NCDA
WASHINGTON REPORT

FROM: CHANDRA WESTERN
VICKI WATSON
KAREN MEANS

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NCDA EXECUTIVE SYMPOSIUM, OCTOBER 11-14, 2001: TUCSON, ARIZONA
NATIONAL COMMUNITY DEVELOPMENT WEEK FOR 2002 IS APRIL 1-7!!!!

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FY 2002 HUD APPROPRIATIONS UPDATE

The House and Senate started their official August recess earlier this week having passed their respective versions of the FY 2002 VA-HUD-Independent Agencies Appropriations bill. The bill must now be conferenced by the two chambers when they return to work after Labor Day. Most of HUD's programs are funded at or around their FY 2001 funding level, including CDBG. The House included the Administration's proposed $200 million Downpayment Assistance Initiative within the HOME program as a set-aside. However, if the program isn't authorized by June 30, 2002, the funds would revert back to the HOME program, increasing the HOME formula by $200 million. The Senate did not include this set-aside in its version of the VA-HUD bill. HUD's homeless assistance programs remain essentially intact; however, the House chose to fund the Shelter Plus Care renewals within the existing homeless assistance programs account and not as a separate account, essentially lowering the amount of funds made available under HUD's homeless assistance accounts from last year. The Senate proposes to fund the Shelter Plus Care renewals within a separate account, as was enacted last year. Both the House and Senate included some authorizing provisions related to HUD's homeless assistance programs. The House version requires HUD to allocate at least 35% of its homeless assistance funding to permanent housing, while the Senate proposes that at least 30% of the funds be allocated to permanent housing, the same percentage as last year. Both chambers require a 25% match for social services. Please see the attached appropriations chart for exact funding levels of all of HUD's programs.

The Senate sharply decreased the amount of funding available for new Section 8 vouchers in FY 2002. The President asked for 34,000 new Section 8 vouchers in his budget and the House provided funding for this number of vouchers in its bill. The Senate only proposed 17,000 new Section 8 vouchers for the coming year, citing communities' difficulty in utilizing the vouchers nationwide.

Several attempts were made on the House floor to take funding from the Downpayment Assistance Initiative set-aside under HOME to fund other initiatives. NCDA and several other national interest groups forwarded a letter to the appropriators asking that the funding for HOME be left intact. Rep. John LaFalce (D-NY) offered an amendment to take $100 million of the Downpayment Initiative under the HOME program to renew the Shelter Plus Care renewals. Rep. Marcy Kaptur (D-OH) offered an amendment to take $175 million from the Initiative for public housing drug elimination grants. Finally, Rep. Jerrold Nadler (D-NY) offered an amendment to use $195 million of the Initiative to fund an additional 34,000 Section 8 vouchers. All three amendments were defeated.

Two other amendments relating to housing did pass. An amendment offered by Rep. Nydia Velazquez (D-NY) to increase the funding for Youthbuild from $60 million to $70 million passed and an amendment offered by Rep. Charlie Rangel (D-NY) to delete the current law requirement that public housing residents perform eight hours of community service per month also passed.

A TOUGH CONGRESSIONAL SCHEDULE AFTER THE RECESS

Congress will have a lot of work to do, in a very short amount of time, in order to complete all thirteen spending bills before October 1. Both the House and the Senate will reconvene on September 5, which leaves them 17 working days to complete their work before the fiscal year ends. Presently, none of the 13 spending bills has been conferenced. However, five bills are awaiting conference: HUD/VA, Transportation, Interior, Energy/Water, and the Legislative Branch. The House has completed work on the Agriculture bill, the Commerce-State-Justice, Foreign Operations, and the Treasury/Postal bills. The Senate has to pass eight more spending bills and no floor action has taken place in either house on the Defense bill, District of Columbia, Labor- HHS or the Military Construction bills. This is unusual, because the Military Construction bill is often the first to reach the President's desk.

