NCDA Washington Report

April 16, 2018

Appropriations Update: FY 2018 CDBG, HOME Funding Increased Significantly in Omnibus; Congress Begins Work on FY 2019 Funding

FY 2018 Funding Update

In its first major investment in housing and community development programs in nearly a decade, Congress approved its FY 2018 omnibus, boosting spending for CDBG by $300 million and HOME by $412 million. The President signed the massive $1.3 trillion spending package on March 23.

The funding level for CDBG met NCDA's request of $3.3 billion for FY 2018 and the HOME level exceeds the $1.2 billion request, for a total funding level of $1.362 billion. Without the hard work of NCDA and its members as well as the CDBG and HOME coalitions who have fought for program increases for years and fought against the devastating impact of the arbitrary spending caps set by the Budget Control Act of 2011 and the painful cuts due to sequestration, these increases may not have happened.

An additional $63 billion in funding for domestic programs in FY 2018 was made available by a two-year budget deal approved by Congress in February, allowing for a 10 percent increase in HUD funding. The budget deal helped to end a series of continuing resolutions that has funded the government since the beginning of the fiscal year in October. If the omnibus had not passed, a sixth CR would have been needed to avoid a government shutdown.

Other programs at HUD received significant increases; the Public Housing Capital Fund was raised by $800 million, providing housing authorities with funding to update their aging public housing portfolio. In 2010, a HUD study estimated a $26 billion backlog in deferred maintenance and Congressman David Price (D-N.C.) commented in a hearing last month that the number had likely grown to $50 billion. Though the $2.75 billion provided for the Public Housing Capital Fund will only skim the surface of the need for public housing rehabilitation, it is a step in the right direction. HUD's Homeless Assistance programs received an increase of $130 million to $2.513 billion. Choice Neighborhoods also got a modest increase, bringing its funding total for FY 2018 to $150 million. The omnibus includes a 12.5 percent increase in the Low-Income Housing Tax Credit (LIHTC) allocation for four years (2018-2021) and would allow income averaging in LIHTC properties.

The FY 2018 HUD budget is a dramatic rejection by Congress of the both the President's FY 2018 and FY 2019 budget, which was released in February. Not only did Congress maintain the programs that the Administration pegged for elimination, but they increased funding by a combined total of over $800 million for community development programs and over $900 million for public housing - the first time the programs have seen such a dramatic increase since the American Recovery Act at the beginning of President Obama's first term in 2009.

President Trump and House GOP members have floated the idea of rescinding $1.3 trillion in non-defense spending from the FY 2018 omnibus package because of criticism from the GOP base over the ballooning budget deficit. Such a plan would need both House and Senate approval, which is unlikely.

FY 2019 Funding Update

Congress is just beginning to focus on FY 2019 funding. The Transportation-HUD subcommittees are holding hearings on program requests and will begin to mark-up their respective bills in late May or June followed by approval by the full appropriation committees. Congress will likely wait to finalize FY 2019 spending until after the midterm elections in November, so expect a Continuing Resolution to be passed this summer that will run until after the elections.

House/Senate Dear Colleague Letters: Thank you for reaching out to your Congressional Members to sign-on to the CDBG and HOME Dear Colleague Letters. 168 Representatives signed on to the House letter seeking at least $3.3 billion for CDBG in FY 2019. The House letter was wrapped-up prior to the release of the omnibus which provided $3.3 billion for CDBG; otherwise, the letter would have sought at least $3.5 billion for CDBG in FY 2019. NCDA thanks Representatives Maxine Waters (D-CA), Peter King (R-NY), Jim McGovern (D-MA), Robert Brady (D-PA), Lou Barletta (R-PA) and Gregory Meeks (D-NY) for leading the letter. The Senate CDBG Dear Colleague letter seeks at least $3.5 billion for the program in FY 2019 while the Senate HOME Dear Colleague letter seek at least $1.5 billion for HOME. We thank Senators Tammy Baldwin (D-WI), Dianne Feinstein (D-CA) and Chris Coons (D-DE) for leading the Senate CDBG letter again this year.

National Sign-On Letters: The CDBG Coalition is circulating a national sign-on letter that seeks at least $3.5 billion for CDBG in FY 2019. Similarly, the HOME Coalition is circulating a sign-on letter seeking at least $1.5 billion for the HOME program in FY 2019. NCDA urges members and their subrecipients to sign on to both letters **by April 20**. Both letters were instrumental in increasing funding for the programs in FY 2018 because of the number of grassroots organizations that signed on to the letters.

