NCDA WASHINGTON REPORT

DATE: **August 16, 2013**

HOME Basics Training – November 12-13 – Bridgeport, CT
CDBG Basics Training – December 9-11 – Tulsa, OK

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Appropriations Recap; CDBG Coalition Mounts Campaign Against House Bill

On June 27, the House Appropriations Committee passed H.R. 2610, its FY14 Transportation, HUD, and Related Agencies (HUD) spending bill. A few days later, on July 1, the Senate Appropriations Committee passed S. 1243, its version of the FY14 THUD bill.

On July 23, by a vote of 73 to 26, the Senate approved a cloture motion that moved the HUD bill to the floor for debate. Six Republicans voted for the bill in Committee and for cloture – Senators Collins (ME), Cochran (MS), Hoeven (ND), Murkowski (AK), Kirk (IL), and Moran (KS). In an attempt to bring the bill to a vote before the six-week August recess, Majority Leader Harry Reid (D-NV) filed a motion on August 1 to end debate on the bill and allow a vote. The motion failed to gain the 60 votes needed for cloture by a vote of 54-43. Senator Susan Collins (R-ME) was the only Republican to vote in favor of cloture. The other five Republicans that initially supported cloture bailed at the last minute due to strong arm tactics by Minority Leader Mitch McConnell (R-KY) to not support any spending bill that exceeds the limits set in the Budget Control Act of 2011.

On the House side, House leadership pulled its THUD bill on July 31 due to a lack of support by some Republicans over the drastic cuts in the bill, principally to CDBG. The FY14 House THUD bill proposed cutting CDBG by nearly half – to $1.6 billion in FY14 and proposed funding HOME at $700 million – a $250 million cut from FY13. The CDBG Coalition mounted a massive campaign against the cuts to CDBG and HOME through its member networks and through the media. The effort paid off with the tabling of the House FY14 THUD bill. NCDA thanks its members for reaching out to House members.

There will be just a few legislative days to broker a budget deal for FY14 when Congress returns from its August recess. If there is a strategy, it is to slow walk decisions later into the fall when the Treasury will be running out of borrower authority and need an increase in the nation's debt limit. Without early agreement on a FY14 budget, members are expected to focus on passing a Continuing Resolution (CR) to keep federal departments operating beyond September 30 - the end of the federal fiscal year. During the August recess, it is important that you reach out to your congressional members to seek their continued support of CDBG and HOME. Scheduling a meeting at their district office, leading a projects tour, or simply drafting an op-ed for your local paper or sending a letter that outlines how important CDBG and HOME are to the community, keeps the programs in the spotlight.

President Obama Delivers Housing Speech; Supports Winding Down Fannie and Freddie

On August 6, President Obama delivered a speech outlining goals for mortgage finance reform and the broader housing market. The President stressed the importance of assisting first-time homebuyers and underserved borrowers by continuing to provide a government guarantee of mortgages through FHA, VA, and USDA. The President also pressed for expanded refinancing options for families to stay in their homes and reduce their mortgage costs. The President also called for the need to invest in affordable rental housing. He also stressed the importance of providing $15 billion for Project Rebuild to assist communities hit hard by the housing crisis. Similar to NSP, Project Rebuild would target funding to communities for demolition of blighted structures and assistance to help rehabilitate properties.

Like many in Congress, President Obama supports a limited role for the federal government in the mortgage finance system and supports winding down Fannie Mae and Freddie Mac. The President's proposal would wind down their portfolios by at least 15% per year. The two entities don't directly make loans, but buy mortgages from lenders, package them as bonds, guarantee them against default and sell them to investors. According to reports, Fannie and Freddie currently own or guarantee half of all U.S. mortgages and back nearly 90 percent of new ones. The following provides a brief snapshot of the housing finance reform bills that have been introduced in Congress to restructure the housing finance market. Neither bill will likely be passed this year, but have a better chance for serious consideration next year, especially now that President Obama supports moving forward with housing finance reform. For more information on President Obama's plan for middle class homeownership, go to www.whitehouse.gov/share/protecting-homeownership

House Bill – H.R. 2767, the Protecting American Taxpayers and Homeowners (PATH) Act of 2913

- Introduced by Rep. Jeb Hensarling (R-TX), Chairman of the House Financial Services Committee
- Winds down Fannie Mae and Freddie Mac within five years
- Centralizes all housing finance within a Federal Housing Administration, separate from HUD
- Establishes a minimum down payment for first-time homebuyers and caps home prices depending on area median incomes
- Establishes a National Mortgage Market Utility that develops standards for servicing, pooling, and securitizing residential mortgages, as well as acting as a repository for mortgage data
- The PATH Act passed the House Financial Services Committee on July 24.

