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

- ***Housing and Community Opportunity Sub-Committee Holds Hearing on HUD's Proposed Cuts to Wealthy Communities and HR 1191***
- ***Roukema Introduces Omnibus Housing Bill***
- ***Reed Holds Hearing on Homelessness– NCDA Meets with Reed's Staff on Issue***
- ***Secretary Martinez Testifies Before Senate Appropriations Subcommittee***
- ***Secretary Martinez Testifies Before House Appropriations Subcommittee***
- ***Brownfields Bill Clears House Subcommittee***
- ***Officials Discuss Housing at MBA 2nd Annual Housing Summit***
- ***HUD News: HUD Hosts Workshop on Consolidated Plan Reform***
- ***NCDA Notes: Get your National CD Week Orders in Now!!!***
- ***Job Announcements/Attachments***

HOUSING AND COMMUNITY OPPORTUNITY SUBCOMMITTEE HOLDS HEARING ON HUD'S CUT TO WEALTHY COMMUNITIES AND HR 1191

On Thursday, March 14, the Housing and Community Opportunity Subcomittee of the Financial Services Committee held a hearing on the Administration's proposed 50% cut in CDBG funds to the nation's top1% wealthiest entitlement communities and on Representative Carrie Meek's Community Development Block Grant Renewal Act (HR 1191.) The hearing was chaired by Representative Sue Kelly (R-NY) who represents Westchester County, NY. Barny Frank, ranking Democrat on the Subcommittee also took a lead role in the hearing.

There were three panels, with the first panel made up of three representatives, including Carrie Meek, and Ileana Ros-Lehtinen of Florida, and Christopher Shays of Connecticut. The second panel included only HUD Assistant Secretary Roy Bernardi. The third and final panel consisted of NCDA President Greg Hoover, Mayor David Cohen, from the City of Newton, County Commissioner and County Executive from Westchester, NY and a representative from a local non-profit service provider also from Newton. The final member on the third panel was Ed Gramlich from the Center for Community Change.

Wealthiest Communities Proposal

Those members present were asked to make statements and ask questions on the Administration's proposed cuts to the nation's wealthiest entitlement communities. In an unusual display of bipartisanship, the first panel was vehemently opposed to the Administration's proposal to cut by 50% the CDBG allocations of the top 1% wealthiest entitlement communities. HUD Assistant Secretary Bernardi made a statement that discussed the Department position on this issue which backed off the original intent which was to redirect the cost savings of the 50% cut to the colonias, those unincorporated communities along the U.S./Mexican boarder. Questions were raised on whether there was data that supports the misuse of funds in the wealthiest communities, the factors or considerations that led HUD to suggest this cut, what the new Census figures reported that would justify a cut of this magnitude and the overall disbelief that the Department would suggest such drastic measures without consulting first Congress. HUD Assistant Secretary Bernardi took these questions, primarily from Committee Chair, Kelly with a great deal of aplomb. Many of these he had no answers for because the data did not exist. He was gracious and promised to work with Congress to get answers to their questions.

As many of you already know, the proposed cuts to the wealthiest communities was not originally a HUD driven idea, it came from OMB. In fact two representatives from OMB were present and served as "back up" support for Mr. Bernardi, albeit providing very little support. In fact, there was very little Mr. Bernardi could say that supported the Administration's proposal, except that the wealthiest communities were better able to use their own, local funds to assist their low-mod citizens. NCDA staff is still unsure why the OMB staff was there, suffice it to say, that they wanted to ensure that Mr. Bernardi did not comment on anything they felt he shouldn't. Representative Kelly from Westchester County, NY, a community that could lose as much as $3.5 million should this proposal gain support, was incredulous as to what was the rationale that HUD used to come up with this proposal. She lambasted Mr. Bernardi on issues such as the formula, the high cost of living in wealthy communities, and what empirical evidence showed that Westchester County was not spending their CDBG dollars as prescribed by law and regulation.

Representative Maxine Waters from California, put it in a "nut shell" by reminding everyone in the room that Congress loved CDBG as is evidenced by the 27 years it has been around. She said that it was one of the few programs that all of Congress generally supported, and to show solidarity, she took the hands of the closest Representatives and raised them in the air for effect. She also said that she and her colleagues would do anything to protect it. Ms. Waters suggested that perhaps the formula could be reviewed to make it more "suitable" for addressing areas of greater need, with Congressional input, and after all the Census data was collected. Her suggestion, was that if there were areas across the country that HUD felt were not receiving enough funding, why didn't HUD ask for more money to address those areas instead of pitting one community against another? This idea of asking for more money was a acknowledged by more than one member of the Subcommittee.

