NCDA
WASHINGTON REPORT

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NATIONAL COMMUNITY DEVELOPMENT WEEK FOR 2002 IS APRIL 1-7

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FY 2002 HUD APPROPRIATIONS UPDATE

The tragic events that occurred on September 11, put everything on hold here in Washington, D.C. The people that work and live here are slowly returning back to their daily routines, but it is still a slow process. Most people are still in shock from the horrific attacks that took place last week.

Congress focused its attention last week in pushing forward a $40 billion supplemental emergency disaster package [H.R. 2888] in response to the terrorist attacks on Tuesday. Twenty billion would be used immediately at the President's discretion to respond to the terrorist attacks, intelligence, transportation security improvements and national defense. The remaining twenty billion would be allocated by Congress and the President through the fiscal 2002 appropriations bills for the same purposes. In addition, Congress is expected to vote today on an estimated $15 billion aid package for the airline industry. Congress is also expected to push forward an economic stimulus package in early October.

There have been differing views on enacting a continuing resolution to keep the federal government operating past its October adjournment date in order to complete the 13 spending measures. Senator Robert Byrd (D-WVa), Chairman of the Senate Appropriations Committee, expects that a continuing resolution will be needed to fund government programs beyond the start of the new fiscal year, and most congressional members concur with this viewpoint. Others on Capitol Hill, such as Senator Pete Domenici (R-NM), don't think a continuing resolution will be necessary. "There's a renewed vigor and enthusiasm to pass all 13 spending bills before October 1. Frankly, I don't think anybody is looking at staying here for another two months," Domenici said in a recent interview. Still, it appears now that a continuing resolution will be enacted next week to keep the government operating through October 16, especially with Congress' attention turned to the aftermath of the national tragedy that occurred on September 11. From discussions with Hill staffers, it appears now that Congress wants to finish conferencing on the six appropriations bills that have been passed by both the House and Senate *[VA-HUD-IA, Transportation, Interior, Energy-Water, Legislative Branch, and Commerce-Justice-State]* and wrap the remaining appropriations bills into a mini-omnibus bill for the President's signature.

In wake of the attacks, Congress is working together in an unprecedented bipartisan manner. The Administration and Congress have collectively agreed to raise the discretionary budget caps imposed in the FY 2002 budget resolution from $661.3 billion to at least $686 billion. This new figure would accommodate the President's additional $18 billion to his initial request for defense budget authority. It would accommodate $2.2 billion that the Senate added to two of its spending bills as emergency spending and would accommodate increased spending for education. The $686 billion figure does not reflect the $40 billion emergency spending measure enacted in response to the terrorist attacks. That money is considered FY 2001 emergency spending, although $20 billion will be allocated through fiscal 2002 appropriations bills. Prior to the events of September 11, Republican members of the House Budget Committee were in the process of approving an across-the-board cut in all FY 2001 discretionary programs in order to limit the amount of Social Security surplus to pay down the national debt. With the events of last week, however, the Social Security surplus is being tapped for emergency spending for disaster relief in wake of the terrorist attacks and to fund the nation's military campaign.

As mentioned previously, both the House and Senate have passed their respective FY 2002 VA-HUD-IA Appropriations bill [H.R. 2620/S 1216]. Both chambers have selected their conferees, with the House just naming their conferees yesterday. The Senate conferees are: Barbara Mikulski (D-MD), Chair of the Senate VA-HUD-IA Appropriations Subcommittee; Patrick Leahy (D-VT), Tom Harkin (D-IA), Robert Byrd (D-WV), Herbert Kohl (D-WI), Tim Johnson (D-SD), Ernest Hollings (D-SC), Daniel Inouye (D-HI), Christopher "Kit" Bond (R-MO), Conrad Burns (R-MT), Richard Shelby (R-AL), Larry Craig (R-ID), Pete Domenici (R-NM), Mike DeWine (R-OH), and Ted Stevens (R-AK). The House conferees are: Rep. James Walsh (R-NY), Chairman of the House VA-HUD-IA Appropriations Subcommittee, Rep. Tom DeLay (R-TX), Rep. David Hobson (R-OH), Rep. Joe Knollenberg (R-MI), Rep. Rodney Freylinghuysen (R-NJ), Rep. Anne Northup (R-KY), Rep. John Sununu (R-NH), Rep. Virgil Goode (R-VA), Rep. Robert Aderholt (R-AL), Rep. C.W. "Bill" Young (R-FL), Rep. Alan Mollohan (D-WV), Rep. Marcy Kaptur (D-OH), Rep. Carrie Meek (D-FL), Rep. David Price (D-NC), Rep. Robert "Bud" Cramer (D-AL), Rep. Chaka Fattah (D-PA), and Rep. David Obey (D-WI). No date has been set for the conference committee to meet to begin deliberations on the VA-HUD-IA bill.

