NCDA WASHINGTON REPORT

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NCDA 2002 ANNUAL CONFERENCE: JUNE 12-15, PROVIDENCE, RI
CDBG BASICS COURSE IS FULL!!!

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STATUS OF FY 2003 APPROPRIATIONS BILLS

Normally– if any legislative session can be considered "normal"– by this time of year, both houses of Congress have agreed on a Budget Resolution and are about to conference the resolution. This year, due to the war on terrorism and the related domestic security issues, a conference on the Budget Resolution is not likely. In fact, since a resolution conference did not occur by May 15, both houses of Congress can proceed with the appropriations process. This means that each house has the authority to set spending limits on discretionary funding, which is normally part of the 302b process that is based on the conference report on the budget resolution.

In fact, Bill Young (R-FL), Chairman of the House Appropriations Committee has already given his 13 subcommittees draft spending limits, based on a limit of $749 billion. On the Senate side, appropriations discussions have barely begun. Many obstacles stand in the way of the FY 2003 appropriations process, including mark-up of the FY 2002 supplemental appropriations bill, which Senator Robert Bryd (D-WV) wants $31 billion, $4 billion more than the President originally requested, which will require offsets of any amount over the $27 billion. It is rumored that funding from the Section 8 reserve account has already been tapped for this bill. So any further offsets would have to come from the discretionary amounts. Senate Majority Leader Tom Daschle has indicated that some type of spending guidelines for fiscal 2003 might be considered on the Senate floor this week– because they have not been able to move their version of the Budget Resolution– but was not clear if they would be included in the supplemental bill.

Any further movements on the fiscal 2003 Appropriations Process will not occur until after the Memorial Day Recess. The House will leave town on Thursday of this week and the Senate will adjourn on Friday. Both Houses return to work on Monday June 3rd.

SUPPLEMENTAL BILL SCHEDULED FOR HOUSE FLOOR ACTION THIS WEEK

In an effort to finish work on the $29.4 billion supplemental appropriations bill, HR 4775 this week, debate on this bill is scheduled to begin in the House today. As mentioned above the Senate version of this bill hit a price tag of $31 billion. The White House has repeatedly said that it strongly opposes adding resources over those included in the House bill. Senator Byrd believes that the nation is not prepared for domestic terrorist attacks and the add-on to the Senate bill include funding for preparedness to ports, nuclear labs, airports, food inspection stations and other places that might be vulnerable to attacks. Byrd also plans to include language in his bill to confirm Tom Ridge as Director of the Office of Homeland Security. This provision is being added so that the Byrd can call Ridge before the Senate to testify on homeland security issues, before his committee. It is no secret that Byrd has been fighting with the Administration on the issue of homeland security since September 11 and has not been satisfied with the reasons for Ridge's refusal to appear before his Committee.

There are three major issues that will be the focus of discussion during the debate in the House today. One issue is increasing the statutory national debt limit to $5.95 trillion. This issue will raise the ire of every democrat in the House and some conservative members of the GOP. Another contentious issue is language that will use a figure of $749 billion as the limit to discretionary spending for fiscal 2003. Many in the House believer that this figure is $9 billion too low. And, since the Senate plans to use a figure of $768, Congress will begin with a $20 billion difference even before any conferencing begins on the Appropriations process. Without a conference agreement on a budget resolution, it makes it more difficult to iron out differences between the two houses for all 13 appropriations bills. Both

Supplemental bills include various amounts for the Israeli and Palestinian refugees, defense, homeland security and a sundry of other amounts for items such as $300 funding for international HIV/AIDS research and a whopping $1 billion for a Transportation Security Administration for state and local responders. This debate should be interesting. It is doubtful that the bill will clear before the recess as planned. But, we could be pleasantly surprised.

The Senate Appropriations Committee will mark-up its version of the Supplemental Bill on Wednesday afternoon, perhaps send it to the floor before they adjourn for the Memorial Day Recess.

NCDA MEETS WITH CHAIRMAN WALSH'S STAFF

On Monday, May 13, NCDA Executive Director Chandra Western and John Murphy, NACCED's Executive Director, spent over an hour with Jennifer Miller, Senior Staff for the HUD/VA Appropriations Subcommittee. The main issue for discussion was how the numbers looked for fiscal 2003 for HUD programs. Ms. Miller indicated that she did not expect any major increases in HUD's budget, because there was simply not enough discretionary funding available for increases to HUD's programs. She outlined the major funding commitments that would come from the Subcommittee's allocation. The number one priority would be VA medical benefits. Increases in this line are a given, also a given are increases of the fully funding of the Section 8 contact renewals, which take up a huge chunk of HUD's budget, and the traditional increases to NASA and the international space station. She said we could expect to see increases to HOPE VI, a favorite program of Mrs. Mikulski and that the President's American Dream Program would get support from Mr. Walsh. The good news is that she did not expect any significant decreases in funding for our programs, specifically CDBG, HOME and the homelessness programs.

