



COSCD A Federal HUD Programmatic Priorities For Fiscal Year 2018

The Council of State Community Development Agencies (COSCD A) has a forty-three year history as an advocacy organization that represents state community development and housing agencies responsible for administering 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 along with the National Housing Trust Fund. These programs that meet critical housing and community development needs have played a major role in the successful transformation of both urban and rural neighborhoods in all fifty states since their inception, and provide vital support to the nation's economic infrastructure.

COSCD A is committed to advocating for consistent and sufficient resources available for communities to design and implement local community development projects and programs to improve neighborhoods. Achieving increased predictability in the availability of adequate resources will ensure that these funds, which are essential for job creation, assisting small business, providing much needed housing and economic development infrastructure, including producing affordable rental housing units, rehabilitating owner-occupied housing, providing affordable homeownership opportunities and supporting homeless services, will continue to both sustain and develop growing and thriving communities in every state throughout the country. These programs also allow jurisdictions to partner with non-profit organizations, local contractors and for-profit entities to deliver activities that meet the unmet needs faced by their citizens in cities and towns – real people who have real needs.

COSCD A also affirms its view that state and federal government should remain strong partners in the administration of community development programs. It is our foundational premise that a collaborative approach between states, local and the federal government is vital to the effective administration of these core programs and ultimately to the vitality of communities across this nation. COSCD A members are united in support of a necessary balance that protects traditional state authority, allowing states to continue focusing on state-driven priorities and maintaining maximum flexibility to meet the needs of cities and towns large and small in every state. Over the years, this threefold partnership (state, local and federal) has resulted in stronger communities.

Continued federal investment to states through HUD's community development, housing and homeless prevention programs will compound already powerful impacts in our struggling, largely rural communities. With proven substantial leveraging, these programs will continue to support quality planning, economic growth, employment opportunities, job creation, community health and safety, and education to sustain and improve individual and community well-being.

After more than 40 years of achieving measurable positive results for people and communities, COSCD A supports the growth and evolution of effective federal programs administered by HUD. COSCD A will continue to engage Congressional and Administration officials and our coalition partners to implement a long term comprehensive strategy to develop consensus and seek to move the conversation forward. These combined efforts should result in collectively supplying adequate resources to meet the nation's affordability and redevelopment challenges, while taking the initiative to recommend the elimination of unduly burdensome programmatic requirements which have increased exponentially over the years. To that end, if the Administration is interested in convening a national discussion to identify ways to advance a national housing and community development agenda, COSCD A welcomes the opportunity be actively involved in such a working group.

COSCD A vigorously supports working together with all aforementioned persons in order to enhance the future success of these fundamental infrastructure building blocks.

CROSS-CUTTING PRIORITIES

▪ Provide Appropriate State Assessment of Fair Housing Tool

The Fair Housing Act requires HUD grantees to affirmatively further fair housing (AFFH). In 2015, HUD published final regulations for HUD grantees on how to AFFH by identifying significant contributing factors and related fair housing issues and establishing goals for overcoming the effects of those. HUD has developed an assessment tool to be used by entitlement communities to aid the development of the Assessment of Fair Housing (AFH) which is designed to help those communities meet the requirements of the AFFH regulations. The entitlement AFH tool is not, however, useful and appropriate for states.

HUD has asked for recommendations on how the entitlement tool can be adapted for states. **COSCD A has provided comments to HUD as it develops the state AFH tool and recommends that HUD change the scale of the entitlement tool to make it appropriate for states.** The level of detail and amount of work required by the entitlement tool may be achievable on an entitlement scale, but would create an unreasonable administrative burden for states. Due to massive cuts in CDBG and HOME, and corresponding cuts to administrative funds, HUD should remove unnecessary assessment steps and actions, and focus only on requirements mandated by statute. COSCD A appreciates the opportunity to work with HUD closely on the development of a state assessment tool that will be workable and appropriate for states.

▪ Implement Flexible Section 3 Requirements

COSCD A calls on HUD to revise the current Section 3 proposed regulations to provide more flexibility and deference to states in administering Section 3. The proposed regulations are not effective in rural and small city settings. Many states with sparsely populated rural areas have difficulty in meeting the requirements since funding for many CPD programs is provided to local governments that may only receive a one-time grant and are far from the state offices. Therefore, long-term Section 3 monitoring can be problematic. HUD needs to strike the appropriate balance between the limitations of state and local agencies' administrative and financial resources and Section 3 program goals. COSCD A has recommended that HUD's proposed Section 3 threshold for compliance of \$400,000 be increased to \$750,000, and that the threshold apply not to states, but rather to states' subgrantees.

In addition, HUD has released new Section 3 reporting requirements, which are not clear. HUD needs to provide clarification about these reporting requirements.

