NCDA Washington Report

January 31, 2018

Appropriations Update

Congress has yet to pass a full year spending bill for FY2018. Congress and the Administration enacted the fourth short-term Continuing Resolution (CR) last week, after a three-day government shutdown. The CR runs out on February 8th and congressional leaders are already warning there are too many big issues in play to get a final spending bill ready by that time. We're hearing Congress may pass another one-month stop gap spending measure to keep federal agencies operating through March 8th while spending negotiations continue.

Congressional leaders continue to try to find common ground on the spending caps and immigration reform. Republicans want a boost in defense funding, while Democrats want the same level for non-defense programs. Further, some top Democratic leaders want to see permanent protection for thousands of young undocumented immigrants covered by DACA, while Republicans would like to decouple the issue from the spending negotiations. The DACA program provides protections to nearly 700,000 immigrants brought to the U.S. as children who face deportation in March unless Congress provides relief.

Disagreement over funding levels for defense and non-defense discretionary programs continue to dominate the budget negotiations; holding up the budget deal and other priorities. Minority leaders, Senator Chuck Schumer (R-NY) and Rep. Nancy Pelosi (D-CA) are insisting that non-defense appropriations caps be increased by the same amount as defense caps in FY18 and FY19. If an agreement is not reached to increase the budget caps for FY18, Congress will have to rely on the existing budget caps that are in place that cap non-defense discretionary funding at $516 billion for FY18, a decrease of $3 billion from last year.

2018 is an election year for House members and some Senators, too. Congress will want to be home as much as possible to campaign. This means less legislative days in 2018, so the FY18 spending bill may morph into an all-encompassing vehicle for attaching legislation as it may be the last major legislation enacted before the November elections, so a one-month CR will give Congress additional time to add other important legislation, like disaster assistance, and other policy riders to the spending bill.

In other news, House Appropriations Committee Chairman, Rep. Rodney Frelinghuysen (R-NJ), recently announced that he will not run for re-election. Frelinghuysen represents a suburban, northern New Jersey district that has grown increasingly competitive in recent months. He has been a big supporter of both CDBG and HOME.

Start Preparing for National Community Development Week: April 2-6, 2018

National Community Development Week was started 32 years ago by NCDA and the U.S. Conference of Mayors to bring attention to the need for additional CDBG funding. It has grown into a national celebration that includes the

HOME program. NCDA leads the charge on National Community Development Week, but dozens of national stakeholder organizations also participate.

National Community Development Week, April 2-6, is only a couple of months away. This is a critical time for appropriations; work on FY 2019 funding will be in the initial stages and Congress will be making important decisions about spending levels. Lawmakers will return to their state and districts for the week, giving you an opportunity to showcase the good work you do in your community using CDBG and HOME dollars. Please start planning your National CD Week activities and reach out to solicit the participation of your Congressional Members now.

This year's theme is "Celebrating the Impact of the CDBG and HOME Programs." Please use the following hashtag in your National CD Week materials and social media posts: #CDWeek2018.

It is important that you make a tangible link between the work funded through CDBG and HOME and improvements to your community. Inviting members of Congress to site visits and other events that showcase the importance of community development funding in your area will be a critical factor in preserving the programs in the difficult upcoming budget year (we expect both programs to be zeroed out again in the President's FY19 Budget) – do your part by inviting your Congressional Members (or their staff) to your National CD Week events.

Materials and guidance for planning your National CD Week activities is available at the following link:

http://ncdaonline.org/2018-national-community-development-week/

The materials are for NCDA members only, so please do not share them with non-member communities.

Please reach out to your Congressional Members now to invite them or their staff to your CD Week events and activities.