CDBG Coalition Activities: Besides the letters mentioned above, the CDBG Coalition met with House and Senate THUD offices in the last three weeks to thank them for their support of CDBG in FY 2018 and to ask for their support of $3.5 billion for CDBG in FY 2019. We have also advocated for $1.5 billion for HOME in these meetings.

NCDA Seeks Relief on the HOME CHDO Commitment Requirement

During our visits with THUD offices, NCDA requested that language be added to the FY 2019 spending bill to fix the HOME CHDO Commitment requirement. Beginning on October 22, 2013, changes to the HOME regulations at 92.300(a)(1) require a participating jurisdiction to commit CHDO set-aside funds to a specific project within 24 months of receiving its allocation. The PJ must enter into a written agreement(s) with one or more CHDOs that the PJ certifies meets the definition of a CHDO (defined at 92.2) and has the capacity to undertake the proposed project in which a CHDO will own, develop, or sponsor an affordable housing project. PJs (small PJs, in particular) cannot come up with a CHDO project every year: (1) not enough HOME funds; and (2) CHDO capacity to develop a project every year is unrealistic, even in some larger jurisdictions. Participating jurisdictions are losing valuable affordable housing dollars due to the CHDO commitment requirement in the HOME program. According to HUD, PJs have lost $6.3 million in recaptured HOME funds since 2016 due to this program requirement. THUD staff are amenable to providing a fix in the final FY19 spending bill.

National Community Development Week Was a Success; Continue the Effort

Thank you for your participation last week in National Community Development Week to recognize the importance, need, and proven results of the CDBG and HOME programs in your community. The week was a success with communities across the country participating. Thank you for the work and hours you put into planning and staging events. NCDA deeply appreciates your efforts. NCDA would like to thank Melissa Pond (Quincy, MA) for leading our social media efforts during National CD Week.

National CD Week is critical to continuing the support needed to ensure CDBG and HOME are recognized as important resources to Congress, the community, and local media. It is purposely held during a Congressional recess period following Easter when lawmakers are back home and when Congressional appropriators are in the throes of deciding program funding. However, Congressional Members must continue to hear from you on CDBG and HOME beyond National Community Development Week. The Trump Administration has, once again, proposed the elimination of CDBG and HOME in his FY 2019 budget. Please continue to convey to Congress the importance of a robust, consistent federal investment in CDBG and HOME. Please continue to reach out to your members of Congress to let them know the importance and need for increased program funding. Be sure to send them information that demonstrates the programs' impacts and outlines the unmet community development and affordable housing needs in your community. Best of all, invite them to see completed projects as well as projects and neighborhoods that need assistance.

The appropriations process will continue through the summer, so plan to meet with your Congressional Members in their district office during an upcoming recess period.

<u>Upcoming Recess Periods</u>

- April 30 – May 4
- May 28 – June 1
- July 2-5
- August 6-31

Infrastructure Funding Update

Trump's Plan
The Administration's infrastructure plan calls for $200 billion in federal funding and another $1.3 trillion in leveraged state, local and private investment to repair roads, bridges, airports and other traditional infrastructure. Of the $200 billion, $100 billion would be parceled out as incentives to local governments to invest in infrastructure, $50 billion would be earmarked for rural block grants, $20 billion would go to projects of national significance (which haven't been identified yet) and the remaining funding would support existing federal infrastructure programs like water and wastewater projects funded through EPA. The plan provides no direct funding for HUD's programs. However, the plan calls for increasing the state volume caps on Private Activity Bonds (PABs). PABs can be used to fund traditional infrastructure such as roads and bridges and can also fund affordable housing projects. Trump's infrastructure proposal would remove the alternative minimum tax on earnings on PABs which would result in lower interest rates for PAB-funded projects and, hopefully, an increase in further investment in PAB-funded projects.

Senate Democrats' Infrastructure Proposal
The "Jobs and Infrastructure Plan for America's Workers" released by Senate Democrats proposes $1 trillion in infrastructure spending, including $62 billion to increase funding for housing and community development programs, such as CDBG, HOME, National Housing Trust Fund, Public Housing Capital Fund, Choice Neighborhoods, and the LIHTC, among others. The proposal also provides an additional $25 billion to help make disaster-prone areas more resilient. The proposal recommends increasing individual and corporate tax rates to pay for the investment. Unfortunately, such an idea will be rebuked by a Republican-controlled Congress.