To really understand the enormity of the job that needs to be done, Senator Robert Byrd (D-WV) rightly concluded, "it is becoming very clear that Congress is likely to blow right by the September 30 deadline unless we change tracks soon, this train is heading for a 13 car pileup." House Appropriations Committee Chair, C.W. Bill Young (R-FL) fully expects to have to file a two-week continuing resolution when the fiscal year runs out. Neither house has even begun to work on the two largest bills; Defense and Labor/HHS, which accounts for two-thirds of the federal discretionary spending. These two bills are often pitted against each other in the classic political fight of guns vs. butter. Action has been delayed on these two bills because the White House has not completed its review of the defense bill and the final version of HR 1, the education overhaul bill.

Other factors that must be considered in this annual appropriations dance is House Budget Committee Chairperson Jim Nussell (R-IA), who has said that he will assert broader jurisdiction over budget matters. What this means is that he plans to enforce the mandatory spending caps that came out of the balanced budget agreement that have virtually disappeared because of the huge surpluses over the past two years. Nussell plans to mark up legislation that would increase the statutory discretionary spending cap for FY 2002, and use the same bill to set future spending limits and set pay-as-you-go requirements. He is trying to ensure that the federal government doesn't find itself in deficit spending again. If this month's updated surplus figures are less than stellar, Nussell may try to force cuts in the fiscal 2001 spending to honor this year's debt reduction goal of $155 billion.

Oversight hearings are planned to try to determine why the economic projections of the Congressional Budget Office and the Office of Management and Budget are so different. He said, "these projections are nuts, this is no way to run a country."

SENATOR KERRY (D-MA) INTRODUCES NATIONAL HOUSING TRUST FUND BILL

Senator Kerry introduced S. 1248 – The National Affordable Housing Trust Fund Act of 2001 – on July 25. Kerry introduced the exact same measure last year. As the title suggests, the bill proposes creation of a national housing trust fund to help alleviate the current housing crisis. The measure proposes funding the new construction of 1.5 million units of affordable rental housing and homeownership units over the next ten years. The bill would use excess surpluses from the Federal Housing Administration (FHA) and the Government National Mortgage Association (GNMA) to generate the income needed for the Fund. Many on Capitol Hill question whether or not FHA or GNMA generate any real surpluses annually, so the funding sources for this Fund remain suspect.

Once again, the legislation directs at least 75% of the funds to states and 25% for a national competition. NCDA and the other local government groups want to see a direct allocation to local governments and have advocated that the HOME program be used as the vehicle to spur new housing production in order to ensure a role for local governments.

The legislation would require that 75 percent of the assistance distributed by each State must be used for the construction of rental housing for extremely low-income households (30% of area median income) in mixed income developments which must remain affordable for 40 years. The bill establishes a "Continued Assistance Rental Subsidy Program" under which a developer may use funds for up to three years for operating subsidy, so long as it partners with a local housing agency to ensure a stream of eligible tenants to the units, and the housing agency agrees to provide any tenant in those units with a voucher to move if the tenant so chooses. The remaining 25% distributed by each State may be used for low-income families (80% of area median income or below) for construction of rental housing or for homeownership activities.

HR 4 SEEKS TO INCREASE THE CDBG PUBLIC SERVICES CAP FOR ENERGY CONSERVATION ACTIVITIES

Sponsored by W.J. Tauzin of Louisiana, HR 4 proposes to increase the CDBG public services cap for energy conservation activities in an effort to "enhance energy conservation, research and development and to provide for security and diversity in the energy supply for the American people and for other purposes." This bill also has three powerful co-sponsors, Representatives James Hansen of Utah, William Thomas of California, Chairperson of the Committee on Taxation, and Michael Oxley of Ohio, Chairperson of the Ways and Means Committee and the Financial Services Committees.

