National Community Development Association
Minutes of the January 22, 2004 Housing Committee Meeting
Hyatt Regency on Capitol Hill – Washington, D.C.

The meeting was chaired by Bob Gehret (Boston, MA) and Steve Nasby (Iowa City, IA). The meeting was called to order at 10:40 a.m. The committee accepted and approved the minutes of the June 25, 2003 housing committee meeting in Washington, D.C.

Vicki Watson provided the committee with a written legislative and regulatory update that included an overview of the upcoming budget and appropriations process as well as a new rule on the Uniform Relocation Act and other items. With a panel of six speakers, the chairs moved quickly to begin the meeting. The first speaker, Bob Meehan, provided a quick overview of the effect of the new Metropolitan Statistical Areas definition on the HOME program and HUD's homeless assistance programs. Bob told the committee that the changes were minor and to check the CPD website at www.hud.gov/offices/cpd for estimates of their FY2004 HOME and ESG formula allocations. They are estimates at this point because Congress has not approved the FY2004 omnibus appropriations measure.

Next, David Vos, Director of HUD's Office of HIV/AIDs, provided the group with an update on changes to the HOPWA program. David told the committee that the FY2004 HOPWA allocation will be affected by updated AIDS data, the use of new definitions for metropolitan statistical areas, and their population. Because of these factors, some grantees will see significant changes in their allocation, while others will not receive funding at all, and some communities will receive funding for the first time. There are six new grantees to the program this year: Bridgeport, CT; Augusta, GA; Gaithersburg, MD; Cambridge, MA; Worcester, MA; Warren, MI; Jackson, MS; Camden, NJ; and Poughkeepsie, NY; along with the States of Iowa and Maryland. The HOPWA website can provide you with an estimate of your allocation. The website is located at www.hud.gov/offices/cpd/aidshousing/programs/formula

Deborah Hernandez, Director of HUD's Section 8 Voucher Program, provided an update on the program. Deborah told the committee that Congress added language to the FY04 spending bill for HUD to allow the Section 8 program to fund only those vouchers that were under lease. Historically, the program has had excess funds at the end of each year, which Congress has used to offset other costs in the budget. However, Congress wants a tighter accounting of the funding of the Section 8 program, so will only provide funding to cover those units currently with a lease. Deborah also told the committee that local community development agencies should consider working with their local public housing authorities on joint projects, since up to 20% of a PHA's Section 8 tenant-based vouchers in any year can be used for project-based vouchers. This resource could be used to partially subsidize affordable rental housing projects being developed by the local government. In regards to project-based vouchers, HUD will release a new rule on the program very soon. The rule is now at the Office of Management and Budget (OMB) for clearance. Finally, Deborah told the committee to expect more reforms to the Section 8 program this year. Both the Administration and Congress want tighter controls on the program to control escalating costs in the program which stem from more Section 8 contracts expiring annually as well as higher fair market rents.

Stan Galik, Program Manager with HUD's Office of Healthy Homes and Lead Hazard Control, gave a great power point presentation on the Lead Hazard Control Grant Program and the Lead Hazard

Reduction Demonstration Program. Stan told the committee that there will be $95 million available for the Lead Hazard Control Grant Program in FY04 and $50 million for the Lead Hazard Reduction Demonstration Program. Stan told the committee that his office is still in the process of developing the FY04 NOFA for these two programs. The NOFA will be included as part of the SuperNOFA and will be published later this Spring.

Stan told the committee that since FY1993, $847 million has been awarded to 312 grants in the Lead Hazard Control Grant Program. Grants have been made in 38 states and the District of Columbia. Over 80,000 housing units have been assisted with the funds. For the FY2003 funding, HUD placed increased emphasis on grantee performance; establishing benchmarks in completing major tasks for new grantees and placing a great deal of emphasis on past performance of renewal grantees (e.g., accomplishing major goals, drawing down funds). Stan provided the committee with a list of "tips for success" in applying for funds under the two programs this year. They are as follows:

(1) Read the NOFA *very carefully* and understand fully its requirements.
(2) Review other related material (e.g., Title X, etc.)
(3) If you were previously denied funding, request a debriefing from HUD. The debriefing explains exactly what you need to improve upon in the next application.
(4) Contact previous successful applicants and ask them their "tips" for success.
(5) Respond to the specific rating factor criteria and requirements.
(6) Prepare your application according to the instructions (use checklist and submission Table of Contents to ensure your application packet is complete). One minor item, will keep you from receiving funding.
(7) *Most importantly, write your application with the assumption that the HUD reviewers know nothing about your program.* Be descriptive and complete. Many applicants leave important items out of their application and assume that the reviewers already know their program.