We discussed our testimony with Jennifer and she did not think it likely that we would get the increases to CDBG and HOME we are seeking, $695 million to the CDBG formula and an increase of approximately $40 million to the HOME formula. We also asked her about the possibility of new housing legislation this, and her response was that there was not enough time for hearings to take place or the funding available given the increased demand from the Pentagon and the war on terrorism, as well as funding for domestic security and emergency relief for farmers. She also said that the demands on the budget for a Supplemental Appropriations bill could impact FY 2003 appropriations levels, and since there has been no headway made yet on that end, it would be difficult to assume any major increases like we have proposed.

Ms. Miller discussed set-asides when asked if it is ususal for local non-profit groups to appear before the Subcommittee to specifically request project funding (set-aside) from a particular program? She indicated that local non-profit groups appear before Congress all to time seeking assistance for their programs, but in this year's case, it seemed that people were mistaking the Community Development Fund, with the CDBG program, which is how Congress views the EDI set-asides. However Congress views these requests for funding, they come out of funding that could be part of the CDBG formula. Ms. Miller indicated that the set-asides were here to stay and to suggest otherwise is unrealistic. She said that they had already received over 3,000 individual project requests, and were forced to impose a deadline for project requests to be submitted. She said that the projects were screened to at least not fund projects that could easily be undertaken with "regular" CDBG funds. We asked if she could look into the possibility of at least making the projects eligible or at the very least notify the local government when the project is funded and provide some level of administrative funding for getting the project underway.

We asked Jennifer if there was something she could do about the Congressional Release process. We told her that we believed that the passage of HUD's Appropriations bill was notification in an of itself, and that Congress will know how much money their districts receive when HUD computes the allocations. All that needs to be done is for HUD to forward a list of the allocations to each member of Congress at the time the program computations are done. She said that she would look into this possibility as well.

SENATE SUBCOMMITTEE HOLDS HEARING ON AFFORDABLE HOUSING AND WORKING FAMILIES

On May 15 the Subcommittee on Housing and Transportation of the Senate Committee on Banking, Housing, and Urban Affairs held a hearing on affordable housing production and working families. The hearing featured testimony from Senator John Kerry (D-MA); Robert Reid, Executive Director of the National Housing Conference; Sheila Crowley, President of the National Low Income Housing Coalition; JoAnn Kane, Executive Director of the McAuley Institute; David Curtis, Chairman of the Housing Finance Committee of the National Association of Home Builders; and Emmanuel Lane, a resident of Sharing Caring Hands in Minneapolis Minnesota. Jack Reed (D-RI) is the chairman of the subcommittee.

Senator Kerry came before the subcommittee to promote his National Housing Trust Fund legislation. Kerry's bill, S 1248, would establish a National Affordable Housing Trust Fund. According to Kerry's testimony, the Fund would produce 1.5 million units of affordable housing over the next 10 years using excess revenues from the Federal Housing Administration (FHA) and the Government National Mortgage Association (GNMA). Kerry testified that the goal of his legislation is to "create long-term, affordable, mixed-income developments in areas with the greatest opportunities for low-income families." Under Kerry's plan, seventy-five percent of the Trust Fund assistance will be given out, based on need, through matching grants to states. Kerry's bill (and the corresponding House bill, HR 2349) would not provide funding directly to local governments, which explains why NCDA has been generally supportive of the concept of the trust fund but not the actual legislation now in play.

One of the more controversial aspects of the Trust Fund legislation is its reliance on excess FHA revenues. This surplus has become the

"Bigfoot" of affordable housing policymaking. Some claim to have seen it, while others doubt its existence. Conflicting reports have been issued regarding the existence and size of any FHA surplus, and there is a separate debate over whether it would even be appropriate to use such a surplus to fund new programs—as opposed to refunding the money to insured homeowners, for example. Currently, excess FHA and Ginnie Mae revenues are diverted to the Treasury. Kerry's testimony claims that these excess revenues could provide up to $26 billion for affordable housing between now and 2008. Senator Kerry acknowledged the diversity of opinions that characterize this policy debate, but he reminded the committee that even if his legislation is not the answer, something must be done soon to address the affordable housing crisis facing America.

Robert Reid, Executive Director of the National Housing Conference, used his testimony to announce a few findings of his organization's latest report entitled *Housing America's Working Families: A Further Exploration*. Highlights of the report include the following:

- One out of every seven American households (13 million) continues to have a critical housing need. This includes 3.9 million households who work the equivalent of a full-time job.

- While four out of ten working families with critical needs live in urban areas, another four out of ten live in suburban areas, with the remainder living in non-metropolitan areas.

