NCDA
WASHINGTON REPORT

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

FEATURE ARTICLES

FY 2002 HUD APPROPRIATIONS UPDATE

This week both House and Senate Appropriations Committees put the proverbial pedal to the medal and completed their respective mark-ups of the FY 2002 HUD spending bill. Unfortunately, while we have fairly reliable House Appropriation figures, intrigue and partisan wrangling over executive branch nomination votes have resulted in a delay in the filing of the Senate Appropriations Committee's VA-HUD mark-up. According to Senate staffers, the final version of their VA-HUD mark-up report will not be formally filed until Monday. Then and only then will official numbers be released to the public. Consequently, our number for the Senate must be treated as preliminary estimates only. Moreover, we are limiting our remarks to essential community development and housing programs in the HUD portfolio until we have a reliable copy of the Senate Appropriations mark-up report.

We will make more accurate numbers available via the list-serv as soon as we have them. NCDA members are urged to keep in mind that this is really still only the beginning of the process. A joint House -Senate conference report must be passed and negotiations with the White House have to happen before the HUD spending bill is finally complete.

	FY '02 HOUSE REPORT	FY '02 DRAFT SENATE REPORT
CDBG	**$4,801 billion**	**$5,012 billion**
(Formula)	**$4,3999 billion**	**N/A**
HOME	**$1,996 billion**	**$1,796 billion**
(Downpayment Initiative Set-Aside)	$200 million*	$0
HOPWA	**$277, 432 million**	**$277 million**
Housing Cert. Fund	**$15,694 billion**	**$15,658 billion** (17,000 incremental vouchers.)
Homeless Grants	**$1,028 billion**	**$1,022 billion**
Shelter Plus Care Renewals	**$0**	**$100 million**
Lead Hazard Control	**$110 million**	**$110 million**
Brownfields	**$25 million**	**$25 million**
Public Hsng. Capital Fund	**$2,555 billion**	**$2,943 billion**
Pub. Hsng Operating Fund	**$3,505 billion**	**$3,385 billion**

Remarks:

*The President's American Dream Downpayment Assistance program was given only provisional funding in the House HUD bill. **In order for the money to be spent for this purpose, Congress must approve authorizing legislation for the initiative by June 30, 2002.** If the program is not authorized by the June 2002 deadline, the $200 million reverts back to the HOME formula pot.

H.R. 1191 did not get attached to the HUD/VA House Report. Due to the efforts of NCDA staff, its partners and most importantly its members, H.R. 1191 will not be included in the HUD's appropriations bill. It could not even generate enough support for a vote in the subcommittee and was subsequently offered and accepted as a friendly amendment, which requires HUD to conduct a study to determine the level of low-mod benefit achieved within the CDBG program. However, this action or lack of action taken on this bill does not mean that it is dead yet. In fact Carrie Meek's staff person suggested that there would be hearings on H.R. 1191 later this summer. This was news to everyone in the room because according to both House and Senate staff, there will be no hearings on this bill this year. Whatever the case, NCDA Executive Director, Chandra Western requested for NCDA to be included on the list of witnesses.

HOUSE PASSES FAITH-BASED INITIATIVES BILL

President Bush scored another substantial legislative and political victory yesterday, when the U.S. House of Representatives approved H.R. 7, the Charitable Choice/ Community Solutions Act of 2001. Commonly referred to as the Faith-Based and Community Initiatives bill, H.R. 7 is the main legislative vehicle being utilized to enact President Bush's plan to have the federal government directly fund religious groups that provide various social services to the poor.

The faith-based initiative is widely viewed as the most concrete and high-profile programmatic example of Mr. Bush's political philosophy of compassionate conservatism. As such, Republican lawmakers understand that it is both personally and politically important to the president. Consequently, despite strong reservations expressed by Republican moderates over provisions in the bull exempting faith-based groups receiving federal dollars from having to comply with local anti-discrimination laws, all but four members of the House Republican caucus delivered for Mr. Bush. The final tally was 233-to-198. Fifteen House Democrats bucked their party leaders to support the measure.

Earlier in the week final passage for H.R. 7 seemed very uncertain when Republican moderates joined with House Democrats to block a final vote on the measure. The only thing that permitted a vote to be taken on Thursday was a promise from Republican party leaders that the offending civil rights exemptions would be taken up in a conference committee with the Senate.
Yet, whether or not there will even be a Senate bill is highly debatable. Senate Majority Leader Tom Daschle (D-SD) has indicated that he has no intention of putting it on the Senate calendar anytime soon. But even more important, the President's proposal generated heightened opposition among civil rights groups and Democratic members of Congress when it was revealed that the White House was engaged in secret negotiations with the Salvation Army to use OMB regulations to exempt faith-based groups from local civil rights and employment discrimination laws, specifically with respect to those covering gays and lesbians. In return for OMB's assistance, the Salvation Army agreed to commit its resources and prestige to the lobbying effort to get the President's proposal passed. Bowing to criticism, the White House withdrew the deal the day after The Washington

Post broke the story. Not surprisingly, this revelation fueled the greatest fears of those who believe that the White House's faith-based venture would create a back door to way to undermine hard-won civil rights protections for various minority groups.

