NCDA
WASHINGTON REPORT

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Advanced CDBG Training/CDBG/HOME Underwriting/Subsidy Layering Training
October 20-21, 2014 - McAllen, TX

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Appropriations Update

With the Senate unable to move any of its 12 spending measures and with Congress starting a five week recess, the talk has turned toward a short-term continuing resolution to keep the federal government operating past October 1. At this point, both chambers of Congress will take up a short-term spending bill before September 30, 2014. The measure is expected to extend through mid-December.

Congress is set to return from its five-week August recess on September 8. The House is then scheduled to take another week-long recess after being back for eight legislative days and will return just two days before the new fiscal year begins on October 1. In a nutshell, Congress must move quickly to quickly approve a continuing resolution or face a looming government shutdown. The government shut-down for 16 days last October over Obamacare and sent the GOP's poll numbers plunging to historic lows. A government shutdown is unlikely this year given the mid-term elections and the need to avoid any controversy until the elections take place in early November.

CDBG Coalition Efforts to Support CDBG

1. <u>H. Res. 668; Supporting CDBG</u>

The CDBG Coalition is working with a bi-partisan group of House members to move H. Res. 668 (attached) in September. The resolution supports the ideals and goals of the CDBG program. The number of House members lending their support to H. Res. 668 has grown to 51 (see the attached list of names). The co-chairs of the Congressional Urban Caucus, Representatives Chaka Fattah (D-PA) and Mike Turner (R-OH), and a bi-partisan group of supporters including Representatives McGovern (D-MA), Barletta (R-PA), Brady (D-PA), and Gibson (R-NY) introduced H. Res. 668. The CDBG Coalition developed a letter of support for the H. Res. 668 (see attached) which was disseminated, along with the resolution, to all House members on July 21. Our goal is to gain at least 218 co-sponsors to the resolution in order to ensure its passage in September. With the August recess underway, House members are back home working out of their district offices. We need your help in making sure this resolution is approved. Please reach out to your House members and ask them to co-sponsor H. Res. 668. Please let them know the resolution simply seeks to recognize CDBG on its 40th anniversary; it does not seek funding. Please share the attached resolution and Dear Colleague letter with your House member and ask them to contact Jared Bass (jared.bass@mail.house.gov) in Rep. Fattah's office or Vince Erfe (vince.erfe@mail.house.gov) in Rep. Turner's office to sign on to co-sponsor the resolution. Go to www.house.gov to locate your House member's website which will then list the contact information for the district office. Please feel free to contact Vicki Watson at vicki@ncdaonline.org with any questions.

2. <u>CDBG Talking Points for Grantees</u>

The CDBG Coalition is working on a set of CDBG talking points for grantees to use in reaching out to their Congressional members in August and September. Congressional members are now back home in their districts for a five-week recess and it provides the opportunity for grantees to call, e-mail, or meet with Congressional members to talk about CDBG, its 40th anniversary, and the importance of the program to communities and neighborhoods. The talking points will be completed later this week.

3. <u>Letter to OMB Director Donovan</u>

The CDBG Coalition will send the attached letter to Office of Management and Budget (OMB) Director Shaun Donovan this week seeking support for both CDBG and HOME in the Administration's FY 2016 budget. Even though the Administration's FY 2016 budget will not be released until February 2015, the budget process will begin in earnest in September. The letter seeks no less than $3.3 billion in CDBG formula funding and no less than $1.2 billion for HOME formula funding in FY 2016. Sequestration (across-the-board spending cuts) will kick in again in January 2015 unless Congress and the Administration can develop an alternative budget proposal.

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Rep. Paul Ryan (R-WI) Releases "Expanding Opportunity in America" Proposal; 11 Federal Programs Consolidated, Including CDBG

Rep. Paul Ryan (R-WI) has entered the fray of poverty reform releasing a 73-page document to "Expand Opportunity in America" for the poor. Ryan serves as the Chair of the House Budget Committee and will likely take the helm as Chair of the House Ways and Means Committee, which sets tax policy, in January 2015. One of the most notable reforms in Ryan's proposal is the expansion of the Earned Income Tax Credit (EITC) for childless couples, which would require approval from the House Ways and Means Committee.

This year marks the 50^{th} anniversary of President Lyndon B. Johnson's declaration of the War on Poverty. While Johnson's programs expanded aid to help the poor, Ryan's proposal would consolidate many existing programs and require movement of people off of federal programs that provide a life line to so many needy families. In rolling out his proposal, Ryan said he traveled extensively all over the country in the last year to get new ideas on how to fight and eliminate poverty from local experts. The center piece of Ryan's proposal is the creation of the Opportunity Grant, a single federal grant program that would consolidate 11 federal programs and grants, including the Community Development Block Grant (CDBG) Program. Even though Ryan's plan was developed from local best practices and ideas, the Opportunity Grant would flow through the states. As envisioned, the Opportunity Grant would initially consist of a pilot program in a select number of states. Besides the Opportunity Grant, the document includes proposals on income support, education, criminal justice, and reducing red tape.