To locate the contact information for your House Member go to
www.house.gov/representatives/find/

To locate the contact information for your Senator go to www.senate.gov

Decide on an activity or series of activities. In your activities, stress the need for increased CDBG and HOME funding. Focus on at least one of the following:

- Write a letter to your lawmakers describing recent community development projects and the role CDBG and HOME programs played in making them happen.
- Write a letter to the editor to your local newspaper about the impact of CDBG and HOME in your community.
- Issue a press release and proclamation announcing National CD Week and outline how CDBG and HOME funds have been used in your community. Send the press release and proclamation to your lawmakers and local media.
- Take photos or video of projects and post them to social media, tagging your Congressional delegation in the post.
- Schedule a meeting in the district offices of your legislators to discuss the impact of CDBG and HOME and post to social media about your meetings.
- Invite your Congressional delegation and their staff to a tour of CDBG and HOME funded projects.
- Host a community event at your project and invite local media and your Congressional delegation.

- Ask your local newspaper to do a story on one of your CDBG or HOME funded projects.
- Hold a groundbreaking ceremony or ribbon-cutting of a CDBG or HOME funded project. Invite your lawmakers, local elected officials, and the media.

Don't reinvent the wheel – look at what other communities have done. Reach out to your fellow CDBG and HOME practitioners in your state or region for ideas and materials for celebrating National CD Week.

Other Tips
•Put together a CDBG and HOME fact sheet
•Involve your local elected officials (Mayor/County Executive/Council)
•Involve program subrecipients and beneficiaries
•Use consistent branding – use NCDA's theme and hashtag
•Engage the media
•Use social media to market your National CD Week activities

Contact Vicki Watson at vwatson@ncdaonline.org with any questions.

HUD Publishes AFFH FAQs

On January 5, 2018, HUD published a notice delaying the submission of the Assessment of Fair Housing (AFH) for local governments until the next AFH submission deadline that falls after October 31, 2020.

HUD recently published a set of frequently asked questions about the January 5, 2018 federal register notice that informs local governments on how the suspension will impact their fair housing obligations.

Local governments will not be required to submit an AFH using the current AFH tool but must continue to comply with existing obligations to affirmatively further fair housing (AFFH) which requires grantees to submit the AFFH Consolidated Plan certification that existed prior to August 17, 2015. Grantees must also conduct an Analysis of Impediments to Fair Housing Choice (AI) and take actions to overcome impediments identified in the AI.

Local governments that have an approved AFH must continue to executive the goals outlined in their assessment. Local governments that submitted an AFH that was denied should not resubmit a revised AFH.

HUD plans to use the extended deadline to improve, revise and streamline the Assessment of Fair Housing template, data, and process for local governments. HUD also plans to provide increased technical assistance and resources on affirmatively further fair housing.

Disaster Recovery

Many communities have been inundated with new arrivals fleeing Puerto Rico because of the lack of safe, decent housing and the lack of basic services, such as electricity and water. Florida GOP Senator, Marco Rubio, recently sent a letter to the Governor of Puerto Rico, Ricardo Rosello, advising him to request participation in FEMA's Direct Lease Program. The program provides temporary housing units to disaster survivors when rental resources are unavailable. The program will enable Florida and other states to address the long-term housing needs of displaced Puerto Ricans. An estimated 200,000 Puerto Ricans have relocated to Florida since September. Many want to return home but can't until infrastructure and housing have been restored.

Governors Abbott (TX), Brown (CA), Rosello (PR) and Scott (FL) sent a letter to Congressional leadership last week urging them to pass an additional disaster relief funding bill. Congress is expected to attach disaster funding to the final FY18 spending measure.

The Texas General Land Office has extended the date for public comments for the Hurricane Harvey Action Plan for CDBG-DR funds to February 13, 2018.

Infrastructure

President Trump briefly mentioned the need for beefing up infrastructure in his State of the Union speech last night but provided little details on the plan which is expected to be finalized in the next two weeks. We are hearing that the Administration is still working on ideas on how to fund the $200 billion proposal including the possibility of cutting other federal programs, a possible hike in the gas tax, selling off federal land, and requiring entities which apply for the infrastructure funding to provide non-federal sources as match. Nothing has been finalized at this point.