Next, Mimi Kolesar, Director of the Office of Affordable Housing Programs, provided the committee with an update on the newly enacted American Dream Downpayment Program. Mimi told the committee that over 400 HOME participating jurisdictions will receive funding under the new program. The estimates are posted on HUD's website at www.hud.gov/offices/cpd Congress provided funding for the program in FY03 and FY04 with differing requirements, so the funding will be allocated separately. For FY03 funding, the formula allocation is based on the need for and prior commitment to assistance to homebuyers, while the formula allocation for the FY04 funding is based on need by state then by the local participating jurisdiction. Congress set a minimum allocation threshold for the FY04; requiring that jurisdictions have a population of at least 150,000 persons or receive at least an allocation of $50,000 under the formula in order to be qualified under the program allocation. Congress provided no adminstrative funds for the program; however, Mimi told the committee that the FY03 program allowed a 10% admin. fee because it followed the HOME program, so HUD will allow participating jurisdictions to take 10% off of the top of their FY03 allocation for administrative costs. Still, there will be no administrative funds for FY04 and beyond. Like NCDA, HUD would like to see administrative funds provided for the program. We will work to try to have the funds incorporated this year. Please see the attached hand-out, provided by Mimi, for further differences in the program. HUD is working on the regulations for the program and Mimi told the committee that they will mirror the HOME program as closely as possible. The rule will be sent to OMB next week and then to the Hill, once OMB approves them. She thinks the proposed rule will be ready in late March for publication in the Federal Register.

Finally, Mimi told the committee that a list of questions and answers to the program have been posted to the CPD web site at www.hud.gov/offices/cpd If you need a specific question answered on the program, please send your question to oahp@hud.gov and cc your field office in the e-mail.

Finally, Ginny Sardone, Director of the Policy Division within HUD's Office of Affordable Housing Programs, provided an overview of HUD's position on the issue of repayment of funds in instances where a HOME-assisted property defaults prior to the completion of the affordability period. This has been a contentious issue ever since HUD released its June 2003 *HOMEFires* on the subject. At this point, HUD is willing to provide some relief to homebuyer units assisted with HOME, but feels less inclined to assist rental projects assisted with HOME because these types of projects should have monitoring standards and asset-management practices in place. Ginny told the committee that HUD will is willing to provide the following relief to participating jurisdictions on this issue: (1) Grant waivers to participating jurisdictions that amend their recapture provisions in their written agreements to show "no net proceeds" and amend their consolidated plan and submit it to HUD. This is a waiver to forgive any repayment in the past. (2) Develop an interim rule to make some changes to the HOME program regulations, such as allowing participating jurisdictions to use more HOME funds towards a project that appears to be going into default. (3) HUD is in the process of developing guidance on what constitutes "due diligence" on the part of the participating jurisdiction. (4) Finally, HUD is putting together a team of consultants to help participating jurisdictions to restructure projects that are going into default.

One committee member asked Ginny, "what happens if a homebuyer becomes non-compliant during the affordability period (e.g., moves out of the home), does the pj have to repay the HOME funds invested in the project?" Ginny answered "yes" to that question. With the committee going over its allotted time, the chairs moved quickly to finish the meeting. Committee members were asked to wait until after the committee meeting to ask Mimi and Ginny further questions.

The committee then approved a list of legislative and regulatory priorities for NCDA housing staff to work on in the coming year. A motion was made by Greg Hoover (Grand Forks, ND) to approve the priorities and forward them to the Board of Directors for approval, Vicki Covey (Amarillo, TX) seconded the motion. The motion passed unanimously. A copy of the priorities have been attached.

There being no further business, the meeting adjourned at 12:30 p.m.