The proposal has not garnered very much attention from Congress and the centerpiece of the proposal, the Opportunity Grant, is too controversial (combining too many important programs into a single block grant) to be enacted into law. Other pieces of the package may gain traction, such as the expansion of the EITC and some of the education reforms.

<u>Opportunity Grant</u>
Ryan proposes to establish an Opportunity Grant as a pilot program in a select number of states. The states and the manner in which the funds would be allocated have not been outlined in the proposal.

Under Ryan's proposal, the following federal programs would be consolidated into the Opportunity Grant: Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Section 8 Housing Choice Vouchers, Section 521 Rural Rental Assistance, Section 8 Project-Based Rental Assistance, Public Housing Capital and Operating Funds, Child Care and Development Fund, the Weatherization Assistance Program, the Low-Income Home Energy Assistance Program (LIHEAP), CDBG, and Workforce Investment Act Dislocated Workers Program.
States participating in the program would have to develop a plan that would need to meet the

following four conditions.

- demonstrate how the funds would be used to move people out of poverty; assistance must first be directed at people below the poverty line
- able-bodied recipients would be required to work or engage in work-related activities in exchange for aid; the elderly and disabled would be exempt
- use some of the funds to encourage new approaches by innovative groups and non-governmental entities and provide more service providers
- the state and the federal government would have to agree on measures of success and evaluation by a third party

- states could choose to keep Section 8 voucher and public housing programs in their current form or fold them into the Opportunity Grant

- states will have two options in assisting the elderly and disabled
    - allow them to continue receiving assistance through the existing traditional programs; state Opportunity Grant funding would be reduced by the amount expected to go toward the elderly and disabled through these programs; or
    - states would receive the full amount of Opportunity Grant funding, but must spend the same amount on the elderly and disabled as the traditional programs do now; states could use funding for innovative methods for improving the health and well-being of the elderly and disabled, but would have to get the approval of the federal government

Providers selected by the states would work with families to develop a plan out of poverty that would include, at a minimum the following:

- a contract with measurable benchmarks
- a time line for meeting these benchmarks
- sanctions for breaking the contract
- incentives for exceeding the terms of the contract
- time limits for remaining on cash assistance

The providers' funding would be conditioned on the number of people moved off welfare

<u>Other Reforms</u>

Ryan's proposal would expand the Earned Income Tax Credit for childless workers. To pay for this expansion, the following "ineffective" programs would be eliminated: Social Services Block Grant, the Fresh Fruits and Vegetables Program, the Economic Development Administration, and the Farmers' Market Nutrition Program, in addition to the elimination of some corporate tax benefits.

The proposal makes the following recommendations regarding education programs.

- incorporate the Child Care and Development Fund into the Opportunity Grant
- convert Head Start into a block grant

- consolidate fragmented programs into a flexible block grant
- simplify the Free Application for Federal Student Aid
- reform the Pell Grant
- cap federal loans to graduate students and parents
- expand funding for federal Work-Study programs
- reform the accreditation process
- consolidate duplicative job training programs into one flexible block grant: Workforce Investment Act-Adult, Wagner-Peyser Employment Service and Senior Community Service Employment Program; states could also request to consolidate funding for WIA-Youth, Job Corps, and State Vocational Rehabilitation Grants

The proposal makes the following recommendations regarding criminal justice reform.

- grant judges more flexibility within mandatory-minimum sentencing guidelines for non-violent drug offenders
- expand enrollment in rehabilitative programming to reduce recidivism; allow non-violent and low-risk inmates to use enrollment to earn time off their prison stay

Finally, the proposal would require Congress to review regulations that would disproportionately affect low-income families

Congress Passes Short Term Fix to Highway Trust Fund

Before leaving town for their annual August recess, Congress managed to pass a short term measure that will keep the Highway Trust Fund operating for another nine months. The measure provides $10.9 billion for the Department of Transportation to use to reimburse states for road, rail, and airport improvements. Without action, the Highway Trust Fund would have become insolvent in August. The Fund depends heavily on revenue from the national gas tax of 18.4 cents per gallon, last increased in 1993. With Americans using less gas due primarily to fuel efficient cars, the gas tax takes in significantly less revenue these days. Plus, the tax has never been adjusted for inflation. According to some experts, the value of the tax is more like 12 cents. Some pundits are calling on Congress to increase the gas tax to keep up with the cost of maintaining today's aging highway infrastructure. This debate will get underway next spring when the Highway Trust Fund runs out of money in May.

