



FROM: NCDA STAFF

DATE: June 7, 2011

NCDA Annual Conference – Cincinnati, OH – June 22-25

NCDA HOME Basics Training – Austin, TX – July 18-20

FEATURED ARTICLES

- ✓ ***FY12 Budget/Appropriations Update***
- ✓ ***RSC Puts Forth Deficit Reduction Plan***
- ✓ ***Call to Action; Reach Out To Your Congressional Members***
- ✓ ***New Legislation***
- ✓ ***HOME Program Under Assault; Assistant Secretary Marquez Testifies Before the House Financial Services Committee***
- ✓ ***HUD NEWS – FY11 CPD Formula Allocations Posted; Consolidated Plan Enhancement Project; Use of 2010 Census/ACS Data in Calculating Grant Amounts; Expanded Hours of Operation for IDIS OnLine; CDBG-R Program Status Update***
- ✓ ***NCDA NEWS – 2011/2012 Slate of Officers Nominated; 2011 Annual Conference; HOME Training Available***
- ✓ ***OTHER NEWS – 2011 New Markets Tax Credit Round Opens; HUD Announces the Availability of Choice Neighborhoods Funding***

FY12 Budget/Appropriations Update

House of Representatives

The House Appropriations Committee, chaired by Rep. Harold Rogers (R-KY), released its 302(b) allocations for FY12 on May 11. The 302(b) allocations provide the amount of funding that each of the appropriations subcommittees can spend in FY12. The Subcommittee on Transportation, HUD, and Independent Agencies (T-HUD) was hit especially hard. The Subcommittee received an allocation of \$47.6 billion to fund programs within its jurisdiction in FY12. This is \$7 billion (11%) below the FY11 appropriations for the subcommittee and \$27 billion (36%) below the President's FY12 request allocation. NCDA joined 34 other members of the Campaign for Housing and Community Development funding in decrying the deep cut in the 302(b) allocation for the T-HUD subcommittee. Please see the attached letter. This does not bode well for the large CPD formula block grant programs – CDBG and HOME – because appropriators will want to protect Section 8 and public housing, both of which are tied to actual

units that must be funded in order to keep families housed. NCDA has been working with its partner organizations – U.S. Conference of Mayors, National Association of Counties, National Association for County Community and Economic Development, Council of State Community Development Agencies and others – to rally support for CDBG and HOME; meeting with key congressional members, ensuring elected officials personally contact their representatives on the House T-HUD subcommittee to seek support for CDBG and HOME in FY12; and working with a broad coalition of national organizations to keep a preeminent focus on both programs. The T-HUD Subcommittee was not the only casualty of the 302(b) allocation process; the Labor-HHS Subcommittee received the largest cut, \$18 billion below 2011 and \$41 billion below the President's 2012 request.

The House Appropriations Committee also issued guidance earlier in May on how individual members could request funding for specific HUD programs in FY12. Committee members were given until May 20 to make specific requests for their top priority programs. NCDA met with all of the T-HUD appropriators prior to this date and asked them to place CDBG as a top priority for funding in FY12. Moreover, we reached out to members in these congressional districts and asked the local elected official to contact their T-HUD member personally. In addition, three Dear Colleague letters were circulated in the House seeking support for CDBG, homeless assistance funding, and Section 8 TBRA. Nearly eight members of the House signed the CDBG support letter (attached). NCDA, and its national partners, also sent a separate letter to House appropriators on CDBG and HOME. Please see the attached letter. With the House T-HUD subcommittee scheduled to mark-up its FY12 funding bill on July 14 and the House Appropriations Committee marking up the bill on July 26, we urge you to continue to reach out to your members on these committees to ask for support of CDBG in FY12.