Barney Frank wanted to make sure members on the Subcommittee knew that he recognized the need to help poorer areas but HUD's drastic proposal was not the way it should be done. He did say that he felt that the formula was most likely doing what it should in directing the appropriate level of funding where it was most needed, given the resources available, however it was clearly his opinion that HUD could do a better job of enforcing the existing low-mod requirements.

HR 1191, The Community Development Block Grant Renewal Act

Since early last year, Representative Carrie Meek of Florida has been trying to get a hearing for HR 1191. As a reminder, HR 1191 would change the CDBG formula to increase the required threshold for overall low-mod benefit to 80% of funds received and target 40 % or funding to persons at 50% and below. It would also severely limit downtown revitalization and area benefit projects. Many of the Representatives initially showed support for Ms. Meek's bill, as on its face it makes sense to those who don't know the program or have a limited knowledge of it. Ms. Meek was very persuasive in her testimony and had a fellow Floridian, Ms. Ileana Ros-Lehtinen as a witness in support. Congressman Shays was the other Representative that spoke in opposition to HR 1191.

The third panel did an outstanding job of making its case in opposition to HR 1191 and to the proposed cut to the wealthiest communities. Ed Gramlich, did just as good a job in providing very lengthy written testimony, and very detailed oral testimony in supporting HR 1191. Mr. Gramlich, who is an analyst from the Center for Community Change, a national organization, who for years has believed that CDBG should be a more targeted program.

The elected officials were very eloquent in detailing the impact of the proposed cuts to their communities' programs if HUD's proposal should pass. They also did a stellar job of indicating the impact to the program, in general, should HR 1191 become a reality. NCDA President, Greg Hoover was the last to speak and did so from the practitioners' perspective. He used examples from Davenport that showed how CDBG can be used as a catalyst for wonderful economic development projects, and that its ability to leverage both public and private dollars for downtown revitalization projects would be severely curtailed should HR 1191 pass. He also made a strong point in that the original intent of the CDBG program was on "communities" and not necessarily on individuals. His strongest point, however, was that HR 1191 would prevent, to a certain extent, communities from assisting neighborhoods before they went into severe decline, and Ms. Meek's bill would all but curtail this activity. After the hearing, Barney Frank thanked everyone and said that neither of these proposals would make it out of the Subcommittee, but he wanted to work with HUD and Congress on any formula changes to the CDBG. It also appeared that Representative Kelly from Westchester

County, NY directed HUD to complete a formula study of the CDBG program and to consult Congress before any formula changes were initiated. It is not clear if the current review of the formula being undertaken is what the Subcommittee has in mind. Greg's entire written statement is included as an attachment to this newsletter.

ROUKEMA INTRODUCES OMNIBUS HOUSING BILL

Rep. Marge Roukema (R-NJ), Chairperson of the House Subcommittee on Housing and Community Opportunity, introduced her omnibus housing bill on March 19. H.R. 3995 – The Housing Affordability for America Act of 2002 – proposes changes to several HUD program areas including the HOME Investment Partnerships Program, FHA, Section 8, Public Housing, HOPE VI, and homeless assistance. Last year, the House Subcommittee on Housing and Community Opportunity held a series of hearings to explore housing affordability and availability. H.R. 3995 is based on the testimony received from those hearings. "We have an opportunity with this bill to make an impact on affordable housing by addressing the issue of growing housing need. This legislation is the first step – a precursor to the forthcoming reports from the Millennial and Senior Housing Commissions which will help to outline further steps that will be necessary in the future. It is time that we restored confidence and accountability to our nation's housing programs and policies. This legislation will go a long way toward reaching that goal," said Roukema in a recent press release.

We are extremely happy to report that Rep. Roukema included our HOME production proposal in her bill. Like NCDA, NACCED, and NALHFA, Rep. Roukema saw the wisdom in working through the existing HOME program, instead of creating an entirely new program targeted at production. With the tight budget and scarce resources, a new program will be virtually impossible to create. Over the past two years, NCDA, along with the National Association for County Community Economic Development and the National Association of Local Housing Finance Agencies have been working together to advocate the development of an affordable housing production program within the existing HOME program, primarily to counter the various other bills that had been introduced that created new, separate programs and provided most of the resources directly to States. The U.S. Conference of Mayors and the National Association of Counties also supported our proposal. Rep. Roukema's endorsement of our proposal goes a long way in ensuring that other congressional members support it as well.