The version of H.R. 7 that was passed yesterday allows religious organizations to be designated as non-governmental providers for the purposes of certain federally-funded housing, education, childcare, juvenile delinquency, drug rehabilitation, job access, and other community development activities. Employees of religious organizations receiving federal funds may be required to adhere to the religious practices of the organization. However, faith-based charities that receive federal funds would not be permitted to discriminate on the basis of religion, religious practice, or a the failure to hold a religious belief when it comes to delivering services. If the recipients of a given service object to receiving it from a faith-based provider, then the governments funding the religious organization would be required to provide a non-religious alternative of similar value.

In a blow to the hopes of supporters of the president's faith-based initiative, H.R. 7 contains no language committing any new federal funds to support the work of faith-based organizations. Moreover, due to the new post-budget surplus reality that is gripping Washington, plans to allow lower-income taxpayers who do not now itemize their deductions to take deductions for charitable contributions were scaled back from a $98 billion proposal to just $13 billion. If H.R. 7 were to become law, non-itemizers would able to deduct up to $25 a year in charitable contributions from their taxes. Democrats, of course, chided that if Mr. Bush had not spent so much money on $1.3 trillion across the board tax cut there would be room in this year's and future budgets to offer faith-based and other charities more than just lip service.

BROWNFIELDS LEGISLATION STALLED IN HOUSE

The last major congressional action taken on brownfields reform was back in April, when the U.S. Senate voted 99-0 to pass S. 350, a bill that provides much needed third-party liability relief and federal dollars to local governments and private entities seeking to redevelop brownfields. (For more specific details on the provisions of S.350, please see the May 3, 2001 edition of *NCDA Washington Report*.) It was hoped that the strong bi-partisan support expressed in the Senate for comprehensive brownfields reform, as well as the firm endorsement of S.350 by the Bush Administration, would spur House leaders to make brownfields reform legislation a priority in that body. Since April, however, virtually no substantive progress has occurred in the House. Worse still, matters in the House are made substantially more difficult by the fact that any brownfields reform package must clear at least two separate authorizing committees, Energy and Commerce and Transportation & Infrastructure, before it can be taken up on the House floor. Depending on the nature of any revenue or tax provisions that might be added to such a bill, the Committee on Ways & Means may be required to give its approval as well.

Thus far, the various personalities that must come together to produce a viable House brownfields reform bill have not been able to discover the right formula to make that happen.

In an effort to keep the momentum going in the Senate, Carl Levin, the senior Democratic U.S. senator from Michigan, and James Jeffords, the newly Independent U.S. senator from Vermont, recently co-sponsored two new bills in late June that are intended to aid in the redevelopment of urban and rural brownfields sites.

The Brownfields Economic Development Act of 2001, the first of the two bills, is numbered S. 1078. S. 1078 gives HUD the authority to make existing BEDI (Brownfields Economic Development Initiative) grants more easily to available to local governments and Indian tribes by permitting the Department to make grants independent of Section 108 loan guarantees. Recognizing that communities are very leery of pledging parts of their annual CDBG allocations as collateral under the existing BEDI grant program, the Levin-Jeffords proposal would allow HUD to make brownfields redevelopment grants independent of the loan guarantee program.

The second of the two bills, S. 1079, is entitled the "Brownfield Site Redevelopment Assistance Act of 2001." S. 1079 creates a new program within the Department of Commerce's Economic Development Administration (EDA) to provide targeted assistance to projects that redevelop brownfield sites. If passed into law, S. 1079 would establish a guaranteed source of funding for brownfields redevelopment and reuse projects undertaken by states, localities, Indian tribes, and non-profit groups. EDA would also be given new authority to facilitate effective economic development planning for reuse; develop infrastructure necessary to prepare brownfields sites for redevelopment; and provide the capital necessary to support new business development on reclaimed sties. The legislation authorizes $60- million a year for this initiative from FY 2002 to FY 2006.

Senators Levin (D-MI) and Jeffords (I-VT) are actively seeking support from other senators for both of these bills. NCDA encourages all of its members and community development partners to contact their congressional representatives in the U.S House and/or U.S. Senate to urge immediate action on pending brownfields reform legislation.

