NCDA
WASHINGTON REPORT

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FEATURED ARTICLES

Congressional Committees Approve FY14 HUD Funding Bill; Floor Action Expected in the Senate Next Week

On June 27, both the House and Senate Appropriations Committees approved their respective FY14 Transportation-HUD (T-HUD) spending bill. The Senate version, S. 1243, is expected to go to the Senate floor next week for a vote. The House version, H.R. 2610, will likely not see floor action until after the August recess.

The Senate version was adopted with bi-partisan support, with six Republicans voting for the bill including Senators Susan Collins (R-ME), Thad Cochran (R-MS), Jerry Moran (R-KS), Lisa Murkowski (R-AK), Mark Kirk (R-IL), and Mike Johanns (R-NE). If you are located in one of these six states, please send a thank you letter to your Senator as soon as possible. In the letter, please urge them to continue to support S. 1243 by voting for the bill when it reaches the Senate floor next week. The CDBG Coalition sent a letter to Senator Patty Murray (D-WA), Chairwoman of the Senate T-HUD Subcommittee and to Senator Susan Collins, Ranking Member, thanking them for their leadership and support of CDBG and HOME. A copy of the letter is attached.

There is some concern that Republicans may try block the bill from coming to the Senate floor, so the continued support of these six Senators is crucial to the bill moving forward. Sixty votes are needed to defeat a filibuster of the bill and right now the Senate has that number (52 Democrats, 2 Independents, and 6 Republicans) if the six Republicans remain in support of the bill.

Members of the CDBG Coalition will hand-carry a CDBG/HOME packet of information to every Senate office this Monday which will include a press statement supporting the Senate allocations and urging Senators to vote in support of S. 1243. The packet will also include a CDBG and HOME fact sheet and a sample of projects that have been funded with CDBG and HOME, to give Senators a sense of how the funds are being used nationwide. A copy of the press release is attached. The press statement will be released today and the U.S. Conference of Mayors will take the lead in getting it out to national media outlets.

The House and Senate are wide apart on the funding level of the FY14 T-HUD bill; with the Senate approving $54 billion in spending for its version, while the House provided $44.1 billion, nearly $10 billion less than the Senate. The wide differences are reflective of the House and Senate budget caps which stand $91 billion apart (the House at $967 billion and the Senate at $1.058 trillion). While the House budget cap includes sequestration cuts, the Senate budget does not. In addition, the House version makes huge cuts in certain programs, CDBG, in particular..

CDBG

While the Senate Appropriations Committee approved $3.1 billion for CDBG formula grants in FY14, the House provided only $1.636 billion, a nearly 50% cut from FY13. During the mark-up of the FY14 T-HUD bill by the House Appropriations Committee, Rep. Fattah (D-PA) offered an amendment to increase funding for CDBG. The amendment was rejected. The Committee also rejected amendments to increase funding for Section 8 vouchers and project-based assistance, and homelessness assistance programs.

The Senate approved $75 million for the Administration's Integrated Planning and Investments Grant program as a set-aside within the Community Development Fund. In supporting this funding, the Committee report noted the following, "The Committee has supported HUD's investments in regional and community planning betause successful planning efforts help communities make smarter investments to improve access to housing, transportation and jobs," according to the Committee report. The House did not provide funding for this program. Neither chamber provided funding for the Neighborhood Stabilization Program, as recommended in the President's FY14 budget request. NCDA opposes any set-asides within the CDBG account. The House report language requires HUD to notify grantees of their allocations within 60 days of enactment of the FY14 T-HUD bill.

S. 1243 includes some statutory changes to CDBG including language prohibiting any CDBG grantee from selling its CDBG award to another community. This practice has taken place in some urban counties, but will now be banned if the Senate language remains in the final FY14 T-HUD spending bill. The Senate also added language to the T-HUD bill that requires appropriate underwriting of CDBG funded economic development projects to for-profit entities. The Senate Committee reports also includes language supportings HUD's efforts to hold listening sessions on CDBG to determine if statutory or regulatory changes need be made to the program to make it more effective. The Committee report reads, "the Committee applauds this effort and expects to see additional recommendations on how to strengthen the program in the FY15 budget."

Neither the Senate nor the House included language recommended in the President's budget to establish a minimum threshold in CDBG. The Senate report includes language that reads, "The Committee is concerned about the impact of this change on smaller communities."

