NCDA
WASHINGTON REPORT

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***NCDA 2006 Annual Conference, Hollywood, Florida***
***June 19-23, 2006 – Hard Rock Hotel***

***FEATURED ARTICLES***

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**FY 2007 House Budget Resolution Stalled; Appropriators Ready Themselves for Subcommittee Markups**

While the Senate expeditiously passed its FY 2007 budget resolution on March 16, the House has yet to bring its resolution to the floor for a vote. Normally, Congress tries to approve the budget resolution by April 15, but this deadline has frequently been missed in recent years. The House resolution remains in limbo primarily because of infighting between House appropriators and House conservatives over budget rules aimed at limiting the control of federal spending. One of the budget rules in question would grant authority to the Budget Committee, not the Appropriations Committee, to review and approve any emergency spending that exceeds the congressionally approved level. Another rule seeks to impose restrictions on earmarks – the "pork" projects that normally accompany appropriation bills. GOP leaders pulled the budget resolution just prior to spring recess as it was being debated on the floor. The Republican
leadership had planned to resume debate on the resolution after they returned from a two-week recess on April 25; however, the friction between appropriators and budget members remained as of last week. The GOP leadership met on Thursday, April 27, to try to reconcile differences between the two sides. They are hopeful a resolution can be completed in the next week or so.

Like the Senate resolution, the House budget resolution contains language championed by NCDA and other members of the CDBG Coalition that directs appropriators to increase CDBG by an additional $1.3 billion, to $4.3 billion in FY 2007. Since the budget resolution does not have the force of law, appropriators do not have to heed the direction of the resolution.

Even if the Senate completes its budget resolution, it will be difficult to resolve differences in the House and Senate version. The Senate version adds approximately $16 billion in additional spending to its resolution, sharply increasing the President's $873 billion budget cap. It also includes a provision to allow drilling in Alaska's Arctic National Wildlife Refuge (ANWR). A majority of House members are opposed to both an increase in the budget cap and drilling in ANWR. Without a budget resolution, it will be difficult for the Senate to move individual appropriation bills. Each of the spending measures may be subject to a point of order, which requires 60 votes to move a bill forward. This will take a bi-partisan effort, which may be difficult on some of the bills. If the spending measures are not passed – or not reconciled in conference – we may see a continuing resolution, which would fund programs at their FY06 level.

Although Congress has not passed its FY 2007 Budget Resolution, appropriation panels in both chambers will begin work in their subcommittees the first week in May. The subcommittee chairmen in the House have been given tentative allocations by the House Appropriations Committee, based on the $873 billion budget cap recommended in the President's budget. This means overall discretionary spending cannot exceed this level; otherwise, it would have to be offset by cuts in other program areas.

The House Appropriations Committee has not publicly divulged the subcommittee allocations. The first subcommittee markups will take place in the following three subcommittees: Agriculture, Interior-Environment, and Military Quality of Life-VA. We have been told by House staff, the Transportation-Treasury-HUD bill is tentatively scheduled for mark-up towards the end of May. NCDA will meet with appropriators in both the House and Senate over the next two weeks to continue to advocate for atleast $4.3 billion in formula funding for CDBG in FY 2007. We are also working closely with Senators Santorum (R-PA), Coleman (R-MN), Stabenow (D-MI), and Reed (D-RI) on a letter to appropriators to support $4.3 billion for the program in FY 2007. The letter should be ready this week and we will need your help in garnering your Senator's support for the letter.

The next few weeks will be the most crucial in the appropriations process as the subcommittee "mark" is usually the highest allocation given for CDBG and other HUD programs. We need you to contact your congressional members to advocate for $4.3 billion in formula funding for CDBG in FY 2007. If you have not already done so, please fax letters from your elected officials, subrecipients, and beneficiaries to your congressional members over the next two weeks in support of the program. Sample letters are posted on our web site at www.ncdaonline.org. Also plan to speak directly to the CDBG person on their staff to express your support of the program.

### Senate Tries to Complete Supplemental Spending Measure

The Senate is working to complete its supplemental spending measure this week. The

Senate Appropriations Committee approved the measure on April 4. The $106.5 billion emergency spending package would provide funding for war costs and additional funds for hurricane relief. The House passed its version on March 16. The House measure provides $91.9 billion for war costs and hurricane relief. This is in line with the President's request of $92.2 billion.