HUD/HHS WORKING TO MOVE HOMELESS PROGRAMS

With Congress's apparent blessing, HUD Secretary Mel Martinez and HHS Secretary Tommy Thompson are involved in negotiations to transfer the bulk of HUD's $1.1 billion homeless program to the Department of Health and Human Services. Congressional approval would be required to make any agreement to move the program binding.

In a recent interview with the *Washington Times*, Secretary Martinez stated that he is actively pursuing this change because HUD has "spent a large, large sum of money over the past 10 years on homeless issues with very little to show for it." According to HUD estimates, more than 70% of HUD's homeless spending goes to mental health counseling, drug and alcohol treatment, and other services unrelated to shelter**.** The Secretary believes all these activities are unrelated to HUD's core mission as the nation's housing agency, an agency whose primary focus should be providing shelter not social services. However, Secretary Martinez feels that an ideal situation would be to have faith-based organizations take the lead on providing comprehensive homeless services. Secretary Martinez is the Administration's designated pointed man on the president's faith-based initiative. HUD is also the designated lead federal agency in respect to finding ways faith-based charities can more effectively partner with government to provide services to the needy. (For more information on the President's Faith-based initiative, please see the June 29 edition of *NCDA Washington Report*, and the Faith-Based Initiative Update article printed above.)

Congress indicated its willingness to have the two agencies explore the idea of transferring HUD's homeless program to HHS in language included the House Appropriations Committee's mark-up of the FY 2002 HUD spending bill. According to the Committee's mark-up report, HUD has until February 15, 2002 to produce a report for the House VA-HUD Subcommittee that details its findings and recommendations on the implications of transferring HUD's homeless programs to the Department of Health and Human Services

BERNIE SANDERS INTRODUCES HOUSING PRODUCTION BILL

Rep. Bernie Sanders (I-VT) has introduced H.R. 2349 -- National Affordable Housing Trust Fund Act of 2001 -- to create a National Housing Trust Fund to provide funds for the development, rehabilitation and preservation of affordable housing with the goal of building 1.5 million new units of affordable housing by 2010. Similar to Senator Kerry's (D-MA) National Housing Trust Fund legislation that was introduced last year, the measure would use excess FHA and Ginnie Mae reserves.

H.R. 2349 would direct all of the funds to states through a needs-based formula that would consider such factors as the percentage of families in the state that live in substandard housing, the percentage of families that pay more than 50% of their annual income for housing costs, the percentage of persons having an income at or below the poverty line, the cost of developing or carrying out substantial rehabilitation of housing, the percentage of the population of the State hat resides in counties having extremely low vacancy rates, and the percentage of housing stock that is extremely old. States would be required to provide a 25 percent match from non-Federal sources, which include: (1) 50 percent of funds allocable to low-income tax credits; (2) 50 percent of revenue from mortgage revenue bonds; (3) 50 percent of proceeds from the sale of tax exempt bonds; and (4) any other state revenue that is not derived from Federal sources, including State tax revenue.

The legislation requires states to allocate the funds to nonprofit and public entities via an application process, with a requirement for a 25 percent match from non-federal sources. It requires that 75% of the funds be used for rental housing for extremely low-income families and 25% use for rental or homeownership for low-income families. States must design an allocation plan and a method for the distribution of funds, which would be based on a prescribed set preference criteria in the statute.

Like all the other housing production programs coming out of Congress this year, the chances of any of them passing appears to be remote. There is also a rumor that Senator Allard will be introducing yet another housing bill, this one also aimed at states. The only good news about this one is that it will seek to make statutory "fixes" to the CDBG and HOME programs to make them easier for them to work together.

RC/EZ INTERIM RULE PUBLISHED; NO FUNDING FOR ROUND III ZONES

Monday, July 9, HUD published the interim rule regarding the applications for RC and EZ designations in the Federal Register. According to the notice, the rule will take effect on August 8, 2001 but the Department will continue to accept public comments on the rule until September 7, 2001. HUD felt it necessary to have the interim rule take effect prior to the end of the public comment period because the deadline for RC/EZ applications is "imminent." Comments may be submitted to: General Counsel, Rules Division, Room 10276, HUD, 451 7th Street SW, Washington, DC 20410-0500.

The interim rule describes the Community Renewal Tax Relief Act of 2000, which authorizes the designation of 40 new Renewal Communities and 7 Round III Empowerment Zones by HUD. The rule also contains descriptions of the RC and EZ programs. The rule amends part 598 of the CFR, and adds a part 599 in order to outline the regulatory framework for the Renewal Communities program. Part 599 details eligibility requirements, procedures for the evaluation of applications, and selection and post-selection requirements. For more information on the tax incentives and other benefits that come with either a Renewal Community or Empowerment Zone designation, see the RC/EZ program descriptions on the HUD web site (www.hud.gov).