Under most circumstances HR 4 would have gone unnoticed by NCDA staff and those of us who advocate for housing and community development programs, but for Section 4102 which amends the CDBG statute to increase the Public Services Cap to 25% only if the additional 10% is used for energy conservation or efficiency measures. This bill seeks to identify methods whereby federal programs and federally funded activities can encourage energy conservation, and should the bill gain legs, would likely be used as part of a broader American energy policy debate. No action has been taken on this initiative yet, but with such powerful cosponsors and the major energy issues in California and nationwide, and the continued high gasoline prices, we do not see this as a flash in the pan. The Senate has not yet addressed this issue.

When NCDA has more information, such as possible hearings or questions of support from Congressional staff, we will keep the membership updated. The membership has been quite clear on this issue, and its position has not changed. NCDA does not support a blanket increase of the Public Services cap. Energy conservation is already a program eligible activity which costs would not have to come under the Public Services cap. This amendment is redundant and not necessary because it is already an eligible use of CDBG program funds. We will do our best to make the case that this amendment is not needed for the CDBG program.

CONGRESS EXTENDS MARK-TO-MARKET PROGRAM

On July 25, the House Financial Services Committee approved H.R. 2589, extending HUD's Mark-to-Market program for another three years. The Senate Banking Committee approved S. 1254 on August 1, which extends the program for five years. The program was due to sunset at the end of September 2001. Both measures would place the Office of Multifamily Housing Assistance Restructuring

(OMHAR) under the Federal Housing Administration and require that the Director of the Office receive future Senate approval. The Mark-to-Market program was created to stem the tide of growing Section 8 renewals which would have consumed most of HUD's budget by 2007, if left alone. It was also created to preserve existing multifamily units.

The program reduces the rents on Section 8 multifamily projects to fair market rents as well as restructures the mortgage debt to sustainable loan levels. The program also maintains incentives to owners to continue participating in the Section 8 program to ensure the continued use of these projects as affordable housing. The Senate bill would expand HUD's discretion in determining which projects should be subject to the Mark-to-Market program and their appropriate rent levels. In addition, the Senate Banking Committee accepted an amendment offered by Sen. Wayne Allard (R-CO) to require annual evaluations of the Mark-to-Market Program by the General Accounting Office. Approximately 500 multifamily properties have been restructured under the Mark-to-Market program, resulting in $500 million in savings to the federal government over the next 20 years.

NCDA FORWARDS RECOMMENDATIONS TO THE MILLENNIAL HOUSING COMMISSION

As you may be well aware, Congress passed legislation last year creating the Millennial Housing Commission. The 22-member Commission is charged with examining existing policies and programs and making recommendations, in the form of a report, on changes to housing policy to Congress by March 2002. The Commission has been holding field hearings across the country and has been accepting written recommendations from interested parties. NCDA provided written comments *[copy attached]* to the Commission on June 29, which mirror NCDA's testimony presented before Congress earlier this year. The recommendations strongly support higher funding levels for both HOME and CDBG, oppose the Administration's proposed $200 million set-aside within HOME, call for the creation of a new production program within HOME, reiterate the importance of local government involvement in housing, suggest several statutory changes to both HOME and CDBG, oppose H.R. 1191, call for block granting of HUD's homeless assistance programs, and seek additional resources to implement HUD's lead-based paint regulation, as well as an outright exemption of the elderly from the regulation.

NCDA and other local government groups are concerned with the make-up of the Commission. Out of the 22 members, only two local government entities are represented, and both of these agencies are public housing authorities. NCDA, the U.S. Conference of Mayors, National Association of Counties, National Association for County Community Economic Development, and other groups have been meeting to discuss a more active involvement with the Commission, including having mayors and other local government officials meet with the Commission in the coming months to push for the concerns of local governments and to ensure a strong role for local governments in the Commission's final recommendations.

To obtain more information on the Millennial Housing Commission, please go to their web site at http://www.mhc.gov.

