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House Passes FY10 HUD Spending Bill; Senate Appropriations Committee Marks-Up Bill

Congress is making good progress in completing all of its spending bills by the September 30, 2009 deadline, including quick progress on HUD’s FY10 spending bill. The House completed its work on the FY 10 HUD spending bill on July 23, while the Senate Appropriations Committee marked-up its version on July 30. The Senate is expected to vote on the bill next week, prior to the start of its August recess. The bill will be conferenced by both chambers in September and forwarded to the President prior to September 30. This will be the first time in years that all of the spending bills will be completed on time and not under the cloak of an omnibus measure.

Community Development Fund

Both chambers approved increased funding of HUD’s programs in FY10, including CDBG and HOME, our core programs. The House approved \$4.6 billion for the Community Development Fund, while the Senate approved \$4.450 billion. *Within the Community Development Fund, the House approved \$4.166 billion for CDBG formula grants, while the Senate approved \$3.992 billion in formula grants.* Both levels are a significant increase from last year’s formula level of \$3.643 billion. Neither chamber approved a change in the existing CDBG program formula. Additional set-asides within the Community Development Fund include \$150 million for the

President's Sustainable Communities Initiative, \$25 million for the Rural Innovation Fund (formerly the Rural Housing and Economic Development Program), \$25 million for the University Community Fund (formerly the University Partnerships Program) and \$65 million for Native American Block Grants. In addition, the Senate approved \$171 million for economic development initiatives (Congress' pork projects), while the House approve a somewhat smaller amount of \$151 million. The Senate approved \$22 million in neighborhood initiatives (HUD's pork projects), while the House approved \$18 million.

The Sustainable Communities Initiative is a joint venture between HUD and the Department of Transportation (DOT) to fund regional planning efforts that consider housing, transportation and energy planning in a holistic manner. The initiative will support \$100 million for Regional Integrated Planning Grants; \$40 million for Community Challenge Planning Grants; and \$10 million for a joint HUD and DOT research project on sustainable, livable communities. The Sustainable Communities Initiative, according to HUD, is based on the following principles: provide more transportation choices, promote equitable, affordable housing, enhance economic competitiveness, support existing communities, and coordinate and leverage Federal policies and investments.

Section 108 Loan Guarantees and BEDI

Both chambers provided \$275 million in Section 108 loan guarantees, the same level as last year.

The House provided \$25 million for the Brownfields Economic Development Initiative, while the Senate zeroed out the program (the President's budget also zeroed out the program).

HOME and HUD's Homeless Assistance Programs

The House provided \$2 million for the HOME program in FY10, with all of the funding going directly to formula grants to State and local governments, an increase of \$200 million from last year. The Senate Appropriations Committee provided \$1.850 million in HOME formula grants in FY10. The House provided \$1.850 billion for HUD's homeless assistance programs, an increase of \$173 million from last year, while the Senate provided a slightly higher level of \$1.875 billion. The Senate Appropriations Committee directs HUD to work with the Department of Education to develop better coordination in delivering housing and education services to homeless and at-risk children and youth.

Section 8

The House and Senate provided nearly identical numbers for Section 8 tenant-based renewals (\$16.39 billion in the House and \$16.34 billion in the Senate). In its committee report, the Senate Appropriations Committee noted that HUD must do a better job of tracking voucher use and program costs through vigilant oversight of PHAs' data input and HUD's collection and analysis of the data. The Veterans Affairs Supportive Housing (VASH) Program received \$75 million, the same level as last year. This joint program between HUD and the Department of Veterans Affairs provides Section 8 vouchers to homeless veterans. The Senate provided \$20 million in voucher assistance to the Family Unification Program to assist youth aging out of foster care and families separated because of a lack of housing. In its report language, the

Senate encouraged HUD to coordinate the release of these vouchers with providers that are a part of HUD's Continuum of Care, so that the local Continuum of Care can help PHAs identify homeless families and youth in need of this assistance.

Public Housing

Both chambers funded the Public Housing Capital Fund at \$2.5 billion and the Public Housing Operating Fund at nearly identical levels (\$4.8 billion in the House and \$4.75 billion in the Senate). Both chambers direct HUD to convene a study group to develop a capital needs assessment to provide an accurate update of the capital needs of the nation's public housing. HUD last completed an assessment of public housing capital needs in 1998.