To those communities who attended several RC/EZ informational seminars in June, HUD will mail two separate notices inviting them to apply for RC and EZ designations. For more information on the RC or EZ programs, visit the HUD RC/EZ home page--www.hud.gov/offces/cpd/exec. Or, you may contact Pamela Glekas, Drector, Office of Renewal Communities/Empowerment Zones/Enterprise Communities, at (202) 708-6339/E-mail: Pamela_Glekas@hud.gov.

In related news, in its mark-up of the FY 2002 HUD appropriations bill the House Committee on Appropriations declined to provide any funds for Round III EZs, In explaining their decision, House appropriators indicated they felt that HUD should use the money it has before requesting more. According to some estimates, $268 million of the $285 million that Congress has appropriated of for EZs over the past three years still hasn't been spent. Even more alarming to appropriators, some $185 million hasn't even been obligated to local communities yet.

NCDA NOTES

ARE COMMUNITY DEVELOPMENT DEPARTMENTS READY FOR FAITH-BASED INITIATIVES?

Other than the $1.3 trillion tax cut, the major priority for President Bush, this year, is directing more federal funding to faith-based initiatives (HR 7). It is likely, if not this year, that at some point in the near future we will see an appropriation (a program) targeted specifically to religious entities that provide social services to low and moderate income persons, and housed in the Department of Housing and Urban Development. The only real mystery is the mechanics of how funds will get to the religious entities and what activities will be funded. Whatever the case, the activities undertaken by faith-based groups will occur in units of general government.

Regardless of anyone's opinion of direct funding to religious entities, the real issues community development practitioners must concern themselves with, is being ready to aid their mayors in providing the most appropriate guidance in assisting faith-based groups in implementing programs and projects. Mayors will depend heavily on their community development directors to ensure that his or her city embraces the idea of supporting religious groups as service providers to the disadvantaged– it would be political suicide to do otherwise. They will need guidance on the separation of church and state issues, and protection from the political fall-out of implied favoritism of the existing non-profit community that has a long history of working with the city and the new "faith-based" groups who may be viewed as the "favorite children" of the moment.

As we prepare ourselves for the inevitable, perhaps we should view it in the following manner. With a proposed budget of $8-10 billion, this potential "flood" of new funding can be seen as a supplemental appropriation to their CDBG, HOME, HOPWA and ESG allocations. After all, cities are in desperate need of more housing and community development funding. We should encourage the development of this new program or programs to include a separate allocation, which does not compete with tried and true programs, and enough administrative and technical assistance funds to make its implementation and over site run smoothly. Whether the funding comes directly fund HUD, states or the local government, the problems will fall into the mayor's lap and ultimately on the Community Development Director's desk.

Mayors and their CD Directors are in the driver's seat when it comes to building, redeveloping, rehabbing, creating jobs, or demolishing dilapidated buildings. How ever the funding is distributed, local ordinances and permitting must be adhered to, even for religious entities. To that end, ultimately cities will be in control of this funding, whether it comes through the city or not.

Most city community development agencies have written policies and requirements, on the funding of non-profit service providers. This is done to ensure that the non-profit entity is capable and has the capacity to complete the scope of work and to protect the city's scarce community development and housing dollars. Specifically identified criteria for funding of non-profit entities will go a long way in heading off the inevitable problems that many cities are already facing. Community Development Directors and their staffs must be ready and should begin working with their legal staffs to establish criteria for the funding of faith based groups so that there are no surprises during the consolidated planning phase (action plan) in accepting FY 2002/2003 HUD funding.

It is highly unlikely that the White House and the Congress will be able to develop a program and get an allocation this year. But it will no doubt happen during the Bush Administration. Cities, particularly the community development departments should be preparing themselves for the inevitable requests from religious entities, due to the increase awareness the media is bringing to the programs that we administer.

NCDA has received a number of calls from faith-based groups inquiring how to get more involved in accessing federal funds within our member cities, especially CDBG and HOME funding. We are getting eligibility questions on proposed projects, and questions pertaining to establishing themselves as a faith-based entity. Without an actual allocation targeted specifically to faith-based groups, CDBG and HOME are the largest funding sources at the local level that are being suggested to these groups. It is best for community development practitioners to get prepared now, to help their mayors avoid problems in the future.

JOB ANNOUNCEMENTS AND ATTACHMENTS

- **Board of Directors Meeting Minutes**
- **Housing Committee Minutes**
- **New Market Tax Credits Sheet**