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FEATURED ARTICLES

- ✓ *President Obama Releases Detailed FY 2010 Budget*
- ✓ *McKinney-Vento Re-Authorization Legislation Enacted*
- ✓ *HUD NEWS – CDBG-R Notice Issued; NSP2 Notice Released; IDIS Update; HPRP Training Dates; HUD Appointments*
- ✓ *NCDA NEWS – 2009 Annual Conference; Agenda*

President Obama Releases Detailed FY 2010 Budget

CDBG

The Administration's FY 2010, released earlier this month, would propose increased funding for most of HUD's programs, including the Community Development Block Grant (CDBG) Program. The President's FY 2010 budget provides \$4.45 billion for CDBG, with \$4.185 billion reserved for formula grants, an increase of \$543 million from FY 2009. Of the \$4.45 billion, funding would be provided to several new initiatives, including:

- \$150 million for the Sustainable Communities Initiative
- \$25 million for a University Community Fund
- \$25 million for a Rural Innovation Fund

With the increase in funding, comes a proposal to change the existing CDBG formula. The Administration's budget notes, "...the formula driving the allocation of CDBG funds has been in place since 1977 and has neither kept current with shifting population and social dynamics nor distributed funds adequately to communities that are most in need." HUD will use the increased funding proposed in the FY 2010 budget for CDBG to hold harmless all CDBG grantees at their FY 2009 grant level and provide increased funding to the needy communities outlined by a new CDBG formula. HUD has not provided legislation to Congress outlining the new formula change.

Set-Asides

Of the \$4.45 billion available for CDBG in FY 2010, \$25 million will be set-aside for a University Community Fund that would consolidate four separate university and community assistance programs: Tribal Colleges and Universities, Historically Black Colleges and Universities, Hispanic Serving Institutions, and Alaska Native and Native Hawaiian Serving Institutions. Funds would be distributed directly through a competition to universities to revitalize surrounding neighborhoods.

HUD would set-aside \$25 million within CDBG for a new Rural Innovation Fund, which replaces the Rural Economic Development and Housing initiative. The funding would support a limited number of highly targeted areas of distress that have a good chance of revitalization given their location. HUD will work closely with the Department of Agriculture on the implementation of this program.

The budget requests \$150 million for a new Sustainable Communities Initiative, funded as a set-aside within CDBG, to integrate transportation and housing planning on three fronts: (1) \$100 million for a regional planning effort administered jointly by HUD and the Department of Transportation (DOT) to facilitate the collaboration of metropolitan planning organizations and local recipients of HUD block grant assistance in joint regional transportation and housing planning efforts; (2) \$40 million in community challenge grants to entice metropolitan and local leaders to make market-shifting changes in local zoning and land use rules; and (3) \$10 million for a major research and evaluation effort, administered jointly between HUD and DOT, to better track housing and transportation expenditures by location, create broader measures of affordability, and establish standardized performance measures.

The budget requests no funding for Section 108 in FY 2010; however, the budget includes legislative language authorizing HUD to collect fees from Section 108 borrowers that would result in a credit subsidy cost of zero. The budget would terminate funding for HUD's Brownfield Economic Development Initiative (BEDI). NCDA and other national interest groups support continued funding of \$25 billion for BEDI in FY 2010.

HOME/Homeless Assistance

HUD requests \$1.825 billion for the HOME Program, the same level as last year. However, the budget requests no set-asides under the HOME program account, meaning that the entire \$1.825 billion would be available for HOME formula grants. This represents a \$25 million increase in HOME formula grants from FY 2009. The President's budget requests no funding for the American Dream Downpayment Initiative in FY 2010. Furthermore, no funding is budgeted for HOME technical assistance. Normally, HUD requests \$12 million in HOME technical assistance annually; however, the budget allows HUD to re-direct any unused CHDO technical assistance to HOME participating jurisdictions. More importantly, HUD will combine all HUD technical assistance into a newly proposed Transformation Initiative (described below).

The budget requests \$1.794 billion for HUD's Homeless Assistance Grants, an increase of \$117

million from last year. The budget requests \$310 billion for HOPWA, the same level as last year.

Transformation Initiative

HUD requests the authority to set-aside up to 1 percent of its total budget for an agency-wide Transformation Initiative to (1) fund research and evaluation initiatives; (2) enable HUD to design a series of major research demonstrations to test new ideas for improving programs and helping grantees develop effective housing and community and economic development strategies and; (3) deliver a new level of technical assistance and capacity building. The third factor would allow HUD to roll all existing technical assistance accounts into one broad program technical assistance account.

