NCDA
WASHINGTON REPORT

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FEATURED ARTICLES

HUD RELEASES 2002 CDBG ALLOCATIONS WITH COMPLETE 2000 CENSUS DATA

In June NCDA and COSCDA made a request of Assistant Secretary Roy Bernardi to provide the CDBG formula runs using FY 2002 allocations with the remaining data elements from the 2000 Census. Obviously, this request was made so that NCDA members could use these numbers for planning purposes for the upcoming program year. This request was denied, because HUD wanted to review the data and conduct briefings with Secretary Martinez, and members of the House and Senate HUD/VA Appropriations Subcommittees. After almost three months of waiting, HUD finally released the data.

None of us (the public interest group community) were surprised at the initial denial of our request, but what was very surprising was the length of time it took to actually get the briefings completed. Some believe that the timing was politically motivated due to the fact that it is an election year. HUD may not have wanted every community that could potentially lose funding to spend a lot of energy complaining to their Congressional delegations.

Regardless of the reasons for the delay in receiving the information, with no changes to the CDBG formula forthcoming, the numbers did not change from the date in June when they were originally calculated. As a wise man once said, "...they are what they are."

By now, most of you have seen "the list" and have some serious concerns as to why certain communities fared better than others. Specifically, many of you are curious as to why the more affluent communities did better in some cases than their poorer counterparts. This article will attempt to shed some light and hopefully clarify the situation.

The CDBG formula involves a complex series of calculations, and the matter is complicated by when (1999) and how the data was collected. This will cause more consternation to some, while clearing up the mysteries of the CDBG formula for others**.** What we must understand is that, overall, the CDBG formula was designed to allocate funds to communities based on need. In order to determine relative neediness, a formula was devised that included a set of factors to quantify degree of need. These factors are:

Formula (A)

- Size of population (weighted at .25),
- Number of persons in poverty (weighted at .50), and
- Number of overcrowded housing units (weighted at .25).

Formula (B)

- Number of housing units built before 1940 (weighted at .50),
- Number of persons in poverty (weighted at .30) and
- Population change/growth lag (weighted at .20).

There are a number of precepts that you should keep in mind when comparing the 1990 and 2000 Censuses First, the quality and accuracy of the data collection in the 2000 Census was better than the 1990 Census. The adjustments in some the formula elements reflect this, particularly when, in some areas, the number of pre-1940 housing increased. One would think that the number of units would steadily decline. The only explanation of this is more thorough data collection.

Second, we must realize that in 1999 when the 2000 Census was actually taken, the country was still in a very strong economy, where unemployment was at an all-time low. Some of the formula factors such as growth lag and percentage of poverty were impacted by the strong economy in 1999. Because of the slumping economy that followed the 2000 Census, that data may not reflect the present reality in many communities. The data indicates that poverty in the nation as a whole is less concentrated than it was when the 1990 Census was taken. Lower concentration of poverty percentages suggests a decrease in need and therefore lower funding.

Third, population will always play a major role as a formula factor in the CDBG program. The migration and immigration patterns impact population, and population increases will impact overcrowded housing factors in Formula A, and population and change/growth lag in Formula B.

The last issue that will be addressed here also relates to population patterns. As you know, the Census Bureau updates the population estimates every two years so that HUD can incorporate these figures within the CDBG program. These estimates, however, are based on the latest decennial Census. Throughout the 1990s these adjustments were made using data that many felt was less than stellar. Therefore, not until the new population numbers were added into the formula in 2001 did we see that the base data (1990) was of a lower quality. This can be seen easily in the Southwest where huge changes in migration took place, but the relative changes that were seen in FY 2001 were not as great in either direction as many felt they should be.

Now that we have better data, we have an opportunity to review the data elements that comprise the CDBG formula. We have the allocations based on FY 2002 appropriations and the current number of entitlement communities and urban counties. What we do not have is the number of potentially new entitlement communities and urban counties, or the FY 2003 CDBG allocation. Given that the overall population of the nation has increased, there will be communities that will have attained entitlement and or urban county status. There will also be communities that will become entitlement communities that are contained within urban counties. All of these factors will impact each community's CDBG allocation. If Congress allocates more funding to the CDBG program this year the relative impact on those communities that are projected to lose funding will not be as great. And those communities that presently stand to gain funds will gain even more.

The Challenge to NCDA Members

NCDA has committed to participate in a working group with other interest groups that HUD will use to provide input on possible changes to the CDBG formula. We are requesting that members take a good look at the formula and suggest changes, keeping in mind quantifiable measures of need and the original Congressional intent of providing funding to the neediest communities. Keep in mind that we operate within a political reality, and population will always play a major role in the CDBG formula. Other factors might not be as crucial, but population, poverty and housing needs will always be included in the formula.