Senate Bill – S. 1217 – Housing Finance Reform and Taxpayer Protection Act of 2013

- Introduced by Senators Mark Warner (D-VA) and Bob Corker (R-TN)
- Creates a Federal Mortgage Insurance Corporation (FMIC) that would collect insurance premiums and provide a backstop against mortgage defaults only after a certain amount of private capital is exhausted
- Winds down Fannie and Freddie within five years and transfer all resources to the newly created FMIC
- Levies a small fee on every loan securitized by the FMIC to support affordable housing through a Mortgage Access Fund.
- S. 1217 has been referred to the Senate Banking Committee

HUD NEWS

HUD Issues Final HOME Rule

After years of speculation as to when an updated HOME final rule would be released, HUD released its most updated regulation on the program on July 24, 2013. The HOME program was last updated on September 16, 1996 – 16 years ago.

In the 16 years since the last HOME rule was released, the housing market has changed to the detriment of most jurisdictions and the program has come under assault by lawmakers and the media for poor performance in some areas. These factors lead to the creation of the new final rule. The following provides the key changes made in the final rule. HUD will hold face-to-face training sessions and webinars to education participating jurisdictions on the rule changes. Check with your local field office to find out when the training sessions will be offered in your area.

Key program changes made in the final rule:

- Amending the definition of “commitment” to reinforce that participating jurisdictions must not commit HOME funds to a project in IDIS or in a written agreement until all necessary financing has been secured, a budget and production schedule established, and underwriting and subsidy layering completed.

- Adopting language that permits a private nonprofit organization to qualify as a CHDO if the organization is a wholly-owned entity that is regarded as an entity separate for tax purposes, the owner has a 501(c)(3) or 501(c)(4) tax exemption, and the organization meets the definition of a CHDO.

- Removing the prohibition imposed on CHDOs from occupying the office space owned by a government entity or a for-profit parent organization.

- Permitting CHDOs to use consultants in their first year to help with capacity.

- Allowing CHDOs to become owners of rental housing that they do not develop.

- Revising the definition of "homeownership" to explicitly permit ground leases of 50 years or more for community land trusts.

- Revising the definition of "homeownership" to include manufactured housing which is on land owned by a not-for-profit cooperative if the homeowner is a member of the cooperative, by a not-for-profit resident cooperation, or by a similar type not-for-profit resident control organization.

- Adopting a 12-month time frame for committing HOME funds for reconstruction of a unit that was destroyed.

- Providing that designation of a HOME project as a single room occupancy unit must be consistent with local zoning and building code classifications.

- Establishing the time frame for income source documentation as 2 months.

- Permitting jurisdictions to count as match the value of the contribution, if the contribution provides a direct financial benefit to the homebuyer, or the contribution, if the contribution to the development of the homebuyer unit reduces the sales price of the unit or enables the unit to be sold for less than the cost of the development.

- Making the cost of conducting unit inspections and determining the income of tenant-based rental assistance applicants or recipients an eligible project-related soft cost.

- Eliminating the requirement for separate written standards for methods and materials for new construction projects.

- Eliminating the requirement for a minimum 15-year useful life of major systems, and providing, in lieu of such requirement, that the participating jurisdiction must estimate the remaining useful life of major systems based on age and current condition of the systems and determine the necessary annual replacement reserve contributions to facilitate system replacement at the appropriate time.

- Providing that the requirement for a current inspection of a unit is no earlier than 90 days before the commitment of the HOME assistance.

- Extending the timeframe for selling homebuyer units to 9 months from the completion of construction.

- Revising the description of the cumulative methodology that HUD uses to determine compliance with the commitment, CHDO reservation, and expenditure deadlines to better present the method of calculation in use.

The rule becomes effective for projects for which HOME funds are committed after August 23 with the following exceptions.

- 92.2 - The change in the definition of *commitment* that no longer permits non-specific reservations of funds to CHDOs as a commitment becomes effective on October 22, 2013. This provision will be implemented by HUD for deadlines that occur on or after January 1, 2015.
- 92.254(f) - The provision that requires participating jurisdictions to adopt homebuyer program policies will become effective on January 24, 2014.
- 92.504(a) - The new requirement that jurisdictions develop and follow written policies and procedures and implement a risk-based monitoring system becomes effective on July 24, 2014.
- 92.504(d)(2) - The requirement for financial oversight of HOME-assisted rental projects during the affordability period will become effective on July 24, 2014.
- 92.500(d)(1)© - The separate 5-year deadline for expenditure of CHDO set-aside funds becomes effective on January 1, 2015.
- 92.251 - The property standard provisions apply to projects to which funds are committed 18 months after the publication of the final rule, on January 24, 2015

HUD Continues CDBG Listening Sessions

HUD kicked off its first official listening session on CDBG during the NCDA Annual Conference in June and has continued to solicit feedback from grantees and stakeholders through webinars and upcoming sessions at field offices around the country. The primary focus of the listening sessions is to learn from grantees their current challenges with the CDBG program and whether those changes are best provided by technical assistance or by changes in the program.