HUD NEWS

Castro Sworn In as Secretary of HUD

Julian Castro was sworn in as the 16th Secretary of the Department of Housing and Urban Development on July 28, 2014. He will oversee 8,000 employees and a budget of $46 billion. Castro previously served as the Mayor of the City of San Antonio and earlier served on the San Antonio City Council.

#CDBGturns40

In celebrating the 40th anniversary of the CDBG program, HUD is asking grantees, sub-recipients, beneficiaries and others to share their CDBG experiences and best practices at **#CDBGturns40**.

HUD Provides Additional Guidance on New Low/Moderate Income Summary Data

The new Low/Moderate Income Summary Data (LMISD) went into effect on July 1, 2014. Since then, HUD has received numerous questions from grantees and field offices on the guidance. The following provides HUD's responses to some of the most frequently-asked questions. The following information is an excerpt from HUD's Office of Block Grant Assistance's *CDBG Program Update*.

- *Where is the data located?*
  The new data, based on the 2006-2010 American Community Survey, is available on the HUD website at https://www.onecpd.info/manage-a-program/acs-low-mod-summary-data-block-groups-places

- *What about the prior, 2000 Census-based data?*
  The prior, 2000 Census-based data is available on HUD's website at http://www.hud.gov/offices/cpd/systems/census/lowmod/. This prior data set will be retained and will remain available as it is still valid for activities for which funds were obligated prior to July 1, 2014. The 2000 Census-derived LMISD has been updated every year, to account for brand new entitlement grantees, annexations, incorporations, and local governments joining or dropping out of urban counties.

- *Are both data sets available in IDIS?*
  Yes, both the 2006-2010 ACS-derived LMISD and the prior 2000 Census-derived LMISD are available for grantees in IDIS – again, because the prior data set still applies to activities to which funds were obligated prior to 7/1/2014.

- HUD has received inquiries from several grantees requesting a special exception to the 7/1/2014 effective date for using the new data. In most of these cases a special exception is not necessary. Page 3 of CPD Notice CPD-14-11, "Transition Policy for Low/Moderate Income Summary Data Updates during Fiscal Year 2014..." already provides exceptions for situations in which a given activity comprises multiple phases, some of which were obligated prior to 7/1/2014. A grantee that may have an activity meeting one of the limited exceptions to the 7/1/2014 effective date, as described in the Notice, should confer with their field office to obtain field office concurrence that the activity qualifies to continue using the prior LMISD.

- *Can a grantee request a waiver?*
  Should a grantee have an unusual case that does not meet any of the exception provisions provided in the Notice, and the implementation of the 7/1/2014 effective date will create

a hardship on a grantee or activity, a grantee may request a waiver of the implementation provisions of Notice 14-11. A grantee will need to submit a written request for a waiver to the field office, who will then transmit it with a recommendation to the Office of Block Grant Assistance. The grantee needs to propose an alternative provision or implementation effective date, needs to identify specific activities that this would apply to, and needs to provide a justification that would give HUD good cause to grant a waiver. In addition, an entitlement grantee will also need to request a simultaneous regulatory waiver of 24 CFR 270.208(a)(1)(ii) to allow it to continue using the previously-determined upper quartile percentage. Waivers of the CPD Notice 14-11 and the regulations can only be granted by HUD Headquarters. The grantee's other alternative
is to do a local income survey of the area.

- *A note about "Exception" Grantees and NRSAs*
  Certain entitlement grantees qualify as "exception" grantees, whereby the percentage of low/moderate income benefit that must be achieved for low/moderate income benefit activities is determined by the upper quartile percentage from the LMISD. However, this upper quartile percentage calculation is of interest and use to entitlement grantees who have (or who plan to apply for) an approved Neighborhood Revitalization Strategy Area (NRSA). CPD Notice 96-01, which spells out the NRSA qualification and approval process, states that in general, an NRSA should have a percentage of low/moderate income persons at least equal to the grantee's upper quartile percentage from the LMISD (even if the grantee is not an "exception grantee"). HUD's data staff have now calculated the upper quartile percentage for all CDBG entitlement grantees. This information is available upon request from your HUD field office.

HUD Announces the Eligible Applicants for its National Disaster Resilience Competition

Eligible applicants for HUD's National Disaster Resilience Competition will be the states with qualifying disasters and those units of local government who received CDBG-DR funding for disasters occurring in 2011-2013; a total of 67 potential applicants. According to HUD, all successful applicants will need to tie their proposals to the eligible disaster from which they are recovering. Approximately $180 million of the $1 billion is reserved for places affected by Hurricane Sandy specifically. HUD is working on a Notice of Funding Availability for the competition and will outline how the remaining $820 million will be allocated.

All 50 states will be eligible for the competition along with the following 17 local governments.

