NCDA
WASHINGTON REPORT

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NCDA Region VI Annual Meeting; November 14-16, Santa Fe, NM
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FEATURED ARTICLES

- ***Status of FY 2003 Appropriations***
- ***House Marks-up FY 2003 VA-HUD-IA Appropriations Bill; HR 5605***
- ***Legislative Update: HR 3995 Is Dead; Democrats Blame Republicans***
- ***Senate Restores Important PAYGO Rule***
- ***Brownfields Update***
- ***HUD News: NCDA, NACCED, and COSDCA Meet with HUD Officials on CDBG Formula;***
- ***HUD Releases Report on Minority Homeownership***
- ***NCDA Notes: CDBG and HOME Training; NCDA Regional Meetings; 2003Annual Audrey Nelson Award Application Notice***
- ***Attachments***

STATUS OF FY 2003 APPROPRIATIONS

Yesterday, Congress passed a fifth Continuing Resolution (CR) that will expire on November 22. This longer-term CR will allow congressional members time to return home early to campaign for the upcoming November 5 elections. The House will return on November 12 and work in a lame-duck session until November 14 to try to complete as much legislation as possible and to elect its leadership for the 108th Congress. Speaker Dennis Hastert (R-IL) wants a very short lame-duck session. Responding to the media yesterday, Hastert said, “I think we can take care of appropriations and some other legislation and that’s it.” Other legislation will include the creation of a Department of Homeland Security and possibly prescription drug benefits for seniors. AARP vows to make prescription drugs an election issue.

The Senate has yet to map out its work schedule after the elections. It is very likely that the Senate will follow the House to finalize the spending bills and to come to an agreement on legislation creating a Department of Homeland Security.

So far, none of the 13 spending measures has been enacted into law. Only the FY 2003 Defense bill is ready for the President's signature and two other bills are close behind: Military Construction and Legislative Branch. However, the FY 2003 VA-HUD-Independent Agencies spending measure is moving faster than expected. The House Subcommittee on VA-HUD-IA and the House Appropriations Committee completed action on the bill last week. No date has been set to take either the House bill or the Senate bill to the respective floors for votes. A more detailed discussion of the measures is provided below.

HOUSE MARKS-UP FY 2003 VA-HUD-IA APPROPRIATIONS BILL; HR 5605

Much to everyone's surprise, the House moved forward on the FY 2003 VA-HUD-IA Appropriations bill last week. The House Subcommittee on VA-HUD-IA marked up the bill on Monday, October 7, while the Appropriations Committee completed its mark-up on Wednesday, October 9.

CDBG

Overall, HUD's programs fared well, given the current budget climate. The Committee funded HUD at $36.1 billion, an increase o f $1.8 billion from last year. We are happy to report that CDBG was funded at $5.0 billion overall, with $4.58 billion provided to formula allocations, an increase of $239 million from last year. However, the Senate Appropriations Committee approved an even higher funding level of $4.610 in formula funding for the program during its mark-up in July. We hope the Senate's numbers will prevail during the conference committee.

HOME

The House Appropriations Committee funded the HOME program at $2.221 billion, including $1.975 billion in formula funding, a $217 million increase from last year. The Committee also provided $200 million for the President's Downpayment Assistance Initiative, $25 million for housing counseling, $20 million for HOME/CHDO Technical Assistance, and $1.1 million for HUD's Working Capital Fund. The Senate Appropriations Committee provided $1.896 billion in formula funding for the HOME program. The Senate did not provide any funding for the President's Downpayment Assistance Initiative.

