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President Signs Continuing Resolution

President Bush signed a Continuing Resolution (CR) (H.R. 2638) on September 30 to keep federal programs operating at their FY08 funding level (see budget chart at the back of this newsletter) through March 6, 2009. With only one of the 12 spending bills approved, Congress had no choice but to pass a CR to keep federal programs operating. Bush had signaled his willingness to veto any spending bill which exceeded his FY09 budget limit and Congress did not have the time to wrangle with him on the bills due to the their desire to leave town by October 1 to focus on re-elections.

Congress has officially adjourned for the session, but may return after the elections to focus on another stimulus bill.

HUD Rolls Out Neighborhood Stabilization Program

The Department of Housing and Urban Development (HUD) held a two-day Housing Summit on October 7-8, 2008 in Washington, DC to roll out its Neighborhood Stabilization Program (NSP). The program was authorized as part of H.R. 3221 – The Housing and Economic Recovery Act – signed by the President in late July. The legislation provided \$3.92 billion in emergency CDBG funds to State and local governments to assist in the foreclosure crisis. HUD was mandated by Congress to develop a program within 60 days of enactment of the legislation and they kept to that deadline, releasing a notice implementing the program in the Federal Register on September 30.

Advocacy Efforts

Funding for the NSP is the culmination of months of work on the part of NCDA, USCM, and other interest groups. NCDA started its advocacy efforts in February 2008 when Senator Reid (D-NV) first proposed the inclusion of \$4 million in CDBG foreclosure funding in a second stimulus package. NCDA met with congressional staff and provided Congress with a survey from its membership documenting the need for the funding and outlining specific activities that needed to be funded. Ultimately, these activities were included in the final legislation.

The NSP program differs slightly from the regular CDBG program on three fronts: (1) different formula allocation; (2) limited set of eligible uses; and (3) only the low-mod national objective applies. The September 30 Federal Register notice included some recommendations made by NCDA and several other interest groups (USCM, NACo, NACCED, NALHFA, COSCDA) which came together to form a working group to develop a core set of recommendations on the program. The recommendations included in the notice from the working group, include:

- ! allow States to distribute their NSP funds to entitlement areas. This was a huge win because it allowed State CDBG funds, for the first time, to be directly allocated to entitlement areas.
- ! flexible planning and citizen participation requirements
- ! waiver of the one-for-one replacement requirement for units demolished with NSP funds
- ! allow grantees to use some of their NSP funds for administrative costs. H.R. 3221 did not provide any administrative funding for NSP grantees. We advocated for a 20% administrative cap, HUD agreed to a 10% cap.
- ! allow grantees to recover project delivery costs

NCDA, USCM, NACo, and NACCED, in a separate letter, urged HUD to target 70% of the funds to metropolitan cities and counties and 30% to States, as is the current scenario under CDBG. We also advocated the same principle in a letter to the chairperson and ranking member of the House Financial Services Committee and the Senate Banking Committee. The groups also urged HUD to treat the

0.5% minimum state allocation to include allocations made to all grantees within a state. Finally, the groups launched a grassroots campaign on August 25, providing a sample letter for grantees to send to HUD and to members of their congressional delegation, urging these same principles.

NSP Allocations

The statute directed the funds be allocated to States and units of general local government with the greatest need, as such need is determined in the discretion of the Secretary based on:

- ! the number and percentage of home foreclosures in each State or unit of general local government;
- ! the number and percentage of homes financed by a subprime mortgage related loan in each State or unit of general local government; and
- ! the number and percentage of homes in default or delinquency in each State or unit of general local government

Out of the 1,201 CDBG grantees, a total of 308 grantees received an NSP allocation (including Puerto Rico, District of Columbia, and the four insular areas). NCDA has posted the allocations to its website at <http://www.ncdaonline.org>. While NCDA had been told by HUD that not every entitlement community would receive funding through this program, we were dismayed to see that so few cities and counties received a direct allocation. Although HUD was directed by H.R. 3221 to allocate the funds to the areas with the greatest need based on the number and percent of foreclosures, subprime mortgages, and delinquencies and defaults, it was also bound to a state minimum within the legislation that required that each State receive a minimum of 0.5% of the \$3.92 billion. This translated into each State receiving *at least* \$19.6 million. HUD says that 19 States fell below the \$19.6 million (meaning there was less or little need for the funding within the State), but because of the statute, HUD was required to provide each State with \$19.6 million. Many States received far above this amount due to the need within the State. Although NCDA and the other local government interest groups advocated that the State minimum be allocated throughout the State and not directly to a State agency, HUD's general counsel interpreted the intent of H.R. 3221 to mean that the State funding went directly to the State government.