The Senate Appropriations Committee approved almost $10 billion in amendments at its markup of the measure on April 4. Because the supplemental bill is designated as emergency funding, it is not subject to caps and does not need to be offset. In the Senate, that has made the legislation an attractive magnet for add-ons, such as $2.3 billion for avian flu preparation, $4 billion for agriculture subsidies and $700 million to relocate a railway in Mississippi. The additions are likely to complicate conference negotiations with the House, where appropriators kept the bill focused solely on war and hurricane spending. Majority Leader Frist wants to lower the costs of the measure to the President's request of $92.2 billion. "In the face of continued deficits, we must be careful to not blow the bank on the back of the war," he said. In addition, there are about 60 earmarks in the bill. The President has threatened to veto the measure if exceeds his $92.2 billion request.

The Senate Committee version includes $202 million for tenant-based rental assistance. Low-income housing advocates are seeking $35 million to be targeted as project-based Section 8 vouchers as operating subsidy for 4,500 new units of permanent supportive housing with the remaining funding targeted to project-based Section 8 assistance to assure that new units developed with the LIHTC are affordable to extremely low-income people.

Senator John Cornyn (R-TX) offered an amendment, co-sponsored by Senator Mary Landrieu (D-LA), which would require that states affected by the Gulf Coast hurricanes receive no less than 3.5% of the $5.2 billion CDBG allocation. The amendment is expected to be voted on this week.

**House Subcommittee Holds Field Hearings on CDBG**

The House Subcommittee on Housing and Community Opportunity held several field hearings on CDBG in the last month. Rep. Bob Ney (R-OH), Chairman of the Subcommittee, held three hearings in Ohio on March 24 and 25. NCDA's members from Cincinnati and Columbus testified at these hearings. Both testified about the devastating effects the cuts to the program have had on their programs in the last few years and argued against any further cuts to the program. Bill Graves, Housing Administrator for the City of Columbus, told the Subcommittee that the CDBG allocation for Columbus has been reduced by 24% since FY 2003, while the administrative requirements of the program have increased, further eroding program funding. He told the Subcommittee, "the reduction in funding is impacting the city's ability to provide housing rehabilitation assistance. This creates a tenuous situation as housing stock deteriorates and low-income households must make dire choices on where to spending limited resources – fix the house, pay utility bills, pay medical bills, etc."

Oren Henry, Community Development Administrator for the City of Cincinnati, told the Subcommittee members that Cincinnati's CDBG allocation has decreased 21% from FY 2002. He also told the Subcommittee of his concern over the change in the CDBG formula. The current alternative being considered by HUD would drastically reduce Cincinnati's already dwindling allocation, virtually cutting the allocation in half. He pointed out that Cincinnati suffers from the same issues as most older industrial cities: abandoned factories, vacant buildings, brownfield sites, and an exodus of residents to the suburbs. CDBG helps the City face these problems. The City has launched a major effort to decrease the number of vacant structures which contribute to blight, harbor illegal activities and cause disinvestment. Oren told the Subcommittee, "Our goal is to cut the number of vacated structures while motivating owners to immediately address safety issues, rehabilitate and reuse them, sell them, or turn them over to the City and neighborhood based redevelopment groups. When the transition of these blighted vacant structures begins, CDBG will be a strong element as it will be utilized to demolish, cleanup, and rebuild some sites, or leverage funding in the renovation of others." Oren also told the Subcommittee that increasing reporting requirements in the program is adding to the administrative burden.

On April 12, the Subcommittee held a field hearing in Los Angeles, CA. This was done at the behest of Rep. Maxine Waters (D-CA), ranking member of the Subcommittee, and Rep. Gary Miller (R-CA), who both represent various portions of Los Angeles. Assistant Secretary Pamela Patenaude testified before the hearing. Her remarks focused on several areas including the initiatives outlined in the President's FY07 Budget to "reform" the program, which includes revising the CDBG formula, establishing a $200 million Challenge Grant, and developing performance measures for the program. She focused most of her remarks on the transformation of the CDBG formula, "Revising the CDBG formula is very important. The CDBG formula has been essentially untouched since the 1970's. Over the past decade, we have witnessed steady erosion in the ability of the formula to target CDBG funding to community development need. Demographic changes, development patterns and other factors have created significant distortions in the distribution of CDBG funds," she told the Subcommittee. She then provided the Subcommittee with an overview of the two CDBG formulas: Formula A and Formula B and also provided an example of what she sees as an inequity in the formula by comparing Santa Monica, a city with a per capita income of $43,000, to Santa Maria, a city with a per capita income of $14,000. Both communities receive the same allocation, but with HUD's suggested formula change, Santa Maria's allocation will increase by $300,000, while Santa Monica's allocation will go down by $550,000. "I think we can all agree it is critical to restore equity to the distribution of funds to improve targeting and preserve the fairness of the CDBG program." HUD's debate over the formula serves to divert attention away from the real issue of the day – funding for CDBG. While there may be a need to discuss the formula at some point, certainly now is not the time to turn our attention to this issue when the funding of the program is eroding year after year.

