COSCDA Federal HUD Programmatic Priorities For Fiscal Year 2019

The Council of State Community Development Agencies (COSCDA) is a forty-four year old advocacy organization. COSCDA represents state community development and housing agencies responsible for administering key Department of Housing and Urban Development (HUD) infrastructure programs, including the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships (HOME) program, the Housing Trust Fund (HTF) and the McKinney-Vento Homeless Assistance Programs. These programs meet critical housing and community development needs and have played a major role in the transformation of both urban and rural neighborhoods in all fifty states since their inception.

Since its inception, COSCDA has advocated a state and federal government partnership in the administration of community development programs. It is COSCDA’s foundational premise that a collaborative approach between states, local and the federal government is vital to the effective administration of these core infrastructure programs and ultimately to the vitality of communities across this nation. COSCDA members are united behind the premise that there must be a 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. It continues to be documented that this threefold partnership (state, local and federal) has resulted in stronger communities.

COSCDA is committed to consistent, sustaining resources to be provided to communities to design and implement local community development projects and programs to improve neighborhoods. Combined with the substantial leveraging that these funds generate on an annual basis, continued federal investment of adequate resources through HUD’s community development infrastructure programs will continue to result in powerful impacts on individuals and community well-being by supporting economic growth, housing production and preservation, education, employability, community health, and job creation.

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. The programs have demonstrated success. 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.

CDBG is an important investment tool for communities and neighborhoods. CDBG leverages other funds. For every $1.00 of CDBG investment, another $4.09 in private and public dollars is leveraged. Additionally, Between FY05-FY17, CDBG created/retained 401,992 economic development related jobs. CDBG provides crucial public improvements to communities. Between FY05-FY17, CDBG public improvements directly benefitted over 45 million low- and moderate income people nationwide. These public improvements included senior centers, child care centers, group homes for persons with disabilities, shelters for victims of domestic violence and homeless veterans, health clinics providing vaccinations and dental care to low-income children, sanitary water and sewer systems, safe streets, and improved drainage systems. As a result of severe funding cuts to CDBG, local communities have been forced to decrease or stop programs that assist low-income persons, including seniors, people with disabilities, families with children.

Since 1992, HOME has created and preserved housing for low-income families in every state, territory, and congressional district in the country. The HOME program has created more than 1.2 million affordable homes. HOME funds are a vital source of financing for numerous affordable housing developments—many of which would not be possible without HOME. HOME flexibly works with many critical federal housing programs, making it financially feasible to build and sustain housing for persons experiencing homelessness, seniors, veterans, and persons with disabilities. HOME funds provided essential gap financing in more than a quarter of Housing Credit developments targeted to addressing homelessness from 2003 to 2013.

The programs funded through the Homeless Assistance Grants account play an important role in achieving this goal and contributed to the decrease in veteran homelessness by 46 percent since 2010.

This past year has been fraught with uncertainty, both with the Administration and Congress. The partisan polarization has limited the ability for both sides of the aisle to work together to provide stable funding to run the government effectively. The climate has been one of severe reduction in resources from the federal government. COSCDA continues working together with all members of Congress, Administration officials and infrastructure program partners to further build on the success of these fundamental community development building blocks. Despite the many pressures on funding for domestic discretionary programs, and the unpredictability of Congressional priorities, for Fiscal Year 2019, COSCDA strongly urges the Congress and the Administration to reverse the decline in funding for these critical, proven programs and adequately provide for the needs of our most vulnerable citizens.

CROSS-CUTTING PRIORITIES

- **Revise the 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 fair housing impediments and establishing goals for overcoming the effects of those impediments. 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. **COSCDA provided comments to HUD in 2016 as it developed the state AFH tool and recommended 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. COSCDA appreciates the opportunity to work with HUD closely on the development of a state assessment tool that will be workable and appropriate for states.

With the potential inclusion of the qualified PHAs and small funded HUD Entitlements in the state's AFH, the duty of implementation for the plan's recommendations by these entities is questioned. As states generally do not have any control over the management and policies of PHAs or the use of CPD funding by the small direct entitlements, the ability of the state to enforce the application of the recommendations of the plan upon these entities is minimal. **Clarification from HUD on the role of the state in the enforcement of the AFH recommendations need to be delineated, before the state's AFH is written, so that all parties when signing on to the AFH plan, are fully aware of what is required by HUD-FHEO.**

- **Implement Flexible Section 3 Requirements**

COSCDA 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. COSCDA 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.

