They feel that mingling the church's spiritual mission so closely with government activities will only serve to under-mine the basic religious mission of faith-based institutions. On the other side, liberal and progres-sive critics of not just H.R. 7 but the whole concept of having the government directly fund religious-based assistance programs continue to insist on that the president's proposal needs concrete safeguards against employment discrimination, the possible loosening of child safety measures, and fiscal mismanagement on the part of inexperienced congregations.

Perhaps the one thing everyone agrees on at this point is that the biggest obstacle facing the legislation is that, right now, it is simply too vague, and that in itself is a major source of opposition to it. Both proponents and opponents of the legis-lation still don't feel like they have a firm understanding of exactly what President Bush hopes to have the final bill look like. Hope-fully, everyone will get a better sense of this next week after the bill is marked-up.

But as difficult as things are for the president's faith-based initiative in the House right now, it's safe to say they are much worse in the Senate. Senate leaders say they are not likely to even take up the matter until the fall. And for now at least, there are absolutely no reliable Democratic votes for the Bush proposal.

For all the difficulties the White House must overcome to get the faith-based initiative passed, the Administration received a big boost on Monday when the U.S. Conference of Mayors approved a resolution expressing support for the president's basic proposal. The Mayors insist, however, that any faith-based bill include requirements that money geared for social services be kept in separate accounts from money that religious groups use for purely religious purposes.

SENATOR REED TO INTRODUCE HOMELESS ASSISTANCE BILL

Senator Jack Reed (D-RI) is expected to introduce the "Community Homeless Assistance Act of 2001," a measure which re-authorizes the McKinney-Vento homeless assistance programs administered by the U.S. Department of Housing and Urban Development (HUD). The measure also officially codifies HUD's "Continuum of Care" process, the process by which HUD distributes its homeless assistance funds. The "Continuum of Care" was created through regulatory action by Andrew Cuomo during his tenure at HUD and never written in statute. Reed's measure would make the process a permanent, statutory requirement. Vicki Watson, NCDA's Legislative Director, along with officials from the Council of State Community Development Agencies, and the National Association of Local Housing Finance Agencies, met with Kara Stein of Senator Reed's staff on June 27 to discuss his homeless bill and to try to convince his staff to think about block granting the funds, instead of continuing HUD's competitive application process. Reed's staff, however, seems intent on keeping the existing distribution process in place, with some "fixes" to the existing process, such as tightening the time line by which HUD awards and obligates the funds to grantees. The bill requires HUD to award the funds within 5 months of receipt of the applications and then obligate the funds to grantees within another 3 months after announcing the awards. In past years, HUD has taken much longer to obligate the funds to grantees.

The measure proposes to keep the existing ESG block grant in place. NCDA and the other groups encouraged Reed's staff to increase funding for the ESG program, since the pro-ram has not been increased in past years and the need for emergency shelter and services continues to escalate in many communities.

The measure includes a 30% set-aside for permanent housing, which is currently required in the existing "Continuum of Care" process. NCDA and the other state and local interest groups are not supportive of such a set-aside within the program, preferring, instead for local decision making to drive the needs deter-mination under the program, not a federal mandate.

The measure provides 6% for administration and 1% for technical assistance. We en-ouraged Reed's staff to consider 10% for administration, since it is very costly to administer these programs at the local level.
A final draft of the bill will be made available in the next couples of weeks and Senator Reed hopes to introduce the bill within the next month or so. We'll keep you posted on the outcome of this measure.

NCDA STAFF ATTENDS U.S. CONFERENCE OF MAYORS ANNUAL MEETING IN DETROIT

What seemed like thousands of mayors descended on the motor city, to discuss issues ranging from breast cancer awareness to NAFTA. NCDA staff were right there in the thick of things at the 2001 Annual Meeting of the

U.S. Conference of Mayors. As an affiliate of the Conference of Mayors and a member of the Washington Reps core, NCDA participates in this annual event, primarily to keep abreast on housing and community development issues. NCDA staff work with Conference staff Gene Lowe and Nicole Maharaj on developing policy and resolutions for consideration at the Housing and Community Development Committee Meeting during at their Annual Meeting. All the resolutions supporting increases to CDBG, HOME, the creation of a Housing Production program within the HOME program, and support for more funding and amendments to the lead-based paint statute were passed with overwhelming support.