H.R. 3995 creates a separate affordable housing production and preservation program within the existing HOME program. Recaptured Section 8 funds will be used to fund this new program within HOME. Assistance provided through this new section of the HOME program can only be used by participating jurisdictions for the production of new, or the preservation of existing, rental housing for extremely low- and very low-income families. Eligible activities include acquisition, new construction, reconstruction, or moderate or substantial rehabilitation of affordable housing. The bill requires HUD to allocate 60% of the funds directly local governments and 40% to States. This was, perhaps, the pinnacle of our original proposal. With the numerous affordable housing production proposals that had been introduced in Congress in the past two years [Senator Kerry (D-MA), Rep. Sanders (I-VT), Senator Bond (R-

MO)], all of them had targeted at least 75% of the funding directly to States, with no direct funding provided for local governments. Our proposal was the *only one* that suggested that the original HOME program allocation be used to ensure that local governments receive at least 60% of the allocation.

The only change that Roukema made to our original proposal was to more deeply target the assistance to extremely low-income families (at or below 30% of AMI) and low-income families (at or below 50% of AMI). Our proposal would have targeted 50% of the assistance to families at 30% of AMI or below and the remainder to families at 80% of AMI and below. H.R. 3995 targets 50% of the assistance to families at 30% of AMI and the remainder to families at 50% of AMI. The bill directs HUD to work with both the House and Senate housing subcommittees along with the national interest groups that represent State and local governments in developing a new formula for this program. Formula factors outlined in the bill include each jurisdiction's need for an increased supply of affordable housing for extremely low- and very low-income families, as identified by objective measures of inadequate housing supply, which shall include low vacancy rates, low turnover of units with rents below fair market rents, a high proportion of substandard housing, the cost of producing housing, and other measures deemed appropriate.

Of the 25% required match, participating jurisdictions can use sub-grantee contributions, as well as any State or Federal housing tax credits, and CDBG, as match resources. The bill waives the match requirement for poor (certified fiscal distress or severe fiscal distress) and rural areas.

Besides the creation of this new production and preservation element within the HOME program, H.R. 3995 also makes several statutory changes to the existing HOME program. Some of these changes came from recommendations that a working group of interest groups (NCDA, National Council of State Housing Agencies, National Association of Local Housing Finance Agencies, National Association for County Community Economic Development, Council of State Community Development Agencies, National Association of Housing and Redevelopment Officials, Enterprise Foundation, and Local Initiatives Support Corporation) developed and provided to the House and Senate last month. These recommendations include: (1) Allowing participating jurisdictions to charge compliance monitoring fees for rental projects to cover the cost of monitoring throughout the affordability period; (2) Allowing participating jurisdictions to report their match on a program year basis, as a means of simplifying program administration; (3) Allowing public employees who have no decision-making influence, such as city hall mail clerks and teacher's aides, to serve on the CHDO board without counting as public officials. Besides these recommendations, the bill also makes the following statutory changes to the HOME program: (1) Removes the Fair Market Rent from the rent level determinations; (2) Allows median income to be used for rent determinations; (3) Allows participating jurisdictions to monitor HOME projects that are financed with the LIHTC every three years, instead of annually. This coincides with the current monitoring requirements of the LIHTC; and (4) Makes the addition of bedrooms an eligible activity under the Elder Cottage Housing Opportunity (ECHO) program and allows these additions to be funded with HOME. Currently, HOME funds can only be used for the initial purchase and placement costs of ECHO units.

H.R. 3995 also makes changes to several other HUD program areas, including the following:

- Indexes the FHA Multifamily mortgage limits to reflect building, land and impact fee cost increases in the future. Also, increases the maximum high-cost percentage from 110% to 140% in any geographic area and provides HUD the discretion to increase the 140% to 170% on a project-by-project basis;

- Provides reduced downpayment requirements for FHA single-family mortgage loans for teachers and public safety officers;

- Provides HUD with the authority to discount HUD-held single family properties by 50% to qualified teachers and public safety officers;

- Establishes a demonstration program for nonprofit-sponsored section 236 elderly housing properties for modernization purposes;

- Establishes a project-based voucher to be used in conjunction with new construction or substantial rehabilitation. This voucher could be combined with any capital subsidy program, such as the LIHTC, HOME or CDBG. This Thrifty Voucher would be limited to 25 percent of units in a property. The payment standard for this voucher would be the property's operating cost, instead of the FMR used in regular vouchers;