Senate

The Senate voted on May 25 on a motion to vote on the House-passed budget resolution. The motion to move forward failed by a vote of 40-57. The Senate Budget Committee has not put forward a budget resolution for FY12. Senator Kent Conrad (D-ND), chairman of the committee, is awaiting results from the "Blair House negotiators," which includes Vice-President Biden; Jack Lew, OMB Director; Gene Sperling, White House economic adviser; Rep. James Clyburn (D-SC); Rep. Chris Van Hollen (D-MD); Rep. Eric Cantor (R-VA), Senator Inouye (D-HI) and Senator Kyl (R-AZ). The group has been meeting for the past several weeks to come up with a recommendation for funding reductions for FY12. The Senate "gang of six," appointed last December seems to have fizzled out. At least one member, Senator Tom Coburn (R-OK) has dropped out and the others have not reached compromise on spending reduction recommendations.

The Senate Appropriations Committee began accepting FY12 funding requests from individual Senators in May. NCDA worked with Senators Patrick Leahy (D-VT) and Olympia Snowe (R-ME) to circulate a Dear Colleague letter in support of CDBG. Twenty-eight Senators signed the letter, including Senate leaders Durbin and Schumer. The final letter is attached.

RSC Puts Forth Deficit Reduction Plan

The Republican Study Committee (RSC), composed of the most conservative members of the House of Representatives, delivered a letter to House Speaker John Boehner (R-OH) yesterday that outlines their plan to “Cut, Cap, and Balance.” The plan is composed of three initiatives:

- (1) Spending cuts of approximately \$380 billion in FY12 – to both domestic discretionary and mandatory spending;
- (2) Statutory, enforceable spending caps; and
- (3) Passage of a Balanced Budget Amendment to the Constitution.

Two of the RSC members, Rep. Jack Kingston (R-GA) and Rep. Connie Mack (R-FL) have introduced separate bills to cap federal spending. Of the 176 members of the RSC, 103 signed the letter to Boehner.

Call to Action; Reach Out to Your Congressional Members

The following congressional members serve on the appropriations subcommittee which decides funding for HUD programs, including CDBG and HOME. If you are located in their district or their state, it is imperative that they hear from you.

House Subcommittee on Transportation-HUD

Rep. Tom Latham (Chairperson) (R-IA)
Rep. Frank Wolf (R-VA)
Rep. John Carter (R-TX)
Rep. Steven LaTourette (R-OH)
Rep. Mario Diaz-Balart (R-FL)
Rep. Charlie Dent (R-PA)
Rep. Steve Womack (R-AR)
Rep. Hal Rogers (R-KY)
Rep. John Olver (Ranking Member) (D-MA)
Rep. Ed Pastor (D-AZ)
Rep. Marcy Kaptur (D-OH)
Rep. David Price (D-NC)
Rep. Norm Dicks (D-WA)

Senate Subcommittee on Transportation-HUD

Senator Patty Murray (Chairperson) (D-WA)
Senator Barbara Mikulski (D-MD)
Senator Herb Kohl (D-WI)
Senator Richard Durbin (D-IL)
Senator Patrick Leahy (D-VT)
Senator Tom Harkin (D-IA)
Senator Dianne Feinstein (D-CA)

Senator Tim Johnson (D-SD)
Senator Frank Lautenberg (D-NJ)
Senator Mark Pryor (D-AR)
Senator Susan Collins (Ranking Member) (R-ME)
Senator Richard Shelby (R-AL)
Senator Kay Bailey Hutchison (R-TX)
Senator Lamar Alexander (R-TN)
Senator Mark Kirk (R-IL)
Senator Dan Coats (R-IN)
Senator Jerry Moran (R-KS)
Senator Roy Blunt (R-MO)
Senator Ron Johnson (R-WI)

Action

- Ask your local elected official to schedule a call with their congressional members. Set-up the call through the members' scheduler. To reach their offices, call the Capitol Hill switchboard at 202-224-3121.
- Ask them to support full funding of CDBG and HOME in FY12.

New Legislation

S. 887 – The CDBG Public Services Flexibility Act of 2011

On May 4, Senator Bill Nelson (D-FL) introduced S. 887, the CDBG Public Services Flexibility Act of 2011. The legislation would increase from 15% to 25% the public services cap within CDBG.

