COSCDA Federal Policy Priorities
Fiscal Year 2022

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. Voluntary compliance does not limit the intent of Section 3 as employers will continue to identify and hire local workers when possible. 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.

  HUD released proposed updates to the Section 3 Rule in April 2019, and subsequently published its final rule in October 2020. COSCDA submitted comments to the proposed updates on May 30, 2019. Although these updates are more responsive to state program administration, the latest changes do not ensure low-income workers are afforded additional opportunities for employment. Instead, Section 3 increases administrative burden and diverts resources from core administration activities.

COMMUNITY DEVELOPMENT PRIORITIES

- **Enhance and Further Invest in 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 well over half of 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. In FY2019, states dedicated more than $566 million to these project types representing 62% of available CDBG funds. States also use CDBG for economic development activities that create and retain jobs ultimately improving 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 and technical assistance 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 38 years ago, states have administered the CDBG program for their non-urban areas; however 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. 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. The HUD Inspector General recently agreed and acknowledged that states have limited resources to complete the monitoring of expenditures required by federal laws and regulations. Revenue loss is expected to hit states further due to COVID-19 resulting in significant budget cuts. 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 for 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. CDBG 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.**

- ### Review Davis Bacon Applicability for CDBG

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. A $2,000 threshold in 1931 was reasonable, but it is no longer relevant given current construction costs. Ninety 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. The process artificially raises the ultimate cost of the project which forces the reduction in the scope of work or stopping the project altogether. **Congress should direct further study of the requirement for CDBG projects to meet Davis Bacon requirements. Short of eliminating this requirement, Congress should at least raise the threshold to an amount that makes sense for 2022 such as $1,000,000.** The threshold raise would alleviate cumbersome administrative and financial burdens on smaller rural projects.

Many states maintain state-specific prevailing wages with several eclipsing federal wage standards. In this case, Davis-Bacon provides no support to ensuring worker compensation instead duplicating laws in place at the state and local levels. Ultimately, Davis Bacon has not been sufficiently vetted to ensure its effectiveness in ensuring fair wages. Additional study should be prioritized moving forward which would reveal outcomes vs. goals, and implications for federally-funded activities in compliance with the policy.

- ### Reform CDBG - Disaster Recovery to Improve Results and Accountability

The CDBG – Disaster Recovery (DR) program has a long history of supporting communities in need following severe natural disaster events. Since 1992, HUD has administered the CDBG-Disaster Recovery program. In the wake of unprecedented disasters from 2017 to 2019, Congress approved billions in federal funding to restore infrastructure, housing, business, and human services in impacted communities. In coordination with HUD's Office of Community Planning and Development, state and local governments have administered federal aid both efficiently and effectively.

While the program has resulted in positive outcomes for disaster victims, legislative reforms are necessary to ensure resources reach people and places in a meaningful and timely manner. A primary concern with these funds continues to be the time it takes from appropriation to making resources available to disaster survivors and impacted businesses and communities. Recent legislation would permanently authorize CDBG-DR, install administrative timelines, and bolster training and technical assistance for grantees. **COSCDA supports these reforms and promotes state priorities intended to facilitate implementation and expedite recovery in a final reform bill. Outreach is underway with Congress on recommendations for program improvements and feedback on proposed legislation. COSCDA will assess issues and respond accordingly through its committee on disaster recovery.**

CDBG is the appropriate vehicle for disaster aid in part based on the program's flexibility, including the ability to issue waivers and establish alternative requirements. States especially strive to gather stakeholder input as a priority to recovery goals. The established intergovernmental process ensures that funds reach people and places with the greatest needs. Government stakeholders such as the Federal Emergency Management Agency (FEMA) and state emergency managers assist recovery efforts in coordination with HUD's process of administrating federal funds. **Moving forward, federal assistance in disaster recovery should be strengthened through improved capacity, processes, and stakeholder engagement. HUD is well-positioned to lead these efforts to enhance federal aid through its oversight of the CDBG-DR program.**

HOUSING PRIORITIES

- ## Improve Performance and Increase Resources for 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 invested $34.6 billion to produce and rehabilitate over 1.32 million units of affordable housing. The program has helped more than 369,000 low-income families with rental assistance. For every dollar of HOME invested, another $4.38 is leveraged; the program has leveraged $155 billion in public and private investments to date. 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 (LIHTC) developments, to go forward when they otherwise would not proceed due to a lack of funding resources. To date, HOME has been used in 79,570 LIHTC projects. Over one in four housing credit-financed developments use HOME dollars. COSCDA urges consideration of the HOME Program as a reliable partner resource to LIHTC.

