NCDA WASHINGTON REPORT

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NATIONAL COMMUNITY DEVELOPMENT WEEK FOR 2002 IS APRIL 1-7
NCDA 2002 ANNUAL CONFERENCE: JUNE 12-15, PROVIDENCE, RI

FEATURE ARTICLES

SENATOR JACK REED (D-RI) DRAFTS HOMELESSNESS BILL

NCDA has been provided a preliminary draft homelessness bill that Senator Jack Reed (D-RI) hopes to introduce in the next several weeks. NCDA has a meeting with Reed's staff next week to discuss our reaction to the draft. The Community Homeless Assistance Act of 2002 has several purposes, including re-authorizing HUD's homeless assistance programs, consolidating HUD's competitive homeless assistance programs (Supportive Housing Program, Section 8 Assistance Program for SROs, and the Shelter Plus Care Program) into a single program called the Community Homeless Assistance Program, and placing emphasis on assisting the chronically homeless (those individuals that have been homeless for longer then six months), particularly persons with disabilities.

The bill calls for the creation of a Community Homeless Assistance Planning Board at the local level to lead a collaborative planning process to apply for funds, execute the grants, and evaluate programs, policies, and practices at the local level to prevent and end homelessness. Not less than 51 percent of the Board members must be homeless persons, formerly homeless persons or homeless advocates. The remainder of the Board must be composed of government officials, members of the business community, and members of neighborhood advocacy organizations. Communities can continue to use their existing "Continuum of Care" boards, if they meet this criteria.

The bill provides an authorization level of $1.6 billion for HUD's homeless assistance programs for FY 2003 through FY 2007. Up to $12 million of these funds can be used for technical assistance to improve the capacity to prepare applications for those communities that have not applied for funding under the program. The technical assistance will also be used to assist communities in developing and maintaining a client-level management information system to track the services and programs provided to the homeless within the community.

The bill attempts to shorten the amount of time it takes HUD to allocate funds to communities by requiring HUD to announce their funding awards within five months of the release of the Notice of Funding Availability (NOFA). The bill also requires recipients or project sponsors to meet all requirements for the obligation of the funds, including site control, matching funds, and environmental review requirements within nine months after the announcement of the award.

HUD will inform each geographic area, at the time of the release of the NOFA, of their pro rata estimated grant amount, which will be based on the CDBG formula. This amount will be adjusted to ensure that 75 percent of the total funds available are allocated to the metropolitan cities and urban counties that received a direct allocation in the previous year and 25 percent to those communities that did not receive a direct allocation of funds under the program in the previous year. The bill provides incentives to promote the creation of new permanent housing for homeless individuals and families with disabilities who experience chronic homelessness as well as non-disabled homeless families. An eligible applicant that receives assistance to implement a project that involves the construction, or acquisition and rehabilitation, of new permanent housing units for individuals and families with disabilities who experience chronic homelessness will receive the following financial incentives: (1) funds sufficient to provide up to 10 years of rental assistance, (2) a bonus of not more than $250,000 in a case in which the project is the highest priority project in the application, and (3) the technical assistance needed to ensure the financial viability and programmatic effectiveness of the project. An applicant that receives assistance to implement a project that involves the construction, or acquisition and rehabilitation, of new permanent housing for non-disabled families shall also receive incentives consisting of: (1) a bonus of not more than $250,000 in a case in which the project is the highest priority project in the application, and (2) the technical assistance needed to ensure the financial viability and programmatic effectiveness of the project.

The bill requires that 30 percent of the funds appropriated for the program be directed at new permanent housing for the chronically homeless with disabilities. An additional 10 percent of funds must be targeted for new permanent housing for non-disabled homeless families. The bill allows up to three percent of the funds to be directed at prevention activities, a very small percentage. The bill allows communities to use up to six percent of the funds for administrative expenses (a one percent increase from the current level), with 50 percent of these funds allocated to nonprofit organizations.

Finally, the bill requires recipients to provide non-Federal matching funds, in cash, in an amount equal to not less than 25 percent of the grant, with the exception that match is not required for the 30 percent permanent housing set-aside for individuals and families with disabilities who are chronically homeless nor the 10 percent set-aside for permanent housing for non-disabled families.