S. 996 – New Markets Tax Credit Extension Act of 2011

On May 12, Senator Nelson Rockefeller (D-WV) introduced S. 996. The legislation would extend the New Markets Tax Credit through 2016 at an annual authorization of \$5 billion.

HOME Program Under Assault; Assistant Secretary Mercedes Marquez Testifies before the House Financial Services Committee

On May 15, *The Washington Post* published the first in a series of damning articles on the HOME program. The articles were the result of a year-long investigation into the program. NCDCA has strongly pushed back on the negative articles; signing on to a letter to the Washington Post and signing on to a letter to congressional members (attached).

Spencer Bachus (R-AL), Chairman of the House Financial Services Committee, convened at hearing on the HOME program on June 3. Bachus provided the following overview in his opening remarks, “Unfortunately, the HOME program has been exploited by schemers and crooks. Between 2004 and 2011, dozens have been convicted or indicted for criminal misuse of HOME funds. The problems span multiple administrations and I have been encouraged in all my

conversations with Secretary Donovan and others at HUD that there is a determination at the agency to correct these problems. Let me mention three steps that must be taken: first, that the contracts require repayment for failed projects or misspent funds; second, that those who defraud the government are pursued vigorously; and third, that eligibility requirements for developers are substantially tightened.”

Mercedes Marquez, Assistant Secretary for Community Planning and Development at HUD, provided testimony, laying out a cogent argument against the *Post* article.

In her testimony, the Assistant Secretary duly pointed out that affordable housing projects have many layers of funding – each source with its own set of regulations and deadlines. HOME is one of many layers of funding. The numerous layers of funding are critical to ensure affordability of these housing units for up to 20 years or more (depending on financing sources and restrictions). Even in a good economy, it is not uncommon for new multi-family construction projects to take 3-5 years from the initial planning to completion. She also pointed out that HOME funds are also used for land acquisition or to pay for pre-development costs; therefore, it would not be unusual for many months to pass without any additional HOME funds being drawn down while the development of the project proceeds.

In her testimony, Marquez pointed out the *Post* had incorrectly labeled 700 active HOME projects as being “delayed.” In its own analysis, HUD found, as of November 10, 2010 (the starting date the *Post* used in its analysis), 797 projects with \$469 million in HOME commitments. Of this number, only 214 or 27% actually appear to be delayed, with most of the delay caused by the downturn in the housing market. Another 44 projects will be canceled by grantees. Overall, 539 of the 797 projects are completed or on target for completion.

According to Marquez, each year HUD field offices conduct a risk assessment of all formula and competitive grantees based on several factors, including size of formula grant, complexity of activities undertaken, management capacity, and length of time since last monitoring visit. In the last two fiscal years (FY2009-10), field offices monitored 238 of 642 HOME pjs nationally (37%).

Marquez laid out the following monitoring and enforcement mechanisms undertaken by HUD when participating jurisdictions do not meet commitment or expenditure deadlines, fail to complete a project, or cannot administer their HOME program due to mismanagement or noncompliance issues.

- HUD produces monthly “deadline compliance” status reports to track compliance with statutory HOME funds commitment and expenditure deadlines which are strictly enforced. Pjs have two years to commit funds and five years to expend these funds. A total of \$65.8 million has been de-obligated for failure to meet those deadlines.