Both S. 1243 and H.R. 2610 would make the Section 108 loan guarantee a fee-based program, which means the provision will likely become part of a final FY14 T-HUD bill. This change means that communities which seek Section 108 loans will be charged a fee to support the loan guarantee. HUD will have to develop the regulations to promulgate this change and these regulations will likely ask for feedback from grantees on how best to proceed.

HOME

The Senate Committee on Appropriations approved $1 billion for the HOME program in FY14, while the House approved $700 million, $300 million less than the Senate level. The Senate level represents a $50 million more than the President's budget request.

The Senate retains the HOME statutory provisions from the last appropriations bill. The Senate committee report noted the following important HOME monitoring changes made by HUD in the last year.

- In FY12, HUD conducted 339 HOME monitoring visits compared to 137 the previous year
- HUD has improved IDIS to better track HOME projects
- HUD has also taken steps to address the number of stalled projects; the number of HOME activities with infrequent draws has been reduced by 65% and the number of projects open for more than 4 years has decreased by 58%.

Homeless Assistance Grants

The Senate Committee approved $2.261 billion for HUD's homeless assistance programs, an increase of $233 million more than FY13. Of this amount, the Committee provides $336 million for the Emergency Solutions Grants (ESG) Program of which $50 million is set-aside for rapid re-housing interventions in high-need communities. The Committee provides $1.9 billion for the Continuum of Care program including the renewal of existing projects.

HOPWA

The Senate Committee recommended an appropriation of $332 million for the Housing Opportunities for Persons with AIDS (HOPWA) Program. The House T-HUD bill includes $303 million for HOPWA in FY14, $29 million less than the Senate. S. 1243 includes language that requires HUD to allocate HOPWA funds in a manner that preserves existing programs, to the extent those programs continue to meet the needs of persons with HIV/AIDS. However, the Committee directs HUD to work with stakeholder groups and the congressional authorizing committees to develop a new re-authorization proposal that would include updates to the formula to targeted limited resources to those communities most impacted by HIV.

Section 8 Tenant-Based Assistance

The Senate T-HUD bill provides nearly $17.6 billion for the renewal of Section 8 tenant-based vouchers, an increase of $360 million from last year. This amount will ensure that no existing voucher holders are at risk of losing their assistance. However, the House Appropriations Committee recommended a funding level of $17 billion for Section 8 tenant-based contract renewals, $600 million below the Senate's request.

Both the House and Senate urge their respective authorizing committees (House Committee on Financial Services and the Senate Committee on Banking, Housing, and Urban Affairs) to enact a Section 8 reform bill as quickly as possible. The Senate Committee wants the bill to focus on serving more working poor, modifying utility allowances, streamlining inspections, and encouraging Public Housing Authorities (PHAs) to form consortia; changes that will result in direct savings and create program efficiencies. In lieu of a reform bill, both chambers urge HUD to pursue regulatory and administrative reforms that do not require new authorizations, but that relieve the administrative burden of PHAs. The Senate Committee directs HUD to submit a report within 180 days of enactment of the FY14 T-HUD bill on existing regulations that need to be updated and time frames for updating them. The Committee also directs HUD to work with its OIG to determine the critical skills that PHA boards should have to effectively oversee PHA operations.

Choice Neighborhoods

The Senate Committee approved $250 million for the Choice Neighborhoods Initiative, an increase of $130 million from last year, but $150 million less than the President's request. The Committee report notes that Choice Neighborhoods is part of a broader Administrative initiative, Promise Zones, which is focused on providing investment to high poverty areas. The goal of Choice Neighborhoods is to replace distressed housing as a way to improve communities in partnership with other federal agencies that provide other resources to these impoverished communities such as better transportation and education. The House provides no funding for Choice Neighborhoods in FY14 and rescinds $120 million of unobligated balances in the current program.

Please see the HUD budget chart at the end of this newsletter for further program funding levels.

LIHTC, NMTC, and Municipal Bonds At Risk of Being Eliminated; Action Needed

The Senate Finance Committee is proposing a “blank slate” approach to tax reform; essentially, proposing to wipe the current tax laws clean and start fresh with a blank slate. Senator Max Baucus (D-MT), Chairman, and Senator Orrin Hatch (R-UT), Ranking Member, sent a letter to their Senate colleagues asking them to submit legislative proposals and ideas on what tax expenditures should be added back to a reformed tax code. Senators have until July 26 to submit their ideas and proposals.

The blank slate approach wipes out the Low-Income Housing Tax Credit (LIHTC), a vital resource used in the development of affordable housing, the New Markets Tax Credit (NMTC), another resource used nationally for economic development, and the tax-exemption for municipal bonds.