While we feel this bill goes in the right direction of streamlining the process, it still does not consolidate the programs into a formula-allocated block grant, that would further reduce the time it takes HUD to allocate the funds to communities. We are also not supportive of the caps on prevention nor the six percent allotted for administrative expenses. These grants are administratively burdensome and the administrative fee needs to be increased to at least ten percent. NCDA will meet with Jack Reed's staff next week to discuss these and other concerns with the bill. If you have any preliminary comments, please provide them to Vicki Watson at vicki@ncdaonline.org or by phone at 202-887-5532.

HUD SECRETARY MARTINEZ APPEARS BEFORE HOUSE SUBCOMMITTEE

On February 13, HUD Secretary Mel Martinez appeared before the House Committee on Financial Services' Subcommittee on Housing and Community Opportunity to testify on the President's proposed FY 2003 HUD budget. Secretary Martinez made a similar appearance before the Senate Banking Committee earlier on the same day.

In his opening statement to the subcommittee, Secretary Martinez emphasized the Administration's commitment to increasing homeownership and claimed that the proposed budget represents a funding level increase of seven percent over FY 2002. The Secretary had very little to say about the disturbing proposal to reduce by 50% the CDBG allocations to entitlement communities with per capita incomes at least twice the national average, stating only that the change would "bring dollars into those areas where they can do the most good."

Subcommittee Chairwoman Marge Roukema was absent due to illness, leaving Vice Chairman Mark Green to chair the meeting in her absence. Ranking minority member Barney Frank was present and engaged in several heated exchanges with the Secretary. The Vice Chairman began his statement by making the excellent point that an investment in housing can be a catalyst for economic recovery. Green also voiced his support for the proposed increase in Section 8 vouchers and the tripling of the SHOP budget.

Ranking member Frank began his statement by yielding some of his time to Rep. John LaFalce, the ranking member of the Committee on Financial Services. LaFalce stated that the HUD Budget was still below the pre-Republican Revolution level, and that the homelessness component of the budget was down significantly compared to previous years. For example, according to La Falce, Section 202 is down 50% compared to FY 1995, with Section 811 down 44%, public housing programs down 31%, and CDBG down 15% (in real dollars). LaFalce also made the point that there is no better economic stimulus than housing and community development.

With the balance of his time, Rep. Frank claimed that America's recent prosperity was uneven, and may have even exacerbated the housing crisis for the worst off by driving up housing prices. Congressman Frank provided perhaps the day's best sound bite when he remarked that even though "...a rising tide lifts all boats, if you can't afford a boat, the rising tide goes up your nose." Frank expressed support for homeownership, but insisted that more resources are needed for rental housing to adequately address the affordable housing crisis.

Green asked Martinez to explain the rationale behind HUD's proposal to decouple Brownfields Economic Development Initiative grants from the Section 108 loan guarantee program. The Secretary stated that the proposal would open up BEDI, making it more flexible and appealing by not requiring communities to pledge future CDBG allocations as collateral.

At this point, a series of confrontational exchanges began, starting with a line of questioning from Rep. Frank concerning withheld ITAG/OTAG funds. After Frank criticized HUD for taking nearly 8 months to respond to a set of submitted questions, Secretary Martinez accidentally referred to the Congressman as "Senator Frank." When Martinez joked, "I didn't mean to give you a promotion…or maybe it's a demotion," Frank, in rare form that day, responded by saying, "When it comes to your department, I'll take any motion, be it 'pro' or 'de'."

Apparently, some ITAG/OTAG funds had been held up due to an alleged anti-deficiency violation. The dispute was to have been resolved by January 15 but was not settled until the middle of February, when it was discovered that no violation had occurred. Martinez blamed the affair on the difficulty of obtaining records from OMAR before HUD absorbed that agency. Frank wanted to know why OMB had not authorized the release of the disputed funds, even after OMB was ordered to do so by a line item inserted in the FY 2002 Defense Appropriations bill. Martinez promised that all the disputed funds would be paid out by March 1. Martinez also announced that RESPA reform recommendations would be out by mid-May.