- HUD always receives repayment of HOME funds that are misspent. CPD has collected over \$190 million in repayments from pjs for ineligible costs or activities.
- HUD withholds HOME funds where there is a pattern of mismanagement or noncompliance with HOME regulations. Since 2004, HUD has withheld funds to seven participating jurisdictions, some for multiple years, to enforce program requirements.
- HUD refers HOME pjs that have evidence of particularly serious management or financial control issues to the HUD-OIG for investigation. Since 2009, HUD has referred six jurisdictions to the OIG (Huntsville, AL; Mobile, AL; Washington, DC; East Orange NJ; Cleveland, OH; and Montebello, CA).
- In the last 5 years, the OIG has performed 64 audits on HOME pjs, some at the request of HOME staff in Washington, DC and some at the request of Field Office staff. Of the 64 audits, 44 are closed out and all recommendations implemented. Twenty-three audits have at least one open recommendation, and HUD is in the process of working with these pjs.
- HUD will implement the following changes to IDIS by May 2012 when the IDIS improvements are slated for completion:
 - (1) Program income controls to improve reporting and ensure that pjs are drawing down program income first before drawing program funds from their Treasury account;
 - (2) Controls to ensure that draws are from committed funds only; and
 - (3) Implement function to assist large grantees to streamline data entry process for sub-grantees to increase data accuracy.
- The HOME program rule will be placed into HUD departmental clearance later this month. The rule will include needed improvements to ensure program effectiveness through updated regulations and through IDIS improvements.

James A. Heist, Assistant Inspector General for Audit, Office of Inspector General, HUD, also testified before the House Financial Services Committee. The following provides the main points of his testimony:

- HOME addresses a need for affordable housing in our country
- The OIG has expressed concerns about the controls, monitoring and information

systems related to the HOME program.

- Over the past five years, OIG has conducted 64 audits of pjs
- Most common finding: lack of adequate controls in the areas of sub-recipient activities, recapture provisions, over-reporting program accomplishments, and ineligible activities.
- Audits also found that some grantees are not monitoring their sub-recipients
- The same developers receive HOME funds year after year
- Many developers and non-profits lack the experience and capacity to handle HOME project development.
- Embezzlement of funds, bribery, theft, false billing and kickbacks were the primary causes of fraud in the HOME program.

Inspector General Heist also pointed out that In addition to the legal authority to recapture misspent HOME funds, HUD also has the ability to refer program violators to its Departmental Enforcement Center, as well as to the OIG, for possible civil, criminal or administrative sanctions. Some of the possible penalties for misusing HOME funds include the sanctions provided in the False Claims Act and the Program Fraud Civil Remedies Act, suspensions, debarments, and criminal penalties. Over the past three years, the OIG has handed down 16 indictments of individuals involved in fraud in the HOME program. These have included elected officials, grantee staff, non-profit entities, construction companies, developers, and investment companies.

HUD NEWS

FY11 CPD Formula Allocations Posted

HUD has posted the final FY11 allocations for CDBG, HOME, ESG, and HOPWA to the following website: <http://www.hud.gov/offices/cpd/about/budget/budget11/index.cfm>

Consolidated Plan Enhancement Project

HUD launched a website to solicit feedback on the consolidated plan enhancement project. HUD accepted comments through May 31 on the following questions:

- What types of data and mapping would be helpful when preparing the consolidated plan?
- How can HUD make the consolidated plan more useful and meaningful to grantees?
- How can HUD simplify and streamline the preparation, submission and performance reporting?

Ideas submitted through the website were voted on by grantees and the public-at-large through the website. The following ideas received the largest votes.

- (1) Pre-Filled Maps. Have HUD create maps, by census tract, reflecting racial and income makeup as well as other data that HUD is seeking through the Con Plan.
- (2) Location of Existing Affordable Housing vs. High Needs. Map the location of existing affordable housing projects along with areas of high need so that grantees can have a sense of where to place future affordable housing.
- (3) Allow Jurisdictions to Import Their Own Data. Some grantees use their own surveys to assess community need instead of relying on census data. HUD should provide the capability to allow grantees to import survey data.

NCDA will hold a special session on HUD's Consolidated Plan Enhancement project during the upcoming Annual Conference.

Use of 2010 Census/ACS Data in Calculating Grant Amounts

According to HUD, the use of the 2010 Census population figures will not be used until the 2012 formula allocation process. Poverty, age of housing and overcrowded housing data are no longer collected as part of the decennial census. This data will now be generated from the American Community Survey (ACS) and will be updated annually rather once every ten years.