Status
With House Members running for re-election this year and others retiring, including Speaker Paul Ryan, there is little appetite or time to focus on an infrastructure bill this session. President Trump recently

admitted that “we will probably have to wait until after the elections” for any action on infrastructure. Stay tuned.

Opportunity Zones

The Treasury Department announced the first round of the Opportunity Zone designations on April 9. Submissions were approved for American Samoa, Arizona, California, Colorado, Georgia, Idaho, Kentucky, Michigan, Mississippi, Nebraska, New Jersey, Oklahoma, Puerto Rico, South Carolina, South Dakota, Vermont, Virgin Islands, and Wisconsin. Remaining states that have requested a 30-day extension have until April 20 to submit their Opportunity Zone designations to Treasury for approval. Areas designated as Opportunity Zones retain the status for 10 years. Opportunity Zones will draw on unrealized capital gains in stocks and mutual funds held by individuals and corporations. This investment pool is estimated to be between $2 trillion and $6 trillion. By funding Opportunity Zones, investors will be able to defer and reduce their federal tax liability. Enterprise Community Partners will hold a webinar on Opportunity Zones on April 25, 2018 to discuss the designations and next steps for States and local communities. To register for the webinar, please go here.

HUD NEWS AND RESOURCES

CPD Notice 16-18 - Submitting Consolidated Plans and Action Plans for FY 2018
Notice CPD-16-18 provides guidance for CPD grantees on the timing and submission of FY 2018 consolidated plans and action plans including costs that can be incurred prior to execution of a grant agreement. Grantees should submit their consolidated plan to HUD at least 45 days before the start of its program year. The latest submission deadline is August 16, 2018. HUD will not execute a grant agreement with a grantee until HUD has received a plan (or amended plan) which incorporates the actual FY 2018 program allocation amounts. Once the allocations have been announced grantees need to ensure that the actual FY 2018 allocation amounts are reflected in form SF-424, in the description of resources and objectives, and in the description of activities to be undertaken. Grantees may delay submission of its consolidated plan or action plan until 60 days after the date the FY 2018 allocations are announced or until August 16, 2018 (whichever comes first). Failure to submit an action plan for FY 2018 by August 16, 2018 will result in the automatic loss of FY 2018 CDBG funds to the grantee. Please see the notice for guidance on incurring pre-award costs prior to the grant award.

FY 2018 Consolidated Plans and Action Plans Updates
SF-424 Form
According to HUD, grantees should submit one SF-424 and one SF-424D for each CPD grant program (CDBG, HOME, ESG, HOPWA) under the consolidated plan.

Broadband and Resiliency Requirements
According to HUD, broadband and resiliency requirements are now required for all consolidated plans submitted on or after January 1, 2018.

- Annual action plans are not impacted.
- Grantees submitting new consolidated plans must consult and encourage participation in the development of the con plan with the following stakeholders:

  - For broadband: public and private organizations, including broadband internet service providers and organizations engaged in narrowing the digital divide.
  - For resilience: agencies whose primary responsibilities include the management of flood prone areas, public land, or water resources, and emergency management agencies.

AFH Requirements
According to HUD, grantees with a HUD-accepted AFH should continue to incorporate AFH specific requirements into their consolidated plan and annual action plans. Grantees that have not submitted an AFH are not required to incorporate AFH requirements into annual action plans.

Public Comments Requested on Consolidated Plan
HUD is seeking public comments on the consolidated plan as part of its renewal process under the Paperwork Reduction Act. Please see the attached Federal Register notice. Comments are due by May 14.

HUD Releases HOME Multifamily Underwriting Template
To assist participating jurisdictions (PJs) in completing the underwriting and subsidy layering requirements for multifamily rental housing projects under the HOME program, HUD has developed a HOME underwriting template. The template is a series of Microsoft Excel spreadsheets that supports normal underwriting tasks such as review of development costs and review of operating revenues and expenses. The template also includes features that help determine the appropriate amount of HOME assistance as well as the appropriate number and mix of HOME units. PJs are not required to use the template. It is an optional tool to assist in the HOME underwriting process. The template is available here.

HUD Releases Online Module on URA
HUD's Office of Community Planning and Development has released a video module on the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) and its effect on HUD programs and projects. The URA is a federal law which provides protections and assistance for people affected by the acquisition, rehabilitation, or demolition of real property for federally-funded projects. The measure ensures that people receive fair and equitable assistance in moving from occupied properties.

