NCDA Washington Report

January 29, 2016

FY 2017 Budget Release; Reaching Out to Your Congressional Members

The Office of Management and Budget (OMB) announced the President's FY 2017 budget will be released and sent to Congress on February 9. This marks President Obama's last budget to Congress before his term ends. The President outlined the following priorities in his State of the Union address on January 12: (1) Provide Pre-K education to all families; (2) Provide two years of free community college education; (3) Strengthen Social Security and Medicare; (4) Expand tax cuts for low-income single workers; (5) Increase funding for medical research; and (6) Increase clean energy sources

The President's budget submission is the first step in the federal budget and appropriations process. Next, the House and Senate Budget Committees will hold hearings on the President's budget and release their own proposals. Congressional appropriators will hold hearings on all federal agency budgets followed by allocation of the 302(b) amounts to each subcommittee in the spring.

Since this is a Presidential election year, and with the political conventions taking place this summer, Congress will likely try to wrap-up appropriation negotiations earlier rather than later.

The President will likely propose $2.8 billion for CDBG (a cut of $200 million) and at least $1.0 billion for HOME in his budget, the same levels as he proposed last year. This makes the efforts of the CDBG Coalition to increase CDBG funding difficult since the President's budget recommends a program cut.

<u>House CDBG Dear Colleague Letter</u>

In late February, the CDBG Coalition will need your help in reaching out to House Members (and again in March to Senate Members) to sign-on to the CDBG Dear Colleague Letter, particularly Republican Members. Miguel Mendoza, staff to Rep. Mario Diaz-Balart (R-FL), Chairman of the House Transportation-HUD Subcommittee, spoke at NCDA's Winter Conference last week and mentioned the importance of obtaining Republican Members to the CDBG Dear Colleague Letter as a means of increasing funding for CDBG. According to Miguel, there is safety in numbers, so the more Republican Members who sign the letter, the more who will want to sign on and, thus, the more support for CDBG in the House. Miguel provided the following additional important advice.

(1) Send a letter from your Mayor/City Manager/County Executive or City/County Council asking them to sign-on to the House CDBG Dear Colleague Letter. See attached example.
(2) If a Member won't sign on to the letter, ask them to at least speak directly with Chairman Diaz-Balart (R-FL) about increasing funding for CDBG in FY 2017.

<u>Educating Congressional Members on the Programs</u>

Miguel offered the following advice on educating Congressional Members on CDBG and HOME.

(1) Most Congressional Members (those not on the Appropriations Committee) are not familiar with the programs and will not support them if they are unaware of what they do, so it is imperative that you educate them and their staff on CDBG and HOME.

(2) Try to meet with your Congressional Members or their staff prior to the mark-up of the THUD bill (which usually occurs in late April/early May). Follow-up the meeting with an e-mail thanking them and reiterating the need for increased funding for CDBG and HOME in FY 2017.

(3) Project ribbon cuttings provide good photo-ops for Congressional Members. Try to schedule one in your community.

(4) What to say during your meeting with Congressional Members or their staff:
•ask for an increase in funding for CDBG and HOME in FY 2017
•talk about why the programs are important
•provide actual local examples
•talk about program leveraging
•what will an increase in funding do for your community?
•what does a cut mean at the local level?
•no big binders; a simple one page hand-out will suffice

Please use this advice in reaching out to your Congressional Members this year.

ALERT: HUD OIG CPD Program Audits Planned For This Year
At the NCDA Winter Conference last week, HUD staff informed conference participants that HUD's Office of Inspector General (OIG) will undertake CPD program audits in the areas of CDBG acquisitions and dispositions, direct homeownership assistance, disaster funding, and Section 108, as follows.

(1) **HUD's administration of CDBG property acquisitions and dispositions:** To determine whether HUD had adequate oversight of grantees' acquisition and disposition of property under its CDBG program. The OIG will review files going back to 1995. HUD advises grantees to ensure that national objectives and program income are well documented in the files.
(2) **HUD certifications of disaster grantee procurement processes:** To determine whether HUD certifications of disaster grantee procurement processes were accurate and supported.
(3) **Review of HUD controls over direct homeownership assistance using CPD funding:** To determine whether HUD had implemented sufficient controls to oversee CPD funding for direct homeownership assistance activities.
(4) **HUD compliance with the interagency disaster recovery delivery sequence and its impact on the duplication of benefits:** To determine whether CDBG Disaster Recovery guidance followed FEMA regulations and interagency agreements on the delivery sequence for disaster recovery funding and resulting duplication of benefits requirements.
(5) **HUD monitoring of the Section 108 loan guarantee program:** To determine whether HUD effectively monitored Section 108-funded activities to ensure that they met a national objective of the CDBG program and fully provided the intended benefits and that borrowers followed loan agreement provisions.
(6) **HUD oversight of its CDBG program:** To determine whether CPD adequately oversaw the CDBG program to ensure that grantees followed HUD and other applicable Federal requirements.