In another interesting exchange, Rep. Schakowsky (D-IL) asked Martinez if the Administration would support an effort to allocate funds for victims of domestic violence in need of transitional housing. Schakowsky alleged that the current emphasis on homeland security distracts policymakers from the fact that many people "face terror in their homes every day." Martinez responded to Schakowksy's inquiry by stating that HUD "prepared a budget we thought was appropriate. That was not part of it. Not all problems cry out for federal solutions." When asked why the Administration had proposed zeroing out funding for Round II Empowerment Zone grants, Martinez responded by saying that the tax credits are the best part of the program and would remain intact. Martinez also alleged that the Round II Empowerment Zone grantees were not drawing down on their funding.

Another tense moment came when Rep. Bernard Sanders (I-VT) questioned Martinez. Sanders argued that people making minimum wage will never be able to afford housing, and that the current state of affordable housing in America is unconscionable. Sanders asked Martinez whether he thought America was facing a serious national affordable housing crisis. Martinez said there was a serious problem facing millions of people, but would not classify it as a crisis. Sanders asked Martinez whether the Secretary could say, "with a straight face," that he believed the proposed budget adequately addressed the affordable housing crisis. Martinez said the budget was a responsible one, given that "we're at war, we're in recession."

Only two subcommittee members mentioned the proposal to reduce by 50% the CDBG allocations of those communities with per capita incomes at least twice the national average. Rep. William Lacy Clay (D-MO) asked if the proposal was designed to target poorer neighborhoods within entitlement communities, and Rep. Steve Israel (D-NY) said he liked the idea of fine-tuning CDBG to target low-income areas within communities. Martinez said he would be open to this. The Administration's proposal, of course, would do nothing to target low-income neighborhoods within entitlement communities. It would simply reduce the size of the allocations given to those communities with the highest per capita incomes, regardless of whether those affected communities had large number of low- and moderate-income people who could benefit from CDBG-funded programs.

HUD ASSISTANT SECRETARY MEETS WITH INTEREST GROUPS

On February 12, HUD Assistant Secretary for Community Planning and Development Roy Bernardi met with NCDA staff and representatives from other interest groups; NACCED, USCM, NACo, and COSCDA. Issues on the agenda included timeliness of CDBG expenditures, the CDBG "wealthiest communities" proposal in the President's FY 2003 budget, HUD's thoughts on CDBG formula changes, Consolidated Plan streamlining, and the status of IDIS improvements. Attending with Mr. Bernardi was Assistant Deputy Secretary Nelson Bregon, Director of the Office of Technical Assistance and Information Management, Laura Marin, General Deputy Counsel, Donna Abbenante, Director of the Office of Block Grant Assistance, Dick Kennedy and Director of the Office of Systems Development, Robyn Doten.

Timeliness

The meeting begin with a discussion on CDBG timeliness. To date, there are currently 133 untimely communities. Sanctions will kick in for the FY 2002 fiscal for those grantees that have a May 1, 2002 program year start date. It is HUD's prediction– if all things remain static– that four communities will be sanctioned. They will not know what other communities are likely to face this same fate until approximately one month from February

12, when another assessment of June and July grantees is made. A question was asked; "What will happen to the recaptured funds?" The answer was that the money would go towards disaster relief. HUD appreciates all the interest group's efforts in working to get the communities into compliance on timeliness of expenditures. However, Dick is concerned that there will be new communities to come on the list. This is a troublesome issue. NCDA pledged to keep working with its membership to ensure that we keep on top of this issue.

Wealthy Communities and the CDBG Formula

The proposed change to the CDBG statute (whereby those communities that have per capita incomes at least twice the national average would lose 50% of their CDBG allocation) generated a lively discussion. The first thing Mr. Bernardi said was "...that obviously, this suggestion did not come from anywhere inside the Departrment." We took that to mean that OMB in its overzealousness to measure program worthiness found this suggestion to be of a certain merit. The conversation focused on "picking on" one segment of the CDBG entitlement community in order to have a marginal and most likely minimal benefit for the rest of the 1,013 other entitlement communities. NCDA as well as all the other groups went on record wholeheartedly in opposition to this proposed change.