NCDA NEWS

April is NCDA Membership Month
NCDA is holding a month-long membership campaign during April. We invite you to reach out to grantees in your state and region to encourage them to join NCDA. As a member, you can attest to the work and benefits of the Association. As an incentive, new members who join the Association in April will receive free membership through June 30, 2018. NCDA has mailed a membership brochure to all non-member grantees. Grantees who are interested in joining NCDA can go here to learn more about member benefits and complete the membership commitment form.

John A. Sasso National Community Development Week Award Application is Now Open; Submissions are Due on May 4
To recognize the efforts of members who participated in National Community Development Week, NCDA is pleased to announce the opening of the 2018 John A. Sasso National CD Week Award application. The award recognizes outstanding work by NCDA members in promoting CDBG and HOME during National CD Week. Five awards will be bestowed this year. The application submission deadline is May 4. All applications must be submitted via e-mail to vwatson@ncdaonline.org. NCDA's Planning and Professional Development Subcommittee will review the applications and select the winners. Award winners will be recognized during a special luncheon at the 49th NCDA Annual Conference on Friday, June 15, in Long Beach, CA.

NCDA Training
NCDA is pleased to offer the following training courses.

Advanced CDBG: Managing an Effective Program/CDBG/HOME Underwriting/Subsidy Layering (3 days)
April 16-18, 2018
Rock Island, IL

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

CDBG Basics: Training for Practitioners
May 15-17, 2018
Saint Paul, MN

CDBG Basics: Training for Practitioners
May 23-25, 2018
Lewisville, TX

HOME Basics Course
June 25-27, 2018
Killeen, TX

Please go to the following link to register and download the course brochures.
http://ncdaonline.org/training/

Please contact Steve Gartrell at sgartrell@ncdaonline.org with any questions.

NCDA Annual Conference – Long Beach, CA
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 that will include the following free courses. The updated conference agenda is available here.

- CDBG Primer
- CDBG Subrecipient Management Primer
- Disaster Recovery with CDBG and CDBG-DR

The registration fee is $550 for members and $650 for non-members through June 1. After June 1, the late registration fee will increase to $700 for members and $800 for non-members, so register right away. To register for the conference, please go to the following link:

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

The conference will be held at the Renaissance Long Beach Hotel, 111 E. Ocean Blvd., Long Beach, CA. NCDA has reserved a block of rooms at the rate of $189 per night plus tax through May 21. Please call 1-877-622-3056 and ask for the NCDA rate. Please contact Steve Gartrell at sgartrell@ncdaonline.org with any questions.

Department of Housing and Urban Development
Budget Chart

Program	*FY17 Funding*	*President's FY18 Budget Proposal*	*FY18 Omnibus Spending Measure*	*President's FY19 Budget Proposal*
CDBG Formula Grants	$3.0 billion	$0	$3.3 billion	$0
HOME Formula Grants	$950 million	$0	$1.362 billion	$0
Homeless Assistance Grants	$2.383 billion	$2.25 billion	$2.513 billion	$2.383 billion
Section 108	$300 million	$0	$300 million	$0
Choice Neighborhoods	$138 million	$0	$150 million	$0
HOPWA	$356 million	$330 million	$375 million	$330 million
Lead Based Paint Hazard Reduction	$145 million	$130 million	$230 million	$145 million
Elderly Housing (Section 202)	$502 million	$510 million	$678 million	$563 million
Housing for Persons with Disabilities (811)	$146 million	$121 million	$229.6 million	$132 million
Housing Counseling	$55 million	$47 million	$55 million	$45 million
Housing Choice Vouchers	$20.292 billion	$19.318 billion	$22.015 billion*	$20.093 billion
Project-Based Section 8	$10.816 billion	$10.351 billion	$11.515 billion	$10.952 billion
Public Housing Operating Fund	$4.4 billion	$3.9 billion	$4.550 billion	$2.975 billion
Public Housing Capital Fund	$1.941 billion	$628 million	$2.75 billion	$0

Rental Assistance Demonstration (RAD)	$0	$0	$0**	$100 million

*Of this amount, $19.6 billion is for renewal of existing Section 8 tenant-based contracts, $40 million for VASH vouchers, $5 million for new vouchers to Native American veterans, $20 million for Family Unification program vouchers, and $505 million for Section 811 mainstream vouchers.

**The number of public housing units that can convert under RAD is increased from 225,000 to 455,000. The program's sunset date is extended through 2024. Under RAD, public housing agencies can leverage public and private debt and equity to rehabilitate public housing stock and make capital improvements.