The City of Los Angeles and the County of Los Angeles, along with numerous other witnesses, testified before the Subcommittee. Clifford Graves, General Manager, Los Angeles Department of Community Development, told the Subcommittee that as the need for CDBG resources has grown, the City's allocation is declining.

Carlos Jackson, Executive Director, Los Angeles County Community Development Commission and Housing Authority of the County of Los Angeles, told the Subcommittee that Los Angeles County operates the largest Urban County CDBG Program (Urban County) in the nation, with an allocation of $34.6 million. The Urban County Program consists of the unincorporated areas of the county, as well as 49 of the 88 cities within Los Angeles County, consisting of approximately 2.2 million people. The County's CDBG allocation has decreased by almost 21 percent since FY 2001.

Mr. Jackson also spoke in support of Section 108 and BEDI. He told the subcommittee that LA County has funded over $56 million in Section 108 projects for 11 participating cities, including industrial parks, downtown revitalization, and neighborhood facilities. A reduction in CDBG funding could lead to defaults on existing loans for community and economic development projects that are being repaid using CDBG funds. He also provided examples of the County's use of Section 108 and BEDI to reclaim contaminated brownfields sites, such as the City of Santa Fe Springs Golden Springs Development Park which consisted of a $20 million Section 108 loan, $1.75 million BEDI grant, and a $2 million EDI grant. The funds were used to convert a contaminated 130-acre oil production and storage site into a commercial warehouse and distribution center, yielding almost 700 jobs.

In addition, the County has used its CDBG funds to assist in the development of 9,600 affordable housing units over the past five years, including acquisition and off-site improvement costs. From FY 2000 to FY 2004, CDBG funds have been used to: rehabilitate over 8,500 homes, create and preserve over 2,060 jobs, provide loans and technical assistance to over 7,000 small businesses, provide after-school and recreation programs to 170,500 children and teens, and provide meals, case management, and other services to 87,500 seniors. The County also uses its CDBG funds to assist the homeless. Los Angeles has the dubious distinction of being labeled "the homeless capital of the U.S.," with over 90,000 homeless on any given night. CDBG funds are used primarily for public services for the homeless, such as job training, employment services, and other supportive services.

In terms of reforming the CDBG formula, Mr. Jackson told the Subcommittee, "Prior to the adoption of any change in the CDBG allocation formula, we would request the opportunity for full review of the proposed formula by the national organizations and input by constituents through congressional hearings." He also told the Subcommittee, "While we support reform that better distributes CDBG funds to entitlements based on need, we would not support the elimination of funding from so called wealthy communities because even these areas inevitably have low-income seniors and others that need assistance through the CDBG Program."

Secretary Alfonso Jackson told a Senate subcommittee on March 2 that legislation to reform CDBG would be presented to Congress within one week. To date, no legislation has been submitted. Even if HUD does submit legislation on the formula, Congress will not have the time to focus on it this year.

## HUD Announces Outcome Performance Measurement Training for Grantees

The Office of CPD at HUD has announced the delivery of 15 training sessions on its Outcome Performance Measurement System. The sessions will begin in mid-May and continue through August. The sessions will provide hands-on information about the implementation of the system, including procedures for data collection and reporting. The sessions will also provide direction on the outcome measurement requirements related to the Consolidated Plan and entry of the performance data into IDIS.

