

September 7, 2004

Regulation Division
Department of Housing and Urban Development
Office of the General Counsel
451 Seventh Street – Room 10276
Washington, DC 20410-00500

To Whom It May Concern:

**RE: Community Development Block Grant Program Revision of
CDBG Eligibility and National Objection Regulation**

**TITLE: NCDA's Comments on HUD's Proposed Changes to the Slum and Blight
National Objective Rule**

The following summarizes comments received from members of the National Community Development Association on the above mentioned proposed rule that would expand the “slums or blight” national objective criteria within the CDBG program. These would include known and suspected environmental contamination, as well as economic disinvestment, and blighting influences. The proposed rule would require grantees to establish definitions of blighting influences and to retain records as such. The rule also increases to the required number of dilapidated buildings to 33% within the designated slum and blighted area. In addition, an area slums and blight definition would be required to be redetermined every five years for continued qualification under this national objective.

The proposed rule would also include the abatement of asbestos hazards and lead-based paint hazard evaluation and reduction as eligible rehabilitation activities under the slums and blight national objective. And lastly, the proposed rule would require that acquisition or relocation activities must be a precursor to other activities which eliminate specific conditions of blight or physical decay when addressing slums and blight on a spot basis.

NCDA Supports Expansion of the definition of “slums and blight.”

The National Community Development Association (NCDA) applauds HUD in recognizing that blighting conditions are much more than the traditional and most obvious dilapidated and deteriorating buildings, and crumbling streets and sidewalks. The Association supports the expanded definition, particularly in the area of asbestos removal, lead paint hazards amelioration, and the remediation of other, more toxic environmental contaminations such as brownfields. Many of these blighting conditions are the main reasons for the infrastructure deterioration, economic disinvestment, chronic turnover and high vacancy rates in a “slum/blight” area. The expansion of the definition of what constitutes a “blighting influence” will make it easier for grantees to undertake the process of determining an area blighted, which enables the use of CDBG funds as a catalyst to support other public and private investment in the area.

NCDA also supports allowing studies to determine levels of contaminants as well as the method for remediation to be eligible under this activity. Confirming that studies and assessments are eligible project delivery costs will take a huge financial burden off of already shrinking administrative and planning dollars, if grantees have not been aware that this was the case.

Lastly, on the issue of expanded activities, we support the wisdom of clarifying and standardizing these activities and making it clear that they would be eligible under all the CDBG programs including the Section 108 Loan Guarantee Program.

NCDA Opposes the Increase to 33% of Dilapidated Buildings in the Slum and Blighted Area

It is counter productive to provide an expanded definition of blighting influences and at the same time increasing the number of dilapidated buildings to qualify for “slum and blight” status. The current requirement of 25 % is adequate and in most cases manageable– in a targeted approach to redevelopment.

NCDA Opposes the Reclassification of a Slum Blight Area Every Five Years

NCDA does not support the proposed requirement to reclassify a designated slum and blight area every five years. Most states have time limits on designated blighted areas and these limits far exceed the five-year period that HUD proposes. Commenters indicated that 20 to 40 years is not an uncommon limit on the classification of a blighted area. Currently, the CDBG program allows for slum and blight designation in still active urban renewal areas, which have been around for more than 40 years.

Commenters also noted that there are many reasons for an area to become blighted, which HUD has already considered in its proposed expanded definition such as; abandonment of properties, chronic high turnover rates or chronic high vacancy rates in occupancy of commercial or industrial buildings, significant decline in property values or abnormally low property values relative to other areas in the community, and known or suspected environmental contamination of properties which make it all the more difficult to revitalize these areas. It often takes years to determine and remediate brownfield contaminated sites. And, as long as it takes for grantees to address environmental contamination, it takes even more time to secure funding. One, two or even three CDBG funding cycles, in many cases, is not enough time to undertake the restoration and lease-up of one property, let alone complete an entire area. It requires time and money, often from many funding sources, to complete, and five years seems to be an unreasonably short amount of time.

Since the classification of a “blighted area” is derived from state law, HUD should also use state law in determining how often a ‘blighted area’ requires reassessment and subsequently, reclassification.

Conclusion

In general, NCDA supports the flexibility and expansion of the definition of the “slum and blight” national objective. This proposed rule accomplishes two positive outcomes: it allows grantees more flexibility in qualifying areas as blighted based on expanded definitions that allow for more activities to be classified as blighting influences, and allows grantees to undertake more comprehensive planning, and therefore directed funding to restore the slum or blight designated area. The rule provides grantees with more options in

funding activities under the “slum blight” national objective and re-enforces that certain activities such as environmental assessments can be funded under this category. It makes sense to keep all activities that make up the comprehensive nature of the activities to be completed in this category within the same national objective.

NCDA does not support the increase in the percentage of dilapidated buildings to 33 % to qualify as a slum and blighted area, nor does the Association support the five-year reclassification time-frame to continue activities. This implies that activities must be completed within five years, or the grantees must conduct a re-assessment in order to continue activities already begun under the slum and blight national objective, and with HUD’s approval. It appears that HUD would like to require grantees that wish to undertake slum and blight activities to conduct them in much the same fashion as they would under the rules of the neighborhood revitalization strategy areas, without the added low-mod benefits. To increase the percentage of dilapidated buildings and then require re-classification of the slum and blighted area every five years, puts a huge burden on grantees. These two components in the proposed rule negate the positive outcomes of the expanded criteria for slum and blight designation, by making it more administratively difficult to complete activities under the slum and blight national objective.

Thank you for the opportunity to comment on this proposed rule. If you have any questions, please contact Chandra Western, at 202-887-5521.

The National Community Development Association