- Low- and moderate-income working families with critical housing needs are more likely than not to live in the more than two dozen metropolitan "hot spots," where high prices reflect the lack of affordable housing. These areas had monthly housing costs in the range of $735 to $1,167 in 1999, and include such places as Boston, Chicago, Honolulu, Los Angeles, New York, Trenton, Seattle and Washington, DC.

- Families with chronic housing needs tend to be more often supported by a single worker than any other group.

- Racial and ethnic minorities are overrepresented among working families with chronic critical housing needs, making up more than half (53 percent), compared with 42 percent of families with temporary critical needs, and 29 percent of families without any critical housing needs.

Reid argued that there is no shortage of compelling evidence for why affordable housing should be much higher on Congress' list of priorities. Reid pointed out what has become an unfortunate reality on Capitol Hill; many supporters of affordable housing now see marginal (yet inadequate) increases in federal spending for housing programs as "victories" given the current political resistance to a larger, more meaningful boost in spending. Reid also urged the subcommittee to provide additional resources for those programs that already work, especially CDBG, HOME, and Section 8.

Links to other presenters' written testimonies can be found on the committee's website, located at http://www.senate.gov/~banking. The topic of the National Trust Fund came up again at this week's Mayors National Housing Forum. For more information, please see the related article in this edition of the Washington Report.

US CONFERENCE OF MAYORS HOLDS NATIONAL HOUSING FORUM

As reported in the April 30 issue of *The Washington Report,* the US Conference of Mayors would hold a national housing forum in Washington on May 21-22, 2002. The following is a summary of the conclusions and recommendations that would be presented to Congress and serve as the basis for formulating a National Affordable Housing Strategy for the upcoming years.

On May 21, 2002, the U.S. Conference of Mayors (USCM) sponsored a National Forum to develop and advocate for a comprehensive housing policy for the nation. Led by USCM President Mayor Thomas M. Menino of Boston and USCM Community Development and Housing Committee Chair Mayor Willie Brown of San Francisco, a group of mayors and public and private sector housing leaders, called for housing to be made a national priority.

The Forum participants reaffirmed the importance of housing to the vitality and stability of our nation's cities. They referenced well documented findings showing the increasing difficulty people are having finding safe, decent and affordable housing. They agreed that while housing has not received the national attention and resources it deserves, it is intricately linked to national priorities, such as education, public safety and healthcare.

As Mayor Menino stated, "from the need for young families to find their first home, to the special housing and service needs of senior citizens and households with disabilities, to the shelter challenges of the poor and homeless, the issue of housing affects the lives of everyone in our society. Therefore, we must work together to preserve the housing we have and produce the housing we need."

Menino went on to say "Housing helps promote neighborhood stability, improved educational opportunity, employment stability, and helps owners save for their futures. Housing serves as an economic generator and springboard which fosters solutions for many other national and local priorities.

Housing, however, has not kept pace with the needs of the residents in most urban markets. Despite an all-time high homeownership rate in America of over 68 percent, the rate in cities is only 50 percent and even lower for minority and low-and moderate income households. More than 14 million families spend more than half their income on housing. Clearly, in many markets, housing costs are growing faster than incomes."

The US Conference of Mayors calls for a comprehensive national housing policy that addresses the variety of housing challenges in our urban communities, including homeownership, rental housing, public housing, special needs housing and homelessness issues.

This excerpt was taken from a press release on the recommendations that came out of the forum. For a complete review of the findings and recommendations from the forum, please go to www.usmayors.org or see the attachment to this edition of the Washington Report.

CENSUS BUREAU PUBLISHES LIST OF URBANIZED AREAS

On May 1 the Bureau of the Census published a list of Urbanized Areas in the Federal Register. According to HUD, many, but not all, of the new Urbanized Areas (UA's) will become Metropolitan Areas when the Office of Management and Budget announces Metropolitan Area designations. These announcements are scheduled to occur in June 2003. New Urbanized Areas will not be designated as CDBG and HOME entitlement grantees for FY 2003. Their status for FY 2004 will depend on OMB.

By the time of our annual meeting in June, the Census Bureau will have released all 2000 Census data that is germane to the CDBG and HOME formulas. NCDA is in the process of asking HUD to prepare an analysis in which Census 2000 data will be plugged into FY 2002 CPD allocations for the four formula-driven programs. In other words, we want to take a look at how much each community would have received in FY 2002 had HUD had access to Census 2000 data instead of Census 1990 data. This will give us some idea of what each community's allocation would be if funding levels for CDBG, HOME, ESG, and HOPWA remain flat during this year's budget process. NCDA will provide this information to the Census/CDBG Formula Subcommittee of the Community Development Committee as guidance for addressing possible formula changes to the CDBG program.