This year, because of the issues surrounding colonias and the borderss, NCDA staff also took part in the Border Cities Task Force meeting, chaired by the Mayor of Laredo, whose community development director is an NCDA member. It might be surprising to some that NAFTA would have an impact on housing and community development issues, or that a Border Cities Task Force should include community development directors, however, such things as predatory lending, constructing water and sewer lines, road construction, job training and international trade issues affect colonias as well as incorporated cities. Because of the financial impact on legitimate local governments from colonias for services and families being preyed upon by unscrupulous individuals, NCDA's Vice President, Aaron Longoria has extended an invitation to the HUD Secretary Mel Martinez to tour the colonias in his area to encourage HUD to request more funding for these border communities.

NCDA Executive Director Chandra Western has committed to work with Conference of Mayors staff Justin O'Brien on the task force along with several of NCDA's members. Chandra is also working on setting up a meeting with Secretary Martinez to discuss his visit to south Texas. To be included in that meerting and visit to south Texas will be NCDA's President Greg Hoover, Vice President Aaron Longoria, International Committee Chair Tom Utter and NCDA member from Laredo, Erasmo Villarreal.

It is also interesting to note that there were several mayors from non-border cities in attendance. Regardless of a city's geography, border issues will ultimately impact all cities at some point. Products will need truck, drivers, warehouses and ultimately distribution centers to get them to market, most likely in one of our cities. This was made clear in the presentations that products that travel between the US and Mexico and the US and Canada impact the entire country. Border issues and international trade concerns looms large as an important factor for community development practitioners and their mayors.

NCDA NOTES

Romulus Heads to NYU

On or about August 3, NCDA Legislative Council, Romulus Johnson will be leaving the Association for law school at NYU. Romulus has done an outstanding job for the Associ-ation and he will sorely be missed. He has earned the respect of NCDA's members and his colleagues in Washington. As Executive Director of the Association, I can tell you all that he has worked very hard for the members and has demonstrated a passion for his work that any of us would appreciate. Many have tried to steal him away from us, and thankfully he chose to remain, until now. Just so that you all know, I have done everything I could to 'turn him into a community development practitioner' so that he would stay with us, but he has committed himself to law school–for the time being. I encourage members to send their regards. As summer gets into full swing, I wanted to make sure that members are aware of Romulus' departure so that you all have a chance to wish him well before he leaves us.

Given Romulus' imminent departure, we will have Legislative Council position available. This is to inform and invite anyone who might be interested in working for the Association. The ideal person shall possess an excellent working knowledge of the CDBG program from a local perspective, an understand of the relationship between CDBG and other economic development programs, and have a good feel for the Congressional Budgetary process. Good writing and speaking skills are a must. A Bachelors Degree is required, a Masters Degree is preferred. Please contact Chandra Western if you are interested.

FEDERAL REGISTER NOTICES

June 22, 2001. Section 8 Homeownership Program; Pilot Program for Homeownership Assistance for Disabled Families. This interim rule establishes regulations to implement the three-year pilot program authorized by section 302 of the American Homeownership and Economic Opportunity Act of 2000. A public housing agency may elect to provide homeownership assistance to a disabled family under the pilot program, rather than under the Housing Choice Voucher Program homeownership option. Under the pilot program, a PHA provides homeownership assistance to a disabled family residing in a home purchased and owned by one or more members of the family. The interim rule incorporates the requirements for the pilot program in HUD's regulations for the homeownership option. In addition to the amendments implementing section 302, HUD has taken the opportunity afforded by this interim rule to make several clarifying and technical amendments to its September 12, 2000 final rule establishing the homeownership option.

June 13, 2001. Section 8 Homeownership Program; Downpayment Assistance Grants and Streamlining Amendments. This proposed rule would implement section 301 of the American Homeownership and Economic Opportunity Act of 2000. Section 301 amends the statute authorizing the "homeownership option" under the Housing Choice Voucher Program. Under section 301, a Public Housing Agency (PHA) may, in lieu of paying a monthly homeownership assistance payment on behalf of a family, provide homeownership assistance for the family in the form of a single grant to be used toward the downpayment required in connection with the purchase of the home. Implementation of these downpayment assistance grants is anticipated for federal fiscal year 2002. In addition to implementation of section 301, this proposed rule would also clarify and streamline several regulatory requirements applicable to both downpayment grants and monthly homeownership assistance payments provided under the homeownership option.

JOB ANNOUNCEMENTS AND ATTACHMENTS

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