Homeless Assistance Programs

For HUD's homeless programs, the House provided $1.25 billion, including full renewal of the Shelter Plus Care contracts. This figure represents an increase of $127 million above last year's funding level of $1.123 billion. Included in the $1.25 billion amount is $11 million for HUD's national homeless data analysis project, $6.6 million for technical assistance, $1.5 million for the Interagency Council on the Homeless, and no less than $1.5 million for transfer to HUD's Working Capital fund. The Committee also provided $10 million for a new, two-year demonstration program to test innovative approaches and document best practices to address the needs of the homeless, coordinated by the Interagency Council on the Homeless. The Committee report also includes the following authorizing language: (1) not less than 30 percent of the funds appropriated, excluding amounts made available for renewals under the Shelter Plus Care program, must be used for permanent housing, (2) all expiring Shelter Plus Care contracts must be renewed, (3) recipients must provide a 25 percent match for social services activities, (4) all homeless programs must coordinate their programs with mainstream health, social services and employment programs, and (5) funds must be obligated within two years.

Lead-Hazard Reduction

The House provided $126 million for HUD's Lead-Hazard Reduction Program, an increase of $16 million from last year. However, the House provided no funding for the creation of a new urban lead hazard reduction program, as proposed by the Senate. The Senate proposed a funding level of $75 million for this new program. **If we want new funding for lead-based paint reduction, we must demonstrate strong support for the new program that the Senate has proposed. Please send the attached letter supporting the Senate's Urban Lead Hazard Reduction Program to the congressional members mentioned in the attachment (Walsh, Mollohan, Mikulski, and Bond). These four members will sit on the conference committee, which will decide the final funding for HUD's programs.** ***WITHOUT YOUR LETTERS AND PHONE CALLS, THIS PROGRAM WILL NOT BE ENACTED. PLEASE ACT TODAY TO ENSURE THAT THIS PROGRAM IS FUNDED.***

Other Program Areas

The House funded HUD's Housing Certificate Fund at $18.4 billion. Of this amount, $14.6 billion is provided for the renewal of expiring project- and tenant-based Section 8 contracts. The House is gravely concerned about the under-utilization of Section 8 vouchers by some PHAs and will only provide the amount of renewal funding needed, as reflected in the PHAs' financial statements. The Committee also approved a $280 million reserve fund for HUD to use, if PHAs require additional renewal funding for leased units not reflected in their financial statements. The Committee approved $234 million for tenant-based vouchers for tenants who lose project-based assistance. The Committee also approved $36 million for voucher assistance to non-elderly, disabled residents who are affected by the designation of public and assisted housing as "elderly-only."

For the Public Housing Capital Fund the Committee provided $2.84 billion, the same amount as in FY 2002. The

Committee funded HUD's Public Housing Operating Fund at $3.6 billion, an increase of $105 million above last year's level. The HOPE VI program is funded at $574 million.

Additionally, the Committee funded the Housing Opportunities for Persons with AIDS (HOPWA) program at $292 million, an increase of $14.5 million from last year. HUD's Section 202 program (housing for the elderly) was funded at $841 million, $58 million above the FY 2002 level. The Section 811 program (housing for the disabled) was funded at $259 million, $18 million above last year's level. Round II of the Urban Empowerment Zones and Enterprise Communities program received $30 million, $15 million below last year. The Brownfields Redevelopment program received $25 million, the same level as last year. The Committee also provided $25 million for the Rural Housing and Economic Development program, the same level as provided in FY 2002, even though the President requested that this program be eliminated.

LEGISLATIVE UPDATE: HR 3995 IS DEAD; DEMOCRATS BLAME REPUBLICANS

HR 3995, The Housing Affordability for America Act of 2002, is officially dead, according to all reports. Introduced in March 2002 by Rep. Marge Roukema (R-NJ), HR 3995 was a large omnibus bill that included changes to existing housing policy and the development of new programs. Perhaps the most contentious section of the bill was Title I, which originally included language drafted by NCDA, NACCED, and NACo to create a separate housing production, preservation, and rehabilitation component within the existing HOME program. This program was later replaced by a National Housing Trust Fund during Subcommittee mark-up of the bill, which was in turn replaced by a matching grant program for State and local housing trust funds during the full committee mark-up. There was never full consensus on any of the three proposals.

Some Democrats have blasted the Republican leadership for not bringing the bill to the floor for a vote, claiming that Republicans were worried that Rep. Sanders' (I-VT) proposed National Housing Trust Fund amendment would have passed, if offered on the House floor. Republicans, on the other hand, blame the bill's demise on lack of support by the appropriators. Rep. Michael Oxley (R-OH), Chair of the House Financial Services Committee, said that consensus was never reached with appropriators on funding for some portions of the bill.