What funding level can we expect for CDBG and HOME?

The answer is, "we don't know at this point." Prior to last week's events, both chambers had supported at least level funding of these two programs, with the House proposing a $200 million increase to HOME targeted at down payment assistance. We are hopeful that these spending levels will remain intact.

In a meeting on September 7 with Paul Carliner, Clerk of the Senate VA-HUD Appropriations Subcommittee, NCDA and other national interest groups were told to expect no less than the lowest allocations put forward by the House and Senate in their respective appropriations bills. That would mean $4.4 billion for CDBG in formula funding and $1.759 billion for HOME, approximately the same levels as last year. Paul told us that Congress is hamstrung in terms of spending because of the deficit predicted by the Congressional Budget Office for FY 2001 and continuing into future years. Because of this, it will be very difficult to increase spending for HUD's program this year, according to Paul. The expected deficit in future years poses a serious problem for HUD and other federal agencies as well. In terms of spending for HUD's programs in FY 2002, the House and Senate are most apart on funding for Public Housing Capital Fund, Public Housing Drug Elimination Grant Program, and the Shelter Plus Care renewals. During the meeting, Paul was hopeful that the House would cede to the Senate in providing funding for these programs [the Senate proposes higher funding levels for these programs than the House does – see te attached HUD budget chart.]

Paul told the group that the Senate is opposed to the $200 million set-aside within HOME for a downpayment assistance initiative. He said the Senate conferees will fight this provision vigorously in conference committee. Paul also told the groups that he expected that a continuing resolution would be marked up in the Senate the week of September 20 that would extend the operations of the federal government through mid-October in order to complete the spending measures. On a final note, Paul also told the group that he is supportive of limiting the number of set-asides in CDBG in future years in order to increase the formula level for the program. We wish him well in this endeavor – and we will continue to keep you posted on the funding levels for CDBG and HOME.

NCDA MEETS WITH CPD ASSISTANT SECRETARY ROY BERNARDI

On Thursday, September 6, NCDA staff Chandra Western and Vicki Watson and other members of the non-profit community meet with CPD Assistant Secretary Roy Bernardi and his senior staff, which included Donna Abbenante, Nelson Brigone and Dick Kennedy. The meeting was scheduled as the first "official" meeting between the public interest groups and the new Assistant Secretary. Mr. Bernardi suggested that he wanted to host these meetings at least once a quarter to get a sense of the concerns our members have with policies and regulations of the Department. The meeting lasted approximately one hour and fifteen minutes.

Mr. Bernardi used this meeting to provide the group with an overview of the priorities his Department will focus on in the upcoming years. It should not come as a surprise that the issues of most concern to Mr. Bernardi are the same ones that concern the Secretary, Mr Martinez.

- ***Homeownership.*** HUD will do what ever it can to push for the inclusion of the proposed $200 million homeownership set-aside within the HOME program. There is still a chance that if this provision passes within the VA/HUD bill, that we can encourage the HUD and the authorizers to allow the same formula distribution as the regular HOME program. We would also suggest that if a community determines, through its planning processes, that some other HOME- eligible activity is more needed then the money targeted to homeownership, those funds could go back into the regular HOME program.

- ***CDBG Timeliness.*** As expected, CDBG timeliness was raised as an issue that would receive intense scrutiny. In fact, Mr. Bernadi indicated that he had sent a letter, for signature, to Secretary Martinez that detailed a strategy for implementing sanctions against untimely communities. We could not encourage the Assistant Secretary to elaborate further, however, as NCDA staff have been informing its members, "the hammer is about to fall." NCDA Executive Director, Chandra Western reiterated to the Assistant Secretary that the interest groups have worked very hard to get our collective members into compliance on the timeliness issue, as can be seen by the sharp reduction in the number of untimely communities, down from a high approximately 320 to 152. Mr. Bernardi indicated that he was well aware of the work being done on this issue, but, as HUD prepares for the 2003 budget process, HUD must show Congress that action is being taken, if for nothing else, than to save the program from cuts, let alone formula increases. It was implied that he did not relish having to face the HUD\VA Subcommittee with a request for increased CDBG funds, with huge amounts of money remaining in the CDBG line of credit.

- ***Technical Assistance.*** It appears that our cries for technical assistance for both grantees and HUD field staff are being heard. Mr. Bernardi intends to provide more training and travel funds for HUD staff. He recognizes the importance of keeping field staff involved with grantees, as well as the implications of personnel turnover at the local government level. NCDA specifically asked for HUD to press Congress for CDBG technical assistance in HUD's 2003 budget request. Mr. Bernardi and his General Deputy Counsel Donna Abbenante was reminded how well the HOME program was doing, and it is largely due to the statutorily required technical assistance funds that all of the represented groups participate in.