Your Action is Needed

Please contact your Senators and ask them to weigh in with Senator Baucus and Senator Hatch by July 26 on the importance of keeping the LIHTC, the NMTC, and the tax exemption for municipal bonds in the tax code. Contact your Senators by calling the Capitol Hill switchboard at 202-224-3121.

Housing Finance Reform Bills Brewing in Congress

House Bill

Rep. Jeb Hensarling (R-TX), Chairman of the House Financial Services Committee, announced on July 11 that he will introduce the Protecting American Taxpayers and Homeowners Act (PATH) to reduce the role of the federal government in housing finance. The Committee plans to hold a hearing on the bill this month. The measure would shutdown Fannie Mae and Freddie Mac. Many Republicans have long wanted to end the operations of Fannie and Freddie, who they blame for the financial crisis and leave mortgage lending to the private sector. Democrats and even some moderate Republicans are concerned Hensarling’s proposal would limit homeownership if the private sector is not willing to lend without a government guarantee of the mortgages. While the PATH Act would not establish any federal entity to replace Freddie or Fannie, it would establish the National Mortgage Market Utility. The Utility would statutorily be banned from participating directly in the mortgage market but would develop best practice standards for the origination, servicing, pooling, and securitization of mortgages.

The House measure would preserve the Federal Housing Administration (FHA) but place restrictions on its mortgage lending such as reducing the amount of mortgage insurance provided on loans and raise down payment requirements from 3.5 percent to 5 percent for borrowers who are not first-time homebuyers. The PATH Act provides no funding for the National Housing Trust Fund. The House Financial Services Committee is expected to pass the bill this month. It is uncertain when the bill will be considered by the full House. Even if the bill is passed in the House, it will not be considered in the Democratic-controlled Senate.

Senate Bill

Senators Bob Corker (R-TN) and Mark Warner (D-VA) introduced a bipartisan mortgage finance reform bill, S.1217, in the Senate on June 25. Six other Senators (both Democrats and Republicans co-sponsored the bill) including Senators Kay Hagan (D-NC), Heidi Heitkamp (D-ND), Dean Heller (R-NV), Mike Johanns (R-NE), Jerry Moran (R-KS), and Jon Tester (D-MT). The bill would wind down the operations of Freddie Mac and Fannie Mae replacing the government-sponsored enterprises with a new government agency, the Federal Mortgage Insurance Corporation (FMIC). The FMIC would have the following primary duties.

- purchase and securitize single-family and multi-family loans
- provide a government guarantee on mortgage loans
- oversee the Federal Home Loan Banks

The FMIC would assess a fee on all loans to funnel into a National Housing Trust Fund and Capital Magnet Fund for affordable housing; 80% of the fee income would go to the National Housing Trust Fund and 20% to the Capital Magnet Fund. The funding for the National Housing Trust Fund would be targeted as follows:

(1) 35% for rental activities targeted to people at 50% of area median income or less;
(2) 5% for homeownership activities to people at 50% of area median income or less; and
(3) 60% for rental and homeownership activities for people at up to 120% of area median.

S. 1217 is expected to be included in a larger housing finance bill to be introduced by Senator Tim Johnson (D-SD), Chairman of the Senate Committee on Banking, Housing, and Urban Affairs, at a later date.

The future of Fannie Mae and Freddie Mac has been widely discussed ever since the government placed them in conservatorship in 2008. Although they both suffered massive losses during the financial crisis, they have recently bounced back; turning a profit and paying back $132 billion of the $188 billion owed to the federal government which bailed out the GSEs during the housing crisis.

Johnson and Crapo Release FHA Discussion Draft

Senate Banking Committee Chairman Tim Johnson (D-SD) and Ranking Member Mike Crapo (R-WY) released a discussion draft of a bill to reform the Federal Housing Administration

(FHA). The Federal Housing Administration Solvency Act of 2013 has three goals: (1) strengthen underwriting standards; (2) improve lender accountability, and (3) stabilize the reverse mortgage program.

The FHA currently has a shortfall of about $1 billion in its insurance fund due to foreclosures that occurred during the housing crisis. The Senate measure would create an advance warning system by raising the minimum for the Mutual Mortgage Insurance Fund's capital reserve ratio to 3 percent. If the capital ratio doesn't make certain targets the bill would require HUD to step in to take actions to ameliorate losses. The measure would also require minimum annual mortgage insurance premiums that would be reevaluated annually to ensure they are fully covering loan losses and providing enough for the capital reserve.The measure would require HUD to establish underwriting standards similar to those proposed under the Consumer Financial Protection Bureau's qualified mortgage rule and would also require HUD to streamline and consolidate its lending guidelines to minimize confusion.