The OIG plans to focus on lack of internal controls over and accountability for grant funds. In addition, OIG plans to reviews HUD's oversight of sub-recipients as well as HUD's enforcement of returning unobligated or unexpended funds. Make sure IDIS and your files are in good order.

CDBG Update
HUD staff provided the following update on the CDBG program during the NCDA Winter Conference.

- The FY16 allocations will be published by February 16. The amounts will be affected by the American Community Survey (ACS) data again this year. HUD is using the 2009-2013 ASC data to calculate the allocations; the latest data provided by the Census Bureau. Seven new CDBG entitlements (including two new Urban Counties) joined the program this year, while three entitlements dropped out of the program.

- HUD will release the CPD Notice for 2016 Action Plan guidance in the next week or so. HUD advises grantees to not submit their Action Plans until they receive their FY16 formula allocations.

- HUD will issue guidance this year on the citizen participation process tying the Con Plan with the new AFFH requirements.

- HUD is planning to release a Section 108 webinar on February 8 to explain the new fee-based system.

- HUD plans to clean-up the NRSA regulations and guidance in the coming year. HUD welcomes ideas for improving NRSAs.

- HUD plans to work with a few communities on a Con Plan Pilot aimed at improving the Con Plan document. If you are interested in participating in this effort contact Stan Gimont, Director, Office of Block Grant Assistance, HUD, Stanley.Gimont@hud.gov.

- HUD plans to streamline the CDBG performance measurement data in IDIS by lessening the number of burdensome indicators (those indicators that do not add much value, but take time to enter into IDIS). HUD plans to add leveraging as an indicator. The clean-up of the system may take some time as the IT budget for CPD is small.

National Housing Trust Fund (NHTF) and HOME Update
HUD staff provided the following updates on the NHTF and the HOME Program at the NCDA Winter Conference.

<u>NHTF</u>
HUD will determine by the end of February how much is available in the National Housing Trust Fund (NHTF) this year. The NHTF was established by the Housing and Economic Recovery Act of 2008 and requires the Government-Sponsored Enterprises (GSEs) – Fannie Mae and Freddie Mac – to deposit a portion of new business receipts into the NHTF annually. HUD plans to publish the formula allocations in April.

HUD expects States will receive no more than the required State minimum allocation of $3 million (it could be possibly higher in some States), so very little funding will be available. States are in the process of planning for the NHTF administration, including the citizen participation process and the allocation plan submission.

HOME

HOME Program Changes

The FY16 omnibus measure enacted in December included the following statutory changes to the HOME program.

1. 30 Day Notice for Eviction/Non-Renewal. The FY16 omnibus measure included language that allows an exception to the HOME 30 day notice requirement for tenants that pose "*a direct threat to the safety of the tenants or employees of the housing, or an imminent and serious threat to the property.*"
2. Community Land Trust Provision. Currently, HOME homebuyer units under a RESALE provision must be transferred to another low-income buyer. Rights of first refusal are not permitted except for by the PJ. The FY16 omnibus provision permits Community Land Trusts to exercise purchase options, rights of first refusal or other preemptive rights to purchase or preserve affordability of the housing.

Emerging Challenges in the HOME Program

1. Commitments/De-Obligation of Funds. HUD is de-obligating funds due to the inability of Participating Jurisdictions to commit their funds. HUD de-obligated $26.6 million for failure to commit in FY 2015. HUD recognizes that new regulations, difficult market conditions in some areas, and diminished PJ capacity/staffing are the base cause for these de-obligations.
2. Expiring Affordability/Lower Production. Affordability periods on HOME rental projects completed early in the program are beginning to expire. Moreover, the reduction in the HOME appropriations has resulted in a net loss of affordable housing.

Rulemaking Update

1. HUD is in the process of drafting regulations implementing the grant-specific method of measuring HOME commitments.
2. HUD has delayed rulemaking on property standards, inspections, and utility allowances.
3. HUD is working on HOME notices in the following areas: (1) cost allocation; (2) homebuyer policies and underwriting; (3) match; and (4) CHDOs

HUD's Homeless Assistance Programs

HUD staff provided the following update on HUD's Homeless Assistance Programs at last week's NCDA Conference.

HUD has four main goals pertaining to ending homelessness: (1) end veteran homelessness; (2) end chronic homelessness by 2017; (3) end family and youth homelessness by 2020; and (4) set a path for ending all homelessness by 2020.

