COSCDA
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The Honorable Marcia Fudge
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Secretary Fudge,

Thank you for your leadership and dedication to renewed resources for the U.S. Department of Housing and Urban Development (HUD) in the agency's fiscal year (FY) 2022 budget. The administration's request, particularly for Community Planning and Development (CPD) programs, will enhance support and improve response to state and local needs. The Council of State Community Development Agencies (COSCDA) appreciates this approach and is ready to partner on mutual goals in affordable housing, homelessness, disaster recovery, and community development. We recommend continued attention to ensure HUD resources are directed with maximum efficiency to promote timely development opportunities serving communities and low-income families and individuals.

Capacity and technical assistance

Increased capacity and technical assistance are necessary to sustain CPD programs. As recently reported by HUD, staffing has significantly declined with a bleak outlook ahead. Agency forecasting shows 63% of career staff as eligible for retirement by 2022 with nearly half in supervisory or management-level positions. States have experienced the effects of declining staff as HUD's support to grantees and related stakeholders has diminished in recent years. Inconsistent program guidance, limited feedback, and wavering response continues to be commonplace throughout field offices. Grantees rely on direct assistance to navigate program issues specific to states and localities. However, only minimum engagement on standard processes is met by field staff on areas such as reporting and compliance.

COSCDA welcomes the proposed increase of 110 FTEs at CPD for FY22. Technical assistance beyond current levels can be better delivered with additional staff throughout CPD. To accommodate this process, we would encourage any opportunity for HUD to expedite the hiring process avoiding any unnecessary delays to assigning qualified candidates to vacant positions. Further, review of current training and enhancements therein would also improve performance and response among new staff.

Technology capabilities

CPD programs would be greatly improved through substantial updates to Information Technology (IT) particularly through the Integrated Disbursement and Information System (IDIS) and Disaster Recovery Grant Reporting (DRGR) system. Both grantees and HUD program staff use IDIS and DRGR for reporting and monitoring purposes. Data is critical for tracking federal investments and ensuring compliance. Unfortunately, IDIS users experience issues in interfacing with their respective state and local program management software. Other deficiencies exist in risk analysis, geocoding, and urban county qualifications. In recent years, minimal improvements were made under the IT budget maintenance however these have proven insufficient. We recommend dedicated resources to the CPD IT budget within the Development & Enhancement Fund to properly upgrade IDIS and DRGR.

Regulatory assessment

Regulatory compliance is one of the more challenging aspects of CPD program administration. Labor, environmental, fair housing, and discriminatory standards are appropriate and offer necessary protections in federally-sponsored project development. However, complex and onerous reporting requirements as current dissuade contractors from participating in CPD-funded projects. Specifically, labor standards under Davis Bacon and Section 3 prove especially difficult for sub-grantees, contractors, and related entities to complete. As a result, many contractors and developers are reluctant to submit proposals. Communities have increasingly received fewer bids for many projects whereas in other cases, no bids are submitted at all. Further, for CPD-sponsored projects which also receive other federal funding, HUD's requirement to complete a separate environmental review is redundant and unnecessary to ensure compliance with the National Environmental Policy Act (NEPA).

We suggest further assessment of compliance and reporting, especially related to labor and environmental standards as well as Section 3. Adjustments responsive to stakeholder needs and market conditions would better facilitate HUD's advancement of housing and community development activities. Considering the flexibility of American Rescue Plan Act (ARPA) and CARES Act resources, additional attention is needed to improve access to and use of CPD formula programs. Streamlined and more efficient processes mean states and localities will be better positioned to use CPD resources alongside other available funding.

Improved coordination of federal resources

Many federal and state resources overlap with CPD programs in program goals and facilitation of projects. A determination of how best to utilize each source of funding is primarily handled at the project management level i.e. city or county addressing water systems or non-profit identifying funds to build new units of affordable housing. While goals are similar, program rules often diverge with separate requirements involved for each funding source. Different sets of rules present an administrative challenge for stakeholders at varying levels of program management.

Further examination of similar federal sources would reveal how CPD programs are administered both in tandem with and separately from available federal sources. Key federal programs to investigate include Department of Agriculture-Rural Development programs, Environmental Protection Agency State Revolving Fund, Treasury Department Low-Income Housing Tax Credit, and Health and Human Services supportive service programs. As state and local governments are utilizing Treasury funds in pandemic response and recovery, it would also be worthwhile to compare CPD programs with emergency relief activities.