The Committee will hold a hearing on the bill on July 24. A summary of the bill is available at http://www.banking.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=76ccb8b5-2cf3-4a3f-b40b-47f0b90aa957

HUD NEWS

<u>HUD Releases Proposed Rule on Affirmatively Furthering Fair Housing</u>
On July 18, HUD released a proposed rule on Affirmatively Furthering Fair Housing (AFFH) (FR-5173-P-01). NCDA will be working with its sister organization, NACCED, to provide joint comments on the rule which are due to HUD within 60 days of release of the rule. The rule was primarily developed in response to a 2010 U.S. Government Accountability Office (GAO) report, "HUD Needs to Enhance Its Requirements and Oversight of Jurisdictions' Fair Housing Plans," (September 14, 2020) that chastised HUD for not providing better guidance to grantees on how to affirmatively further fair housing in accordance with the Fair Housing Act.

According to HUD, the rule is structured to provide direction and procedures for grantees to promote fair housing choice.

- The Analysis of Impediments would be replaced with a standardized Assessment of Fair Housing (AFH) that would evaluate fair housing challenges and goals using new data tools provided by HUD. HUD would also encourage regional approaches to fair housing planning, providing that two or more grantees may join together to submit a single AFH. Regionally collaborating grantees need not be contiguous and can cross state lines. The AFH must address segregation, concentration of poverty, disparities in access to community assets, and disproportionate housing needs based on race, color, religion, sex, familial status, national origin, or handicap. In addressing these areas the AFH must include a summary of fair housing issues in the jurisdiction, including findings or judgments related to fair housing or civil rights laws and assessment of compliance with existing fair housing laws and regulations. The AFH must also assess the jurisdiction's fair housing enforcement and fair housing outreach capacity. The AFH must include an analysis of data concerning fair housing disparities in the jurisdiction. Using an assessment tool provided by HUD jurisdictions must (1) identify the primary determinants of segregation; concentrations of poverty; disparities in access to community assets; and disproportionate housing needs based on protected class; and the most significant determinants of these disparities, (2) identify fair housing priorities and general goals; and (3) set one or more goals for mitigating or addressing the determinants.

- The provision of nationally uniform data to help grantees develop their AFH.

- A more direct link between the AFH and the consolidated plan and the PHA plan to tie fair housing into the priority setting, commitment of resources, and activities to be undertaken

Please refer to the rule for definitions of disproportionate housing needs, fair housing choice, fair housing enforcement and fair housing outreach, racially or ethnically concentrated area of poverty, significant disparities in community assets, and other terms. HUD is seeking comments on nineteen different questions which can be found beginning on page 52 of the rule.

HUD plans to post a one-page summary and seven-page overview of the bill to its web site in the next day or so.

<u>Final HOME Rule to be Released Next Week</u>

The HOME Investment Partnerships (HOME) Program will be released in the Federal Register on Wednesday, July 24. HUD will post a section-by-section summary of the bill to the Office of Affordable Housing Programs website by Thursday, July 25, at the latest. Shortly thereafter, HUD will post a list of training courses, planned to begin in August, to the One CPD site. Over the next year or so, HUD will take on the task of updating all of its HOME training courses to conform to the final rule.

<u>Upcoming Training</u>

How to Generate HUD's Revised ESG CAPER: Tips for HMIS System Administrators and ESG Recipients

July 31 - 2:00-3:00 pm
Online Webinar
For more information go to
https://www.onecpd.info/training-events/courses/how-to-generate-hud-s-revised-esg-caper-tips-for-hmis-system-administrators-and-esg-recipients/209/

Region VI Environmental Review Training
August 6-8
Fort Worth, TX

This training is only open to grantees located in HUD Region VI. For more information go to https://www.onecpd.info/training-events/courses/region-vi-foundations-in-environmental-review-training/

NCDA NEWS

NCDA Annual Conference Hosts First HUD CDBG Listening Session
NCDA was pleased to host the first HUD CDBG listening session during the annual conference on June 28. HUD focused on four topic areas at the NCDA conference: OneCPD and Technical Assistance, Economic Development, Grantee Participation, and Green Building Standards. The two-hour listening session was set-up in a open discussion format for grantees to provide direct comments to HUD. The major themes that arose from the NCDA listening session were:

- protect the direct allocation of CDBG funding to smaller communities; a minimum threshold is not a good idea and consortia do not always allow smaller communities to receive their fair share of resources
- incorporate NCDA's recommended economic development program (provided to HUD last year) changes into the CDBG program
- One CPD works fairly well

Over the next several months HUD will seek input from grantees and stakeholders through webinars, in person sessions in five HUD field offices (TBD), HUD Ideas in Action online forum, and through a dedicated e-mail address, CDBGTAinput@hud.gov.