CDBG TIMELINESS; OTHER REASONS TO BECOME TIMELY

NCDA has been doing its level best to keep members up-to-date on the latest news regarding HUD's efforts to get the CDBG spend-out ratio down. Members have been informed of Secretary Martinez's assurances that action will be taken on those habitually poor performers. We have hosted meetings to show you the "tricks of the trade" in keeping a CDBG program timely, and we have provided you with our Congressional testimony that indicates the Association's commitment to continue to work with our members to get into compliance on spend-out. Well, this article is to let you know that it is working. Presently, the CDBG program has achieved an 82% success rate for timely communities. Over the past two years we have gone from almost one-third of the entitlement communities being untimely, to just 18% being untimely. CONGRATULATIONS!!!!!
This success shows everyone, especially HUD and Congress, that cities and counties can be timely and could have always been timely. Our successes does not let us off the hook. We have not heard that HUD and Congress are backing off on their continued scrutiny on this issue. In fact, it is rumored that some have considered lowering the threshold. The question that could be raised is: Why should it take a city a year and one-half to spend their money– given the great need we keep telling everyone is out there?

We must stay ever vigilant, and continue to improve on the spend-out rate. One reason to stay timely, aside from the regulatory requirement, is the public housing capital fund. Because there was so much money, in fact, billions of dollars "back logged" or in the "pipeline,"in that program, that the President proposed severe cuts to hat program. During a hearing, Secretary Martinez's testimony suggested that not funding the public housing capital fund for two or more years, would cause no significantly measurable impact on the activities eligible under this account, because there was so much money unspent. We can't let this happen to the CDBG program.

Another reason to become timely, outside of the kudos we get from our friends from HUD, is the Faith-based Initiatives program. Lets take a look at the big picture. We have a $1.3 trillion tax cut, a sluggish economy, and increases in defense and education spending. The President is pushing very hard on this issue, because it was a campaign promise, one he means to deliver on. Undoubtedly, he would like to get at least the outline of a program in place before the mid-term elections, to help Republicans members retain control in the House and possibly retake the Senate. Where is the money going to come from for Faith-based Initiatives? CDBG and HOME are programs that are already assisting faith-based groups and projects. And, these are two programs that consistently come up in discussions of the types of existing programs as examples for faith-based groups to tap into. One last issue to consider is that it is most likely that HUD will be the federal agency to administer this program because it already has an office of Inter-faith- based Partnerships. Community development practitioners have to make a case that CDBG and HOME funds are already being used, at the local level in the best ways possible. We have to show that we are spending the money on locally determined and identified needs and that assisting faith-based groups is already an integral part of CDBG and HOME projects all across the nation. The very last thing we need is to be in a position that indicates that cities are not spending CDBG and HOME money in a timely manner, which could provide the "powers that be" with the impetus to suggest huge set-asides in both programs.

It is our impression that HUD is getting closer and closer to taking action against not only habitual offenders, but all communities that are untimely. We are under the impression that HUD will reduce offending communities' upcoming allocations by the amount they are over the 1.5 requirement. We have not heard anything definite, just rumors. But, it would not be a surprise to anyone if HUD does finally get the go-ahead from Assistant Secretary Bernardi. We already know that Secretary Martinez would be fully supportive of this action.

HUD NEWS

HUD RELEASES FINAL EXTENSION NOTICE FOR COMPLIANCE WITH LEAD-BASED PAINT REGULATION

On August 3, HUD's Office of Healthy Homes and Lead Hazard Control issued a notice which provides a final transition period for those jurisdictions which still do not have adequate capacity to implement HUD's lead-based paint regulation. This **final** extension period runs through January 10, 2002. HUD expects for all grantees to be able to implement the regulation as of January 11, 2002. For those jurisdictions interested in receiving this extension, HUD requires that an updated transition implementation plan be submitted no later than September 10, 2001. An automatic extension of the existing transition assistance period from August 10, 2001 to September 10, 2001 is in effect for those jurisdictions that applied for the previous extension lasting from April 10 to August 10, 2001.

During this final extension period, HUD expects for program participants to comply with HUD's lead-based paint regulation in effect prior to September 15, 2000. A copy of the notice is attached.