Choice Neighborhoods Initiative (HOPE VI)

The budget requests \$250 million for a Choice Neighborhoods Initiative (HOPE VI Program). The range of eligible activities would be broader than public housing transformation, including supporting the transformation of assisted housing (Section 8 project-based), the acquisition and renovation of unsubsidized, privately owned housing stock, and the construction of mixed-income housing. The housing transformation would be linked with school reform and early childhood innovation efforts.

Energy Innovation Fund

HUD's budget requests \$100 million for an Energy Innovation Fund to work with FHA to re-engineer the FHA Energy Efficient Mortgage to provide a financing vehicle for energy efficiency as part of purchasing a home or refinancing a mortgage through FHA, provide financial incentives to multifamily property owners to invest in energy efficiency initiatives, and provide grants to support promising local energy initiatives that leverage public and private funds from utilities, local banks, state and local governments.

Office of Sustainable Housing and Communities

HUD requests \$2.4 million for a new HUD Office of Sustainable Housing and Communities, reporting directly to the Deputy Secretary of HUD. The new office will provide technical and policy support for energy, green building, and integrated housing and transportation programs at HUD. The Office will co-manage the Sustainable Communities Initiative as well as the Energy Innovation Fund.

Section 8

HUD requests \$17.836 billion for Section 8, an increase of \$1.77 billion from last year. Of this amount, \$8.1 billion would be provided to project-based contracts, an increase of \$1 billion from last year. Combined with the \$2 billion appropriated in the American Recovery and Reinvestment Act (ARRA), the funding will renew all project based contracts for 12 months; unlike the sporadic, partial funding provided over the last several years.

Public Housing Operating

HUD requests \$4.6 billion for Public Housing Operating, an increase of \$145 million from last year. Moreover, for the first time since 2002, the request will provide 100 percent funding for operating subsidies to the over 3,200 public housing authorities nationwide, providing funding for maintenance, resident services, and property security.

Public Housing Capital

The budget requests \$2.24 for the Public Housing Capital Fund, a decrease of \$206 million from last year; however, ARRA provided \$4 billion to the Public Housing Capital Fund to fund public housing capital improvements.

National Housing Trust Fund

HUD requests \$1 billion for the initial capitalization of the National Housing Trust Fund, which was authorized by the Housing and Economic Recovery Act (HERA) of 2008, the same legislation that created the Neighborhood Stabilization Fund. The Fund will provide a direct formula allocation to States to increase and preserve the supply of affordable rental housing and will be deeply targeted to low- and very-low income persons. Under HERA, the Fund was originally to be capitalized by monies from Fannie Mae and Freddie Mac (each was to contribute 4.2 basis points for each dollar of unpaid principal balance of its new business purchases), however, given the financial instability of both financial giants, these monies can not be contributed at this time.

McKinney Reauthorization Legislation Enacted

On May 20, President Obama signed into law S. 896, the Helping Families Save Their Homes Act of 2009. Congress approved the bill on May 19. The Act combines several bills under one umbrella, including the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act, which re-authorizes the McKinney-Vento Homeless Assistance Act, passed in 1987, but never re-authorized until now. Senator Jack Reed (D-RI) and his staff deserve much of the credit for shepherding the HEARTH Act through Congress.

Consolidation of Programs; Increased Administrative Fee

The HEARTH Act puts more emphasis on serving homeless families, streamlining programs, reporting results, and preventing homelessness. The Act would simplify and consolidate HUD's competitive homeless assistance programs (Supportive Housing Program, Shelter Plus Care, and the Moderate Rehabilitation/SRO Program) into a single competitive Continuum of Care Program allowing communities to apply to one program, instead of three, thereby reducing the administrative burden. The bill would require communities to provide a 25 percent match, instead of the varying levels of match required by existing programs. The bill would increase the administrative fee to 7.5 percent (from 5 percent). NCDA fought hard to have this provision included in the bill.