- ***Colonias.*** Another issue that has come down from the Secretary's office is that of the Colonias. Predatory lending practices and the need for basic infrastructure is a great concern to the Mr. Bernardi. He recognizes that states and some urban counties are doing as much as they can to assist these communities, but that much more can be done. He did not indicate what direction he would be taking on this issue, however it is likely that a tour of the colonias will be a part of his travel plans.

***Homelessness Programs Consolidation*.** No meeting with senior level HUD officials would be complete without another thorough discussion of homeless programs consolidation. This meeting followed that format. Mr. Bernardi indicated that homelessness would consolidation would be a top priority, but could not say that it would happen this year. Vicki Watson lead the discussion on this issue for NCDA and asked the Assistant Secretary what his goals were on this issue. Mr. Bernardi responded that he was aware of the problems of a disjointed process in getting homeless funds to grantees. He also recognizes that something needs to be done to get funds on the streets more quickly. He is also aware of the tremendous amount of time it takes HUD staff to review and approve projects. He supports a block grant of Homelessness dollars as well as the continuum of care approach. To that end, NCDA pledged its help in working the department and our members to provide (again) suggestions as to how a block grant of homeless funds might work. This discussion would lead to one that would identify a formula for funding distribution.

CDBG TIMELINESS: SANCTIONS ON THE HORIZON?

As predicted, HUD is moving forward to sanction communities that have not met the timeliness of expenditure requirement. Over the past two years, NCDA, NAHRO, NACCED and the U.S. Conference of Mayors have been informing and working with their collective members to recognize the importance of meeting the timeliness threshold. We have conducted workshops and conferences, we have provided timeliness lists, we have cajoled and threatened. And, it has worked. Through these efforts, the number of untimely communities has been cut by more than 60 per cent. Still, there remains a large amount of unexpended funds within the CDBG line of credit. Mr. Martinez has kept his word about addressing this problem, and with the assistance of Assistant Secretary Bernardi, and his staff, many communities will be facing a reduction in their CDBG program funds.
At this time– because we were unable to get more information– we do not know when the letter or letters will go to field offices and/or to grantees. We don't know how, when or in what manner communities will have to respond to these letters. We do know that some communities will lose some of their CDBG funds within the next few months.

Past history tells us that what ever happens, communities will have the opportunity to respond to, and possibly challenge the Secretary's letter. It is also probably the case that HUD will allow a time period for communities to get into compliance before funds are withdrawn. Currently, we just don't know what the letter will say. What we do know is that both Mr. Martinez and Mr Bernardi are serious about making a statement to Congress which includes working to improve the operations within the Department, and the CDBG spend out rate is a good place to start. It is very difficult, and will become more so in the future, to ask for more formula funding when cities and states are not spending what they already have.

BROWNFIELDS LEGISLATION GOES TO THE HOUSE FLOOR

On September 17, HR 2869 the Small Business Liability Relief and Brownfields Revitalization Act took another step toward final passage as it awaits action on the House floor. Passage of HR 2869 would provide some measure of relief for small businesses from liability under the Comprehension Environmental Response, and Liability Act of 1980, and to amend said Act to promote the cleanup and reuse of brownfields. The bill, if passed, would also provide financial assistance, estimated at approximately $150 million, for brownfields revitalization and enhance state and local response programs.

NCDA has been tracking this and other pieces of legislation designed to help relieve small business owners (land fill operators) and local governments of certain liability issues surrounding brownfield sites there were contaminated through no fault of their own. It paves the way for clean up and revitalization without the huge cost burden of insurance or litigation. The bill also provides funding for such tasks as inventorying, characterizing, assessing, remediating, and conducting planning related to the redevelopment of brownfield sites. This bill also defines a "brownfield site" so that there is a clear distinction between it and a "superfund site, which has cause a number of problems in getting legislation to this point. Prior to September 11, this bill was expected to have "smoothly sailed" across the House floor with minimum or no debate. Unfortunately, due the recent events, we are not clear when the House will act on this bill.

NCDA NOTES

NCDA WORKS WITH OTHER NATIONAL GROUPS TO DEVELOP CHDO TRAINING MANUAL

As part of its HUD HOME Program technical assistance contract through the National Affordable Housing Training Institute (NAHTI), NCDA is working with the National Association of Housing and Redevelopment Officials (NAHRO), National Association for County Community Economic Development (NACCED) and Council of State Community Development Agencies (COSCDA) to develop a training manual for states and local participating jurisdictions in better developing and sustaining Community Housing Development Organizations (CHDOs). This activity grew out of a survey sent to NCDA's Housing Committee a couple of years ago, which indicated a need for technical assistance in this area.

Under the HOME Program, participating jurisdictions must pass on at least 15 percent of their HOME allocation to CHDOs. Many participating jurisdictions, particularly smaller localities, have difficulty creating CHDOs and other areas have difficulty sustaining them. In addition, HUD requires CHDOs to meet certain requirements pertaining to legal status, organizational structure, and capacity and experience. Participating jurisdications need technical assistance in adhering to each of these areas.