Choice Neighborhoods Initiative (HOPE VI Revamped)

The House provided no funding for the Choice Neighborhoods Initiative, citing the fact the program had not been authorized by the House Financial Services Committee, while the Senate Appropriations Committee fully funded the program at \$250 million, the Administration's request. The Choice Neighborhoods Initiative would replace the existing HOPE VI program which provides funding to communities to replace severely distressed public housing with a mixture of market and public housing. The Choice Neighborhoods Initiative would expand funding to Section 8 project-based housing and other HUD-assisted housing; focusing on the preservation and rehabilitation of these units while holistically transforming the surrounding community. The eligible list of grantees would be expanded to include public housing agencies, local governments, non-profit organizations, and for-profit developers (in conjunction with a local government). Instead of funding the Choice Neighborhoods Initiative, the House provided \$250 million for the HOPE VI program in FY10, an increase of \$130 million from last year.

Housing Counseling

The House approved \$70 million for housing counseling, \$5 million more than last year. Previously, this activity was funded as a set-aside within HOME. The House directs HUD to focus its counseling activities on pre-purchase counseling, not foreclosure prevention counseling. The Senate Appropriations Committee provided \$100 million for housing counseling in FY10.

Energy Innovation Fund

The House approved \$50 million for the Energy Innovation Fund. The House directs HUD to submit an energy efficient action plan within 120 days of enactment of the FY10 HUD spending bill that will focus on maximizing energy efficiency within HUD publicly owned and assisted housing. The Senate provided \$75 million for the Fund and also directs HUD to submit an energy efficient action plan within 120 days that will focus on how the funds will be allocated and targeted, a time line for the use of the funds, and benchmarks for success.

Lead Hazard Control

The House approved \$140 million for the Office of Lead Hazard Control and Healthy Homes. Of this amount, \$116 million is provided to the Lead Hazard Control Grant Program, \$4 million

for technical assistance, and \$20 million for the Healthy Homes Initiative. The Senate also approved \$140 million for the Office of Lead Hazard Control and Healthy Homes

Transformation Initiative

The House approved \$20 million for the Transformation Initiative and requested the funds, at a minimum, be spent on the following activities: purchase of a new information technology system for FHA and for the voucher program, a demonstration of sustainable building practices on Native American lands, research on home equity conversion mortgages, technical assistance on regional housing and transportation planning, and a demonstration on cities in transition. Other studies and technical assistance may be proposed by HUD within 30 days of enactment of the bill. The Senate also approved \$20 million for HUD's Transformation Initiative, but approved an additional \$208 million in transfers from HUD's programs to be determined by the HUD Secretary. Of this amount, the Senate directs HUD to use at least \$100 million for improvement of its information technology systems, including the modernization of the FHA's systems and the Department's voucher management system. The Senate provides at least \$40 million for continued technical assistance to HUD programs, including CDBG, HOME, HOPE VI, Choice Neighborhoods Initiative, homeless programs, Public Housing, Housing Choice Voucher Program, Fair Housing, Housing Counseling, and Healthy Homes. The Committee expressed its desire to have HUD combine technical assistance for various programs to encourage better program coordination by program participants.

National Housing Trust Fund

Funding was not provided for the National Housing Trust Fund, however, Rep. Barney Frank (D-MA) has provided \$1 billion for the Trust Fund in his TARP for Main Street Act of 2009 (HR 3068), which will redirect funding from the Troubled Asset Relief Program (TARP) to the National Housing Trust Fund. HR 3068 will also redirect \$1.5 billion from TARP to funding for NSP3. The creation of a National Housing Trust Fund was authorized by the Housing and Economic Recovery Act (HERA) of 2008, the same legislation that created the Neighborhood Stabilization Program; however, funding was not appropriated in FY 2009 to capitalize the Fund. 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. HUD has requested \$1 billion in its FY10 budget to capitalize the Fund as well. 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.

Other

NCDA is working with appropriations staff to have language included in the conference report of the final FY10 HUD spending bill to exempt HUD's Lead-Hazard Reduction Program from the Davis-Bacon requirements in the American Recovery and Reinvestment Act.

Treasury Releases Update on Build America Bonds and Recovery Zone Bonds

Build America Bonds and Recovery Zone Bonds are new financing tools created by the American Recovery and Reinvestment Act (ARRA) to allow state and local governments to obtain much-needed funding at lower borrowing costs for projects such as the construction of schools and hospitals, transportation infrastructure, and water and sewer projects. Since the program was launched on April 3, 2009, the Department of Treasury has issued \$17.4 billion in Build America Bonds. Under the Build America Bonds program, Treasury makes a direct payment to the state or local government issuer in an amount equal to 35 percent of the interest payment on the Build America Bonds.