HUD's definition for ending homelessness is as follows: "An end to homelessness means that every community will have a systematic response in place that ensures homelessness is **prevented** whenever possible or is otherwise a **rare, brief, and non-recurring experience**."

FY2016 Budget

- HUD anticipates funding ESG at $270 million this year.
- HUD was appropriated enough to fully fund the renewal demand amount.

- Congress provided additional resources for youth homelessness. The FY16 budget provided $33 million to fund youth demonstration projects in up to 10 communities, 4 of which must be rural areas. Up to $5 million will be used for technical assistance for youth homelessness and $2.5 million for the evaluation of the youth demonstration projects.

Fair Housing
HUD staff provided the following update on the Affirmatively Furthering Fair Housing (AFFH) and Assessment of Fair Housing (AFH) Tool rules.

The purpose of the AFFH rule and AFH Tool is to provide for better fair housing planning. According to HUD, the duty to affirmatively further fair housing extends to all of a program participant's activities and programs relating to housing and urban development.

Who is subject to the AFFH rule?
•Grantees required to submit con plans for CDBG, HOME, ESG, and HOPWA
•PHAs

Under the final AFFH rule program participants must set goals to address contributing factors and related fair housing issues and follow through on these goals in the Con Plan and/or PHA Plan. HUD is encouraging grantees to collaborate with PHAs and neighboring jurisdictions to combine resources and address fair housing issues from a broader perspective through the submission of a joint AFH or regional AFH.

<u>The AFH</u>
The AFH is intended to help communities understand and identify local barriers to fair housing choice and disparities in access to opportunity through the following three steps: (1) analyze and discuss HUD-provided data and local data; (2) identify fair housing issues in the community and related contributing factors; and (3) create goals to overcome contributing factors and other fair housing issues.

The AFH template for local governments was published on December 31, 2015. The template has been approved for one year and will undergo further review. The first AFHs will be due on October 4, 2016 (timing is based on con plan; only 22 communities will undergo the AFH this year).

The following jurisdictions will be required to complete their AFH Tool in 2016 (by October 4, 2016).

Jonesboro, AR; Apple Valley, CA; Cathedral City, CA; Fairfield, CA; Oxnard, CA; Temecula, CA; Victorville, CA; Henry County, GA; Hammond, IN; New Orleans, LA; Cumberland County, ME; Harford County, MD; Jefferson County, MO; Kansas City, MO; St. Charles County, MO; Wilmington, NC; Dayton, OH; Hamilton City, OH; Clackamas County, OR; Dauphin County, PA; Memphis, TN; and Harrisonburg, VA

NCDA needs members to reach out to their Congressional Delegation on the following two points.

(1) Funding for the CDBG program must be increased to pay for the development and implementation of the AFH Tool.
(2) Grantees need assurance from HUD through certification that their AFH Tool has been approved and meets the requirements outlined by HUD.

We also need members to begin tracking the amount of staff time and resources spent on preparing (and developing) the Tool. This information will assist us in making the case for additional CDBG funding.

The AFH Tool final rule is available at https://www.gpo.gov/fdsys/pkg/FR-2015-12-31/pdf/2015-32680.pdf

OMB Super Circular (24 CFR Part 200)
Bob Lloyd, a consultant specializing in the OMB Super Circular, provided an update on changes made to 24 CFR Part 200 at the Winter Conference.

The Office of Management and Budget (OMB) published on December 24, 2015 final uniform guidance on reforming the cost principles and administrative and audit requirements for federal grants. The uniform guidance can be found at 24 CFR Part 200 and supersedes all previous OMB circulars and guidance. The administrative requirements and cost principles apply to new awards made after December 26, 2014.

Grantees need to review and revise, as necessary, policies and procedures in the following areas.
(1) pre-award risk assessment - solicitation, application, awarding agency review, and agreement issuance
(2) financial management – fund accounting, reporting, internal controls, budgetary control, written cash management procedures, written cost allowability procedures, source documentation, bonding
(3) documentation of personnel expenses
(4) cost principles – direct vs indirect costs, allowability, reasonableness
(5) procurement of goods and services – procurement policies should include written procedures, code of conduct, acquisition planning, acceptable methods of procurement, features of solicitation, conduct of competition, source evaluation and selection, records retention, contract award, and contract administration
(6) subrecipient management and monitoring – determination of the relationship (subrecipient or contractor), pre-award risk assessment, issuance of sub-award agreement, post-award monitoring
(7) audit – OMB wants to concentrate audit resources and oversight on high dollar, high risk federal awards. OMB also wants to ensure that audits that the federal government relies on are performed by competent and reliable auditors. The new guidance focuses on: (1) strengthening audit procurement procedures; (2) increasing the threshold triggering the required audit from $500,000 to $750,000; (3) reduce the number of compliance issues that will be tested; (4) clarify and streamline the determination of federal programs and awards to be tested; (5) improve the reporting of audit findings; and (6) better coordinate the resolution of audit findings