Besides Title I, the bill included many sections aimed at increasing the homeownership rate. It would have created a new downpayment assistance program to help teachers and law enforcement officials purchase homes in the community where they worked. Expanding on that theme, the bill authorized a three-year demonstration program to assist law enforcement officials purchase homes in "high crime" areas without a downpayment. In addition to initiatives to increase homeownership, the bill would have authorized full funding of HUD's Shelter Plus Care renewals, created a new Office of Housing Counseling within HUD, and provided PHAs with greater flexibility.

Rep. Roukema had hoped to have the bill enacted before she retires at the end of this term. Sadly, it will not be enacted, and may not be introduced again next year. Ms. Roukema was instrumental in creating the HOME program in the early 1990's. Her advocacy will be greatly missed.

SENATE RESTORES IMPORTANT PAYGO RULE

As of October 1, 2002, an important Senate budget rule came to an end: the pay-as-you-go rule (PAYGO). Now, the Senate, lead by Budget Chairman Kent Conrad (D-ND) and Pete Domenici (R-NM), ranking member of the Budget Committee, have revived this important budget enforcement tool. The Senate passed a measure yesterday to reimpose the Senate's PAYGO rule and other rules that effectively require 60 votes for provisions that would increase the deficit through mandatory spending or tax cuts. Because Congress did not adopt a fiscal 2003 budget resolution, no procedural limits are in place on bills reported by the Appropriations committee. The PAYGO rule would require any new spending to be offset by cuts to other programs.

Both Conrad and Domenici, and many other members of the Senate, view this measure as an important enforcement mechanism against increased tax cuts and spending. In a recent statement, Conrad said, "...We cannot afford to throw fiscal discipline out the window. These enforcement tools are even more important now, as we face the threat of war, growing deficits caused in part by the exploding cost of last year's tax cut, and the looming retirement of the baby boom generation." The PAYGO rule has been in place since the 1990 Budget Enforcement Act, but lapsed on October 1. During the Clinton Administration, PAYGO helped to rid the country of the deficit, which is now skyrocketing again under the Bush Administration. Conrad would like to see this provision extended for five years, instead of one, be applied to the House, and include a discretionary spending cap of $768 billion for FY 2003. He and several other Senators tried to get these recommendations passed as part of an overall budget resolution in June, but were defeated by just one vote. Opposition from the Bush Administration and many Republican senators preclude a more comprehensive package of budget enforcement tools, so Conrad and Domenici pushed this more streamlined resolution forward. To appease Senator Phil Gramm (R-TX), who opposes PAYGO because he says it favors increasing appropriations over increasing tax cuts, the Senate agreed to shorten the life span of the measure to April 15, 2003, instead of September 30, 2003. Since Gramm is retiring at the end of this term, the Senate will likely agree to extend the time limit of the measure during the next session of Congress.

HOUSE VA/HUD APPROPRIATIONS BILL LEAVES

OUT IMPORTANT BROWNFIELDS LANGUAGE

Language inserted into the Senate's FY 2003 VA/HUD Appropriations Act (S 2797) that would decouple the Brownfields Economic Development Initiative (BEDI) program from the Section 108 Loan Guarantee program was left out of its House counterpart. Both bills would authorize $25 million in grants for brownfields redevelopment grants, but S 2797 contains the following additional language: "[N]otwithstanding section 108(q) of the Housing and Community Development Act of 1974, recipients of funding made available under this heading may, at the discretion of the Secretary, also apply for funding under section 108." This would effectively allow HUD to provide grant money to communities under the BEDI program without requiring those communities to first secure a Section 108 loan guarantee. This change would allow communities with brownfields redevelopment needs to compete for funding without first pledging future CDBG funds as collateral for Section 108 loan guarantees they might not actually want or need.