The HOME program is the only HUD program that funds low-income housing on a flexible basis. Unlike CDBG which can only support 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.

Since its inception, the LIHTC has helped support more than 3.2 million units of housing for low income persons or households adding 100,000 units every year. 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, 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.

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 *Affordable Housing Credit Improvement Act of 2019* (S. 1703) (H.R. 3077), 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 and Housing Trust Fund Statutes

The HOME and Housing Trust Fund statutes require that funds be committed to projects within 24 months of HUD notifying the PJ of its obligation of the HOME grant; and within 24 months of HUD notifying the state of its HTF allocation. 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 FY2018-20 appropriations acts, it suspended the 24-month commitment requirement for deadlines occurring in from 2016 to 2022. HOME also recently implemented, through regulation, a four-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 Congress to eliminate this requirement in the HOME and HTF Programs.**

- ### Revise 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 27 years of the HOME Program, many CHDOs have successfully developed decent, safe, and affordable housing units in their communities and many CHDOs have maintained strong housing development capacity. However, other non-profit housing organizations may have difficulty supporting the development pipeline needed to sustain housing development staff required to meet the current HUD definition of CHDOs. Since there have been significant reductions in HOME program appropriations in the last seven years and smaller allocations to PJs, it is difficult for some PJs to have eligible CHDO activities each year. For some smaller PJs, most HOME CHDO activities would require a much larger percentage than 15 percent, which may impact other (non-CHDO, though often non-profit-sponsored) HOME pipeline projects. Failing to meet deadlines for CHDO set-aside funds forces PJs to surrender HOME funds. Since 2009, HUD has de-obligated $15.7 million in unexpended CHDO funds.

HUD requested the elimination of the CHDO set-aside in the FY2017 Administration Budget. In an effort to increase opportunities for available housing organizations to access funds, **COSCDA requests the 15% set-aside be updated to include all non-profits**.

COSCDA also seeks more flexibility to address affordable housing through development-oriented non-profits. The HOME program should continue to encourage capacity building, tie operating grants to production of units, and allow PJs to provide forgivable pre-development loans to CHDOs and non-profits. COSCDA suggests that the HOME Program permit non-profit operating costs as an eligible expense, perhaps with relaxed organizational requirements. In turn, the expectation is that HOME-eligible units will be underway within a two-year timeframe without the annual percentage of HOME allocations that must be dedicated to CHDO development projects. States should also still be able to provide CHDO-only grants for capacity building and support, with the amounts for these activities to remain capped and no minimum threshold to be awarded to CHDO projects each year.

- ### Include HOME & Housing Trust Fund Programs in Any 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. Similarly, the National Housing Trust Fund (NHTF) provides resources to develop affordable housing units for very low-income families and individuals. 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 both HOME and NHTF are prime examples of leveraging public-private partnerships. **We ask Congress to include the HOME and NHTF programs in any infrastructure initiative and include waivers to facilitate efficient and expedient disbursement of funds.**

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.

COSCDA is underway in assessing state responses to affordable housing needs and homelessness. Guidance will be issued on state-led solutions as well as how COSCDA can assist states to address both housing availability and homelessness.

- ### Improve Administrative Capacity and Resources for ESG Implementation

As states manage homelessness programs through ESG, implementation is largely based on available administrative support. Limited and inconsistent funding in annual appropriations presents challenges to budgeting personnel and resources. Varying funding allocations for instance prove difficult for state agencies to hire and retain employees. Administrators in turn have to rely on temporary hires to fill staffing voids. Full-time employees would better maintain program management and improve overall program administration.

COSCDA requests additional resources for administrative support in ESG implementation. An increase of the administrative cap from 7.5% to 10% would provide further capacity and staffing stability in program management. The 10% administrative level is also consistent with related housing programs, HOME Investment Partnerships and Housing Trust Fund.