Once a review has been completed, alignment of CPD program administration with other federal and state programs can be considered. The activity would benefit grantees and other stakeholders through greater streamlining of program administration and increased ability to combine other resources in CPD-funded projects and services.

FY2022 Budget Request

Homeless Assistance Grants (HAG)

The FY22 budget request includes $3.5 billion for Homeless Assistance Grants (HAG). We are supportive of the $500 million increase from the FY21 level and welcome additional resources to bolster housing and related support for targeted populations.

We also recommend further resources within this amount be provided to the Emergency Solutions Grant (ESG) program. The HEARTH Act allows up to 20% of HAG funding for ESG. Since the law's enactment, HUD has not fully-funded ESG to this percentage. Rapid rehousing is a major area of need for homeless populations both now and moving forward. Increased ESG will promote critical services to shelters and transitional facilities as determined by grantees. Consistent availability of funds through a set percentage (20%) for ESG is also necessary for grantee planning and budgeting.

Additional support to emergency shelters would also facilitate greater outcomes in homelessness response. While the benefits of rapid rehousing are clear, there is a continued need to increase funding to existing shelters. Emergency shelter funding has remained level over the last decade while operating costs continue to rise. Staff, services, and other areas have been significantly cut as a result. Also, while focus has turned to diversion and keeping people out of the homelessness system, it has become more difficult for emergency shelters to serve homeless populations. More staff or staff with specific licensing have been required for shelters to accommodate persons experiencing certain issues. We urge consideration of either removing or increasing the cap on ESG for emergency shelters to better respond to increasing costs of shelter operations.

Community Development Block Grant (CDBG)

CDBG is an important resource for state and local activities benefitting vulnerable populations and underserved communities. We appreciate the proposed increase of $295 million above the FY21 enacted level. Additional funding will allow further work to address community-led gaps in infrastructure, housing, economic development, public services, and related development.

Though demonstrating a considerable return on investment, CDBG's primary weakness is less available resources annually compared to growing demands for assistance. As described in the CDBG Coalition's latest report, grantees respond that more funding is consistently requested than can be met with available grant funds each year. Annual funding has declined significantly since the program was funded at $4.4 billion in FY2001. New grantees also enter the program each year; since the program's inaugural year in 1975, the number of grantees has more than doubled and currently sits at 1,275. As more localities become entitlement communities and receive direct funding from HUD, awards to grantees are reduced further. Additionally, the program has never been indexed for inflation with the program's first annual allocation of $2.4 billion in 1975 being nearly $12 billion in 2021. CDBG effectiveness will continue to erode without robust funding moving forward.

While an increase to CDBG is necessary to sustain program impact, the proposed set-aside for targeted investments would be better directed to the formula program. Level and decreased funding have drastically inhibited the program's ability to serve populations and communities, especially those with the greatest needs.

States and localities can only facilitate projects and services with the amount of funds provided by HUD. Administratively, additional criteria may prove more difficult to direct funding since many CDBG projects support larger, more widespread areas of a given community. Further research into CDBG is recommended before set-asides or changes to this degree are installed; a comprehensive examination of the program would provide greater insight on exactly how program funds are benefitting people and places.

HOME Investment Partnerships (HOME)

As housing becomes scarcer across the country, affordable units are out of reach for low-income households in large and smaller communities alike. Supporting both rental and homeowner units, HUD's proposed $500 million increase to HOME will help to address the ongoing housing shortage and advance the creation and preservation of more units of affordable housing.

We request further consideration on the proposed set-aside to create a first-time homebuyer downpayment assistance program. HOME is eligible to fund several activities supporting affordable housing for low-income households. Downpayment assistance is one of these available activities and many state and local grantees offer this resource to promote home purchases. To date, limited HOME funds has resulted in a reduced ability to use HOME's allocation for the full range of allowable activities. Increased resources to HOME will allow more options to be settled through the consolidated and annual planning processes.

Due to housing supply being critically low, especially affordable units, the lack of available housing poses the biggest challenge to housing access both at this time and moving forward. Further, very few homes exist which fall into the range of the HOME program's homeownership value limits. Grantees may be able to combine downpayment assistance with development subsidies to create affordable housing in the future. However, we urge continued emphasis on reinforcing HOME, updating program rules to better accommodate housing access responsive to current market conditions, and empowering grantees to direct available HOME funds to specific housing-related needs of their respective jurisdiction.

Thank you for your review of our comments. We look forward to partnering on the aforementioned CPD programs as well as further opportunities to support local-led activities in community development, disaster recovery, housing, and homelessness.

Sincerely,

Dianne E. Taylor
Executive Director