The discussion then focused on what HUD sees as "...a realistic discussion of the CDBG formula." HUD is looking at the formula. The Office of Policy Development and Research is reviewing the Census data, the formula elements and previous formula studies on the program to come up with recommendations for suggested changes to the CDBG formula. Chandra Western urged HUD as they begin their work to consider the following: What are you (HUD) trying to accomplish with this study? When you are considering the formula factors, it makes sense to look at the availability of good data elements, the weights of each formula factor, and if the goal is to make the formula more equitable, then don't "pick on" just one group of communities, look at the formula as a whole. Communities and the Congress will most likely be more supportive of changes to the formula if the rationale for change makes logical sense. She also suggested that reexamining the population weights and poverty and low-mod populations might get at the "wealthy communities issue." She also pointed out that the interest groups and particularly NCDA were ready to assist in defining which data elements should be used in the CDBG formula. HUD indicated that the interest groups would be involved.

Consolidated Planning Streamlining

Mr. Bernardi asked the group, "Just how useful is the Consolidated Plan to local governments?" For a good ten to fifteen seconds no one said a word, probably out of respect for the new Assistant Secretary, but most likely out of a fear of laughing too hard at the notion of a 'useful consolidated plan.' However, professionalism prevailed and the question was answered that the ConPlan is a document and an exercise that cities undertake to get the CPD formula funding. The only usefulness comes when Mayors use it as back-up for not funding ineligible, poorly designed, late, or overly politicized projects. Mr. Bernardi agreed with these points. All agreed that the most useful part of the ConPlan is the Annual Action Plan, which has more relevance than a five-year planning/policy document. By far, the most interesting and disturbing part of this discussion was the idea of measuring program performance. HUD will be looking at performance measures for all of its programs. It is not clear what direction will be taken in determining how well community development programs "perform," or whose idea of what success is, or what will be the penalty for unsuccessful performance. As always, HUD will look to the interest groups for assistance and guidance on this issue. There will be a series of symposiums on performance measures across the country. As the dates are finalized, we will forward them to the membership. We do know that the cities of Atlanta, San Francisco and St. Louis have been slated for symposiums.

The Future of IDIS and DGMS

As previously reported, the Departmental Grants Management System, affectionately known as DGMS, has been put on hold, indefinitely. The IDIS system will be enhanced, upgraded and will become windows-based on both Netscape and Microsoft systems. There will be reports generated that will useful to HUD and grantees and HUD will no longer require grantees to submit information that the field offices should already have. Also, there will be a re-evaluation of the 2020 software that is required for submission of the consolidated/action plans. The goal is to allow grantees to chose whatever software package to submit plans that provides HUD with the information it needs to adequately review plans. NCDA and the other interest groups have already requested that HUD use the already appropriated funding ($6,000,000) for the now suspended DGMS to be used for the upgrade and enhancement of IDIS, which includes technical support to grantees. This request for the IDIS maintenance and enhancement funding is totally at the discretion of the Secretary. It appears that at least some of this money will be used as requested.

HUD PROPOSED FY 2003 BUDGET MOSTLY SILENT ON FAITH-BASED INITIATIVES; HUD SUSPENDS TIES WITH DC CHURCH GROUP

Despite the Bush Administration's incessant trumpeting of faith-based partnerships, the President's proposed FY 2003 HUD budget has little to say on the subject. Instead of proposing new funds to support faith-based initiatives, the budget summary states "HUD will continue to examine its programs and policies to identify ways to strengthen the ability of nonprofit groups to help, and to reduce the barriers that impede their access to HUD funding."

The proposed budget reminds readers that HUD was one of five agencies to establish an Office of Faith-Based and Community Initiatives in response to the President's Executive Order published in January 2001. The proposed budget indicates that "expanding the opportunities and success of faith-based and community development organizations" remains a HUD strategic goal, but refers readers to the HHS section of the budget for more information on the federal government's "coordinated effort" in this area.

Even as the Administration maintains its rhetorical support for faith-based initiatives, HUD has suspended its partnership with the District-based Church Association for Community Service (CACS). Although the seeds of HUD's relationship with CACS were planted in the waning days of the Clinton presidency, the formal partnership —announced a year ago—became a Bush administration poster child. CACS task was to renovate housing properties, valued at $14 million, which would in turn be made available to low-income families at affordable prices.