Outline of the Manual

On August 6, members from NCDA, NAHRO, NACCED, and COSCDA met in Washington, D.C. to outline the framework of the training manual. NCDA would like to thank Greg Hoover (NCDA President), Steve Gartrell, Diane Voneida, and Bob Gehret for participating in the meeting on behalf of NCDA. Each provided a wealth of experience and information related to CHDOs.

Based upon the groups suggestions, the manual will cover four major areas:

- *Analysis of a Participating Jurisdiction's Needs for CHDOs [A guide to analyzing your CHDOs in your community, your relationships with these entities, and a general analysis of how CHDOs fit into a jurisdiction's overall affordable housing strategy]*

- *CHDO Selection and Qualification [making certain that CHDOs meet threshold statutory/regulatory requirements and are viable entities to maintain projects and to continue to produce new projects]*

- *Project Selection, Packaging and Underwriting [making certain that CHDO projects are feasible and viable]*

- *Managing the Process [the administrative aspects of the process; how to make certain that projects meet all HOME requirements and federal grant management standards]*

Next Steps

Monte Franke of Franke Consulting Groups, facilitated the August 6 session and will develop the manual for the organizations. A draft training manual is expected to be completed by early December. At that time the participants from the August 6 session will re-convene in Washington, D.C. to provide their final comments to the manual. Once completed, the training manual will be used in conjunction with training sessions by each of the four organizations at their conferences. NCDA hopes to hold its first training session at its 2002 Annual Conference in Providence, RI, with subsequent sessions at its regional conferences. We intend for this to be an ongoing activity under our NAHTI contract. Please contact Vicki Watson, NCDA's NAHTI Project Director, for any questions concerning this activity.

We Need Your Feedback

The National Council of State Housing Agencies (NCSHA) has asked NCDA and other national interest groups to garner feedback from their members on the attached HOME program suggestions. NCSHA has developed a list of proposed statutory and regulatory changes to the HOME program and is trying to gain consensus on some of these changes with NCDA, Enterprise Foundation, Local Initiatives Support Coalition, Council of State Community Development Agencies, National Association of Housing and Redevelopment Officials, and the National Association of Local Housing Finance Agencies. Many of the changes are regulatory and can be done out of the scope of legislation. Please review the attached suggestions and e-mail Vicki Watson at vicki@ncdaonline.org with the suggestions that your jurisdiction supports. The groups hope to cull the list to 5-10 meaningful changes to the HOME program.

In addition, HUD is expected to begin discussions with NCDA and other interest groups this Fall on a proposed rule to the HOME program. We would like to receive your suggestions for regulatory changes to the HOME program that may not already be included in the attached list. Again, please e-mail Vicki Watson at vicki@ncdaonline.org with your ideas on HOME regulatory changes.

NCDA TO CONDUCT FIRST CDBG BASICS COURSE AT THE REGION VI MEETING IN KENNER, LOUISIANA ON OCTOBER 24-26, 2001

At the direction of NCDA's Board of Directors, NCDA has hired a consultant to develop a CDBG Basics Course for local government staff that have less than three years of CDBG administration. The debut of this effort will take place at the Region IV Annual Conference. It is the plan of the Association to start out with approximately four CDBG Basics courses a year, primarily targeted for the regional meetings, and if demand dictates, at the NCDA Annual

Conference also. It is our intent to offer these courses at low cost, using the regional meetings to help defray expenses.

The cost of the first course, which is specifically targeted to members and participants of Region VI, will be set at $100 per person. An agenda is attached to this news letter. Please Chandra Western at NCDA in Washington to reserve space for the course. All participants must make room reservations at the Airport Hilton in Kenner under the NCDA Region VI Annual Conference. Space will be limited, so please make your reservations soon. This course and its fee is separate from the Region VI conference.

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.

AUDREY NELSON AWARDS APPLICATIONS DUE NOVEMBER 30, 2001

NCDA invites members to submit applications for the annual Audrey Nelson Community Development Achievement Awards competition. Next year marks the 16th Anniversary of the Awards. The awards will be presented at the luncheon on Friday, January 25, 2002 at the Marriott at Metro Center Hotel in Washington, D.C. in conjunction with NCDA's 2002 Winter Meeting - January 23-26, 2002.

JOB ANNOUNCEMENTS AND ATTACHMENTS

(To access the information below, please go to http://ncdaonline.org)

- 2002 National Community Development Week Design Submission Requirements
- FY 2002 Audrey Nelson Awards Application
- HOME Program Improvement Suggestions
- FY 2002 HUD Budget Chart
- Membership Update Forms
- CDBG Basics Course Agenda