▪ Continue to Include States in the Development of the HUD Environmental Review Online System

HUD is developing its HUD Environmental Review Online System (HEROS). COSCD A has asked HUD to include state agencies in the development of HEROS, to highlight the practical differences in the Entitlement and State CDBG and HOME environmental review processes. In 2015, COSCD A worked closely with HUD HEROS headquarters staff and provided comments on the existing screens and recommendations on changes needed that would make HEROS workable for states.

We appreciate HUD carefully considering our comments on the system and realizing that state implementation should be optional at this point and that a requirement for use should be delayed until these crucial revisions for states are made. When the necessary modifications are made, COSCD A will continue to work with HUD to ensure that the HEROS system is appropriate for state environmental review processes before it is required of states.

COMMUNITY DEVELOPMENT PRIORITIES

▪ Ask Congress To Grant Flexibility for State Administrative Fees

To administer the CDBG program properly, states need a flexible administrative fee structure sufficient to meet the current program requirements. **COSCDAs request that the proportion of the annual allocation available to states for administrative expenses should be adjusted from two percent to five percent, at the discretion of the state. In addition, we request that the amount of administrative funding not subject to a match requirement be adjusted from \$100,000 to \$500,000.** We do not request that the match requirement be removed completely, since many states rely on the match to meet their expenses. It should be noted that this action will not increase the current administrative limits, since the overall administrative cap would remain the same.

Since the inception of the state program 36 years ago, states have administered the CDBG program for their non-urban areas; however the funding available to cover the costs of running the program has never been adjusted. During this time, there has been a significant increase in the number of CDBG program requirements, as well as sharply increased costs associated with doing business such as staffing, service delivery and monitoring, particularly due to increased expenses associated with administering a program over a large geographic area. Additionally administrative dollars have decreased at the same rate as the decrease in CDBG funding as personnel costs have increased and states are being asked to do “more with less” in an austere fiscal environment. The completion of the State Assessment of Fair Housing required by HUD’s Affirmatively Furthering Fair Housing regulations will be very costly and, for most states, additional administrative funds would be crucial to complete this Assessment. Possible changes in the threshold for CDBG entitlements could increase the number of applicants for states’ funds as well as the administrative burden on states.

It should be noted that state governments do contribute state resources to cover the costs of administering the CDBG program. In the current economic and state fiscal climate, a majority of states are having difficulty covering the required match. In fact, the HUD Inspector General acknowledged that states have limited resources to complete the monitoring of expenditures required by federal laws and regulations. Allowing this flexibility would not require additional appropriations, nor would it take money away from projects for local communities, since the overall administrative cap would not be affected. It would simply allow an increased proportion of administrative funding to be available to those states that need additional resources to operate the state CDBG program most effectively. COSCDA asks that HUD work with Congress to provide this administrative flexibility to states.

▪ CDBG Should Be Included in Any New Infrastructure Initiative

Our nation is beset with crumbling and aging infrastructure. Every community needs infrastructure in order to flourish. The CDBG program is an infrastructure program. It is an effective conduit to funnel resources to help rebuild and invest in our Nation’s communities. States and local governments use CDBG for a variety of traditional infrastructure activities, including roads and bridges, drinking water systems, sanitary sewer systems, safe streets and sidewalks (curb, gutter, and street pavement), installation of utilities, improved drainage systems to prevent flooding and installation or reconstruction of public improvements to support affordable housing developments. HUD should include the CDBG program in any new initiative to provide infrastructure improvements to our nation’s communities.

▪ Provide Flexibility to Davis Bacon Requirements

The Davis-Bacon Act of 1931 established the requirement for determining, paying and certifying that the local prevailing wages are paid to all workers on most federally-funded projects in excess of \$2,000. **COSCDAs ask HUD to seek an exemption from Davis Bacon requirements when CDBG is used for 1) Disaster Recovery efforts or 2) in conjunction with USDA programs that are exempt from Davis Bacon requirements.** In the case of Disaster Recovery, rebuilding impacted communities is of the highest priority. Often small local businesses are hampered by compliance with the act (e.g., required weekly payments) and delaying funding, as local wage rates are determined and certified, negatively impacts recovery efforts. Congress already exempts many USDA programs from Davis Bacon due to the

difficulty of even determining prevailing wage rates in rural areas. In order to increase efficiency and effectiveness of operating programs when multiple funding sources are combined to fund rural projects, we would like the USDA standards to prevail if they are the lead funding source.

