

June 2007

The Honorable Barney Frank
Chair
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Chair
Subcommittee on Housing
Committee on Financial Services
Washington, DC 20515

Dear Chairs Frank and Waters:

This letter supplements our letter of February 13, 2007 and recommends several additional changes to housing authorization statutes to improve their workability.

Fair Housing as a Direct CDBG Eligible Activity

Cities and urban counties across the nation have reported to us that, in light of recent cuts in the Community Development Block Grant formula funds (15% between FY 2005 and FY 2007), there is considerable pressure on the 20 percent administrative cap. One way to alleviate this pressure is to make activities that affirmatively further fair housing (under Section 106(d)(7)(B) of the Housing and Community Development Act of 1974, as amended) directly eligible activities under the program. In so doing Congress should determine that such activities -- analysis of impediments to fair housing, fair housing education, outreach and enforcement and testing -- are central to the purposes of the CDBG program and therefore do not have to meet one of the statute's three national objectives. A number local governments have reported that were these activities directly eligible they would provide a greater amount of funding for them. One large urban county reported that "... we use 4% of our administrative cap toward fair housing activities. If fair housing was not subject to the administrative cap or the [15%] public services cap we would have greater flexibility in being able to allocate additional funds to this activity. We have spent \$250,000 annually on fair housing activities for at least the last 15 years."

Another urban county reported that "...due to declining CDBG funds over the past decade, we have had to eliminate our annual contract with the Detroit Fair Housing Center in order to stay under the 20% administrative cap... Making them a direct eligible activity would be of significant help to restore quality fair housing initiatives."

Increasing the HOME Administrative Cap to 20%

Cities and urban counties have also reported that HOME's 10% administrative allowance is insufficient. HOME has a very impressive track record having produced 786,663 units as of May 31, 2007. With this increase in the number of units comes the requirement that they be monitored for program compliance on a regular basis for anywhere from five to 20 years. One large urban county reports that "we currently monitor nearly 3,000 HOME-assisted units annually. This represents a 75% increase since FY 2003. Conversely, the county's grant, and therefore administrative funds have declined during

this period.” Another urban county reports that “Since 1992 our portfolio of HOME-funded rental projects has grown from 5 to 46 (1,173 units); the total number of HOME — assisted projects, including rental housing, homeownership and CHDO projects has grown to 82, with an additional 298 units of rental housing in the pipeline. With a growing portfolio of projects to monitor for compliance and soundness and following up on issues or deficiencies that need to be corrected, the HOME administrative allowance of 10% is not keeping pace with the work that has to be done.”

We strongly urge you to include these statutory provisions in the next available legislative vehicle.

Respectfully,

U.S. Conference of Mayors
National Association of Counties
National Community Development Association
National Association for County Community and Economic Development
National Association of Local Housing Finance Agencies