•Birmingham, AL
•Jefferson County, Al
•Tuscaloosa, AL
•Chicago, IL
•Cook County, IL
•Du Page County, IL

- Jefferson Parish, LA
- New Orleans, LA
- St. Tammany Parish, LA
- Springfield, MA
- Joplin, MO
- Minot, ND
- New York City, NY
- Moore, OK
- Dauphin County, PA
- Luzerne County, PA
- Shelby County, TN

NCDA NEWS

Advanced CDBG and CDBG/HOME Underwriting/Subsidy Layering Training

NCDA will provide a combination Advanced CDBG Training (1-1/2 days) and CDBG/HOME Underwriting/Subsidy Layering Training (½ day) in McAllen, TX on October 20-21, 2014 in conjunction with the NCDA Region VI Conference. The registration fee is $250 for NCDA members and $300 for non-members. The training will be held at the Embassy Suites Hotel and rooms are available at the special rate of $86.00 per night plus tax (single) and $96.00 per night plus tax (double). Please contact the hotel at 956-686-3000 to make your room reservations.. Please mention the NCDA Region VI Conference to receive this special rate.

Advanced CDBG (1-1/2 days)

Senior staff, new managers and experienced managers wishing to stimulate new ideas will benefit from the course. The class will include information and discussion on effective program planning, equitable allocation systems, program implementation challenges, leveraging resources and overall problem solving. The course will be reinforced through in-class exercises. Course participants will receive a training manual, including resource material.

Course Agenda

Day One: 8:30 am - 4:30 pm

- The Big Picture: What are we trying to achieve?
    - Program history and overview
    - National objectives
    - Community connections
- Planning: Making it real
    - Consolidated Plan/Annual Plan
    - Citizen participation
    - Conflict of interest
    - Politics or community responsiveness?
- Allocation: Running a fair process
    - Allocation process

  - Evaluating proposals – are they eligible and feasible?
  - Managing caps and deadlines
- Implementation: Facing difficult issues
  - Special challenges of economic development activities
  - Working with partners
  - Cross-cutting regulations
  - Problem solving - when a great plan doesn't come together

<u>Day Two: 8:30 am - 12 noon</u>
- Review of Day One materials
- Leveraging resources
  - Building program income/thinking as an entrepreneur
  - Stretching the dollar: CDBG as match/Section 108 loans/CD floats
  - Are you ready for the next new program? Having and tapping program capacity
- Communicating about the program
  - With HUD: performance measures/technical assistance/monitoring
  - With elected officials
  - With the community - telling your story, listening to theirs
- The big picture revisted

CDBG/HOME Underwriting/Subsidy Layering (½ day)
This half-day session will focus on the new HOME Underwriting/Subsidy Layering requirements and because HUD is going to be requiring CDBG grantees to establish CDBG underwriting policies/guidelines, how the HOME Guidelines may serve as the basis for establishing CDBG underwriting guidelines. The course is based upon the latest guidance from HUD on how to conduct underwriting and subsidy layering for homebuyer and rental development projects.

Course Agenda
- New HOME rule requirements related to underwriting and subsidy layering
- How the HOME Guidelines may be adopted for establishing CDBG Underwriting Guidelines
- Subsidy Layering
  - Ensure appropriate HOME subsidy
  - Make sound investments over long term
  - Accurately project income and expenses
- Multi-family underwriting for rental housing development projects
  - Rental developer capacity
  - Key elements of underwriting
  - Underwriting risk areas
- Single-family underwriting for homebuyer development projects
  - Market assessment
  - Homebuyer developer capacity

  - ○Underwriting - two step process
    - •Development
    - •Homebuyer
- Resources

To register for the course, go to www.ncdaonline.org/cdbg.asp

NCDA Elects New President, Secretary/Treasurer, Subcommittee Co-Chairs Named
During the annual business meeting on June 28, 2014, NCDA elected Willie Day, Jr., Anderson, SC, as the President for the 2014-2015 term and also elected Bonnie Moore, Shreveport, LA, as the new Secretary/Treasurer. Both will serve on the Executive Committee along with Michael Look, Seattle, WA, Vice-President, and Al Faella, Union County, NJ, Past-President. The President's message is located at www.ncdaonline.org/president.asp. President Willie Day named the following members to serve as subcommittee co-chairs.

Community Development Subcommittee
Nancy Mikeska, Conroe, TX
Patrick Sullivan, New Bedford, MA

Housing Subcommittee
Becky Wade, Knoxville, TN
Wilmur Conyers, Durham, NC

Economic Development Subcommittee
Rita Pribyl, Davenport, IA
Larry Wagner, Danbury, CT

Membership Subcommittee
Piedad Martinez, McAllen, TX
Dale Cook, Palm Springs, CA

Planning and Professional Development Subcommittee
John Callow, Murfreesboro, TN
Ann Werth, Wausau, WI

Technology Subcommittee
Sean Glennon, Quincy, MA
Nancy Gulick, Waterloo, IA