NCDA Elects New President
NCDA elected Al Faella, Union County, NJ, to the role of President during its annual business meeting on June 29, during the 2013 NCDA annual conference. A lifelong resident of Union County, NJ, Al's career in public service has included the position of Director of Neighborhood Services and the Director of Community Development for the City of Elizabeth, NJ and the Director of Parks and Community Renewal for Union County, NJ. He now serves as the County Manager for Union County. He holds a Masters Degree in Public Administration from Kean University. Al has been a member of NCDA for many years and has given his time to the association by serving as Co-Chair of the Economic Development Subcommittee and serving on the Executive Committee as Secretary/Treasurer and Vice President, and now as President of the association.

Don't Forget to Send in Your Membership Dues
NCDA recently sent out its membership invoices for the new fiscal year which began on July 1,

2013. Please return your payment or commitment form to NCDA as quickly as possible. Dues will not be increased this year to continue to keep costs down for members.

NCDA Staff Contacts

Do you have a program, policy or funding question regarding CDBG, HOME and other HUD programs? Do you have questions about the legislative work of NCDA? Do you have questions about the Washington Report? Do you have questions about NCDA training? Do you have a question about NCDA's subcommittees? Then please contact Vicki Watson, NCDA Assistant Director, at vicki@ncdaonline.org or at 240-601-9356.

Do you need a user id or password? Do you need to be added to the NCDA listserv? Do you need to update your address or e-mail? Do you have a question about an invoice? Do you have a question about membership? Then you need to contact Karen Parker, NCDA Operations Manager, at karen@ncdaonline.org or at 202-293-7587 or 240-601-9366.

Do you have a question about the NCDA web site? Then please contact Jim Welfley at jim@welfley.com.

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

Program	FY13 Enacted Level	FY14 President's Request	FY14 House Committee H.R. 2610	FY14 Senate Committee S. 1243
Community Development Fund	$3.127 billion	$3093 billion	$1.696 billion	$3.295 billion
Set-Asides:				
Disaster Assistance	0	0	0	0
Native American Block Grant	[$56 million]	[$70 million]	[$60 million]	[$70 million]
Integrated Planning Grants	0	[$75 million]	0	[$75 million]
Neighborhood Stabilization	0	[$200 million]	0	0
CDBG Formula Grants	$3.071 billion	$2.748 billion	$1.636 billion	$3.150 billion
Section 108 Loan Guarantees	$250 million	$500 million	$500 million	$500 million
Brownfields	$0	$0	$0	$0
HOME Program	$998 million	$950 million*	$700 million	$1.0 billion
Homeless Programs	$2.033 billion	$2.381 billion	$2.088 billion	$2.261 billion
SHOP	$35 million	$10 million**	$10 million	$14 million
Housing Counseling	$45 million	$55 million	$35 million	$55 million
Lead Hazard Control	$120 million	$120 million	$50 million	$120 million
HOPWA	$332 million	$332 million	$303 million	$332 million
Section 202 for the Elderly	$375 million	$400 million	$375 million	$400 million
Section 811 for the Disabled	$165 million	$126 million	$126 million	$126 million
Fair Housing	$71 million	$71 million	$56 million	$70 million
Section 8 TBRA	$18.9 billion	$19.9 billion***	$18.6 billion***	$19.6 billion***
Section 8 Project-Based Assistance	$9.3 billion	$10.2 billion	$9.4 billion	$10.7 billion
Public Housing Capital	$1.875 billion	$2.07 billion	$1.5 billion	$2.0 billion
Public Housing Operating	$4.262 billion	$4.6 billion	$4.2 billion	$4.6 billion
HOPE VI	$0	$0	$0	$0

Choice Neighborhoods	$120 million	$400 million	$0	$250 million

*Of this amount, $940 million would be provided to HOME formula grants and $10 million to SHOP.
**The Administration's FY14 budget funds SHOP as a set-aside within the HOME Program.
***The Section 8 TBRA total includes funding for contract renewals, tenant protection vouchers, administrative fees, family self-sufficiency coordinators, family unification program vouchers, section 811 mainstream vouchers, and veterans supportive housing vouchers.