HUD also established a minimum allocation threshold of \$2 million. If a local government received an allocation of less than \$2 million, its allocation was rolled up into the State government grant. This is why many States received well beyond the minimum \$19.6 million in funding. In justifying this minimum threshold, HUD told NCDA and other interest groups that "fewer grants will allow HUD staff to more effectively monitor grantees to ensure proper implementation of the program and reduce the risk of

fraud, waste, and abuse.” Essentially, they were lazy or to put it nicely they wanted to ensure they could adequately oversee the grants that were funded. If the threshold had been lowered to a million dollars, many more grantees would have received funding directly.

For those of you who did not receive a direct allocation, we encourage you to reach out to your State for an allocation. States are required by statute to give priority in targeting funds they receive to “those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, and other areas with the greatest need, including those (1) with the greatest percentage of home foreclosures; (2) with the highest percentage of homes financed by a subprime mortgage related loan; and (3) identified by the State or unit of general government as likely to face a significant rise in the rate of home foreclosures.” This means they are required to allocate funds to areas with the greatest need.

Following release of the allocations, NCDA and USCM sent a letter to Susan Peppler, Assistant Secretary for CPD at HUD, voicing our disappointment that so few jurisdictions received a direct allocation and requesting the following:

- 9 any reallocated State NSP funding be allocated to entitlement communities, particularly those that did not receive an allocation initially;
- 9 consider waiver requests from those communities that did not receive funding, but can prove their need based on foreclosure, subprime lending, and delinquency data within their area; and
- 9 States must work with their local entitlement communities in developing their State plans (applications) to HUD to ensure that communities with the greatest need are being funded

Communities that received NSP funding must undertake a substantial amendment to their 2008 Action Plan by December 1, 2008. It can be submitted to the local HUD field office via paper or by the DRGR system. HUD has posted a template on their website at <http://www.hud.gov>.

HUD provided three training sessions on the program in October; however, all of them filled up very quickly. They are contemplating adding more training, so you need to check the HUD website daily for this and other information related to the program. Please also let NCDA know if you encounter any problems in implementing the program. We will promptly bring any issues to HUD’s attention.

House Passes McKinney-Vento Reauthorization Bill; Senate Version on Hold

On October 2, the House passed H.R. 7221 – The Homeless Emergency Assistance and Rapid Transition to Housing Act or HEARTH. The bill is a compromise version of an earlier bill introduced by Rep. Julia Carson (D-IN) in 2007, who passed away earlier this year without seeing final enactment of the legislation. The measure would make several changes to the McKinney-Act homeless assistance programs through reauthorization. Perhaps, the most prominent change is the consolidation of HUD’s competitive homeless assistance programs (Supportive Housing Program, Shelter Plus Care, Section 8

SRO) into a single competitive Continuum of Care program. This will alleviate the headache of three separate program requirements and criteria by having just one set of program regulations to follow. The legislation would also focus more attention on prevention activities. The Emergency Shelter Grants Program would be renamed the Emergency Solutions Grants Program with half of the ESG funds targeted to prevention and rehousing activities. At least 10% of the Continuum of Care program would be targeted to prevention activities. HUD would be required to provide 20 percent of its annual homelessness appropriation to the ESG program (currently, HUD is only required to provide 10%), thereby increasing efforts to fund prevention activities.

NCDA was successful in having the administrative fee for the ESG program increased from 5% to 10% and the administrative for the new Continuum of Care program increased to 10% and language inserted into the bill passed by the House Financial Services Committee in late July; however, the language was removed from the bill during the final negotiations between Democratic and Republican (the Democrats say the Republicans didn't support it and the Republicans say the Democrats didn't push back on the issue). This was a priority of NCDA's Housing Subcommittee and a need identified by members in a survey conducted by NCDA earlier this year. NCDA has scheduled a meeting with Senate staff on October 21 to discuss the increase and to ensure the provision is added to the final Senate bill. NACCED, NAHRO, and COSCDA are also very supportive of the increase and will attend the meeting.

In the Senate, Senator Tom Coburn (R-OK) has placed a hold on a companion bill, S. 1518, thus preventing it from being considered for a vote. Under Senate rules, any member can place a hold on a bill. This could mean the bill will not be enacted this session.