COSCDA is also requesting that Congress reduce the requirements of the Section 3 statute. Given the significant effort required to seek qualified candidates for employment and the small number of hires that have resulted from this program, **Congress should change the nature of the statute to encourage, but not require, the hiring of local workers.**

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

HUD is developing its HUD Environmental Review Online System (HEROS). COSCDA 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, COSCDA 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, COSCDA 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

- ## 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. **COSCDA asks HUD to seek an exemption from Davis Bacon requirements when CDBG is used for 1) Disaster Recovery efforts and 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. In addition, exempting Davis Bacon requirements requested above addresses the Administration goal of identifying and eliminating existing regulations that are outdated, ineffective or excessively burdensome.

COSCDA 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.

- **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**. COSCDA 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. In addition, there is continuing pressure on state agencies to improve their CDBG expenditure rate, which could be addressed by additional resources made possible by a state administrative fee change.

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.**

HOME PROGRAM PRIORITIES

- **Ask Congress to 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 six years and smaller allocations to PJs, it is difficult for PJs to spend only 15 percent of their grant for CHDO activities, and often have to either spend a much larger percentage than 15 percent, 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. **COSCDA supports the elimination of the CHDO set-aside and asks HUD to continue to pursue this legislative change with Congress**.

- **Urge HUD to Set One Uniform Inspection Standard**

  HUD direction on the 2013 HOME Final Rule cites a new standard for projects with HOME commitments made on or after January 24, 2015 and indicates that the property standards will be updated. The statute also requires that HOME-assisted rental properties be inspected by the PJ to applicable state and local codes; if these codes don't exist, the new rule allows the PJ to use Uniform Physical Condition Standards (UPCS). States with differing local building codes may face considerable time and technical burdens in ensuring ongoing inspection to *local* codes. To alleviate a potentially unduly burdensome requirement and to promote the streamlining of standards with other federal programs, **COSCDA asks that HUD set one uniform, nationwide inspection standard that works for both rural and urban areas.**

- **Ask Congress to 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. 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. Congress agreed with HUD's request, and in the FY2017 Appropriations bill, it suspended the 24-month commitment requirement for deadlines occurring in 2016-2019. HOME is the only HUD program with a commitment requirement. HOME also recently implemented, through regulation, a 4-year project completion deadline, which measures progress completing projects as opposed to committing funds to projects. The Department believes the project completion requirement will ensure HOME funds are used timely while not taking significant amounts of funds away from participating jurisdictions. **COSCDA urges HUD to continue to request the permanent 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. Many recent infrastructure program proposals from the Administration and Congress highlight private sector involvement in the financing of infrastructure projects, and the HOME Program is a prime example of public-private partnerships. **We ask HUD and 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 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. 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 Emergency Solutions Grants (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. **COSCDA 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 Continuum of Care (CoC) renewal demand.

- **Clearly Define Policy on 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 persons in early stages of recovery, domestic violence victims and homeless youth. **HUD should more clearly define its policy on transitional housing**. While HUD continues of fund transitional housing through the CoC, the scoring structure clearly guides applicants away from transitional housing. 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. **COSCDA 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.

- ## Encourage PHAs to Cooperate with CoCs

While HUD has for several years encouraged PHAs to collaborate with local COCs within program rules to utilize resources to end homelessness, **COSCDA would like to see HUD provide more incentives for PHAs to participate in the collaboration.** CoCs are mandated and evaluated on progress towards collaboration in each annual CoC Program NOFA competition, but for CoCs covering large geographic areas where multiple PHAs operate, the efforts are more often than not, one-sided. Operating with limited resources and long wait 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 Housing Choice Vouchers. In fact only 25 percent of PHAs are strongly engaged in addressing homelessness utilizing their various programs; Project Based and Housing Choice Vouchers to name two. (Study of PHAs' Efforts to Serve People Experiencing Homelessness, 2014).

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

Mandating collaboration between PHAs and community stakeholders would benefit both and ultimately improve the lives of people who are experiencing abject poverty and homelessness. The above mentioned report prepared for HUD by Abt Associates Inc in 2014 could be used as a guide for HUD to move this issue forward.
https://www.huduser.gov/portal/publications/pha_homelessness.pdf

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