To view the final rule go to:

https://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf

Frequently Asked Questions:

https://cfo.gov/wp-content/uploads/2015/09/9.9.15-Frequently-Asked-Questions.pdf

HOME Consortia and the eCon Planning Suite Webinar
HUD will hold a webinar on February 4 from 2:30 – 3:30 pm EST on HOME Consortia and the eCon Planning Suite. The Q&A webinar is intended for HOME Consortia lead entities and participating members that submit non-housing community development plans to review key tips and ask questions regarding the eCon Planning Suite. HUD advises all HOME Consortia members to participate in the webinar. The webinar will include a brief presentation on the process for setting up Consolidated Plans, making substantial amendments, adding Action Plans and CAPERs, and troubleshooting common issues in the eCon Planning Suite. To register for the webinar go to https://www.hudexchange.info/training-events/courses/econ-planning-suite-question-and-answer-webinars/

National Community Development Week; March 28 – April 2, 2016
NCDA will celebrate National Community Development Week on March 28 – April 2, 2016. Now in its 30th year, the celebration is focused on bringing attention to our core programs – CDBG and HOME. It is intentionally held during the height of the Congressional appropriations season to allow a concerted focus on increasing funding for the programs. Grantees are expected to reach out or interact with their Congressional Members during the week to promote both programs. Outreach can take many forms, such as an invitation to tour local CDBG and HOME-funded projects, a meeting with Congressional Members or their staff at their District office, a letter or fact sheet e-mailed to Congressional Members that outline the accomplishments of both programs in the past year or so, completion of a YouTube video that showcases projects funded with CDBG and HOME and the link e-mailed to your Congressional Members, proclamation of support for CDBG and HOME approved by your local elected body and e-mailed to your Congressional Members, and other local outreach. The 2016 National Community Development Week Planning Guide is attached for your use in organizing your activities.

Upcoming NCDA Training
HOME Basics Training
April 13-15, 2016
Austin, TX
http://ncdaonline.org/HOME.asp

CDBG Basics Training
May 13-15, 2016
Nashville, TN
http://ncdaonline.org/CDBG.asp

CDBG Basics Training
May 23-25, 2016
Seattle, WA
http://ncdaonline.org/CDBG.asp

CDBG Basics Training
July 27-29, 2016
Austin, TX
http://ncdaonline.org/CDBG.asp

Are you interested in having NCDA conduct a CDBG or HOME course in or near your community? Please reach out to sgartrell@ncdaonline.org. Minimum requirements: The host community is responsible for providing the training facility and a/v. The host community must guarantee a minimum of 25 participants.

Save the Date: 2016 NCDA Annual Conference – June 22-25, 2016
NCDA will hold its 2016 Annual Conference in Milwaukee, WI on June 22-25, 2016 at the Hyatt Regency Milwaukee. More detail to follow. The draft agenda is forthcoming.

Department of Housing and Urban Development
Budget Chart

Program	FY15 Enacted Funding Level	President's FY16 Budget Request	FY16 Enacted Funding Level
CDBG Formula Grants	$3.0 billion	$2.8 billion	$3.0 billion
HOME Formula Grants	$900 million	$1.060 million	$950 million
Homeless Assistance Grants	$2.135 billion	$2.480 billion	$2.25 billion
Section 108	$500 million	$500 million	$300 million
Choice Neighborhoods	$80 million	$250 million	$125 million
HOPWA	$330 million	$332 million	$335 million
Lead Based Paint Hazard Reduction	$110 million	$120 million	$110 million
Elderly Housing (Section 202)	$420 million	$455 million	$433 million
Housing for Persons with Disabilities (811)	$135 million	$177 million	$151 million
Housing Counseling	$47 million	$60 million	$47 million
Housing Choice Vouchers	$19.304 billion	$21.123 billion	$19.629 billion*
Project-Based Section 8	$9.730 billion	$10.760 billion	$10.62 billion
Public Housing Capital Fund	$1.875 billion	$1.970 billion	$1.9 billion
Public Housing Operating Fund	$4.440 billion	$4.6 billion	$4.5 billion

*includes $17.681 billion for voucher renewals and $60 million for new Veterans Affairs Supportive Housing (VASH) vouchers