We would also suggest that formula recommendations be accompanied by the rationale behind those recommendations. And lastly, remember that recommendations should be made in the best interest of all communities, and not just from one community's perspective.

HUD's Next Move

HUD as well as members of the House and Senate authorizing committees have indicated that they will not make or support any suggested CDBG formula changes until HUD completes its formula study. We are told that study will not be available until the spring of 2003. It is doubtful that Congress will enact any new legislation of this nature without ample hearings. This situation gives us some time to discuss the issue, formulate a plan to address it, and draft recommend-ations for our testimony before Congress in the spring. The CDBG formula and Census data elements will be discussed at the 2002 NCDA Executive Symposium in Phoenix on Thursday at 11:00 am.

A list of the first four columns of the EXCEL file with the FY 2002 allocations that HUD forwarded to NCDA is attached to this newsletter. It shows how each community, urban county and state fared using the new Census data with FY 2002 allocation amounts. It is much easier to read than what is on HUD's website. All the other information can be obtained from HUD's site as well. HUD provided NCDA an analysis of the data and the calculations if anyone would like to review the details of the formula calculations process.

[A Note on the HOME Program.
HUD has indicated that the Census data relative to the HOME program will be available this fall.]

HUD SET TO RELEASE FINAL RULE ON THE HOME PROGRAM

In a conversation with HUD Headquarter's staff last week, NCDA was told that HUD will release a final rule on the HOME program soon. We have received an advance copy of the summary of the HOME final rule changes and have attached them to the *Washington Report*.

In short, this final rule puts into regulation what has already been approved in statute concerning changes to the HOME program over the last few years. HUD does, however, plan to begin the process of developing a proposed rule on the HOME program this Fall that will take into consideration changes in the program. HUD will be working with NCDA and other national interest groups to garner feedback from their members (we'll be calling on you) regarding their proposed changes to the HOME program.

The following are the changes that will be put forth in the HOME final rule that is set to be released in the new few days – or week.

(1) Changes the HOME regulations to reflect the elimination of federal preferences, as approved by Congress in 1998 as part of the Quality Housing and Work Responsibility Act of 1998 (QHWRA).

(2) Amends the HOME regulations to permit HOME participating jurisdictions that fall below the $500,000 minimum participation threshold to continue to participate in the HOME program. This statutory

change was included in the 1998 VA-HUD-IA appropriations act.

(3) Prohibits the use of HOME funds for the new construction of public housing. This change was authorized by QHWRA in 1998.

(4) Eliminates the provision within HOME that HOME-assisted homebuyers re-qualify as income eligible at the time of occupancy or when the HOME funds are invested, whichever is later. QHWRA established new statutory language within HOME that requires the homebuyer to qualify as low-income: (1) in the case of a contract to purchase existing housing, at the time of purchase; (2) in the case of a lease-purchase agreement for existing housing or for housing to be constructed, at the time the agreement is signed; or (3) in the case of a contract to purchase housing to be constructed, at the time the contract is signed.

(5) Amends the HOME regulations to permit participating jurisdictions to use 10% of both program income deposited in the local HOME account and program income earned and reported by State recipients and sub-recipients for eligible administrative and planning costs.

(6) Clarifies that HOME funds may not be used to pay delinquent taxes, fees or charges associated with assisted properties.

(7) Amends the final rule to permit HUD to use *renter-households in poverty* rather than *renter-families in poverty* in the HOME formula because the U.S. Census Bureau does not routinely produce the last indicator. HUD would have to ask for a special tabulation that would delay this data in the HOME formula allocation until late 2003.

(8) Adopts the streamlined Consortium re-qualification procedures developed in FY 1999.

(9) Clarifies that Subpart H ("other Federal") requirements should be included in written agreements between participating jurisdictions and project owners and developers.

(10) Amends the definition of "homeownership" to permit 50-year leasehold interests on trust or restricted Indian lands.

(11) Eliminates 1% set-aside for Indian tribes under the HOME Program. Native Americans are now served through the Native American Block Grant.

(12) Adds a requirement to the HOME regulation that participating jurisdictions keep records on site and neighborhood review standards.