HUD has held webinars for most of its regions over the past two weeks and will hold the final webinar on August 21 (for Region 4 grantees).

HUD will hold listening sessions at field offices across the country in September and October and will hold separate webinars for large grantees, urban counties, states, and small grantees, as follows:

- September 12, 3:30-5:00 pm EDT, Online webinar for large CDBG grantees (CDBG grant >$10 million)
- September 19, 3:30-5:00 pm EDT, Online webinar for Urban County grantees
- October 22, 3:30-5:00 pm EDT, Online webinar for State grantees
- October 23, 3:30-5:00 pm EDT, Online webinar for small grantees (CDBG grant <$350,000)

The following topics will be discussed at each listening session.

1. OneCPD
2. Grantee Participation
3. Synchronizing Plans and Cycles
4. Eligible Activities
5. Rules Related to Economic Development
6. Nonfinancial Performance Incentives
7. Incentive Fund/Performance Set-Aside
8. Performance and Compliance Sanctions
9. Green Building Standards for New Housing Construction & Substantial Rehabilitation

For a list of questions to be discussed under each topic area, please go to https://www.onecpd.info/onecpd/assets/File/MovingCDBGForward_Summary.pdf

<u>IDIS 11.5.1 Released</u>

The 11.5.1 release for IDIS occurred on August 9. The changes made in IDIS as a result of this release include:

- The Consolidated Plan 'AD-25 Administration' page will now allow grantees and field offices to save plan status updates without receiving an error message
- The Action Plan 'AP-35 Projects' screen will now assign unique sequence numbers when adding multiple projects to an Annual Action Plan.
- The Consolidated Plan 'copy' function will now allow users to enter, modify, and save information on the 'MA-30 Homeless Facilities and Services,' 'NA-40 Homeless Needs Assessment' and 'NA-45 Non-Homeless Special Needs Assessment' pages in the copy of the original Consolidated Plan
- The Consolidated Plan 'SP-40 Institutional Delivery Structure' page will now allow users

to Select and Add organizations when formatted text is also present in other text boxes on the screen

- The Consolidated Plan Goals and Accomplishments Report (New Micro Strategy Report) provides grantees with the capability to check recorded accomplishments against program year and strategic plan goals throughout the year
- For HOME subgrants, the system will allow grantees to complete the certification step when subgranting CR funds to a CHDO-eligible organization
- For CDBG-R activities, the system will allow grantees to create program income receipts

NCDA NEWS

NCDA and NACCED Form Member Working Group to Respond to AFFH Rule

On July 18, HUD released a proposed rule on Affirmatively Furthering Fair Housing (AFFH) (FR-5173-P-01). 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.

Since the release of the rule, NCDA and NACCED have formed a joint working group of members to provide comments before the September 19 deadline. The working group has met by conference call and doled out assignments. HUD is seeking feedback on 19 questions within the rule. The working group will complete its first draft of comments by September 4 and a final set by September 18. The following NCDA members are working with Vicki Watson in providing comments: Bob Gehret (Boston, MA), Terrie Monroe (Plano, TX), Shirletta Best (McKinney, TX), Paul Fink (Islip, NY), Patrick Sullivan (New Bedford, MA), Bonnie Moore (Shreveport, LA), Nancy Mikeska (Conroe, TX), and Becky Wade (Knoxville, TN).

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. The AFH must also assess the jurisdiction's fair housing enforcement and fair housing outreach capacity. 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.

HOME and CDBG Training Available

NCDA will offer two training courses this Fall; a HOME Basics Course and a CDBG Basics Course. The two-day version of the HOME Basics Course will cover all of the basics of the regular three-day course but in a condensed format. No test will be given. The course will also update participants on the significant changes made by the 2013 HOME final rule.

HOME Basics Course (Two-Day Version)
Bridgeport, CT
November 12-13, 2013
$200 for NCDA members/$300 for non-members
www.ncdaonline.org/home.asp

CDBG Basics Course
Tulsa, OK
December 9-11, 2013
$250 for NCDA members/$350 for non-members
www.ncdaonline.org/cdbg.asp

It's Time to Renew Your Membership

NCDA 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. Timely payment of your dues ensures you continue to receive your services, such as this newsletter. We appreciate your continued support of NCDA by renewing your dues as soon as possible. For questions on your membership dues, please contact Karen Parker at karen@ncdaonline.org.

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? Do you have questions about NCDA conference agendas? 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? Do you have questions about NCDA conference hotels? 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.