HOUSE BILL WOULD PROVIDE TECHNICAL ASSISTANCE FUNDS FOR NONPROFITS, NOT FOR LOCAL GOVERNMENTS

HR 3974, introduced by Stephanie Tubbs Jones (D-OH), is described as a bill to increase the expertise and capacity of community-based organizations involved in economic development activities and key community development programs. The bill's original co-sponsor was J.C. Watts (R-OK). The bill claims the following as a few of its purposes:

- Provide federal funding to enhance the abilities of nonprofit, nongovernmental, community-based organizations to leverage private sector dollars

- Establish educational programs for those groups to expand their project development capabilities

- Increase the use of tax incentives to leverage private sector dollars for community development

- Promote and facilitate investments in community-based economic development projects

- Encourage partnerships between community-based organizations that will help in leveraging private sector funds

The bill authorizes the HUD Secretary to make grants only to "eligible community-based economic development organizations." Eligible organizations meet at least two of the following requirements:

- Have completed construction of 10 or more units of affordable housing
- Have completed construction of a commercial, industrial, retail, or community facility project
- Have partnerships or a history of partnerships with other community-based economic development organizations
- Exhibit willingness to form operational partnerships and execute contractual agreements with emerging community-based economic development organizations
- Have ownership of tangible assets the value of which are equal to or exceed the value of the requested grant

Grants could be used for salaries and administrative expenses, technical assistance, and training and research. Under technical assistance, organizations would provide technical assistance to an emerging community-based economic development organization that is undertaking a community economic development project. Grantees can redistribute the funds to other eligible organizations in the form of grants, loans, loan guarantees, etc. Grant amounts under the bill would be not less than $250,000 and not more than $1,000,000. The bill authorizes $75,000,000 in grants for fiscal years 2003, 2004, and 2005. The bill also stipulates that $10,000,000 of this amount be set aside for technical assistance and training activities, to be conducted by a national organization with extensive nationwide partnerships and experience in working with community-based economic development organizations.

This bill seems to be nothing more than a strategy to institutionalize EDI grants and authorize set-asides under CDBG and HOME, particularly for faith-based organizations. There is no mention in the bill where the money for these grants would come from. The bill also does nothing to provide technical assistance funds to local governments, and NCDA would most likely oppose it on those grounds alone, however, it is highly unlikely that this bill will see any action this year.

HUD NEWS

THE NUMBER OF UNTIMELY CDBG GRANTEES AT ALL TIME LOW!!!!

Through a joint effort between HUD Headquarters, its field offices, the National Public Interest groups, members of Congress and most importantly, the community development directors, the number of CDBG untimely communities has fallen from an all time high of 330 to an all time low of 69!!! In less than two-years grantees have managed to reduce the number of untimely communities from 32 percent to 6.7 percent. For another perspective on this issue consider that as of June 2000 there were 195 untimely grantees with a total $257,811, 397 that was unspent over the 1.5 requirement. As of May 2002 there are 69 untimely grantees with $73, 351, 650 unspent over the 1.5 requirement. And, that if there were no new communities coming on to the untimely list, there would be just 51 communities untimely. This is amazing, and you all, we all should be commended for the outstanding work in proving that it could be done, and done well.

In speaking with HUD officials on this issue, because the entitlement communities have demonstrated that through training, coordinated efforts from HUD, Mayors, City Councilors and Community Development Directors, the can become timely. HUD is currently drafting a proposed regulation that will impose a similar requirement on states to become timely as well. The standard for compliance will most likely be different from that of entitlement communities, but a standard from timeliness will be imposed. It is thought that if large urban counties can adhere to the same requirements as cities, then states should have a similar one as well.

In the same vein, because the issue of timeliness is not now and should not become one embroiled in politics, there is some thought to incorporating the current policy on sanctions for untimely entitlement grantees and the future policy on sanctions relating to states for not meeting the timeliness standard into the CDBG regulations. Therefore, sanctions for untimely expenditures would be a normal part of HUD's CDBG program review.

NCDA NOTES

NCDA 2002 ANNUAL CONFERENCE:

The 2002 NCDA Annual Conference is fast approaching. If you have made your reservations with the hotel, you must also make them with NCDA. Please fax your registration forms in to Karen Means at 202-887-5546. We need to get an accurate count of participants so that we have enough materials and space for all.

INVITATION FOR AGENDA ITEMS FOR BOARD OF DIRECTORS MEETING

This is an invitation to provide NCDA with additional items for the Board of Directors Meeting. If you have any items you wish to be included on the agenda for the Board Meeting being held in Providence, RI on June 13, at noon, please fax or e-mail them to Chandra Western at 202-887-5546 or chandra@ncdaonline.org

JOB ANNOUNCEMENTS AND ATTACHMENTS

To access attachments, please go to NCDAonline (http://ncdaonline.org).

- **Mayors National Housing Forum Policy Recommendations**