NCDA NEWS

Regional Conferences

Region I Conference – October 29-31 – Lowell, MA

Region I NCDA is pleased to announce that Steve Johnson, Director of HUD/CPD's Entitlement Cities Division, will be providing a special two-hour training on the new CDBG Neighborhood Stabilization Program (NSP) at the Region 1 (New England) Annual Meeting in Lowell, Massachusetts, October 29-31. This will be the only HUD training on NSP in the Northeast. Any NCDA member is welcome to register and attend the conference. The Annual Meeting will be held at the Doubletree Hotel. NCDA has reserved a block of rooms at the special rate of \$109/night, plus taxes. The special rate is only available through Friday, 10/17. To reserve a room at this special rate, call 1-800-222-TREE. If you have trouble making reservations, please call Jennifer Auyer at the Doubletree at 978-654-5609 or Jennifer.Auyer@hilton.com. The conference deadline has been extended to Monday, October 20. To register for the conference, please complete and fax or e-mail the conference registration, which is available at:

<http://www.ncdaonline.org/events/NCDA%20Region%201%20Registration.pdf>

For more information, see the NCDA calendar:

<http://www.ncdaonline.org/regionalevents.asp>

In conjunction with the Region 1 Annual Meeting, national NCDA is once again, offering its popular three-day CDBG Basics: Training for Practitioners course. The course will be held Monday, October 27 - Wednesday, October 29, 2008 at the Doubletree Riverside Marriott Hotel. The registration fee for the training is \$250 for NCDA members and \$350 for non-members. Advance registration is required. There are still a few slots available, so please register ASAP.

Here is a link to the registration form and agenda:

http://www.ncdaonline.org/events/CDBG_Lowell_102708.pdf

If you prefer, you can register online at:

http://www.ncdaonline.org/events/CDBG_Lowell_Regform.asp

Hotel reservations for the CDBG Basics Course are available at the Doubletree and other hotels in Lowell. Registrants are responsible for making their own lodging arrangements.

NCDA Region IV Conference – November 11-14 – Murfreesboro, TN

The timing couldn't be better for the annual Region IV Conference for November 11-14, 2008 in Murfreesboro, TN. With the conference coming the week following the election, the conference theme – Facing the Future: The Next Four Years for CDBG – takes on extra significance. Steve Johnson, Director of the Entitlements Division at HUD, will conduct two sessions on Wednesday, one an update on all things CDBG, and the other on the Neighborhood Stabilization Program (NSP).

Other guest presenters include Joshua Silver, Vice President of Research and Policy, National Community Reinvestment Coalition, who will weigh in on the foreclosure crisis and Ken Wright, from the Census Bureau's Charlotte Office, who will provide a briefing on the 2010 Census, with an emphasis on changes which could affect CDBG entitlements.

The conference begins with a reception on Tuesday, November 11, and concludes at noon on Friday, November 14. NCDA is offering the CDBG Basics Course on November 10-12. Separate registrations are required. To register for the CDBG training, go to <http://www.ncdaonline.org/cdbg.asp>. The complete conference agenda, registration materials and tips for getting to Murfreesboro are available on the regional conference link at <http://www.ncdaonline.org>.

2009 Audrey Nelson Awards

NCDA is accepting nominations from its member communities for the 2009 Audrey Nelson Awards (the application is attached). The award recognizes exemplary uses of CDBG fund to address the needs of families and neighborhoods. Award recipients will be recognized during the 2009 Winter Conference. We encourage you to apply, especially, those communities that have never submitted an application in the past. You can either mail in the attached application to fax number 202-887-5546 or complete the application online at <http://www.ncdaonline.org>

2009 Winter Meeting

The 2009 NCDA Winter Conference will be held at The Liaison Hotel in Washington, DC on January 28-30, 2009. With a new presidency and with the start of the first session of the 111th Congress in January, the Winter Conference is the perfect opportunity to hear about upcoming policy and budgetary issues. It is also a good opportunity to learn more about HUD's Neighborhood Stabilization Program (NSP). The conference fee is \$400 for members and \$450 for non-members. Registration must be paid by check (NCDA is not set-up to accept credit cards) and must be made payable to NCDA. NCDA has reserved a block of rooms at the special rate of \$189.00, plus tax at The Liaison Hotel, located at 415 New Jersey Avenue, NW, Washington, DC. The cut-off date for making your hotel reservations is **January 6, 2009**. Reservations received after this date will be subject to availability and based on the rate offered by the hotel. To make your hotel reservation, call 1-866-AFFINIA (866-233-4642). Be sure to mention Reservation ID: NCDA to receive the special hotel rate. Besides a congressional update and news from HUD, the conference will feature three separate, three-hour training sessions on (1) HOME Subsidy Layering; (2) Environmental Review Requirements; and (3) Continuum of Care. Other sessions will focus on public/private partnerships, Section 3 planning and compliance, and working with the press to promote CDBG and HOME. We will have a special session on the foreclosure crisis to hear from cities wrangling with the issue. You can register via the attached registration form or directly online at <http://www.ncdaonline.org>