COSDA will also ask Congress to remove Section 110 of the Housing and Community Development (HCD) Act given that 85 years have passed since the passage of the Davis Bacon Act in 1931 and the threshold remains at \$2,000. In 1931 that \$2,000 threshold made sense. There are administrative cost burdens associated with reviewing contractor payrolls for compliance. In addition, the method for determining the local prevailing wage is flawed and results in wage rate decisions that are exceedingly high especially in rural areas. That artificially raises the ultimate cost of the project which forces the reduction in the scope of work or stopping the project altogether. Congress should remove the requirement for CDBG projects to meet Davis Bacon requirements by eliminating Section 110 of the HCD Act. Short of eliminating this requirement, Congress should at least raise the threshold to an amount that make sense for 2017 such as \$ 1,000,000. That would alleviate a cumbersome administrative and financial burden on smaller rural projects.

HOME PROGRAM PRIORITIES

- **Ask Congress to Remove the Set-aside Requirement for Community Housing Development Organizations in the HOME Program Statute**

HOME statute requires not less than 15 percent of each participating jurisdiction's (PJs) grant to be reserved for projects owned, developed, or sponsored by Community Housing Development Organizations (CHDOs), within 24 months of receipt of its grant. Over the 26 years of the HOME Program, many CHDOs have successfully developed decent, safe and affordable housing units in their communities. However, other CHDOs have had difficulty in carrying out this task. Since there have been significant reductions in HOME program appropriations in the last five years and smaller allocations to PJs, it is difficult for PJs to spend only 15% of their grant for CHDO activities, and often have to either spend a much larger percentage than 15%, or to surrender the CHDO set-aside funds to HUD for non-compliance. Since 2009, HUD has deobligated over \$15 million in unexpended CHDO funds.

HUD requested the elimination of the CHDO setaside in the FY2017 Administration Budget. **COSCD A supports the elimination of the CHDO set-aside and asks HUD to continue to pursue this legislative change with Congress.**

- **HUD Should Set One Uniform, Nationwide Inspection Standard**

According to HUD, the statute requires that HOME-assisted rental properties be inspected by the PJ to the state or local codes where they exist; and if these codes don't exist, the new rule allows the PJ to use Uniform Physical Condition Standards (UPCS). This interpretation may not be difficult for a city PJ to comply with since it should know its own code, but it is difficult for states where there are many local housing quality codes that differ by community. The new rule asks the state to be familiar enough with each code to conduct inspections, and to ensure that their systems can support that work – which may be unduly burdensome. **COSCD A asks that HUD set one uniform, nationwide standard for inspections that works for both rural and urban areas.**

- **Ask Congress to Remove the 24-month Commitment Deadline in the HOME Statute**

In its FY2017 Budget, HUD asked Congress to eliminate the requirement in the HOME statute for HOME funds to be committed to projects within 24 months of HUD notifying the PJ of its obligation of the HOME grant. COSCD A agrees with the HUD assessment that the July 2013 GAO Decision requiring HUD to change its method of determining compliance to a grant-specific method will have a catastrophic effect on HOME participating jurisdictions' ability to meet the 24-month commitment requirement and to not lose funds that become uncommitted after 24 months. The elimination of the 24-month commitment requirement will resolve this issue. **COSCD A urges HUD to continue to request the elimination of this requirement.**

- **Include the HOME Program in Any New Infrastructure Initiative**

Policymakers from both sides of the aisle agree that a significant investment in infrastructure should be a top priority. Affordable housing is a critical element of any infrastructure package not only because housing informs other infrastructure needs, but because it provides an enduring investment in economic growth. The HOME Program provides a wide variety of affordable housing, including new single-family and multi-family developments, as well as rehabilitation, and should be included in any initiative to fund infrastructure throughout the country. Investing in affordable housing infrastructure – through construction and preservation – will bolster productivity and economic growth, provide a long-term asset that connects workers to communities of opportunity, and support local job creation and increased incomes. **We ask Congress to include the HOME Program in any new infrastructure initiative.**

- **Maintain the Integrity of the National Housing Trust Fund and the HOME Program**

HUD should fully support the National Housing Trust Fund (NHTF) as a separate source of funding for housing for extremely low-income persons. The NHTF was passed as part of the Housing and Economic Recovery Act of 2008 with strong bipartisan support and signed into law by President Bush. Although HOME and the NHTF both provide affordable housing, they serve different populations. HOME provides housing for a range of low-income households, while the NHTF seeks to expand the supply of housing for extremely low-income households. Both programs are needed to help meet the affordable housing needs of low-income residents throughout the country.

HOMELESSNESS PRIORITIES

▪ **Increase Funding Level for Emergency Solutions Grants**

The HEARTH Act authorizes HUD to allocate up to 20 percent of the annual appropriation for McKinney Vento programs to the new ESG. However, since enactment of the HEARTH Act, HUD has not allocated the full 20 percent to ESG, notwithstanding recent increases in McKinney-Vento appropriations.

