



COSCD A Federal Policy 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 to 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.

COMMUNITY DEVELOPMENT PRIORITIES

▪ Continue to Support the Community Development Block Grant Program

The Community Development Block Grant Program is the cornerstone of states' efforts to address the economic and community development needs of towns and rural areas. The federal appropriation is split between large entitlement communities, which receive 70 percent of the appropriation and states, which receive only 30 percent. **CDBG is used by states as a flexible source of federal assistance to address a wide array of rural community development needs that stabilize and grow communities.** Governors determine the use of CDBG funds depending upon their individual state's needs. States spend slightly more than half their CDBG funds on public infrastructure, projects that repair and replace public water and sewer systems, repair and upgrade roads, and provide public facilities that supply vital services in neglected communities across the nation. States also use CDBG for economic development activities that create and retain jobs that ultimately improve the quality of life for low- and moderate-income persons. Housing rehabilitation is also among the many additional activities undertaken through the CDBG program, as are public improvements such as senior centers, construction and support of rural health care facilities, support for food banks and making buildings accessible for persons with physical disabilities, and through public services such as employment and training, fair housing and mental health services. Created under the Reagan Administration, the State CDBG program continues to be a successful model for federalism at its best.

▪ 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. **COSCEA requests 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. COSCEA has asked 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, 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.

- **Remove Davis Bacon Requirement for CDBG Program**

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. In 1931 that \$2,000 threshold made sense, but it does not today given current construction costs. 85 years have passed since the passage of the Davis Bacon Act in 1931 and the threshold remains at \$2,000. 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.

HOUSING PRIORITIES

▪ **Continue to Support the HOME Investment Partnerships Program**

The HOME Investment Partnerships Program is the largest Federal block grant to state and local governments designed exclusively to expand the supply of affordable housing for low income households.

Since 1992, HOME has produced or rehabilitated over 1.2 million units of affordable housing and assisted more than 300,000 low-income families with rental assistance. The program provides much flexibility to states and localities in determining how HOME funds can be spent to meet communities' needs and priorities, allowing them to serve the whole spectrum of need, from homeless to ownership to disaster recovery, from urban to rural areas, and all low-income populations, including families with children, the elderly, and persons with special needs.

HOME funds often provide essential gap financing that permits projects, particularly Low-Income Housing Tax Credit properties, to go forward when they otherwise would not due to lack of funding resources. . Approximately one in four (25 percent) housing credit-financed developments use HOME dollars. Further, every HOME dollar leverages four additional dollars of other public and private funding, with more than \$130 billion leveraged since the program began.

The HOME program is the only HUD program that funds low-income housing on a flexible basis. Unlike CDBG which can only do housing rehabilitation, or Low-Income Housing Tax Credits which can only produce rental housing, HOME can undertake homeownership, housing rehabilitation, rental housing, and tenant based rental assistance activities. COSCDA asks Congress to continue to support the HOME Program.

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

COSCDA fully supports the National Housing Trust Fund (NHTF) as a separate source of funding 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 by 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. Funding from NHTF should not be used to supplement funding for the HOME Program

▪ **Protect Low-Income Housing Tax Credits**

While this organization historically has concentrated its advocacy efforts on key HUD programs such as CDBG, HOME, and various homelessness initiatives, COSCDA also places a very high priority on ensuring the future of the Low Income Housing Tax Credit (LIHTC). The importance of the LIHTC to the federal and state delivery system for affordable rental housing – both new units and preservation units – cannot be overstated. For almost 30 years, the LIHTC has been the most significant rental production and preservation housing program operated by the federal government through the U.S. Department of the Treasury and the Internal Revenue Service.

The 30th anniversary of the LIHTC program was celebrated in October 2016. Since its inception, the LIHTC has helped support more than 2.5 million units of housing for low income persons or households in thousands of projects located in every state in the nation. In addition to its strong development record, the program has a strong compliance monitoring record. State allocating agencies monitor LIHTC projects for many years after the projects are completed and occupied. But because the private sector is so deeply involved in the program, LIHTC syndicators and investors also monitor the projects for many years. The participation of the private sector in this program is one of its key strengths.

The LIHTC works exceptionally well with HUD programs such as HOME and CDBG. In combination, the LIHTC and these programs frequently support rental units that are deeply affordable — for example, to persons or households earning less than 30% of area median income and often making a transition from homelessness. As demonstrated by its extensive track record, the LIHTC is highly flexible. It can support new construction, historic or gut rehabilitation, large and small-scale neighborhood revitalization, preservation of projects threatened by expiring use restrictions, etc. The LIHTC also can serve highly vulnerable populations: homeless veterans, homeless families with children, persons with disabilities, and the frail elderly.

As Congress debates tax reform, it must consider the many benefits of the LIHTC, and preserve and strengthen it. One of COSCDA's highest housing priorities is ensuring the continuation of this critically important and unique affordable housing resource.

- **Remove the 24-month Commitment Deadline in the HOME Statute**

The HOME statute requires that HOME funds be committed to projects within 24 months of HUD notifying the PJ of its obligation of the HOME grant. A July 2013 GAO Decision requires HUD to change its method of determining compliance from a cumulative method, which was treated by HUD as a performance standard, to a grant-specific method. This change will have a disastrous effect on HOME participating jurisdictions' ability to meet the 24-month commitment requirement and will cause them to lose funds that become uncommitted after 24 months. **We ask Congress to eliminate the 24-month commitment requirement which will resolve this issue.** Progress towards the completion of HOME projects is regulated through a 4-year project completion deadline, therefore a commitment deadline is unnecessary. HUD included a request to eliminate the commitment deadline in its FY2017 Budget, stating that the project completion requirement will ensure HOME funds are used timely.

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

The 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.

COSDCDA asks Congress to eliminate the CHDO set-aside requirement in the HOME Statute. HUD also made this request in the FY2017 Administration Budget.

- **Include the HOME Program in Future 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 infrastructure initiative.**

HOMELESSNESS PRIORITIES

▪ Continue to Support the McKinney-Vento Homeless Assistance Programs

The McKinney-Vento Homeless Assistance programs were established more than twenty years ago to help provide shelter and services to homeless families and individuals. These programs were reauthorized and revised under the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009, including the Emergency Solutions Grant (ESG), which is distributed by formula, and the Continuum of Care programs (Supportive Housing, Shelter Plus Care and Section 8 SRO), which are distributed competitively. Together, these programs support a wide range of community efforts to assist homeless individuals and families, prevent homelessness, and provide permanent housing options to end it. COSCDA asks Congress to continue to support the McKinney-Vento Homeless Assistance Programs.

▪ 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. **COSCDA 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.

▪ 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. **COSCDA asks Congress 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, Congress should allow the eliminated project to continue operating during the transition period from the old to new grant.



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