SURVEY ON THE FAIR MARKET RENT (FMR) IN THE HOME PROGRAM; WE NEED YOUR FEEDBACK

The National Council of State Housing Agencies (NCSHA) is interested in changing the Fair Market Rent (FMR) structure under the HOME program and is asking other national organizations to seek input from their members on this change.
The issue at hand is that the FMR does not work well in some rural areas, and even in some metropolitan areas; although, it doesn't appear to be a major issue overall. In many rural areas, the existing Fair Market Rent (FMR) used to establish high HOME rents is low and precludes the development of affordable housing in these areas. FMRs in these areas are often significantly lower than even the low HOME rent. It is extremely difficult, even impossible in some areas, for participating jurisdictions to underwrite and ensure the long-term viability of affordable housing in these areas. According to NCSHA, the FMRs cannot support even project operating expenses, much less cover any additional debt service.
NCSHA has developed three possible solutions to deal with this problem.

- **Eliminate the FMR standard in non-metro areas only.** While the problem exists in some urban areas, it is most prevalent in rural areas. Removing the FMR only from rural areas would increase opportunities to develop affordable housing in rural areas, while maintaining use of the FMR in metro areas.

- **Set the high HOME rent at 30% of 65% of Area Median Income (AMI) and the low HOME rent at the lesser of the FMR or 30% of 50% of AMI.** This option would maintain the current level of affordability in the low HOME rents, while at the same time providing the option for increased cash flow into the project via the high HOME rent units.

- **Set the high HOME rent at 30% of 65% of Area Median Income (AMI) and the low HOME rent at the lesser of the FMR or 30% of 50% of AMI only in non-metro areas.** This option would maintain the level of affordability in the low HOME rent units, while at the same time providing the option for some increased cash flow into the project via the high HOME units only. This option also limits the flexibility to non-metro areas only.

We are interested in learning if any of our HOME members are having difficulty in using the FMR, and your feedback on NCSHA's possible solutions. Please e-mail Vicki Watson at vicki@ncdaonline.org

HUD UPDATES INTEREST GROUPS ON IDIS REFORMS

On August 15 public interest group representatives attended a briefing at HUD headquarters regarding the status of the proposed enhanced IDIS user-interface. Chandra and Jeff attended on behalf of NCDA. Nelson Bregón, Deputy Assistant

Secretary for Grant Programs in the Office of Community Planning and Development (CPD), joined the briefing halfway through in order to provide an update on the 2000 Census and its possible impacts on FY 2003 formula allocations (see related article).

Robyne Doten of CPD's Office of Technical Assistance and Management unveiled a new "proof of concept" website that demonstrates an alternative user-interface for the existing IDIS system. This website is not a prototype since it is not intended to depict the full functionality of the current IDIS system. Instead, the website HUD showed us is intended to give users a feel for the look and feel of the proposed interface, which will allow users to input data using a more visually appealing web-based front end. This interface is a considerable improvement over the current DOS-based interface. It is important to remember, however, that the new interface, when it is released, will not add functionality to IDIS; it will simply provide users with a more convenient and visually appealing method for performing data entry.

The development of a new interface is the first step in an IDIS overhaul that could take two years or more to complete. The project's progress is dependent upon the availability of funding. The Senate VA/HUD appropriations bill includes significant funds for updating HUD's information technology systems; these monies would go a long way toward helping HUD bring IDIS into the 21st century. The team working on the overhaul is also trying to gain permission to use HUD IT funds for the project. HUD's Chief Financial Officer must approve these funds, some of which were originally intended for DGMS, for release. A decision is pending.

The interest group representatives also learned that a planned IDIS "single sign-on" pilot project has been pushed back at least two months due to delays in developing the necessary functionality. Several NCDA members had volunteered to participate in this project, which is designed to test a new, simplified technique for signing onto IDIS and downloading reports. This experimental technology will reduce the number of steps users must complete to log on to the system, and users will have a clearer path to their communities' reports.

US CONFERENCE OF MAYORS PRESIDENT REPEATS CALL FOR NATIONAL HOUSING POLICY

In a July 31 Op-Ed piece appearing in the Los Angeles Times, Boston Mayor and U.S. Conference of Mayors President Thomas Menino repeated his call for the development of a federal housing policy aimed at addressing the nation's affordable housing crisis. As readers of the Washington Report are aware, NCDA has been working closely with the Conference in an effort to push through affordable housing production legislation.

