NCDA COMMUNITY DEVELOPMENT COMMITTEE

2004/2005 Legislative and Regulatory Priorities

I. APPROPRIATIONS

- The Community Development Committee seeks a minimum of $5 billion in formula funding, with a cap of a maximum of 10% of the total allocation for set-asides and Congressional earmarks for FY 2005 CDBG appropriations.

- The Committee supports the continuation of the Section 108 Loan Guarantee Program at its current funding level and loan authority

- The Committee supports the use of CDBG funds for Technical Assistance, however, with the number of new entitlement communities and turn over a the local level, the amount of technical assistance for the CDBG program should be increased to a minimum of $5 million.

II. LEGISLATIVE

- The Committee recommends the continued advocacy for CDBG Technical Assistance as a statutory requirement with a minimum annual allocation of 1% of the total CDBG allocation. In FY 2004, that amount would be approximately $4.90 million.

- The Committee recommends the support of state and local laws regarding Predatory Lending. The federal government should refrain from interfering in the actions of states and local governments when state and local law is more strict than federal law.

- The Committee recommends that in reviewing the CDBG formula, that serious consideration should be given to an analysis of the 70/30 split between the entitlement amount and the state/small cites amount, and/or a minimum population threshold or minimum dollar award for new entitlement communities.

III. REGULATORY

- **Statement on the Support of the Removal of Regulatory Barriers to Affordable Housing.** The Community Development Committee supports the removal of regulatory barriers, both federal and local, that prevent the construction or rehabilitation of affordable housing. However, the creation or rehabilitation of affordable housing is a local issue, which should be addressed locally, with federal support.

- **Statement on the Support of the Current Regulations Regarding CRA Requirements.** The Community Development Committee does not support a proposed rule to raise the $250 million to $500 million asset threshold for banks considered “small” under the CRA regulations. Raise the threshold to $500 million would exempt approximately 90% of U.S. the banks from CRA requirements.

NCDA COMMUNITY DEVELOPMENT COMMITTEE MEETING MINUTES
Friday, January 23, 200– 9:00 – 10:30 a.m.
Washington, DC

A. ROLL CALL AND APPROVAL OF THE MINUTES FROM THE JUNE 26, 2003 MEETING.

Committee Chairs Ellen Lee from New Orleans and Anne Price from Seattle, Washington called the meeting to order, and recognized all those in attendance. A call for a motion for the approval of the Minutes from Committee Meeting held in conjunction with the 2003 Winter Meeting was made and seconded, with all in favor, the motion passed.

B. LEGISLATIVE UPDATE

NCDA Committee staff Chandra Western provided the legislative briefing on those issues pertaining to the CD Committee.

FY 04 Appropriations. Chandra informed the committee that the FY 2003 Omnibus Appropriations bill had been passed by the Senate on January 22nd, and remained the same as the previously approved House Conference Report. The CDBG program received $4.356 minus approximately $25.7 million after the .59 percent across-the-board cut, the formula funding will be $4.330 billion which is about 6 million less than 2003. The same scenario held this year that were realized last year, but to a greater extent. The increases that we thought the program would receive were obliterated by the across- the-board budget cut. This cut and the additional census data and new entitlement communities included in the formula has caused many communities to lose funding. The planning estimates that members NCDA has already provided will be the final allocations for FY 2004.

FY 05 Budget. Chandra briefly discussed what NCDA has heard about the President's FY 05 Budget, which wasn't much. All indications point to lower domestic spending and increased spending for NASA and defense. The President has said that the US will return to the moon and then proceed with a manned mission to Mars. The NASA budget comes from the same subcommittee as HUD's. Senator Barbara Mikulski of Maryland, is the ranking democrat on that subcommittee which is home to the Goddard Space Center. She will push for the extra funding for NASA. We will have a big fight to get level funding for HUD programs, much less any increases.

C. REGULATORY ISSUES

Chandra reported on a couple of items on the regulatory side that would be problematic for members; 1) Proposed changes to CRA which would lower the number of banks that would fall under the rigor of CRA review and 2) HUD's proposed rule on reducing regulatory barriers to affordable housing.