COSCDAs asks that HUD and Congress provide the full 20 percent of the McKinney /Vento program appropriation for ESG. The full percentage is needed to meet HUD's directive to use ESG funds for Rapid Rehousing and to provide housing stability. A consistent amount of ESG is needed to continue to rapidly re-house individuals and families, and to provide critical services to shelters and transitional facilities as determined by grantees. State grantees need a fairly constant formula grant amount for planning purposes. We ask that HUD consistently provide 20 percent for ESG and avoid further cuts to meet CoC renewal demand.

▪ **Allow Continued Funding of Transitional Housing**

The interim ESG regulation restricts future funding of transitional housing providers. Many states are concerned about HUD's focus away from transitional housing, given its importance to specific homelessness groups, such as domestic violence victims and homeless youth, HUD should more clearly define its policy on transitional housing. **COSCDAs asks that HUD change the regulation to permit funding of any transitional housing provider that previously received funding under the Emergency Shelter Grant program from the state recipient.** States should be allowed to use their discretion to determine whether transitional housing that has been funded in the past should continue to be funded under ESG. COSCDA understands HUD's focus on rapid-rehousing and states acknowledge the importance of this practice, however states and their subrecipients also see the value in transitional housing and are in the best position to know the needs of their communities and the types of shelters that will best accommodate these needs.

▪ **Allow CoC Grantees to Receive Transition Grants**

HUD's process to convert CoC projects to permanent housing through the reallocation process has a disincentive since it creates a gap in funding between the end of the old CoC project to the beginning of the new permanent housing project. During the period of the NOFA, transitional housing projects that are currently considering converting to permanent housing using the reallocation process run the risk of having a gap during the year when the old funding ends and the new funding is in place. **COSCDAs asks HUD to remove this disincentive to convert CoC projects to permanent housing by allowing CoC grantees to receive one-year transition grants to transition from one CoC program component to permanent housing.** To avoid undue hardship on organizations, HUD should allow the eliminated project to continue operating during the transition period from the old to new grant.

- **Provide Support for Homelessness Technical Assistance and Training**

The interim ESG regulations as written restrict using ESG and CoC administrative funds for staff to attend any training that is not approved by HUD. **COSCD A asks that HUD reconsider this restriction and revise the CoC and ESG rules to clearly allow homelessness-related training and technical assistance undertaken or supported by state governments to be deemed eligible planning grant costs and administrative costs.** State subgrantees should be able to use these funds for travel and attendance to state-sponsored homelessness meetings, trainings and conferences.

- **Delay Implementation of the Rural Homelessness Component of HEARTH**

Although COSCDA appreciates Congress' focus on homelessness in rural communities, COSCDA is concerned that, under the Rural Housing Stability Assistance (RHSP) Program in the HEARTH Act, Congress or HUD may set-aside funds from the overall McKinney-Vento program appropriation to provide funds for RHSP. Rather than set-aside scarce homeless funds for this purpose, Congress or HUD should provide funds for the ESG and CoC programs that desperately need them, and only fund RHSP if adequate resources to fully fund HEARTH are available.

Under the RHSP, rural counties must make the difficult decision regarding how they will secure funding to assist the homeless in their communities – whether to apply for funds through their current CoC or apply separately to the competitive RHSP. All areas, including rural counties, need to have a relatively stable funding stream in order for their homeless programs to be successful, and the current CoC process does provide funding for rural areas. Balance-of-state CoCs would find it more difficult to plan and administer programs for areas that might periodically pull out of the CoC to apply for RHSP funds, particularly if application deadlines for CoC and RHSP are not consistent. **COSCD A asks Congress and HUD to defer implementing the RHSP component of HEARTH until adequate resources are provided for both the CoC and ESG programs.** Once those resources are adequately provided, COSCDA would like to work with Congress and HUD to structure the RHSP component in a more workable, coordinated approach.

- **Encourage PHAs to Cooperate with CoCs**

While HUD has for several years encouraged PHAs and CoCs to collaborate within program rules to utilize resources to end homelessness in America, COSCDA would like to see HUD provide more incentives for PHAs to participate in the collaboration. CoCs are evaluated on progress towards collaboration in each annual CoC Program NOFA competition, but for CoCs covering large geographic areas where multiple PHAs operate, the effort is often one-sided. Operating with limited resources and long waiting lists, many PHAs do not see the need to pursue homeless preferences or reduce barriers to program entry – both vital components to homeless clients being able to access public housing or HCVs.

Without HUD giving specific direction or incentive.. or at least guidance on how to inform PHA boards that HUD supports and approves a preference to prioritizing sub-populations, CoC's are very limited in effectively engaging and getting the needed support from PHA's. It's difficult to have multiple funding sources from HUD having different coordination requirements and uneven accountability of these agencies to comply.



1900 M Street, N.W., Suite 200
Washington, D.C. 20036
www.coscda.org