COSCDA

Council Of State Community Development Agencies

April 27, 2015

Harriet Tregoning
Principal Deputy Assistant Secretary
Community Planning and Development
451 7th Street S.W.
Room 7100
Department of Housing and Urban Development
Washington, DC 20410-0500

Dear Ms. Tregoning:

The Council of State Community Development Agencies (COSCDA) represents state housing and community development agencies responsible for administering the Department of Housing and Urban Development (HUD) programs, including the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships (HOME) program and the McKinney-Vento Homeless Assistance Programs.

As HUD revises its regulations regarding the HOME Program's 24-month commitment requirement, we want to bring to your attention COSCDA's concerns regarding HUD's interpretation regarding this requirement.

The Government Accountability Office (GAO) has directed HUD to use the grant-specific method rather than the cumulative method to determine compliance with the statutory HOME 24-month commitment requirement. For any specific grant year, GAO directs any HOME funds not committed by PJs by 24 months after receipt of funds to be returned to HUD. COSCDA understands that HUD intends to revise its HOME program regulations to reflect this directive, however we recently learned that HUD also intends to require that any HOME funds that have lost their commitment <u>after</u> the 24-month deadline also be returned to HUD.

It was COSCDA's understanding that as long as state PJs met the original 24-month commitment deadline, and HOME funds were committed through contracts to specific sites, HUD's revised regulations would allow any HOME funds that states received back from state subrecipients <u>after</u> the deadline to then be re-committed by the state PJ to another site/project. These funds, which may have been returned to the state due to cost savings, disallowed costs or a unit or project that did not go forward, could be re-committed even if the funds were received after the 24-month commitment date.

State PJs want to continue to be good stewards of public funds, and to use performance measures and project oversight with their state subrecipients to ensure that projects move quickly. However, if HUD requires these funds returned from state subrecipients after the 24-month deadline to be returned to HUD, this policy will make it more advantageous for states and entitlement jurisdictions to leave funds in a stalled project, hoping the project will get completed at some point during the 5-year expenditure period, rather than pull them from the local government. For example, the State of Ohio on average, receives back $1.5 million dollars per year (from 80 to 100 subrecipients) that it then re-allocates to state subrecipients that commit funds to housing units and expend HOME funds on these units. Under HUD's proposed policy, however, states have no incentive to take funds back from local governments after the deadline, knowing that the funds will have to be returned to HUD rather than re-allocated to other local governments that are ready and able to use the funds.

This policy also makes it more difficult specifically for homeowner rehabilitation projects, which can make up a significant share of the affordable housing projects in HOME programs administered by state PJs with large rural populations. Homeowner rehabilitation projects provide significant benefits to LMI households, the neighborhoods and communities receiving the assistance, as well as the reuse and revitalization of the existing housing stock. However, as each house address is considered a distinct project for all purposes by HUD, including for the purpose of the 24-month commitment, the implementation and success of these impactful programs will experience a disproportionate negative impact compared to programs implementing larger, costlier, multi-family projects. A state PJ with a robust population and homeowner rehab program may have hundreds of individual projects, with an equal number of commitments, annually. These projects are then implemented by local subrecipients (usually local governments) working with individual homeowners. The multiple variables involved in a program such as this makes cost estimating a significant challenge and even the highest performing subrecipients regularly return funds while still performing at an extremely high level. Recovered funds as a result of cost savings, disallowed costs through thorough compliance monitoring, or cancellation of a stalled project would be punished by the requirement to return the funds to HUD rather than allowing the state PJ to reinvest the funds into the households, neighborhoods, and communities of the state. In addition, with federal funds diminishing, collaboration of resources has become a common goal nationwide. PJs encourage subrecipients to seek other funds to combine with HOME funds to expand their budget. The new requirement will create the concern of having to return funds if not able to recommit, caused by their own due diligence of trying to stretch dollars and be fiscally responsible with federal funds. Therefore, subrecipients will be discouraged from collaborating with other resources.

COSCDA asks HUD to re-consider its definition on meeting the 24-month commitment period. If all of a state PJ's HOME funds from a specific grant year are committed before the deadline, the state should meet the requirement and should not lose any funds returned from subrecipients after the deadline. This policy is also consistent with the commitment requirement in the Neighborhood Stabilization Program.

We add that COSCDA prefers that HUD continue its cumulative method of determining compliance with the 24-month commitment requirement. COSCDA will request that Congressional authorizers revise the HOME statute to allow HUD to continue to use the cumulative method. According to HUD, states will be most seriously affected by the change to the grant-specific method. However, since HUD must revise its regulations until the method of determining compliance is changed in the HOME statute, COSCDA asks that HUD continue to allow funds that are returned from state subrecipients after the 24-month deadline to be re-allocated by the state PJ.

Thank you for your consideration. I am available to discuss this request at any time. Please call me at 202-293-5820.

Sincerely,

Dianne E. Taylor

Dianne E. Taylor
Executive Director

Cc: Cliff Taffet
Virginia Sardone