The Highway Trust Fund that pays for most federal highway and transit aid is set to go broke in roughly three years unless Congress cuts back on transportation spending or beefs up the fund. The fund collects about $15 billion annually through diesel and gasoline taxes, but Congress authorizes far more in spending than is collected annually through the fund. Some members of Congress would like to tie funding for the Highway Trust Fund to Trump's grand infrastructure plan to ensure it remains a viable funding source for highway and transit improvements.

Opportunity Zones

The Tax Cuts and Jobs Act of 2017 which made cuts to the nation's tax rates also created Opportunity Zones, a new community development initiative to encourage long-term investments in urban and rural low-income areas. The program provides a tax incentive for investors to re-invest their unrealized capital gains into Opportunity Zones designated by each state. Governors may designate 25 percent of their state's low-income census tracts as qualified opportunity zones, subject to certification by the Treasury. Governors have 90 days from the date of enactment of the tax bill (December 22, 2017) to designate the opportunity zones and submit the list to Treasury. Treasury must approve or provide feedback on the designations within 30 days. Opportunity Zone designations last for ten years. Treasury is working on a proposed rule that will provide a regulatory framework for the program.

Small Area FMRs

HUD's small area fair market rent (FMR) rule will go into effect on April 1. Under the rule, public housing authorities will be allowed to offer higher Section 8 rental assistance in high-cost areas using small area fair market rents. Previously, PHAs calculated FMRs based on the entire metropolitan region which skewed rents in some areas.

HUD began testing this idea in 2012 in a few metropolitan areas that set voucher payments by zip code; allowing higher voucher assistance in more affluent zip codes. The idea is to allow voucher holders in more distressed areas the opportunity to move to higher-income areas with better schools, transportation, and better job opportunities. HUD issued a final rule in 2016 requiring zip-code based voucher payments in 24 metropolitan areas. The rule was suspended by Secretary Carson until a law suit resulted in an order for HUD to implement the rule. According to housing experts, there are 3,880 zip codes in the 24 metropolitan areas where the new rule applies. Approximately 43% of these zip codes will see voucher payments increase, while the remainder will see a decrease in voucher payments.

For more information on the small area FMRs and their effect on voucher holders, the Furman Center at New York University recently completed a study on "How do Small Area Fair Market Rents Affect the Location and Number of Units Affordable to Voucher Holders?"

GSE Reform

The Federal Housing Finance Agency (FHFA) which oversees the government-sponsored enterprises (GSEs) -- Fannie Mae and Freddie Mac - released a proposal calling for the following GSE reforms:

- The GSEs should be reincorporated as private, shareholder-owned entities known as secondary market entities (SMEs). SMEs would operate as utilities with regulated, overall rates of return.

- The SMEs should be subject to capital and liquidity requirements, set through regulation.

- The SMEs should issue government-guaranteed, mortgage-backed securities (MBS) backed by an explicit government guarantee against catastrophic losses in the form of an insurance fund like the FDIC.

- The SMEs should be limited to providing credit enhancement as a first line of defense should mortgages funded by the MBS not perform. SMEs should be obligated to disperse substantial credit risk to private investors.

- SMEs should have the option to support housing finance market liquidity for both single-family and multifamily markets.

- SMEs should remain subject to affordability-oriented obligations such as housing goals and supporting the Housing Trust Fund and Capital Magnet Fund.

Senators Mark Warner (D-VA) and Bob Corker (R-TN) are working on a GSE reform bill that would include big dollars for affordable housing through the creation of a market access fee on new loans generated by the GSEs. Preliminary estimates suggest the fee could generate as much as $5 billion per year. The money would be used to build affordable rental and homeownership housing. The bill is still in draft form and has not been introduced yet.

Most pundits say the chances of enacting GSE reform this year are slim due to the short legislative calendar and disagreement among Republicans and Democrats on exactly how GSE reform should look.