- Adds flexibility to 40% rent cap in the Section 8 program by permitting that the 40% cap be based on gross income versus adjusted income;

- Allows PHAs to use up to 5 percent of the funds allocated under Section 8 to directly support their housing choice voucher program for counseling, downpayment assistance, rental security deposits, and other activities that assist families find suitable housing;

- Reauthorizes the HOPE VI program through September 30, 2004 and reforms the program to allow eligiblity for smaller PHAs;

- Reauthorizes HUD's homeless programs through FY 2004 and funds renewals of housing contracts in the Supportive Housing Program and the Shelter Plus Care program through the Housing Certificate Fund, for one year at a time, through 2004; and

- Allows CDBG funds to be used to construct tornado-safe shelter for manufactured housing parks.

Rep. Roukema hopes to mark-up the bill next month and proceed with House approval. The Senate has not developed a companion bill, and is not expected to do so this year. The bottom line is that this bill may not be enacted this year in it entirety, but we may see some of the provisions add to the VA-HUD Appropriations bill, or some other measure.

REED HOLDS HEARING ON HOMELESSNESS; NCDA MEETS WITH REED'S STAFF ON THE ISSUE

On March 6, Senator Reed (D-RI), Chairperson of the Senate Subcommittee on Housing and Transportation, held a hearing on the reauthorization of the McKinney-Vento housing programs.

In his opening statement, Reed told those assembled for the hearing that homelessness continues to increase. "In my state, the Rhode Island shelter system provided more nights of shelter this past year than at any point in its history," said Reed. Besides the trend that homelessness is increasing, Reed also told the audience that the numbers of homeless families with children is increasing. Third, he said that a relatively small number of long-term chronically homeless persons continue to utilize a disproportionate number of the bed nights in our nation's shelters. The chronically, long-term homeless (those homeless for more than six months) tend to use more bed nights, than others cycling in and out of homelessness. "At the national level, the federal government has created nearly two dozen programs targeted towards people experiencing homelessness. Unfortunately, these programs are administered by eight different agencies. When it was created in 1987, the McKinney-Vento Homeless Assistance Act was intended to be an emergency response to the "crisis" of homelessness. It now appears that many McKinney-Vento programs now serve not just those who are homeless, but those who are not being served by the traditional affordable housing programs. Instead, mainstream programs are now relying on homeless assistance programs, shifting the cost and responsibility for providing housing and services to the McKinney-Vento programs," said Reed. Reed also told the group that the limited federal resources available for the homeless must be targeted on ending homelessness, not sustaining homelessness and that additional legislation is necessary to require federal agencies such as the Department of Health and Human Services and the Department of Veterans Affairs to work with HUD in a more coordinated manner towards preventing and ending homelessness.

Reed's draft homelessness bill – The Community Partnership to End Homelessness Act of 2002 (CEPHA) – would reauthorize and amend the housing titles of the McKinney-Vento Homeless Assistance Act. The bill aims to end homelessness within the next ten years. The bill would:

- Consolidate HUD's competitive homeless programs (Supportive Housing Program, Shelter Plus Care, and Section 8 SRO) into a single program, reducing the administrative burden on communities caused by different program requirements.

- Require HUD to use 30% of total funds available nationally for permanent housing development activities for disabled homeless persons and up to 10% for permanent housing development for non-disabled families.

- Allow for a bonus (one per collaborative application) of $250,000 for new project-based permanent housing units for chronically homeless, disabled persons, or non-profit sponsor-owned permanent housing units created for non-disabled families who are homeless. As an added incentive to create new housing stock, no match is required for these projects.

- Codify the "Continuum of Care" planning process, a collaborative and inclusive community planning process that requires a community to comprehensively address its homeless need, the resources available, and the gaps that need to be filled.

- Encourage communities to connect persons who are homeless to mainstream resources, such as food stamps and Medicaid, so that HUD can use more of its funds for housing. Three years after enactment of the bill, HUD's support services would be limited to case management, life skills training, outreach, housing counseling and other services determined by HUD to be relevant to helping the homeless access and maintain housing.

- Require local planning boards to conduct outcome-based evaluations of their own performance in ending and preventing homelessness, as well as the performance of project sponsors awarded funds under the bill.