Expanded Definition of Homelessness

The bill would expand the definition of homelessness to include:

- people who will lose their housing in 14 days (current practice is 7 days) and lack the resources to find other housing, including those who are being evicted, living in motels or hotels, and people who are doubled up;
- people fleeing or attempting to flee domestic violence, or other dangerous or life threatening situations; and
- families with children and unaccompanied youth who: (1) have experienced a long-term period without living independently; (2) have experienced persistent housing instability; and (3) can be expected to continue in such status for an extended period of time. HUD will have to determine the parameters of each of these during the development of the regulations. The bill requires HUD to establish regulations within six (6) months of enactment of the bill (November 20, 2009).

Stronger Focus on Prevention

The bill allows up to 20% (current practice is 10%) of the funds to be used for homelessness prevention activities. It renames the Emergency Shelter Grants Program the Emergency Solutions Grant Program to call attention to a stronger focus on homelessness prevention.

Permanent Housing Set-Aside

The legislation continues the practice of setting-aside 30% of HUD's homeless assistance funding for permanent housing, but adds families with children to this set-aside for the first time along with the chronically homeless. In the past, the set-aside had been designated for the chronically homeless only.

The bill suspends the 30% requirement if there is not enough funding to renew existing projects nationally. Moreover, the requirement is reduced proportionately for communities that have developed enough permanent housing for all of the chronically homeless people in their geographic area. Finally, the 30% requirement is terminated altogether when HUD determines that 150,000 new units of permanent housing for homeless people with disabilities has been funded since 2001.

Permanent housing renewals will be funded for one-year at a time out of either the Continuum of Care Program or HUD's Section 8 project-based account.

Family Rapid Re-Housing

Requires HUD to establish incentives for rapid re-housing programs for homeless families to reduce the time families are homeless.

HUD NEWS

CDBG-R Notice Issued; June 5 Application Date

On May 5, HUD issued a notice outlining the application and implementation requirements and required deadlines of the nearly \$1 billion in CDBG funds approved in the American Recovery and Reinvestment Act in February 2009. HUD Secretary Shaun Donovan sent a letter to the elected official of each CDBG-R grantee asking them to be “good stewards of these taxpayer dollars.” The CDBG-R program has been scrutinized by the White House given their concern over projects proposed for funding through CDBG that they consider “imprudent.” This led to language being included in ARRA which prohibits CDBG-R funding from being used for casinos, golf courses, swimming pools, zoos, and aquariums and which requires grantees to be prudent in their use of the funds.

Entitlement grantees must submit a substantial amendment to their FY 2008 Action Plan to HUD by June 5, 2009; States have until June 29. HUD has reduced the public comment period to seven (7) days to accommodate this deadline. The amendment must be approved by your city/county council. Grantees must expend their entire allocation of CDBG-R funds by September 30, 2012. Grantees may use up to 10 percent of their CDBG-R allocation for eligible planning and general administrative activities.

HUD is planning to host a second webinar on CDBG-R the week of June 8. Go to HUD’s recovery website at <http://www.hud.gov/webcasts/recovery.cfm> for more information and pre-registration.

HUD has posted the following CDBG-R items on its Recovery Act web page:

- SF-424 Form
- Frequently Asked Questions
- Certifications
- Submission Template and Checklist
- Spreadsheet for Reporting Proposed CDBG-R Activities/Activity Data Template
- Slideshow from the May 13 webinar

Go to

http://portal.hud.gov/portal/page?_pageid=153,7973215&_dad=portal&_schema=PORTAL to access these documents. Grantees can submit questions on the CDBG-R program to HUD’s Recovery Act mailbox at <http://www.hud.gov/recovery/questions.cfm>

NSP2 Notice Released

On May 4, HUD released the notice for the second round of funding for the Neighborhood Stabilization Program (NSP2) as appropriated in ARRA. Unlike NSP1 where eligible States and jurisdictions received a direct formula allocation from HUD, NSP 2 will be awarded through a national competition.. Moreover, nonprofit organizations and for-profit organizations are also

eligible to apply for the funds, including public non-profit entities (e.g., non-profits created by States, local governments, housing authorities).

Key Dates

- July 17, 2009 – NSP2 application due to HUD
- December 1, 2009 – last date for HUD to notify all selected applicants
- February 17, 2010 – last date for HUD to make funds available

The minimum grant amount is \$5 million. Applicants must use the funds to return, at a minimum, 100 abandoned or foreclosed properties to productive use or eliminate their blighting influence. As with NSP1, NSP2 is needs based. All applications must include the target area to be served, whether it be city-wide, a single neighborhood, or regional. HUD's Office of Policy Development and Research (PDR) has set up mapping capabilities on the HUD User website at <http://www.policymap.com/map> for NSP2 grantees to determine their areas of greatest need. The tool provides potential applicants with a map with census tracts and foreclosures related risk scores. The site will indicate if the census tracts meet the minimum thresholds for funding under NSP2.