Expanded Hours of Operation for IDIS OnLine

Effective May 16, 2011, the operating hours for IDIS OnLine will be extended to run from 7 am ET to 10 pm ET, Monday through Saturday, including Federal holidays. Those with questions should contact the IDIS Help Desk at 877-483-8282.

CDBG-R Program Status Update

As of May 16, 2011, nearly 80% of all CDBG-R funds have been drawn down. A total of 420 out of 1,167 grantees have drawn down all of their funds. Another 225 grantees are nearly 90% drawn down. Ten grantees have not drawn down any funds. They are: American Samoa, Gilbert, AZ, Gilroy, CA, Laguna Niguel, CA, Porterville, CA, San Marcos, CA, Pueblo, CO, Henderson, KY, Middletown Township, NJ, and Paterson, NJ.

NCDA NEWS

2011/2012 Slate of Officers Nominated

The Nominations and Elections Committee has recommended the following slate of officers for 2011/2012.

Barbara Ross, Denton, TX, President
Bob Gehret, Boston, MA, Vice-President

Al Faella, Union County, NJ, Secretary/Treasurer
Lelia Allen, Orlando, FL, Past-President

The slate will be voted on by the NCDA membership during the general business meeting on Saturday, June 25, 2011, in Cincinnati, OH.

2011 Annual Conference

The 2011 NCDA Annual Conference will be held in Cincinnati, OH on June 22-25. The conference will feature the following sessions:

- Job Production Strategies
- NCDA's Project with the Robert Wood Johnson Foundation to combat childhood obesity
- Affordable Housing Preservation
- HEARTH Act Update
- HUD Update on CDBG, HOME, NSP
- Consolidated Plan Enhancement Project
- Public Service
- Using CDBG to Remediate Brownfield Sites
- Regulatory Streamlining Roundtable with HUD
- Ten-Year Plan to End Homelessness
- CD Week Awards Luncheon
- Local Projects Tour

A copy of the updated conference agenda is attached. To view the conference agenda and to register, go to www.ncdaonline.org.

By-Laws Change

The membership will vote on the following by-laws change during the annual business meeting on Saturday, June 25:

Section 3.11 of the NCDA By-Laws

Delete the last sentence of paragraph two of Section 3.11, which reads, "Any co-chair that is not a member of the Board of Directors may attend the Board meetings as a non-voting member to provide information regarding subcommittee activities" and replace it with the following sentence, "The chairperson of each standing committee shall automatically be a member of the Board of Directors with all rights and privileges thereto."

This change was recommended and voted on by the NCDA Board of Directors during their January 2011 meeting. For the change to take effect, the membership must approve it during the annual business meeting on June 25.

HOME Training

NCDA will hold a three-day HOME Basic Course Training in Austin, TX on July 18-20. The

course is appropriate for both new staff and “seasoned” employees. The course will cover the entire spectrum of the HOME program. The course will be enforced through in-class exercises and through a test on the last day. Participants will also be given a comprehensive course manual to use as a resource tool in their day-to-day operation of the HOME Program.

The training will be held at the Hyatt Regency Austin. NCDCA has reserved a block of rooms at the rate of \$145 per night plus tax. Please contact the hotel at 888-421-1442 before **June 19** to receive this special rate. Be sure to reference the National Community Development Association. For the course brochure and to register for the course, go to www.ncdaonline.org/home.asp

OTHER NEWS

2011 New Markets Tax Credit Round Opens

On May 31, the Department of Treasury announced the availability of \$3.5 billion in tax credits under the New Markets Tax Credit (NMTC) Program through its Community Development Financial Institutions Fund (CDFI Fund) competitive round of funds. Applications are due on or before July 27, 2011. The CDE Certification Application is due by June 22, 2011.

The NMTC spurs investment of private sector capital into distressed communities by providing a tax credit to corporate or individual taxpayers who make qualified equity investments in designated Community Development Entities (CDEs). The CDEs, in turn, invest the capital raised into projects and businesses in low-income communities. The credit provided to the investor totals 39 percent of the investment in a CDE and is claimed over a seven-year period.