- Authorize $1.6 billion for fiscal year 2002, and such sums as necessary for fiscal years 2003 through 2006. Requires that 15% of these funds be made available for HUD's Emergency Shelter Grants (ESG) Program and 3% made available for prevention activities under the Community Partnership to End Homelessness Act of 2002.

- Require local planning boards to review relevant public policies and practices (including those related to discharge planning and service termination from publicly supported facilities and systems of care, as well as zoning ordinances) that may result in imminent, repeated or prolonged homelessness.

- Require a cash match of 25% for all activities, unless the funds are used to develop or rehabilitate new project-based permanent housing stock.

- Require HUD, grantees, and project sponsors to award, obligate and utilize funds within certain time periods.

- Allow 6% of awarded funds (half of which will be given to project sponsors) to be used for grant administration, management information and monitoring activities, as well as preparation of financial and performance reports.

Appearing before the subcommittee on March 6, Assistant Secretary of CPD, Roy Bernardi, told the subcommittee that HUD will strive to end homelessness within ten years. Bernardi also told the subcommittee that the Interagency Council on the Homeless has been re-energized and will be a critical player in working across the various federal agencies to better coordinate and target federal resources to meet this goal. Currently, HUD's programs provide over 70% of the federal homeless assistance that is provided across the country. HHS, VA, and other federal agencies need to do more in the effort to stem the tide of homelessness. Besides the Interagency Council on the Homeless, HUD has four other strategies for ending homelessness within ten years.

- HUD has created a joint task force with the Department of Health and Human Services and the Department of Veterans Affairs to better target their programs to the homeless. These programs primarily focus on services and would, thereby, allow HUD to use more of its resources for the development of transitional and permanent housing for the homeless.

- HUD is working with top State officials through its Policy Academy to improve statewide coordination of federal resources, such as Medicaid and TANF.

- HUD is working to improve its current application process for its homeless assistance programs in order to focus more on outcomes and less on process.

- HUD recommends consolidating its homeless programs into one formula-allocated, block great to allow greater flexibility and to ensure timely release of funds to communities. Currently, it takes HUD nearly 18 months to screen applications and award funds to recipients.

Senator Wayne Allard (R-CO), ranking member of the subcommittee, told Assistant Secretary Bernardi that he is very supportive of consolidation of the homeless programs into a formula-allocated block grant to States and local governments. He would also like to see more accountability in the programs. Senator Christopher Dodd (D-CT) told Bernardi that he is not in favor of block granting the programs, and would prefer the current competitive process be kept in place.

NCDA and NACCED Meet with Reed's Staff

In a meeting on March 7 with Kara Stein, Senator Reed's staff person on homelessness issues, staff from NCDA and NACCED discussed Senator Reed's draft homelessness bill. Both groups applauded the insertion of prevention as an eligible activity under the program, but told Kara that the 3% cap on prevention activities was too limiting and needed to be increased to allow more funding for prevention activities. Along the same lines, we asked that the 6% administrative cap be increased to10%, citing the administrative burden placed on localities in administering these projects. We also applauded the bill's streamlining of HUD's announcement of the award of the funds to five months from the time the NOFA is released, but questioned whether or not this was possible for HUD to accomplish. Kara told us that HUD has assured her that they can announce the awards within five months and she plans to hold them to it. She has encouraged HUD to request funding for more staff to assist in this effort. Finally, we suggested that the chief elected official be given the responsibility of appointing the local planning board, but Kara refused, saying that she is concerned about the patronage that occurs in most cities and wants this local planning board to be a collaborative planning entity, free of outside forces.

Once this homelessness bill has been enacted, Kara told us that Senator Reed will focus on developing an omnibus bill that will require the Department of Justice, Department of Health and Human Services, and the Department of Veterans Affairs, to better target their resources to the homeless. With the short legislative year, don't expect Reed's bill to be enacted this year. Staff have even said so. They will concentrate on its passage next year, while some provisions of the bill could be inserted into the appropriations bill.

Reed also hopes to hold hearings on the following issues this year: affordable housing production, HUD oversight, HOPE VI, welfare reform and housing, and the federal response to lead-based paint.

SECRETARY MARTINEZ TESTIFIES BEFORE SENATE APPROPRIATIONS SUBCOMMITTEE

On March 13 HUD Secretary Mel Martinez appeared before the VA/HUD subcommittee of the Senate Appropriations Committee to offer testimony on the President's proposed FY 2003 HUD Budget. Martinez' prepared statement was basically identical to the statements he has made before other committees and subcommittees regarding this budget proposal. Only three Senators bothered to show up for Martinez' appearance: Chairwoman Barbara Mikulski (D-MD), Ranking Member Christopher Bond (R-MO), and Senator Larry Craig (R-ID).