The omission of the decoupling language is significant since legislation that would have codified the change has stalled in both houses. HR 2941 passed the House in June, but the Senate Banking, Housing, and Urban Affairs committee has yet to take any action on the bill. We have received reports that Chairman Sarbanes (D-MD) believes that too few communities have expressed support for the measure for it to deserve the committee's attention. The closest thing to a companion bill, Senator Levin's (D-MI) S 1078, seems to have suffered an identical fate in the same committee.

HUD NEWS

NCDA, NACCED, AND COSCDA MEET WITH HUD ON CDBG FORMULA STUDY

Yesterday, staff from NCDA, NACCED, and COSCDA met with HUD's CPD officials to discuss, the progress of HUD's CDBG formula study, and other issues related to the CDBG program and the FY 2003 program year. The following issues were discussed:

1. **Timing of the release of the remaining 2000 census data related to area benefit, when will block group data become available?**

2. **Impact of the data on ConPlans /Action Plans and CDBG timeliness;**

3. **Progress on HUD's CDBG formula study and the Interest group role therein;**

4. **Collecting performance data on the Section 108 Program; and**
5. **No CDBG TA funds in either House or Senate Bill.**

Area Benefit Census Data Release Date

According to HUD, this data will become available by March 2003. The delay is related to the number of programs that are impacted by these figures. The entire department uses this data in certain ways. The method in which CPD uses this data requires a lot work, people and time. The files are huge, with over 360,000 block groups, census tracks, and places across the country to configure.

The issue of timing of the release of this data relates to grantee program years and how it will impact areas that were low-mod and may not be low-mod with the new data. HUD is working on a policy that will most likely allow grantees to proceed with funding projects in a similar manner as was done in the past.

New Census Data and its Impact on Action Plans and Timeliness

According to the folks at CPD, in the event that a grantee must virtually completely reprogram all of its funding because the new census data indicates that where it wants to spend a large part of its CDBG funds, then special allowances will be made. However, these will be done on a case- by-case basis. This scenario is expected to be very rare.

Progress on HUD's CDBG Formula Study and the Interest Group Role

All indications suggest that HUD is moving along rather quickly in analyzing the formula factors from an academic perspective, which will try to discern whether the current formula is working as it was intended. It appears that all the factors, both formulas and the relevant political ramifications will be considered. HUD hopes to have the study completed some time in February. The interest group community has been invited to provide HUD with suggestions on how the formula should be changed, if at all, and other factors to consider in determining a funding distribution based on some level of need within metropolitan cities, urban counties and small cities.

The underlying them of the entire discussion is that whatever is done to the formula should ensure that the CDBG program remains the flexible source of community development funding that can maintain and perhaps increase its broad-based support. Any formula changes or policies within the CDBG program should not be based on individual community concerns, but what makes sense for the nation overall. NCDA indicated that its formula committee would provide input within a few weeks.

Collecting Performance Data on the Section 108 Program

HUD is in the process of issuing a policy memorandum that will detail how grantees are to collect and report performance data on their Section 108 loans. HUD Headquarters was under the assumption that field offices were collecting this data from grantees through the CAPER. It appears that this was not the case. This memo will be out shortly and grantees will be given a time-frame on when to begin putting this information into the IDIS.

According to HUD, the 108 program is undergoing renewed vigor and is funding a lot of large-scale housing projects. This data is very useful in requesting more budget authority for the program from Congress.

No CDBG TA funds in either House or Senate Bill

In the September 20th issue of *The Washington Report* we reported that the President had requested approximately three percent, or $13 million for CDBG technical assistance. In both appropriations bills, neither the House nor the Senate chose to honor this request. The program has not been provided technical assistance funds for several years. Technical assistance funds are important to providing training, workshops, and other activities to practitioners on the CDBG program. **We ask that you contact your congressional member to seek funding for CDBG TA.**

HUD RELEASES REPORT ON MINORITY HOMEOWNERSHIP

On October 15, HUD released "Economic Benefits of Increasing Minority Homeownership," a white paper detailing the economic benefits that the Administration claims would result from meeting the President's goal of increasing minority homeownership by 5.5 million by the end of the decade. The Administration also unveiled the "Blueprint for the American Dream," a report laying out a strategy for meeting that goal formulated by HUD in conjunction with partners from the real estate and mortgage finance industry, affordable housing groups, and advocacy organizations. President Bush delivered a speech that same day calling for the creation of new homeownership opportunities for minorities.