We strongly encourage members to take advantage of the training that HUD is providing to grantees to assist them in building capacity to comply with the regulation. HUD has provided a wide variety of training opportunities for grantees other personnel to go forward with implementation. Please go to HUD's lead-based paint web site at http://ww.hud.gov/lea for a list of the training currently being provided by HUD.

HUD RESUMES OFFICER NEXT DOOR AND TEACHER NEXT DOOR PROGRAMS

HUD announced on August 1 that it is resuming the Officer Next Door and Teacher Next Door homebuyer programs after taking a number of corrective measures to prevent any future fraud. The programs offer police officers and teachers a 50 percent discount on HUD-owned, single family homes in certain designated revitalization areas. Since the two programs were created, in 1997 and 2000 respectively, HUD has assisted approximately 6,000 police officers and teachers across the country become homebuyers.

Both programs were shut down on April 1 due to participants fraudently "flipping" properties and not residing in them for at least three years, as required by the program rules. HUD's Inspector General also released a report criticizing HUD's management controls over the two programs. In response, HUD has developed the following management controls: (1) HUD's contracts with closing agents have been modified to require that the Department will hold a secured note on each property sold, helping to ensure that its occupancy requirements are fully enforceable; (2) HUD will increase the number of periodic site visits to selected properties to ensure that program participants are residing in properties; (3) A training video outlining program requirements will be required viewing for all purchasers; and (4) In addition to criminal convictions and indictments of program violators, HUD is taking administrative action, including demanding repayment of discounts against 54 program participants.

HUD/HHS ARE NOT WORKING TO MOVE HUD'S HOMELESS PROGRAMS
HUD's homeless assistance programs, or a portion therof, will not move to HHS as previously reported in the last issue of *Washington Report*. In a meeting with top officials at HUD this week, NCDA was told that the two agencies are in discussions to try to better coordinate the two agencies' programs as well as make HHS's service-enriched programs easier to access for the homeless, but not to move any of HUD's programs to HHS. A senior level task force has been appointed to help the two agencies in this regard.

NCDA NOTES

NATIONAL COMMUNITY DEVELOPMENT WEEK FOR 2002 IS APRIL 1-7

Included as an attachment is a memorandum requesting interested members to submit designs for the 2002 National Community Development Week Campaign. The deadline for design submission is September 28, 2001. The design criteria is included in the memo. All questions related to the design submission should be directed to Chandra Western at 202-293-7587 or at chandra@ncdaonline.org.

WE NEED YOUR HELP

Besides Senator Kerry's National Housing Trust Fund legislation, Rep. Bernie Sanders (I-VT) has introduced a companion bill in the House and several other legislators are expected to introduce similar bills during this term that would direct most, if not all, of the funds to states. In an effort to counter this tide, NCDA and other local government interest groups are polling their members to find out: (1) How difficult (if at all) it is accessing state housing monies, particularly state housing trust funds; and (2) What types of local resources jurisdictions currently leverage for affordable housing [we need to demonstrate to congressional members that local governments play a critical role in providing additional resources for affordable housing].

We need to hear from you on these issues. Please contact Vicki Watson at 202-887-5532 or by e-mail at vicki@ncdaonline.org with your responses as soon as possible. THANKS!!!

FEDERAL REGISTER NOTICES

August 7, 2001. Notice Inviting Applications: Designation of Forty Renewal Communities. The Community Renewal Tax Relief Act of 2000 authorizes HUD to designate up to 40 Renewal Communities within which special tax incentives would be available. This Notice invites applications for designation of nominated areas as Renewal Communities in accordance with the designation process described in this Notice.

ATTACHMENTS
Please go to http://ncdaonline.org to access the files below.

- FY 2002 HUD Appropriations Chart
- Housing Committee Minutes
- Lead-Based Paint Rule Final Transition Notice
- NCDA's Recommendations to the Millennial Housing Commission
- NCDA 2001 Executive Symposium Agenda
- 2002 National Community Development Week Design Submission Requirements
- 2001 Region I Conference Agenda