At the beginning of the hearing, Mikulski established three goals for the session: 1) Keep the focus on the main programs, 2) Make sure there are enough resources for the main programs, and 3) Emphasize helping communities under stress. Mikulski defined "stress" as the effects of demographic changes as well as the consequences of changing HUD programs. Mikulski requested that Martinez offer his thoughts on public housing by proxy, FHA and Section 8 subsidized abdicated properties, and the reauthorization of HOPE VI. Mikulski also brought up recent Washington Post articles concerning abuse by a handful of DC-based CDCs. Without the proper level of oversight, Mikulski said, "HUD lines the pockets of scum." Before allowing Martinez to read his statement, Mikulski pointed out that not everyone is ready for homeownership, and that there is a need for more pre-ownership counseling.

Ranking member Bond said that the proposed budget's Section 8 renewals and new vouchers troubled him. Calling Section 8 "one of the most troubling programs" and a "hollow promise," Bond suggested it was "time to fix it." Bond was emphatic that HUD must address the affordable housing shortage instead of continuing to convert project-based Section 8 units to tenant-based units. Bond accused HUD of engaging in a "shell game" that risked the loss of the highest quality units with no guarantee of new affordable units. Bond also expressed concerns over Shelter Plus Care renewals and Section 811.

Senator Craig went off on a tangent about the right to bear arms. Craig thanked Martinez for ending HUD's "assault on the 2nd Amendment" by halting the practice of converting housing funds into gun buy-back programs. Then, in a series of comments that probably raised some eyebrows, Craig implied that some of HUD's compliance and enforcement efforts were *too* stringent. Craig said that HUD pursued some well-intentioned builders and developers who made minor mistakes in the manner of "bounty hunters." Craig left the room shortly after concluding his comments.

Just as he had done during previous presentations, Martinez highlighted a handful of homeownership-related items in the proposed budget. Martinez talked up the Administration's proposed increases in the American Dream Downpayment Fund, the SHOP program, the HOME and CDBG formulas, and the housing counseling program (which would move out from under HOME).

Mikulski asked Martinez about the future of HOPE VI. Martinez said that HOPE VI should be reauthorized, but that some improvements are needed. Martinez said that there is a need to be cautious about "the location issue" as well as a need to "be aware of the number of units devoted to public housing." Senator Bond said he was glad to hear about HOPE VI, but that the costs were too great in some areas.

Bond asked Martinez to justify the proposed reduction in the Public Housing Capital Fund. Martinez stated that HUD would request an increase in the capital fund if the Certificate Fund's private financing program did not work. Bond said he was concerned that there seemed to be a trend toward moving HUD out of public housing due to a shift from the Public Housing Capital Fund to the Certificate Fund. Mikulski chimed in, "We're like twins on this one!" Martinez said he viewed the certificate fund as just another tool for developing affordable housing and dealing with a backlog in funds.

Mikulski wrapped up the hearing by announcing that the subcommittee would most likely hold a hearing on the Millennium Housing Commission's report when it is released. She also commended HUD on its efforts to curb predatory lending and encouraged the Department to place even more emphasis on capacity-building programs for CDCs.

SECRETARY MARTINEZ TESTIFIES BEFORE HOUSE APPROPRIATIONS SUBCOMMITTEE

On Tuesday, March 19, HUD Secretary Mel Martinez appeared before the House Appropriations Committee's Subcommittee on VA/HUD to discuss the President's proposed FY 2003 budget. This appearance was not particularly eventful, and Martinez presented more or less the same testimony he has presented before other committees and subcommittees this year.

Committee Chairman James Walsh (R-NY) established the hearing's theme during his opening statement. Walsh said that although he was pleased with the job Martinez had done in his first year, the committee needed to take an honest look at program effectiveness. Walsh also hammered home the point that significant amounts of money remain in the pipelines of many HUD programs, and that HUD needs to be timelier in delivering services and in responding to Congressional questions.

Several subcommittee members expressed concerns over the ever-growing Section 8 budget, suggesting that there are perhaps too many questions about the program's effectiveness to continue increasing its budget every year. Martinez and his deputies indicated that HUD would report on the program's performance within two weeks. Martinez also indicated that he favored permanently rescinding vouchers from PHAs that fail to perform. The Secretary was urged to provide a written plan for this and said he would do so shortly.