In his opinion piece, Mayor Menino elaborates on the effect of the affordable housing crisis on America's middle-income families and offers up a litany of statistics to illustrate his point. Among the highlights, the number of middle-income families spending more than half of their income on housing grew by 74% from 1997 to 1999, with more than 14 million Americans now paying more than half of their income for housing. According to a recent poll, 41% of Americans believe that the affordable housing shortage is a very big or fairly big problem, which is higher than the 39% that expressed similar concerns about health care. Despite the fact that housing costs continue to rise much faster than incomes, the U.S. still has no federal housing policy. HUD Secretary Mel Martinez recently told the nation's mayors that "housing issues are predominantly local issues" and that the "solution to meeting the nation's affordable-housing needs will not come out of Washington." Menino counters by arguing that the federal government has walked away from its obligation to "preserve the housing we have and build the housing we need." Local governments, businesses, and nonprofits all have crucial roles to play, but a comprehensive federal housing policy is critical to addressing the affordable housing crisis.

Menino offers several policy proposals for dealing with the shortage of affordable housing, including the creation of a national homeownership tax credit, the establishment of a national affordable housing trust fund, and the promotion of expanded housing assistance by employers in the form of down payment assistance, low-interest loans, and home-buyer education. Menino's article made no mention of the HOME Plus production program created by NCDA in association with the Conference.

NCDA NOTES

WHILE CONGRESS IS HOME

In the August 6 issue of *The Washington Report* NCDA staff provided a sample letter to send to local Congressional Districts. We also suggested that the August Recess is an excellent opportunity to "re-connect" with Congressional members on the importance of HUD programs in their districts. We have provided more information that members can use to show Congress that their CDBG funding could be cut this year even with level funding. We also suggest providing members with a list of the projects were done last year and the ones that will not be done this year because of the cuts to the program resulting from the newly include Census data. The attached list of CDBG entitlement communities might be helpful in making the point before Congress returns to finalize the FY 2003 budget. Please remember that this is an election year. There is nothing members like better that to get funding to their districts.

NCDA'S 2002 EXECUTIVE SYMPOSIUM

NCDA's 2002 Executive Symposium will be held at the fun and relaxing Pointe Hilton Squaw Peak Resort in Phoenix, Arizona. The Symposium is scheduled for September 25 - 28, 2002.

NOTE: NCDA will host a session on changes to the CDBG formula with key staff from HUD and members from the NCDA CDBG Formula Committee. You won't want to miss this!!!

CDBG TRAINING

- NCDA will hold a *CDBG Basics: Training for Practitioners* in Phoenix, Arizona on September 23-25 at the Pointe Hilton Squaw Peak Resort. Registration is required. Please contact Chandra Western for more information at 202-887-5521.

- NCDA will hold a *CDBG Basics: Training for Practitioners* in Hyannis, Massachusetts on October 7-9, 2002 at the Sheraton Hyannis in Hyannis, Massachusetts. Registration is required. Please contact Chandra Western for more information at 202-887-5521.

HOME TRAINING

- NCDA will hold a one day Advanced HOME Training at the Region I Fall Meeting in Hyannis, MA at the Sheraton Hyannis Resort on October 7, from 9 a.m. to 3:00 p.m., and a CHDO Training for Local Participating Jurisdictions on October 8 from 9 a.m. to 3:00 p.m. The training is free. Please contact Vicki Watson at 202-887-5532 for more information.

- NCDA will hold a one day *Advance HOME Traning* at the Region VI Conference in Santa Fe, NM at the Hotel on November14, from 9:00 a.m. - 4:00 p.m, and CHDO Training for Local Participating Jurisdictions on Friday November 15 from 1;30 - 4:00 p.m. No registration is required. The training is free. Please contact Vicki Watson at 202-887-5532 for more information.

NCDA REGIONAL MEETINGS

Region I October 10-13, 2002
Sheraton Hyannis
Hyannis, MA

Region VI November 14-16, 2002
La Fonda Hotel on the Plaza
Santa, NM

FEDERAL REGISTER

August 14, 2002. De-regulation for Small Public Housing Agencies. This proposed rule would simplify and streamline HUD's regulatory requirements for small public housing agencies (PHAs) that administer the public housing and voucher assistance programs under the U.S. Housing Act of 1937. Specifically, the proposed rule would further streamline the PHA Annual Plan requirements for certain small PHAs. HUD also proposes to de-regulate the assessment and scoring of small PHAs under the Public Housing Assessment System (PHAS) and the Section 8 Management Assessment Program (SEMAP).

August 12, 2002. Retention of Section 236 Excess Income. This proposed rule would establish the terms and procedures for owners of projects receiving section 236 rental assistance to participate in retaining some or all of their excess rental charges (Excess Income) for project use; to retain

Excess Income charges for non-project use after determination by HUD that the project is well-maintained housing in good condition and that the owner has not engaged in material adverse actions.