ARRA appropriated \$10 billion in Recovery Zone Economic Development Bonds and \$15 billion in Recovery Zone Facility Bonds. The bonds can be used in recovery zones for economic development purposes and to finance certain recovery zone property. Recovery zones are areas that: (1) are designated by the issuer as having significant poverty, unemployment, rate of home foreclosures, or general distress; (2) any area designated by the issuer as economically distressed as the result of closure or realignment of a military base; and (3) any area for which a designation as an empowerment zone or renewal community as of February 17, 2009.

Recovery Zone Economic Development Bonds are taxable and the issuer will receive from Treasury a cash payment equal to 45 percent of its interest costs payable to investors in these bonds. These bonds must be issued before the end of calendar year 2010 and there is a limit of two percent on issuance costs.

A qualified economic development purpose is any expenditure to promote development or other economic activity in a recovery zone, including capital expenditures for property, public infrastructure and construction of public facilities, and education and job training.

Recovery Zone Facility Bonds are treated as tax-exempt private activity and must be used to finance depreciable property within recovery zones.

For more information on these bond programs, go to the Department of Treasury's website at <http://www.ustreas.gov>

House Committee on Financial Services Approves SEVRA

The Section 8 Voucher Reform Act (SEVRA), introduced in the House on June 25, 2009 by Rep. Maxine Waters (D-CA), was approved by the House Committee on Financial Services on July 23. The bill would authorize 150,000 new Section 8 vouchers in FY 2010 and authorize a Housing Innovation Program to replace the current Moving to Work Program. While the bill authorizes 150,000 new vouchers, congressional appropriators would have to agree to fund them.

With the soaring budget deficit, it is doubtful if any or all of the vouchers will be funded in FY 2010.

The Housing Innovation Program (HIP) demonstration would expand the existing Moving to Work Program (MTW). Currently, only 30 public housing agencies (PHAs) are allowed to participate in the MTW program, which allows these PHAs to combine their public housing and Section 8 funds, restructure their programs to serve higher income households, establish work requirements, among other flexible options. The HIP demonstration program would be authorized for ten years and would give HUD the flexibility to allow more PHAs to participate in the program. Like MTW, HIP would allow these PHAs to set rents, serve higher income households, and place employment requirements on the tenants. It would also allow PHAs to place additional conditions on residents' continued participation in the program and would require participating PHAs to complete impact analyses on the success of the program (something that has not been done under MTW).

During its consideration of the bill, the committee modified the HIP demonstration to prohibit rents that are substantially higher than those paid by federally assisted tenants, allow the creation of resident councils, limit the number of waivers from HIP agencies to those requested by the agency in its application, and require a strong evaluation component to HIP. The committee also increased the number of public housing agencies that can participate in HIP from the 40 requested in the bill to up to 60 agencies.

HUD NEWS

HUD Holds Session on Affirmatively Furthering Fair Housing

HUD's Office of Fair Housing plans to issue a proposed rule this Fall to strengthen requirements surrounding affirmatively furthering fair housing. HUD held a "listening" session last week to garner ideas from interested parties on the following six areas.

- How can the existing process be improved?
- What documentation do recipients currently use to demonstrate compliance with affirmatively furthering fair housing requirements and to support their certifications to affirmatively further fair housing?
- What factors should be included in an analysis of impediments (AI) for fair housing choice?
- How often should the AI be updated while not creating an undue burden?
- What are the advantages and disadvantages of creating a regional approach to affirmatively further fair housing?
- What can communities and public housing agencies do to reduce housing segregation and increase housing opportunities for protected classes under the federal housing civil rights

law?

During the session, NCDCA asked HUD to allow fair housing activities to be funded out of CDBG and HOME program costs, not administrative costs. This would free up much needed administrative funds for local governments, while giving local governments the flexibility to fund fair housing activities at a greater level, if they so choose. NCDCA also urged HUD to provide national technical assistance on affirmatively furthering fair housing, including the development of an analysis of impediments to fair housing choice, to grantees.