Congresswoman Carrie Meek (D-FL) suggested that problems with Section 8 could only be solved at the policy level by the appropriate authorizing subcommittee. And, in a not-so-subtle nod to HR 1191 (the Meek-sponsored CDBG bill that would significantly reduce local flexibility), Meek suggested that CDBG funds do not always principally benefit low- and moderate-income persons. She asked for information on how HUD ensures compliance with the 70% LMI benefit requirement. Secretary Martinez informed her that a soon-to-be-released report would demonstrate that the current level of LMI benefit from CDBG expenditures is actually above 80%.

During the second round of questioning, Chairman Walsh returned to the subject of unspent funds. Walsh again informed Martinez that the subcommittee needs more information on how HUD plans to deal with the backlog, stating that "rescission becomes very attractive" when Congress is faced with current budgetary realities related to the economy and homeland security. Several subcommittee members expressed support for the reauthorization of HOPE VI.

Secretary Martinez also announced that the HUD SuperNOFA would be released on March 26

BROWNFIELDS BILL CLEARS HOUSE SUBCOMMITTEE

On Thursday, March 14, the Subcommittee on Housing and Community Opportunity forwarded HR 2941 to the House Committee on Financial Services. This bill would decouple the Brownfields Economic Development Initiative (BEDI) from the Section 108 loan guarantee program. As previously reported in the *Washington Report*, "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 connection or 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 Housing and Community Development Act of 1974 to "guarantee financing by eligible public entities for projects and activities to assist the environmental cleanup and economic development of brownfield sites." NCDA sent a letter of support to subcommittee Chairwoman Marge Roukema prior to this latest development NCDA staff anticipates that HR 2941 will move through the full committee without incident.

OFFICIALS DISCUSS HOUSING AT MBA'S 2ND ANNUAL HOUSING SUMMIT

A panel of distinguished officials, which included New Orleans Mayor Marc Morial, President of the U.S. Conference of Mayors; Rep. Barney Frank (D-MA), Ranking Member of the House Financial Services Subcommittee on Housing and Community Opportunity; Honorable Rick Lazio, CEO Financial Services Forum and former member of the House of Representatives; J. Ronald Terwilliger, National Managing Partner of Trammell, Crow Residential; and Governor Ed Gramlich, U.S. Federal Reserve Board met last week at the Mortgage Banker's Association (MBA) 2nd Annual Housing Summit. Nic Retsinas, Director of the Harvard University Joint Center for Housing Studies and Former Federal Housing Commissioner (and former President of NCDA), moderated the panel discussion.

Retsinas started the discussion by posing the question "Is everything o.k. with housing?" Rep. Frank responded by saying that although the country has come through a period of great prosperity, lower-income people are worse off in terms of wages, health care, and particularly, housing. "Prosperity is unevenly distributed in this country," said Frank. "We need to take funds from this prosperity and put them into housing programs that help low-income people."

Mayor Morial added that housing is no longer affordable to working families, particularly in inner cities. Working families are being pushed to the suburbs because cities lack affordable housing. "Affordable housing is essential to the revitalization of cities," said Morial. "Cities become impoverished because poor people become working families that move up and out of cities and into the suburbs because of the affordability of housing."

The next questioned posed to the group was, "Why doesn't housing have a larger role in the congressional agenda?" Rick Lazio answered by saying that more emphasis needs to be placed on the link between housing and economic development, particularly the enormous amount of funds that housing infuses into the economy through job creation, development of goods and services. Lazio told the group that about 22 percent of America's Gross Domestic Product comes directly from housing.

Retsinas next asked J. Ronald Terwilliger "What was the appropriate role for government in the private sector rental market?" Terwilliger answered by saying that there are 14 million Americans in housing crisis – they either pay more than 50% of their income for rent or they live in substandard housing. "We need the government to provide housing subsidies to help the private rental market produce more affordable housing," said Terwilliger. Terwilliger further said that the LIHTC and bond financing are not enough because they don't target deeply enough. Terwillinger also said that cities across America don't always welcome affordable housing because of their tough zoning laws. Because of this, it is tough to develop regional planning efforts to create affordable housing. Terwillinger also said that smarth growth is a good idea since it targets resources in declining areas and subverts suburban sprawl. He commented that he is also a big proponent of mixed-income housing, particularly inclusionary zoning where a certain percentage of housing units are set-aside for low- and moderate-income households. He feels this idea, which has already caught on in many areas across the country, will force broader planning and reduce poverty.