These training sessions are the culmination of two years of work on the part of HUD and the Performance Measures Working Group, a group of national associations, including NCDA, which assisted HUD and OMB in designing the system. Grantees will begin implementing the system on October 1, 2006. The data will be aggregated at the national level and reported to OMB and Congress, thereby, allowing HUD to show the accomplishments of CDBG and the other CPD programs. Most importantly, it will refute the "ineffective" rating granted to CDBG by OMB in its assessment of the program. The brochure and registration information for the sessions can be obtained at HUD's CPD Performance Measurement website: http://www.hud.gov/offices/cpd/about/performance.index.cfm or at NCDA's website: http://www.ncdaonline.org

***Training Dates and Locations***

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| May 15-16<br>Fairfax, Virginia | July 25-26<br>Elizabeth, NJ |
| May 25-26<br>Golden, CO | August 1-2<br>Los Angeles, CA |
| June 7-8<br>Atlanta, GA | August 7-8<br>Jacksonville, FL |
| June 20-21<br>Bellevue, WA | August 15-16<br>Dallas, TX |
| June 27-28<br>Scottsdale, AZ | August 17-18<br>Chicago, IL |
| July 11-12<br>Boston, MA | August 23-24<br>Pittsburgh, PA |
| July 19-20<br>Columbus, OH | August 30-31<br>Kansas City, MO |
| July 25-26<br>San Francisco, CA | |

**HUD Develops Legislation to Reform FHA**

HUD presented the FHA Modernization Act to the House Subcommittee on Housing and Community Opportunity on April 5. The legislation is an attempt to increase homeownership by providing assistance to those borrowers in the subprime market, allowing FHA to "reach deeper into the pool of prospective borrowers."

The FHA Modernization Act would:

- Create a new, risk-based insurance premium structure to match the premium amount with the credit profile of the borrower. It would charge a higher mortgage insurance premium to higher-risk borrowers.
- Eliminate the three percent minimum downpayment requirement. According to industry sources, the downpayment is often seen as the biggest obstacle for homebuyers. This proposal would allow the FHA to charge one percent or two percent, or no downpayment at all.
- Increase and simplify FHA's loan limits. FHA's loan limit in high-cost areas would rise from 87 percent to 100 percent of the GSE conforming loan limit and in lower-cost areas from 48 to 65 percent of the

conforming loan limit. In many areas of the country, the existing FHA limits are lower than the cost of new construction, eliminating FHA financing as an option for buyers of new homes in those markets. FHA wants to reverse this trend.

So far, no action has been taken on the bill.

**NCDA will hold its 37th Annual Conference in Hollywood, Florida**

NCDA will hold its 2006 Annual Conference in Hollywood, Florida, in conjunction with the Florida Community Development Association (FCDA), on June 19-24. The concurrent sessions have been updated and a detailed description of these sessions is attached, along with an updated conference agenda. You can register for the conference online at http://www.ncdaonline.org

*Pre-Conference Training*

NCDA will offer pre-conference training on June 19-20 for CDBG and HOME grantees. NCDA will provide a two day *CDBG Subrecipient Management Training* for CDBG grantees and a two day workshop on *Underwriting HOME Projects* for HOME participating jurisdictions. Unfortunately, the CDBG training is **completely full** and we are not accepting further registrants. The HOME training has some slots available, but register quickly as these slots are filling up. The workshop is free and is available to HOME program staff only. Attendance is limited to two participants per jurisdiction. The two-day workshop is designed to enhance the skills of HOME program staff in underwriting rental and homebuyer projects. You can register online for the HOME training at http://www.ncdaonline.org

*John A. Sasso National CD Week Awards*

We are accepting nominations for the John A. Sasso National Community Development Week Award. The awards will be presented during the Annual Conference at a luncheon ceremony on Friday, June 23. The award recognizes the community or communities that exemplify the spirit of the CDBG program by showcasing its good works through the activities and events held during National Community Development Week, April 17-23, 2006. We have shortened the application process to make it easier for communities to apply for this award. The submission criteria for the award is attached. Award submissions are due at NCDA's offices by close of business on **Friday, May 12.**

*Call for Board Items*

The next NCDA Board of Directors meeting will be held on Wednesday, June 21, from 4:30 p.m. to 6:30 p.m. during NCDA's Annual Conference. Please forward any items that you would like included on the Board agenda to Cardell Cooper at ccooper@ncdaonline.org on or before June 9, 2006.

**Attachments:**

**Updated Annual Conference Agenda**

**Annual Conference Concurrent Session Descriptions – Updated**

**John A. Sasso National CD Week Award Submission Criteria**

**CPD Outcome Performance Measurement Training Sessions**