Attachments:

Letter to Assistant Secretary Pepler
2009 Audrey Nelson Awards Application
2009 Winter Conference Draft Agenda and Registration Form

U.S. Department of Housing and Urban Development Budget Chart

Program	FY08 Enacted Level	FY09 President's Request	FY09 Senate Appropriations Committee Level	FY09 Continuing Resolution (Effective through 3/6/2009)
Community Development Fund	\$3.866 billion	\$3 billion	\$3.889 billion	\$3.866 billion
<i>Set-Asides:</i>				
Native American	[\$62 million]	[\$57 million]	[\$65 million]	[\$62 million]
EDI Grants	[\$180 million]	0	[\$104 million]	[\$180 million]
Technical Assistance	[\$3 million]	[\$5 million]	[\$5 million]	[\$3 million]
Neighborhood	[\$26 million]	0	[\$11 million]	[\$26 million]
Initiatives	[\$1.57 million]	[\$4 million]	[\$3 million]	[\$1.57 million]
Working Capital Fund				
	\$272.57 million	\$66 million	\$188 million	\$272.57 million
<i>Total Set-Asides</i>				
	\$3.593 billion	\$2.934 billion	\$3.701 billion	\$3.593 billion
Formula Grants				
Section 108 Loan Guarantees	\$275 million	\$0	\$275 million	\$275 million
Brownfields	\$10 million	\$0	\$0	\$10 million

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HOME Program	\$1.704 billion	\$2 billion	\$1.967 billion	\$1.704 billion
<i>Set-Asides:</i>				
Housing Counseling	[\$50 million]	funded separately	fundedseparately	[\$50 million]
Technical Assistance	[\$12.5 million]	[\$10 million]	*	[\$12.5 million]
Working Capital Fund	[\$3.5 million]	[\$4 million]	[\$15 million]	[\$3.5 million]
ADDI	[\$10 million]	[\$50 million]	\$0	[\$10 million]
<i>Total Set-Asides</i>	<i>\$76 million</i>	<i>\$64 million</i>	<i>\$25 million</i>	<i>\$76 million</i>
Formula Grants	\$1.628 billion	\$1.936 billion	\$1.941 billion	\$1.628 billion
Homeless Programs	\$1.586 billion	\$1.636 billion	\$1.667 billion	\$1.586 billion
Lead Hazard Control	\$145 million	\$116 million	\$145 million	\$145 million
Section 202 for the Elderly	\$735 million	\$540 million	\$765 million	\$733 million
Section 811 for the Disabled	\$237 million	\$160 million	\$250 million	\$237 million
HOPWA	\$300 million	\$300 million	\$315 million	\$300 million
Fair Housing	\$50 million	\$51 million	\$56 million	\$50 million
Program	FY08 Enacted Level	FY09 President's Request	FY09 Senate Appropriations Committee Level	FY09 Continuing Resolution (Effective through 3/6/2009)
Self-Help Homeownership Opportunity Program	\$60 million	\$40 million	\$66 million	\$60 million
SHOP	[\$26.5 million]	[\$39 million]	[\$27 million]	[\$26.5 million]
NCDI	[\$33.5 million]	\$0	[\$35 million]	[\$33.5 million]
Technical Assistance	\$0	[\$1 million]	[\$4 million]	\$0
Section 8 TBRA	\$16.391 billion	\$16.039 billion	\$16.7 billion	\$16.391 billion
Section 8 Project-Based Assistance	\$6.382 billion	\$7 billion	\$8.450 billion	\$6.382 billion
Public Housing Capital	\$2.439 billion	\$2.024 billion	\$2.44 billion	\$2.439 billion
Public Housing Operating	\$4.2 billion	\$4.3 billion	\$4.4 billion	\$4.2 billion
HOPE VI	\$100 million	\$0	\$100 million	\$100 million

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Native American Housing Block Grant	\$630 million	\$627 million	\$650 million	\$630 million
Native Hawaiian Housing Block Grant	\$9 million	\$6 million	\$10 million	\$9 million
Indian Housing Loan Guarantees	\$7.45 million	\$8 million	\$9 million	\$7.45 million
Native Hawaiian Loan Guarantees	\$1 million	\$0	\$1 million	\$1 million
Rural Housing & Economic Development	\$17 million	\$0	\$30 million	\$17 million
University Programs**	\$23 million	\$14 million	\$23 million	\$23 million

*The Senate Appropriations Committee recommended \$65 million for housing counseling in FY09

**Grants to institutions of higher learning funded under Section 107 including HBCUs, Alaska Native serving institutions, Native Hawaiian institutions, tribal colleges and universities, and Hispanic serving institutions