Mayor Morial countered by saying that we certainly don't want HUD and Congress making zoning rules. Morial said that for cities like New Orleans there needs to be a greater emphasis placed on homeownership, instead of public housing or section 8. Homeownership is more palatable to those citizens that don't want affordable housing developed in their neighborhoods. The national homeownership rate is 68%, but in New Orleans it is only 49%. Barney Frank countered this idea by saying that society is not going to transfer enough resources to make everyone homeowners. There is "nimbyism" everywhere. "In my district, the citizens don't want any type of affordable housing built, even homeownership," said Frank. Frank also said that there is zero chance that Congress will try to change local zoning.

HUD NEWS

HUD HOSTS WORKSHOP ON CONSOLIDATED PLAN REFORM

On Thursday March 14 HUD's Office of Community Planning and Development hosted a one-day workshop to discuss possible reforms to the Consolidated Plan. Nearly all of the participants were from HUD field offices and from HUD's Washington headquarters. Although some good ideas were brought forth, the shortage of practitioners and community representatives clearly hindered the group's ability to make significant progress.

Representatives from NACo, NALHFA, NAHRO, COSCDA, NACCED, NCSHA, and NCDA were present. From the beginning, representatives from these organizations expressed their disappointment that more practitioners were not in attendance. In our opinion, HUD did not provide the interest groups with sufficient time to arrange for the attendance of representatives from member communities and jurisdictions. The only actual practitioners present were from the Community Partnership for the Prevention of Homelessness (Washington, DC), the Maryland Department of Housing and Community Development, the Virginia Department of Housing and Community Development, and Arlington County, Virginia. The meeting was poorly timed as well, although this was not HUD's fault. The meeting's time conflicted with a hastily-scheduled hearing on the Hill regarding proposals affecting CDBG (see related article.)

The purpose of the meeting was to begin the process of complying with directives issued in the recently released *President's Management Agenda*. The *President's Management Agenda* stated that the current consolidated planning process "contributes little of value." HUD has been instructed to "reduce meaningless compliance barriers" and to "streamline the consolidated plan" by "making it more results-oriented and useful."

Participants discussed the importance of keeping the process focused on a number of key considerations. These considerations include the ConPlan's audience, its relationship to other required plans, its key data elements, its ability to help communities establish goals, and its utility in the measurement and reporting of accomplishments.

Meeting participants also discussed pursuing the reform process along two interconnected tracks, streamlining and performance measurement. The streamlining track would focus on reducing the burden placed on those preparing the ConPlan, and would touch on elements such as possible regulatory/statutory changes, pilot programs/waivers, timelines (every 5 years? every 10 years?), regional planning, technological considerations, and certification. The performance measurement track would emphasize reporting, defining outcomes, revising the CAPER process, developing meaningful software tools, and defining consequences of not meeting needs.

When it became clear that not much could be accomplished with so few grantees and practitioners present, it was decided that the next step of the process should involve convening a number of smaller discussion groups. These smaller groups would discuss the same key considerations mentioned above, and then report back to a larger working group. Each smaller group would have its own distinct flavor. There would be groups for states, larger entitlement cities, smaller entitlement cities, counties, consortia, and other stakeholders.

NCDA will join the other interest groups on a steering committee. This committee will recruit volunteer communities to participate in these additional sessions. These smaller workshops could begin as soon as May, and HUD hopes to have a preliminary set of recommendations in place by September. HUD also hopes to have recommendations finalized and pilot programs designed by March 2003.

NCDA NOTES

NATIONAL COMMUNITY DEVELOPMENT WEEK: APRIL 1-7, 2002

For those of you who have not placed your orders for products to assist you in your National Community Development activities, PLEASE, PLEASE get your orders in as soon as possible. We will be making the final order for T-shirts, tote bags, hats, and travel mugs on Friday. There will be no further orders of merchandise for this year, after Friday. Also, we have a limited number of posters and post

cards left. In order for you to have products in time for your CD Week festivities, please order NOW!!!!! An order form is attached to this newsletter, or you can print one from the web site.

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
Please go to NCDAonline (http://ncdaonline.org) to access the files below.

- Annual Conference Brochure
- ***CDBG Basics: Training for Practitioners*** (Agenda)
- Testimony of Greg Hoover
- Professional Planning Development Committee Minutes
- Board of Directors Meeting Minutes
- City of Providence Brochure
- National CD Week Flyer