NSP2 Program Requirements

- Recipients must expend 50% of allocated funds within two (2) years of the date funds are available to the recipient, and 100% of the funds within three (3) years.
- Citizen comment period is ten (10) days.
- HUD has amended Eligible Use E (Redevelopment) to read “redevelop demolished or vacant properties as housing.” This restricts redevelopment to residential properties only, whereas NSP1 permitted the redevelopment of non-residential uses, too.
- HUD has established a 10% cap on demolition under NSP2.
- CDBG rules governing program income will apply to NSP2.
- The purchase discount requirements have been reduced to 1% (below appraised value) for each unit and an average discount of 5% for all residential units purchased through NSP2
- If there are no HUD-approved housing counseling agencies in the recipient's jurisdiction, or there is other good cause as to why a recipient cannot meet the HUD-approved counseling requirement, the recipient may submit a waiver request to HUD for an exception to this requirement.
- No NSP2 funds can be used to demolish public housing.

- Recipients must submit quarterly performance reports for the entire three (3) year expenditure period. Moreover, recipients must submit monthly reports on NSP2 obligations and expenditures until the total reported expenditures are equal to 50% or more of the NSP2 grant.

Bridge Notice for NSP1

HUD is working on a “bridge” notice that will provide further guidance to grantees on NSP1. The Housing and Economic Recovery Act of 2008, the act which authorized NSP1, requires HUD to consult with the House and Senate authorizing committees in developing the notice. Because of this requirement, the notice is taking longer than normal to develop. HUD has given no date as to when the notice will be released. In a joint letter to Secretary Donovan on March 5, 2009, NCDCA, along with the Council of State Community Development Agencies, National Association of Housing and Redevelopment Officials, National Association for County Community and Economic Development, National Association of Counties, and the U.S. Conference of Mayors, proposed the following changes to the NSP: (1) allow the redevelopment of vacant properties not in foreclosure, including the redevelopment of non-residential properties for use as supportive housing and transitional housing; (2) reduce the purchase discount requirement from 5-15% to 1%; (3) allow flexible appraisal methods; (4) clarify that recently foreclosed properties acquired by NSP grantees are foreclosed properties under NSP; and (5) clarify that redevelopment of properties may include rehabilitation. The letter can be viewed on NCDCA’s website at <http://www.ncdaonline.org>

IDIS Update: 1st Release of Grantees

HUD is on schedule to have the first round of grantees “go live” on the new IDIS system on June 19. The first grantees to go live will be all IDIS grantees in North Dakota, South Dakota, Wisconsin, and Colorado. If you are located in one of these States, it is imperative that you spend sufficient time working in the new system before then so that you will be comfortable with the system on the go live date. You can go to HUD’s “test” system to learn the new system. Go to: <http://www.hud.gov/offices/cpd/systems/idis/reengineering/index.cfm> to log into the system. Users who have questions or problems using the new IDIS system should contact the Help Desk at 877-483-8282. The test system provides a slower response time than the actual live version of the re-engineered system.

HPRP Training Dates

HUD is sponsoring the following training on the Homelessness Prevention and Rapid Re-Housing Program (HPRP). .

<u>Date</u>	<u>Location</u>	<u>Maximum # of Attendees</u>
June 4-5	Chicago	300
June 9-10	Boston (tentative)	250
June 16-17	Atlanta (tentative)	250
New York	June 23-24 (tentative)	250
Washington DC	July (TBA)	250

Due to space restrictions, HUD is asking grantees to send no more than 2 persons to the training. Moreover, HUD is making the following recommendations:

1. Northern Florida grantees attend the Atlanta instead of the Miami training.
2. Western Pennsylvania grantees attend the Washington, DC training instead of the New York training.

In addition to the onsite training, HUD has developed a web presentation. For more information, go to <http://www.hudhre.info>

HUD Appointments

- Ron Sims was sworn in as the Deputy Secretary of HUD on May 8. Ron is the former County Executive for King County, WA.
- Peter Kovar was sworn in as the Assistant Secretary for Congressional and Intergovernmental Affairs on May 5. Peter formerly worked for Rep. Barney Frank (D-MA).
- The U.S. Senate held a confirmation hearing for Mercedes Marquez on May 13 on her nomination to be the Assistant Secretary for Community Planning and Development.