While more than 74 percent of all white American families own their homes, only 48.5 percent of minority families are homeowners. In his speech, the President said, "That's a homeownership gap. It's a gap that we've got to work together to close, for the good of the country, for the sake of a more hopeful future." Although the minority homeownership rate has grown by about six percentage points since 1994, the reduction in the homeownership gap was somewhat smaller than the increase in the minority rates of homeownership since the non-minority homeownership rate also increased.

The white paper identifies $256 billion "potential economic benefits to the [the] housing sector" that would result from 5.5 million new minority homebuyers. The Administration projects that the initiative would result in the construction of 1.936 million additional new single-family housing units, which would generate 4.09 million full time job equivalents in construction and construction-related industries, "many of which will be at high pay levels," representing over $150 billion in new wages. The white paper also details $36 billion in additional economic benefits that would accrue to businesses that sell home improvement and other housing-related goods. Also detailed are $80 billion in first-year federal, state, and local tax revenues generated by new construction needs. Finally, the white paper examines other private and public benefits of homeownership, including the accumulation of equity, positive impacts on children, higher levels of housing maintenance, increased satisfaction with neighborhoods, and higher levels of community involvement.

Interestingly, the white paper released by HUD makes no mention of the affordable housing crisis facing the nation. The only reason given for adding 5.5 million minority homeowners is that such an action will "help to close the homeownership gap and as well as [sic] bring substantial economic and other benefits to the new homeowners." In fact, the white paper concludes that the minority homeownership initiative will result in a "reduced need for construction of rental housing." According to the document, "the shift from rental to owner housing by minorities will reduce the need for rental housing construction by 198,000 units a year." It is almost as if the Administration believes that the initiative, if successful, will give it an excuse *not* to develop an affordable housing strategy that includes rental housing construction. Increasing minority homeownership is an admirable goal, and the Administration is right to pursue it, but the President's approach to housing looks and feels like a single piece of a multi-pronged strategy masquerading as a comprehensive policy.

Democrats criticized the President's speech, arguing that the Republican leadership has blocked the only piece of affordable housing legislation (HR 3995) with any real chance of moving in the waning months of the 107th Congress. Rep. Barney Frank (D-MA), who will be the senior Democrat on the Financial Services Committee in the 108th Congress, called Bush's commitment to housing "long on rhetoric and short on action." Democrats have pointed out that the cornerstone of Bush's policy is a $200 million set-aside within the HOME program for downpayment assistance (already a HOME-eligible activity), while HR 3995 would have authorized $12.6 billion in funding for housing programs, including $1.1 billion over five years for rehabilitation and construction of rental housing for low-income families.

NCDA NOTES

CDBG TRAINING

- NCDA ***MAY*** hold a *CDBG Basics: Training for Practitioners* Course in Daytona Beach, FL on December 4-6, 2002, *IF* there is sufficient interest. We must receive at least 35 registrants by November 1, 2002, to do the training. Presently we have 16 people registered. Please contact Emory Counts for more information at: 386-671-8051.

HOME TRAINING

- NCDA will hold a one day *Advanced HOME Training* at the Region VI Conference in Santa Fe, NM at the La Fonda Hotel on the Plaza on November14, from 9:00 a.m. to 4:00 p.m, and *HOME*

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

ATTACHMENTS

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

- **Audrey Nelson Community Development Award Application**
- **Lead-based Paint Letter**
- **House and Senate VA, HUD, and IA Subcommittee Members**