Fair housing advocates and other groups provided the following suggestions:

- Post all Analysis of Impediments on HUD's website to allow better access by the public
- HUD must provide better enforcement to ensure communities overcome impediments to fair housing choice
- Provide fair housing training for HUD staff, jurisdictions, housing counselors, and residents
- Provide more funding for housing testing

The impetus for the proposed rule stems from a February 24, 2009 court ruling by the U.S. District Court for the Southern District of New York which ruled that Westchester County, NY had "utterly failed" to meet its affirmatively furthering fair housing certification by not taking actions to overcome analysis of impediments to fair housing choice in terms of race. The County was ordered to repay \$45 million in federal funds. The court wrote, "The County's AI utterly failed to comply with the regulatory requirement that the County perform and maintain a record of its analysis of impediments to fair housing choice in terms of race." In its decision, the court stressed the County's Ais, "were conducted through the lens of affordable housing, rather than fair housing and its focus on protected classes such as race. Both the County's 2000 AI and its 2004 AI, according to the Court, were devoted solely to the lack of affordable housing...There is simply no evidence that either analyzed race-based impediments to fair housing."

The lawsuit was filed by the Anti-Discrimination Center in New York City citing the County of Westchester's failure to reduce segregated housing in within its municipalities.

NCDCA will form a working group of its members to examine the questions posed by the Office of Fair Housing from the perspective of CDBG and HOME grantees. We have also requested a formal meeting with Assistant Secretary for Fair Housing, John Trasvina.

Second Round of Grantees To Go Live on IDIS Online Soon

Grantees located in the following states and territories will convert to IDIS Online around August 14, 2009: Alabama, Delaware, Georgia, Hawaii, Idaho, Illinois, Iowa, Maine, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nevada, New Hampshire, New

Jersey, Oregon, Puerto Rico, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virgin Islands, Washington, Wyoming

The final conversion will take place on or around September 15, 2009 and will include the following states: Alaska, Arizona, Arkansas, California, Connecticut, Florida, Indiana, Kansas, Kentucky, Louisiana, Maryland, Minnesota, Nebraska, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Virginia, and West Virginia.

Grantees will be permanently locked out of the legacy IDIS five days prior to the conversion date in order to allow HUD to convert all data records for the grantees from legacy IDIS to IDIS online. Grantees must ensure they have not scheduled any automated draws during the conversion week.

It is imperative that you spend sufficient time working in the new system 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> to log into the system. Users who have problems logging in or have questions on using the new system should contact the IDIS Help Desk at 877-483-8282 (M-F, 8:15 am to 7 pm EDT). You can also send an e-mail to IDIS_HELP@HUD.GOV. Please note, the test system provides a slower response time than the actual live version of the re-engineered system.

NCDA NEWS

2009 Annual Conference Presentations Posted to Website

For those members who could not attend the 2009 Annual Conference in San Antonio, TX on June 17-20, 2009, the presentations from the sessions have been posted to the NCDA website.

CDBG Training Available Through NCDA

NCDA will hold three CDBG-related training sessions this Fall. NCDA will debut its Advanced CDBG Course at the Region VI Conference in Lubbock, TX on October 5-6, 2009. In addition, NCDA will hold a CDBG Basics Course at the Region 1 Conference in Boston, MA on October 21-23, 2009. A second CDBG Basics Course is being planned for the Region IV Conference, which will be held in mid-November. The exact dates and location of the course have not been set yet.

Advanced CDBG Course: Managing an Effective Program

This one and a half day course is targeted to CDBG personnel with more than three years experience in the program, with some management responsibility. Both new managers and seasoned managers can benefit from the course. The course will cover broad management issues surrounding CDBG in the areas of program planning, funding allocation, and program implementation. Thorny issues such as conflict of interest, politics, managing deadlines,

working with partners, communicating with HUD and the public, and problem solving will be covered, along with many other issues.

Since we are using the first course delivery to make further refinements to the course, if needed, we have decided not to charge a fee for the Lubbock training. Course participants will be given a Certificate of Completion (no test required).

CDBG Basics Course: Training for Practitioners

This three-day course is targeted to CDBG personnel with less than three years experience in the program. The course provides a comprehensive overview of the CDBG program, from determining the national objective and eligibility, discussion of the Consolidated Plan, soliciting applications, developing agreements, working with subrecipients, CBDOs and contractors, effective monitoring, financial management, and cross-cutting federal regulations. The fee for this course is \$250 for members and \$350 for non-members. Course participants will be given a test on day three of the course and will be awarded a Certificate of Completion upon passing the test.