HUD suspended its partnership with CACS when it discovered the church group had hired a for-profit company formed solely to do the work CACS should have done itself. CACS arrangement with the for-profit group, which has handled the renovation and sale of the properties, has allowed both groups to turn tidy profits. According to HUD records, buyers paid on average $39,000 above what it cost the group to purchase and repair each unit. Of the 31 houses sold or under contract, the average price is $141,000. HUD also uncovered problems with inspections and permits.

HUD NEWS

PROPOSED LEGISLATION WOULD DECOUPLE BROWNFIELDS GRANTS FROM SECTION 108

A bill that would decouple the Brownfields Economic Development Initiative (BEDI) from the Section 108 loan guarantee program is currently working its way through the House Committee on Financial Services' Subcommittee on Housing and Community Opportunity. "The Brownfields Redevelopment Enhancement Act" (HR 2941), offered by Rep. Gary Miller (R-CA), includes language that would prohibit the Secretary of HUD from requiring that BEDI grant amounts be used only in conjunction with projects and activities assisted with a loan guaranteed under section 108. This would, of course, provide communities with opportunities to pursue brownfields redevelopment without having to pledge future CDBG allocations as collateral. The bill would also amend the CDBG statute, the Housing and Community Development Act of 1974, as amended to "...guarantee financing by eligible public entities for projects and activities to assist the environmental cleanup and economic development of brownfield sites." NCDA has forwarded a letter of support to subcommittee Chairwoman Marge Roukema and will keep members posted as this bill progresses. A section by section analysis of the bill is attached to this edition of *The Washington Report.*

NCDA NOTES

ASSOCIATIONS DEVELOP DRAFT HOME PROGRAM RECOMMENDATIONS; SEEK COMMENTS FROM MEMBERS

Over the last several months, a working group of associations have been meeting on a regular basis to develop a list of statutory and regulatory changes to the HOME program. Statutory changes have not been made to the program since its enactment in 1990 and few regulatory changes have been made to the program since the development of the final rule. The working group includes the National Council of State Housing Agencies, the Council of State Community Development Agencies, the National Association of Local Housing Finance Agencies, National Community Development Association, National Association of Housing and Redevelopment Officials, Enterprise

Foundation, and Local Initiatives Support Corporation. A more in depth overview of the recommended changes are attached to this newsletter. In a nutshell, the working group started with 50 recommended changes and through many, many meetings, have shortened the list to 12 statutory changes and four regulatory changes. The changes include the following:

<u>Proposed Statutory Changes</u>

- simplify the HOME rent rules;
- permit participating jurisdictions to charge monitoring fees;
- alter the HOME program's rules concerning tenants who become over income during occupancy;
- eliminate the 30-day notice requirement to terminate a lease for health or safety concerns and base the termination date on State or local law, instead;
- allow participating jurisdictions to decide how much HOME funding they should award to CHDOs for operating expenses;
- substitute environmental reviews for substantially equivalent State and local reviews;
- create a HOME Loan Guarantee program;
- eliminate the URA regulations for HOME-funded down payment projects;
- allow participating jurisdictions to submit their match performance report based on their program year instead of the federal fiscal year;
- permit participating jurisdictions to use risk management techniques to determine when and how often to conduct on-site monitoring of HOME projects;
- permit participating jurisdictions to use HOME for refinancing, regardless of whether or not refinancing is done in conjunction with rehabilitation; and
- allow participating jurisdictions to decide how much HOME funding they should award to CHDOs for pre-development loans;

<u>Proposed Regulatory Changes</u>

- allow participating jurisdictions to use HOME dollars to fund housing counseling for low-income families who do not intend to use HOME funds for the purchase of a home;
- allow participating jurisdictions to provide operating assistance to CHDOs that own, sponsor, or develop affordable housing, even if that housing is not assisted by HOME dollars, so long as the housing produced by the CHDO meets the HOME requirements for affordability;
- allow public employees who have no decision-making influence, to serve on the CHDO board; and

- if a property receives project-based assistance and HOME, all HOME units, not just the low-rent units, should rent at the level allowable under the project-based subsidy program