FY 2003 HUD PROGRAM FUNDING

Program	FY 2002 Enacted	FY 2003 President's Request	FY 2003 House Bill - H.R. 5605	FY 2003 Senate Bill - S. 2797
Community Dev Fund (CDBG)	$5.0 billion	$4.732 billion	$5.0 billion	$5.050 billion
Set-asides:				
Indian Block Grant	$70 million	$73 million	$70 million	$72.5 million
Housing Asst. Council	$3 million	$3 million	$3.3 million	$3.3 million
Nat. Am. Indian Council	$3 million	$2 million	$2.2 million	$2.6 million
Tribal Colleges/Univ.	$3 million	$3 million	0	[$3 million]
Girl Scouts of America	0	0	0	$2 million
Boys and Girls Clubs	0	0	0	$2 million
Capacity Building-NCDI	$29 million	$30 million	$29.5 million	
Insular Areas	0	$7 million	$33.5 million	$35.5 million
Section 107	$43 million	$39 million	$39.5 million	$45.5 million
Technical Assistance	0	$3 million	0	0
EDI Spec. Purpose Grts.	$294 million	0	$144.6 million	$140 million
Youthbuild	$65 million	$65 million	$65 million	$65 million
Neighborhood Init. Demo.	$42	0	$23.4 million	$40 million
Resident Opport. (ROSS)	0	$55 million	0	0
Self Help Housing	$22 million	$65 million	$28.5 million	$22 million
Habit for Humanity	[$4 million]	[$5 million]	[$ 4.5 million]	[$4 million]
National Hous. Dev.	$5 million	0	$5 million	0
National La Raza.	$5 million	0	$5 million	0
Hawaii Homeland	$10 million	0	[$9.6 million]	0
Working Capital Fund	$14 million	$3 million	$3.4 million	$3.4 million
Colonias Gateway Init.	0	$16 million	0	0
Section 108 Credit Limit	{$609 million}	{$275 million}	{275 million}	{$609 million}
Total Set-asides	$659 million	$303 million	$300.9 million	440 million
Net Formula Allocation	***$4.341 billion***	***$4.429 billion***	***$4.577 billion***	***$4.610 billion***
Section 108 Loan Guarantee Operating	$15 million	$7 million	$6.325 million	$14 million
HOME	$1.846 billion	$2.084 billion	$2.221 billion	$1.95 billion
Set-asides:				
Downpayment Assist.	$50 million	$200 million	$200 million	0
Housing Counseling	$20 million	0	$25 million	$40 million
Information Systems	$17 million	$1 million	$1.10 million	$1.10 million
TA	$12 million	$12 million	$20 million	$12 million
Total Set-asides	$87 million	$213 million	$246.1 million	$53.10 million
Net Formula Allocation	***$1.747 billion***	***$1.871 billion***	***$1.975 billion***	***$1.896 billion***
Homeless grants	$1.123 billion	$1.130 billion	$1.250 billion	$1.215 billion
Set-asides	$ 119 million	$ 7 million	$ 223 million	$ 199 million
Total Homeless Grants	***$1.00 billion***	***$1.123 billion.***	***$1.027 billion***	***$1.016 billion***
Housing Certificate Fund	$15.641 billion	$17.527 billion	$16.586 billion	$17.412 billion
Brownfields	$25 million	$25 million	$25 million	$25 million
Smart Growth	0	$25 million	0	0

Program	FY 2002 Enacted	FY 2003 President's Request	FY 2003 House Bill - H.R. 5605	FY 2003 Senate Bill - S. 2797
HOPWA	$277 million	$292 million	$292 million	$292 million
Rural Housing and Economic Dev.	$25 million	0	$25 million	25 million
Public Housing Capital Fund	$2.843 billion	$2.843 billion	$2.843 billion	$2.783 billion
Public Housing Operating Fund	$3.5 billion	$3.530 billion	$3.6 billion	$3.530 billion
HOPE VI	$574 million	$574 million	$574 million	$574 million
Section 202 Elderly	$783 million	$783 million	$850 million	$779 million
Section 811 Disabled	$241 million	$251 million	$259 million	$250 million
Lead Hazard Control	$110 million	$126 million	$126 million	$201 million
EZ/EC	$45 million	0	$30 million	$ 30 million

[ ] included in NCDI amount