For More Information...

For more information on both of these courses, please go to <http://www.ncdaonline.org/cdbg.asp> to obtain the course agenda and registration form.

Attachments

- Job Announcement: Council of State Community Development Agencies

Questions

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	FY10 House Level	FY10 Senate Level
Community Development Fund	\$3.9 billion	\$4.45 billion	\$4.6 billion	\$4.450 billion
<i>Set-Asides:</i>				
Native American Block Grant	[\$65 million]	[\$65 million]	[\$65 million]	[\$65 million]
EDI Grants	[\$165 million]	\$0	[\$151 million]	[\$171 million]
Technical Assistance	[\$5 million]	\$0	\$0	\$0
Neighborhood Initiatives	[\$19 million]	\$0	[\$18 million]	[\$22 million]
Working Capital Fund	[\$3 million]	\$0	\$0	\$0
Sustainable Communities Initiative	\$0	[\$150 million]	[\$150 million]	[\$150 million]
University Community Fund	\$0	[\$25 million]	[\$25 million]	[\$25 million]
Rural Innovation Fund	\$0	[\$25 million]	[\$25 million]	[\$25 million]
<i>Total Set-Asides</i>	<i>\$257 million</i>	<i>\$265 million</i>	<i>\$434 million</i>	<i>\$458 million</i>
Formula Grants	\$3.643 billion	\$4.185 billion	\$4.166 billion	\$3.992 billion
Section 108 Loan Guarantees	\$275 million	\$0	\$275 million	\$275 million
Brownfields	\$10 million	\$0	\$25 million	\$0
HOME Program	\$1.825 billion	\$1.825 billion	\$2 billion	\$1.825 billion
<i>Set-Asides:</i>				
Housing Counseling	\$0	\$0	\$0	\$0
Technical Assistance	[\$12 million]	\$0	\$0	\$0
Working Capital Fund	[\$4.2 million]	\$0	\$0	\$0
ADDI	\$0	\$0	\$0	\$0
<i>Total Set-Asides</i>	<i>\$16.2 million</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
Formula Grants	\$1.80 billion	\$1.825 billion	\$2 billion	\$1.825 billion
Homeless Programs	\$1.677 billion	\$1.794 billion	\$1.850 billion	\$1.875 billion
Housing Trust Fund	\$0	\$1 billion	\$0	\$0
Housing Counseling	\$65 million	\$100 million	\$70 million	\$100 million
Lead Hazard Control	\$140 million	\$140 million	\$140 million	\$140 million
Self-Help and Assisted Homeownership Program (SHOP)	\$64 million	\$77 million	\$85 million	\$85 million
Section 202 for the Elderly	\$765 million	\$765 million	\$1 million	\$785 million
Section 811 for the Disabled	\$250 million	\$250 million	\$350 million	\$265 million

HOPWA	\$310 million	\$310 million	\$350 million	\$320 million
Fair Housing	\$53.5 million	\$72 million	\$72 million	\$72 million
Program	FY08 Enacted Level	FY09 President's Request	FY10 House Level	FY10 Senate Level
Section 8 TBRA	\$15 billion	\$16 billion	\$16.39 billion	\$16.34 billion
Section 8 Project-Based Assistance	\$6.868 billion	\$8.1 billion	\$8.7 billion	\$8.1 billion
Public Housing Capital	\$2.45 billion	\$2.244 billion	\$2.5 billion	\$2.5 billion
Public Housing Operating	\$4.45 billion	\$4.6 billion	\$4.8 billion	\$4.75 billion
HOPE VI (Choice Neighborhood Initiative)	\$100 million	\$250 million	\$250 million	\$250 million
Energy Innovation Fund	\$100 million	\$100 million	\$50 million	\$75 million
Native American Housing Block Grant	\$645 million	\$645 million	\$750 million	\$670 million
Native Hawaiian Housing Block Grant	\$10 million	\$10 million	\$12 million	\$13 million
Indian Housing Loan Guarantees	\$9 million	\$7 million	\$7 million	\$7 million
Native Hawaiian Loan Guarantees	\$1 million	\$1 million	\$1 million	\$1 million
Rural Housing & Economic Development*	\$26 million	\$25 million	\$25 million	\$25 million
University Programs**	\$23 million	\$14 million	\$25 million	\$25 million

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

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