NCDA Training

CDBG Subrecipient Management
May 1-2, 2018
Austin, TX

Please go to the following link to download the brochure and register for the course.

http://ncdaonline.org.s111794.gridserver.com/cdbg/

We are working on several other trainings that will be posted in the next few weeks. Please contact Steve Gartrell at sgartrell@ncdaonline.org.

NCDA Winter Conference

NCDA held its 49th Winter Conference in Washington, DC last week. A record 191 people attended the conference including 71 first time attendees. We launched a new partnership with Citi Community Development (CCD). CCD sponsored the luncheon as well as two conference sessions: land banks and providing stable housing and access to credit for low-income people that were well received by the conference participants. HUD Assistant Secretary for

CPD, Neal Rackleff, presented during the luncheon. The conference PowerPoint presentations are available at the following link:

http://ncdaonline.org/2018-winter-meeting-presentations/

The following communities received the distinguished 2018 Audrey Nelson Community Development Award for their excellent use of CDBG funds.

•Davenport, IA – Brady Street Project
•Waterloo, IA – Grand Crossing Condominiums
•Canton, OH – Opiate Prevention
•Alexandria, VA – Community Lodgings Substantial Rehabilitation Collaboration

Please view the press release for more information on the projects.

For those of you who attended the conference, please go to the following link to complete the follow-up survey.

https://www.surveymonkey.com/r/2018_Winter_Survey

NCDA Annual Conference

The 49th Annual Conference will be held in Long Beach, CA on June 13-16, 2018 with a full day of pre-conference training on June 12th. Registration for the conference will begin on February 12th but you can go to the following link now to sign-up and be notified as soon as registration opens. A draft agenda will be available soon.

https://ncdaonline.regfox.com/ncda-annual-meeting-2018

The following link provides a welcome video of Long Beach, CA.

https://www.youtube.com/watch?v=XpzvlPIx86M

Department of Housing and Urban Development
Budget Chart

Program	*FY17 Funding*	*President's FY18 Budget Proposal*	*FY18 House Approved Level*	*FY18 Senate Appropriations Committee Recommendation*
CDBG Formula Grants	$3.0 billion	$0	$3.01 billion	$3.0 billion
HOME Formula Grants	$950 million	$0	$850 million	$950 million
Homeless Assistance Grants	$2.383 billion	$2.25 billion	$2.383 billion	$2.456 billion
Section 108	$300 million	$0	$0	$300 million
Choice Neighborhoods	$138 million	$0	$20 million	$50 million
HOPWA	$356 million	$330 million	$375 million	$330 million
Lead Based Paint Hazard Reduction	$145 million	$130 million	$130 million	$160 million
Elderly Housing (Section 202)	$502 million	$510 million	$575.5 million	$573 million
Housing for Persons with Disabilities (811)	$146 million	$121 million	$147 million	$147 million
Housing Counseling	$55 million	$47 million	$50 million	$47 million
Housing Choice Vouchers	$20.292 billion	$19.318 billion	$20.486 billion*	$21.365 billion**
Project-Based Section 8	$10.816 billion	$10.351 billion	$11.082 billion	$11.507 billion
Public Housing Operating Fund	$4.4 billion	$3.9 billion	$4.4 billion	$4.5 billion

Public Housing Capital Fund	$1.941 billion	$628 million	$1.852 billion	$1.945 billion
Rental Assistance Demonstration (RAD)	$0	$0	$0	$4 million***

*Includes $18.709 billion for contract renewals, $60 million for tenant protection vouchers, $1.550 billion for administrative fees, $7 million for Tribal Vouchers, $150 million for Section 811 mainstream vouchers, and $10 million for PHA modernization of information technology systems.

**Includes $19.370 for contract renewals, $75 million for PHA allocation adjustments, $40 million for VASH vouchers, $1.725 billion for administrative fees, $5 million for Tribal Vouchers, $130 million for Section 811 mainstream vouchers, and $20 million for Family Unification Program vouchers.

***The funding is limited to providing additional rental subsidy for Section 202 PRAC properties converting to Section 8 contracts that will not be able to successfully convert at the current subsidy amounts.