JOB ANNOUNCEMENTS/ATTACHMENTS
To access the files below, please go to NCDAonline at http://ncdaonline.org

- 2002 CDBG Allocations with Complete 2000 Census Data
- Region I Annual Conference Agenda and Registration Forms
- Region VI Annual Conference Agenda and Registration Forms

FY 2003 HUD/VA SENATE APPROPRIATIONS COMMITTEE MARK

Programs	**FY 2001 Enacted**	**FY 2002 enacted**	**President's FY 03 Request**	**S. 2797**
CDBG	$5.058 billion	$5.0 billion	$4.732 billion	$5.050 billion
Set-Asides:				
Comm. Tech Centers	$0	$0	$0	$0
ADA Access Initiative	$0	$0	$0	$0
Indian Community Block Grant	$71 million	$70 million	$72.5 million	$72.5 million
Capacity Building	$28.45 million	$29 million	$29.5 million	$35.5 million
Spec. Purpose Grants	$45.5 million	$42.5 million	$39 million	$45.5 million
National Council of La Raza	$0	$5 million	$0	$0
Housing Asst. Council	$3 million	$3.3 million	$3 million	$3.3 million
Natl. Amer. Indian Hsg. Council	$2.6 million	$2.6 million	$2.2 million	$2.6 million
Neighborhood Initiatives	$30 million	$42 million	$42 million	$40 million
ROSS.	$55 million	$55 million	$0	$55 million
Self-Help Housing	$20 million	$22 million	$65 million	$22 million
Youthbuild	$60 million	$65 million	$65 million	$65 million
Working Cap. Fund	$15 million	$13.8 million	$3 million	$3.4 million
Nat. Hsg. Dev. Corp.	$10 million	$5 million	$0	$0
Tribal College Facilities	$3 million	[$3 million]	$3 million	$3 million
Winter Olympic Hsg.	$2 million	$0	$0	$0
Alaskan & Haw. Instit.	$0	[$4 million]	$2.4 million	$4 million
Hawaiian Homeland	$0	$9.6 million	$9.6 million	$10 million
EDI	$292 million	$294.2 million	$0	$140 million
Colonias Gateway Initiative	$0	$0	$16	$0
[Total Set-Asides]	*[$637.55 million]*	*[$659 million]*	*$303 million*	*$439.8 million*
Formula Amount	$4.46 billion	$4.341 billion	$4.429 billion	$4.6102 billion
Sec. 108 Loan Guarantees:				
- Credit Subsidy and Admin. Costs	$30 million	$14 million	$7 million	$14 million
- Loan Guarantee Limitation	$1.258 billion	$608.6 million	$275 million	608.7 million
Brownfields Program	$25 million	$25 million	$25 million	$25 million
EZs/ECs	$90 million	$45 million	$0	$30 million

HOME *Set-Asides:* Downpayment Fund Working Cap. Fund Housing Counseling *[Total Set-Asides]* Formula Amount	$1.796 billion $0 $17 million $20 million *[$37 million]* $1.759 billion	$1.846 billion **$50 million $17 million $20 million *[$87 million]* $1.759 billion	$2.084 billion $200 million $1 million Proposed as separate program *[$201 million]* $1.883 billion	$1.95 billion $0 $1.1 million $40 million *[$41 million]* $1.909 billion
Housing Counseling			$35 million	
Homeless Assistance Grants	$1.025 billion	***$1.123 billion	$1.13 billion	$1.215 billion
Shelter Plus Care Renewals	$100 million	Included in the funding amount for the Homeless Assistance Grants.	Included in the funding amount for the Homeless Assistance Grants.	Included in the funding amount for the Homeless Assistance Grants.
HOPWA	$258 million	$277 million	$292 million	$292 million
Rural Housing & ED	$25 million	$25 million	$0	$25 million
Housing Certificate Fund	$12.9 billion	$16.3 billion	$17.5 billion	$17.4 billion
Lead Paint Assistance	$100 million	$110 million	$126 million	$201 million
Pub. Housing Capital Fund	$3 billion	$2.843 billion	$2.843 billion	$2.783 billion
Pub. Housing Operating Fund	$3.24 billion	$3.5 billion	$3.5 billion	$3.53 billion
HOPE VI	$574 million	$574 million	$574 million	$574 million
Drug Elimination Grants	$310 million	$0	$0	$0
Section 202 Elderly Housing	$779 million	$783 million	$783 million	$783 million
Section 811	$217 million	$241million	$251 million	$250.5 million