CRA: The proposed rule, which has not been released yet would raise the threshold of small banks to $500 million in assets and would limit the review of approximately 1350 banks for the more rigorous CRA requirements. This is bad because most of the financially friendly institutions are smaller banks. This would lead to less involvement from these banks in providing services to local rehab programs, restrict the availability of mortgages which would limit the number of lower income persons from realizing the American Dream of homeownership. Chandra said that this type of rule flies in the face of the President's push of greater homeownership for minorities and lower income persons. She said that NCDA was working with other interest groups to send a letter to the President requesting that this rule should be suspended. The letter was in the conference packet.

Regulatory Barriers to Affordable Housing. Chandra told the group that HUD had issued proposed rules that would require all grantees that sent in applications for funding under the super NOFA that points would be given to applications that showed how the locality was or had reduced barriers to affordable housing.   She said that this approach was out of line, because it could cause the loss of programs and services to the very people the that HUD claimed it wanted to serve.   Taking away points for technical assistance would help those "NIMBY" groups get exactly what they wanted, no affordable housing or programs.   Chandra said that NCDA was working with other groups to send a response to the proposed rule. The response letter was in the packets.

D. PROGRAMMATIC ISSUES

1. **The Consolidated Plan Streamlining Initiative:** Jeff Falcusan provided an update. The final draft report: "Ideas for Streamlining and making the Consolidated Planning Process More Useful and Results Oriented" was released and included a list of recommended suggestions, that if implemented would actually simplify the process. Most of the proposed changes could be accomplished through a regulations change instead of requiring a change to the various statutes that govern the four formula programs.   Jeff's update is attached to the minutes.

2. **CDBG Formula Study.**   The CDBG formula study will be released in February or March. The President's budget will include some recommendations on changes to the CDBG formula. From what we have heard, all the changes will be statutory and would require Congressional action. According to Clinton Jones, Congressional Staff on the Authorizing side, Congress would not likely entertain entering into a formula fight during an election year.

3. **Legislative and Regulatory Priorities.**

   Chandra provided the group of legislative and regulatory issues that NCDA and the Committee would pursue during the year. The committee voted to accept the priorities with an additional priority that would include language to address the 70/30 split within the CDBG program or consider a minimum population or dollar value threshold for entitlement community entry into the program.   See attached priorities list

4. Charles Bein from HUD's Environmental Office spoke on an issue that will cause members difficulty when addressing multi-funding sources and commitment of federal

funds in projects. It appears that there is a peculiar "glitch" in the interpretation of NEPA. When a community makes a commitment of CDBG or any federal funds, the environmental review must have already been completed. The term "commitment" means that a project will take place, so therefore the environmental review must have been completed.. This is a problem, because of the meaning of "commitment." CDBG grantees have been using terms, such as "obligated" "conditional commitment" to final approval as a way to determine a process of getting other funding, providing conditional approval of a project and so. This new interpretation of the NEPA requirements would virtually require a subrecipient to have already completed the environmental review upon submission of the application, without any guarantee of federal funding. Obviously, this is a problem and would limit the number of potentially good projects because of the added expense of conducting an environmental review for a project that may not be funded. NCDA will be working very diligently to get a "fix" on the interpretation.

E. ASSOCIATION ISSUES, TRAINING NEEDS AND TECHNICAL ASSISTANCE

1. **CDBG Managers Course**. Chandra told the group that the Community Development Managers course will be rolled out, however the Board of Directors had instructed NCDA staff to put the course on hold until we review the budget. Chandra told the group that we were still working with Consultant Becky Christensen and that we are at a point to begin gathering materials. She said that there needed to be a pilot and that it has been discussed that we would use one of the region meetings for the roll out, in much the same way we did for the CDBG Basics course. More information would be provided at the Annual Conference in May.

E. DISCUSSION

1. **OMB's reclassification of MSA: 71 new entitlement communities with approximately $44 million in CDBG funds to these communities.** Some interest groups are seriously considering pushing for a CDBG formula change that would include a population minimum for entitlement communities, and/or a minimum dollar threshold, similar to that for PJ's in HOME program. What does the Committee think of this issue?

   Chandra asked the group to provide her with their ideas on how NCDA should proceed with this issue. She requested that members e-mail her comments and that the CD Committee Chairs would summarize comments and get them back to the committee.

F. ADJOURN

As there was no other business or time to consider any other business, the meeting was adjourned.