Information on Applying to the NMTC program:

- The CDFI fund has recorded an application workshop which will be available for viewing on June 13th.
- The CDFI Fund will also conduct two one-hour conference calls to answer any applicant questions. The dial-in number is 888-566-6196 and the pass code is NEW MARKETS or 6396275387. No prior registration is necessary.
 - Wednesday, June 14, 4 pm ET
 - Tuesday, June 21, 1 pm ET

For more information, go to www.cdfifund.gov

HUD Announces the Availability of Choice Neighborhoods Funding

HUD released, today, the notice of funding availability (FR-5500-N-17) for the Choice Neighborhoods Planning Grants Program. The notice announces \$3.6 million in funding for FY11. Grants will be capped at \$300,000. Eligible applicants include local governments, public

housing authorities, non-profits, and for-profit developers that apply jointly with a local government or public housing authority. The grants will support the development of neighborhood revitalization plans that link housing, public services, schools, transportation, and access to jobs. According to Secretary of HUD, Shaun Donovan, “This initiative expands on the bipartisan success of the HOPE VI program by recognizing that we must link affordable housing with quality education, public transportation, good jobs and safe streets.” Applications are due to HUD by August 8, 2011.

Attachments

- Updated Annual Conference Agenda
- Letter to House Appropriations Leadership on CDBG and HOME
- Letter to House Appropriations Leadership on the 302(b) Allocations
- House CDBG Dear Colleague Letter
- Senate CDBG Dear Colleague Letter
- HOME Support Letter

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

Program	FY10 Enacted Level	FY11 Enacted Level	FY12 President's Request
Community Development Fund	\$4.450 billion	\$3.5 billion	\$3.804 billion
<i>Set-Asides:</i>			
Sustainable Communities	[\$150 million]	[\$100 million]	0
Catalytic Investment	\$0	\$0	0
Native American Block	[\$65 million]	[\$65 million]	[\$65 million]
University Community Fund	[\$25 million]	\$0	[\$23 million]
EDI Grants	[\$172.8 million]	\$0]	0
Neighborhood Initiatives	[\$22 million]	\$0	0
Rural Innovation Fund	[\$25 million]	\$0	[\$25 million]
Insular Areas	\$0	\$0	[\$7 million]
Formula Grants	\$3.990 billion	\$3.335 billion	\$3.684 billion
Section 108 Loan Guarantees	\$275 million	\$275 million	\$500 million
Brownfields	\$17.5 million	\$0	\$0
HOME Program	\$1.825 billion	\$1.606 billion	\$1.650 billion
Homeless Programs	\$1.865 billion	\$1.9 billion	\$2.372 billion
Housing Counseling	\$87.5 million	\$0	\$88 million
Lead Hazard Control	\$140 million	\$120 million	\$140 million
Section 202 for the Elderly	\$825 million	\$400 million	\$757 million
Section 811 for the Disabled	\$300 million	\$150 million	\$196 million
Fair Housing	\$72 million	\$72 million	\$72 million
Section 8 TBRA	\$16.3 billion	\$16.6 billion	\$16.3 billion
Section 8 Project-Based Assistance	\$8.5 billion	\$9.3 billion	\$9.4 billion
Public Housing Capital	\$2.5 billion	\$2.04 billion	\$2.04 billion
Public Housing Operating	\$4.775 billion	\$4.616 billion	\$4.829 billion
HOPE VI	\$135 million	\$35 million	\$0
Choice Neighborhoods	\$65 million	\$65 million	\$250 million
Native American Housing Block Grant	\$700 million	\$649 million	\$700 million
Native Hawaiian Housing Block Grant	\$13 million	\$13 million	\$10

Indian Housing Loan Guarantees	\$7 million	\$9 million	\$7 million
Native Hawaiian Loan Guarantees	\$1 million	\$1 million	\$10 million