NCDA NEWS

2009 Annual Conference

The 2009 NCDA Annual Conference will be held in the beautiful city of San Antonio, TX from June 17-20, 2009. NCDA has posted the draft agenda and conference registration form to its website at <http://www.ncdaonline.org>. The conference will provide community development practitioners with training, timely conference sessions, and the opportunity to network with your peers. Sessions will include an update on the re-engineered IDIS, remarks from Secretary Shaun Donovan (invited), an update from HUD CPD staff on CDBG, HOME, HPRP, NSP, CDBG-R, McKinney re-authorization and other program areas, and concurrent sessions on consolidated plan best practices, effective rehabilitation programs, job retention, and disaster loan programs. The City of San Antonio will conduct a tour of some of its affordable housing and community development projects the afternoon of June 19. NCDA has sold out of its block of hotel rooms at the Marriott Plaza Hotel in San Antonio. Rooms are available at the hotel at the rate of \$199.00 per night plus tax.

Tribute to Dick Wright

NCDA will hold a special tribute to Richard “Dick” Wright during the John Sasso Awards Luncheon on Friday, June 19, at the 2009 Annual Conference. Dick, a long time friend and member of the association and honorary “Special Assistant to the President,” passed away in February. He was an ardent supporter of NCDA and a friend to all that knew him.

Attachments

✓Draft Annual Conference Agenda

For questions regarding *The Washington Report*, please contact Vicki Watson at vicki@ncdaonline.org

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

Program	FY09 Enacted Level	FY10 Administration Requested Level
Community Development Fund	\$3.9 billion	\$4.45 billion
<i>Set-Asides:</i>		
Native American Block Grant	[\$65 million]	[\$65 million]
EDI Grants	[\$165 million]	\$0
Technical Assistance	[\$5 million]	\$0
Neighborhood Initiatives	[\$19 million]	\$0
Working Capital Fund	[\$3 million]	\$0
Sustainable Communities Initiative	\$0	[\$150 million]
University Community Fund	\$0	[\$25 million]
Rural Innovation Fund	\$0	[\$25 million]
<i>Total Set-Asides</i>	<i>\$257 million</i>	<i>\$265 million</i>
Formula Grants	\$3.643 billion	\$4.185 billion
Section 108 Loan Guarantees	\$275 million	\$0
Brownfields	\$10 million	\$0
HOME Program	\$1.825 billion	\$1.825 billion
<i>Set-Asides:</i>		
Housing Counseling	\$0	\$0
Technical Assistance	[\$12 million]	\$0
Working Capital Fund	[\$4.2 million]	\$0
ADDI	\$0	\$0
<i>Total Set-Asides</i>	<i>\$16.2 million</i>	<i>\$0</i>
Formula Grants	\$1.80 billion	\$1.825 billion
Homeless Programs	\$1.677 billion	\$1.794 billion
Housing Trust Fund	\$0	\$1 billion
Housing Counseling	\$65 million	\$100 million
Lead Hazard Control	\$140 million	\$140 million
Self-Help and Assisted Homeownership Program (SHOP)	\$64 million	\$77 million
Section 202 for the Elderly	\$765 million	\$765 million
Section 811 for the Disabled	\$250 million	\$250 million
HOPWA	\$310 million	\$310 million

Fair Housing	\$53.5 million	\$72 million
Program	FY08 Enacted Level	FY09 President's Request
Section 8 TBRA	\$15 billion	\$16 billion
Section 8 Project-Based Assistance	\$6.868 billion	\$8.1 billion
Public Housing Capital	\$2.45 billion	\$2.244 billion
Public Housing Operating	\$4.45 billion	\$4.6 billion
HOPE VI (Choice Neighborhood Initiative)	\$100 million	\$250 million
Native American Housing Block Grant	\$645 million	\$645 million
Native Hawaiian Housing Block Grant	\$10 million	\$10 million
Indian Housing Loan Guarantees	\$9 million	\$7 million
Native Hawaiian Loan Guarantees	\$1 million	\$1 million
Rural Housing & Economic Development*	\$26 million	\$25
University Programs**	\$23 million	\$14 million

*Renamed the Rural Innovation Fund and funded as a set-aside within CDBG in FY 2010.

**Renamed the University Community Fund. Consolidates 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