The working group also met with HUD on two occasions to garner their feedback on these recommendations and to make changes accordingly. Perhaps the thorniest of all the recommendations is the proposed change to alter the HOME rent rules. This is a change that neither HUD nor Congress will likely accept and one that NCDA is hesitant about supporting because, even though it simplifies the HOME rent rules, it does take away some of the flexibility enjoyed in most cities, such as decreasing the 65% AMI limit to 60% and getting rid of the FMRs altogether in calculating the rents. **We also need to receive your feedback on whether or not you support an increase in the administrative fee under HOME, and your justification for needing an increase in the administrative fee.** The working group included a recommendation to allow participating jurisdictions to charge monitoring fees. NCDA advocated for increasing the administrative fee, in lieu of a monitoring fee, because it provides more flexibility to grantees in charging administrative costs and the monitoring fee will ultimately add to the project costs. HUD is supportive of the idea of increasing the administrative fee as well and is willing to work with us in pushing for an increase in the program, as long as we can justify the need for an increase. So, it is very important that we hear from you on this issue. We plan to conduct a phone survey of our HOME member next week, if we don't hear from you.

The following recommended changes have been forwarded to Representative Marge Roukema (R-NJ) for inclusion in her omnibus housing bill, which is expected to be introduced in the next week or so: (1) the creation of a HOME Loan Guarantee Program; (2) allow participating jurisdictions to submit a report documenting performance in contributing match once in a 12-month period, rather than based on the federal fiscal year, and (3) in cases where there is a health or safety concern or if termination is based on serious or repeated violations of the terms and conditions of the lease, date of termination should be in accordance with State or local law, rather than the 30-day notice to terminate a lease required by statute. Roukema's staff seem inclined to support these changes.

We would like to hear your reactions to these suggested changes, and whether or not you would like to see the HOME administrative fee increase, and why. Please contact Vicki Watson at vicki@ncdaonline.org or by phone at 202-887-5532.

JIM CARUSO NAMED COMMUNITY DEVELOPMENT DIRECTOR IN ROCKFORD, ILLINOIS

NCDA Past President, James Caruso was recent named Community Development Director for the City of Rockford, Illinois. Jim is currently the Director of Planning and Community Development for the Nebraska Investment Finance Authority. With thirty-four years in housing and community development in both the private and public agencies, the City of Rockford is getting a highly knowledgeable practitioner. Rockford Mayor Scott says he "...is thrilled to have someone of Jim's experience join our team." Jim is scheduled to begin his new position with the City of Rockford in late March. Congratulations, Jim!!!!

THE JOHN A. SASSO NATIONAL COMMUNITY DEVELOPMENT WEEK AWARD

The National Community Development Week Campaign began in 1987 when NCDA's Executive Secretary and founder, John A. Sasso recognized that in order to save the CDBG program from extinction because of an unfavorable environment for domestic programs, there was a need to ensure that Congress and the general public were aware of the positive impact of the program on cities across the country. The goal of National Community Development week is to encourage those who benefit from the Community Development Block Grant (CDBG) program to communicate with their Congressional representatives, and their locally elected officials the important role CDBG plays and the tremendous loss that would be felt should its funding be cut or eliminated.

Last year NCDA presented the first Sasso Awards. The awards ceremony was a resounding success. Six communities received awards. NCDA will continue to recognize its members by presenting awards to those communities that go to extraordinary lengths to showcase their CDBG programs during National Community Development Week– with the ***John A, Sasso Community Development Week Award.*** This year, the second John A. Sasso Community Development Week Awards will be presented at the Association's Annual Conference, in Providence, RI on June 12-15, 2002. For those communities who wish to enter the competition, the application requirements are attached to this newsletter. Good Luck!!!

NCDA ANNUAL CONFERENCE - JUNE 12-15, 2002 PROVIDENCE, RHODE ISLAND

This year's Annual Conference will be held in Providence, RI. It promises to be a wondrous event with project tours, pre-conference workshops and social events that would charm anyone. See the attached flyer for more details on what will be one of the best Annual Conferences of all time. Get your registrations in early.

ATTACHMENTS
To access the attachments below, please go to NCDA*online* (http://ncdaonline.org).

- Housing Committee Minutes
- Membership/State Whips Committee Minutes
- Recommendations for Changes to the HOME Program
- Annual Conference Flyer
- ***CDBG Basics: Training for Practitioners*** (Agenda & Registration Form)
- Brownfields Redevelopment Enhancement Act Analysis