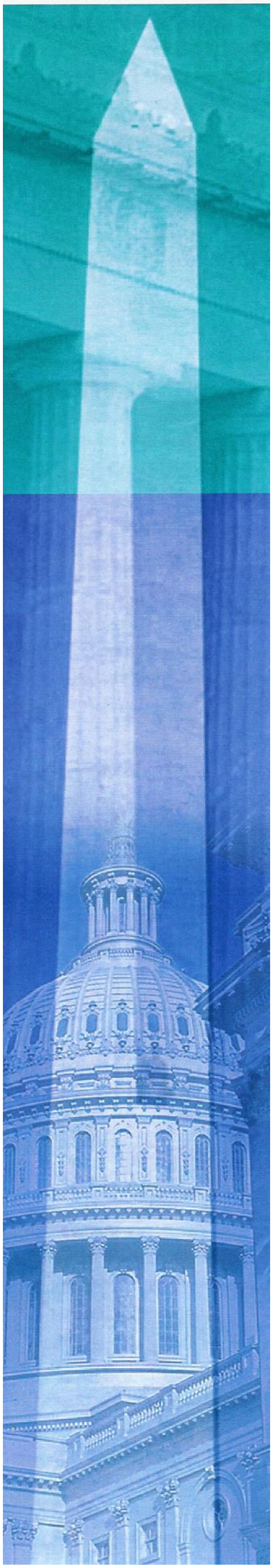

COSCDA Federal Policy Priorities For Fiscal Year 2019

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 PRIORITY

- Change Requirements for Section 3 Program; Voluntary Compliance Only

  COSCDA requests that Congress reduce the Section 3 statutory requirements for CPD grantees. Given the significant effort required to seek qualified candidates for employment and the small number of hires that have resulted from this effort, Congress should change the nature of the statute to encourage, but not require, the hiring of local workers. HUD grantees should make every effort to reach out to the communities served by the HUD assistance, but should only report on actual hiring. The Section 3 program should be administered similarly to other federal and state programs that emphasize and encourage, but not require, efforts to hire local workers.

COMMUNITY DEVELOPMENT PRIORITIES

- **Continue to Support the Community Development Block Grant Program**

  The Community Development Block Grant Program (CDBG) 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**. 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 states 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 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. **Congress 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. 87 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 over four additional dollars of other public and private funding, with more than $136 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 asks Congress to continue to support the National Housing Trust Fund (NHTF) as a vital source of funding for housing assistance to many vulnerable households. COSCDA also fully supports the 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 and Expand 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 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 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. We are pleased that Congress has shown its support of LIHTCs in the Tax Cuts and Jobs Act. However, very effective reform proposals have been included in recent LIHTC reform bills, specifically the Cantwell-Hatch Affordable Housing Credit Improvement Act of 2017 (S 548) and the Tiberi-Neal Affordable Housing Credit Improvement Act of 2017 (HR 1661), to strengthen the tax credit program. These reforms include revisions to the LIHTC law such as providing states with additional flexibility, making the financing of affordable housing more predictable and streamlined, facilitating Housing Credit development in challenging markets like rural and Native American communities, increasing the Housing Credit's ability to serve extremely low-income tenants, and supporting the preservation of existing affordable housing. **Congress should pass these reforms to the LIHTC program.**

- **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. **We ask Congress to permanently eliminate the 24-month commitment requirement which is currently unnecessary.**

- **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 percent of their grant for CHDO activities, and often have to either spend a much large 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. **COSCDA asks Congress to eliminate the CHDO set-aside requirement in the HOME Statute.** HUD also requested in the FY2017 Administration Budget that Congress eliminate this requirement.

- **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.

- **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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