COSCDA
Council of State Community Development Agencies

Striving to Build Better Communities
630 Eye Street, NW Washington, DC 20001
T: (202) 293-5820 W: www.coscda.org

December 20, 2021

The Honorable Patrick Leahy
Chairman
Senate Appropriations Committee
S-128 Capitol Building
Washington, District of Columbia 20510

The Honorable Richard Shelby
Vice Chairman
Senate Appropriations Committee
S-128 Capitol Building
Washington, District of Columbia 20510

The Honorable Rosa DeLauro
Chairwoman
House Appropriations Committee
H-307 Capitol Building
Washington, District of Columbia 20515

The Honorable Kay Granger
Ranking Member
House Appropriations Committee
H-307 Capitol Building
Washington, District of Columbia 20515

The Honorable Brian Schatz
Chairman
Senate Appropriations Transportation-Housing and Urban Development Subcommittee
S-146A, The Capitol
Washington, District of Columbia 20510

The Honorable Susan Collins
Ranking Member
Senate Appropriations Transportation-Housing and Urban Development Subcommittee
186 Dirksen Senate Office Building
Washington, District of Columbia 20510

The Honorable David Price
Chairman
House Appropriations Transportation-Housing and Urban Development Subcommittee
2358-A Rayburn House Office Building
Washington, District of Columbia 20515

The Honorable Mario Diaz-Balart
Ranking Member
House Appropriations Transportation-Housing and Urban Development Subcommittee
2358-A Rayburn House Office Building
Washington, District of Columbia 20515

Dear Chairman Leahy, Vice Chairman Shelby, Chairwoman DeLauro, Ranking Member Granger, Chairman Schatz, Ranking Member Collins, Chairman Price, and Ranking Member Diaz-Balart:

While a final fiscal year (FY) 2022 appropriations bill awaits approval, communities continue to struggle to address common gaps in infrastructure, public facilities, homelessness support, and affordable housing. Annual federal funding is critical to locally-driven projects and services benefitting vulnerable populations, specifically programs under the U.S. Housing and Urban Development – Office of Community Planning and Development (HUD-CPD). State and local governments rely on these vital resources to meet growing and complex challenges impacting quality of life and local economies.

The Council of State Community Development Agencies (COSCDA) recognizes that a host of issues limit communities from achieving their potential including lack of capacity and resources. Following the Senate Appropriations Committee's release of FY2022 bill text on October 19, we encourage consideration of the following recommendations for the final FY2022 Transportation-HUD (THUD) appropriations legislation.

Program Offices (Senate FY22 Bill: $147.8m; House FY22 Bill: $142.3m; HUD Budget: $146.6m)

We urge increased funding for salaries and expenses (S&E) under Program Offices for CPD. HUD's budget request includes $146.6 million for S&E under CPD which is expected to add another 110 FTEs above current staff levels[1]. Due to past and current staff reductions at HUD offices and expected losses in personnel moving forward[2], HUD administrative support will be diminished significantly. Without substantial reinforcement of staffing and related support, agency activities under CPD will be strained to handle even basic actions. Additional capacity will be necessary to ensure HUD management can be appropriately supported, especially through recent funding provided to HUD through COVID-related appropriations. **The proposed Senate appropriations level of $147.8 million for S&E is encouraged.**

Community Development Fund (Formula grants - Senate FY22 Bill: $3.55B; House FY22 Bill: $3.753B; HUD Budget: $3.8B; COSCDA request: $4.2B)

The Community Development Fund which supports the Community Development Block Grant program (CDBG) provides critical resources to state and local governments to address various project and service needs. CDBG has an extensive record of promoting impactful actions benefitting low and moderate-income populations. Additionally, the program's wide range of eligible activities allows jurisdictions to use resources responsive to their unique needs and priorities.

Although the program has a successful record of supporting communities, inadequate program resources have severely limited state and local efforts to address growing public needs. Program funding has significantly declined from the program's highest annual allocation of $4.48 billion in FY1995[3]. As highlighted in the CDBG Coalition's latest report[4], reduced funding in annual appropriations has seriously affected grantee ability to address gaps in infrastructure, housing, public services, and economic development among other needs. Further, the number of grantees continues to increase which reduces the amount of available funding to each individual recipient; the total number of states and localities receiving direct allocations under CDBG is currently 1,236.

We encourage the committee to provide $4.2 billion for CDBG in FY2022. The request aligns with the program's last authorized level of $4.168 billion in FY1994[5]. Additional funding will promote further development opportunities aiding targeted populations and distressed communities.

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[1] U.S. Department of Housing and Urban Development, Program Offices Salaries and Expenses, Office of Community Planning and Development, May 28, 2021: https://www.hud.gov/sites/dfiles/CFO/documents/48_2022CJ-SE-CPD.pdf.

[2] HUD Office of Inspector General, Top Management Challenges Facing the U.S. Department of Housing and Urban Development, November 25, 2020: https://www.hudoig.gov/sites/default/files/2020-12/TMC%202021.pdf.

[3] Congressional Research Service, Community Development Block Grants: Recent Funding History, February 6, 2014: https://crsreports.congress.gov/product/pdf/R/R43394.

[4] Community Development Block Grant Coalition, CDBG Impact and Funding Need, July 2019: https://coscda.org/wp-content/uploads/2021/05/CDBG-Report-72019FINAL.pdf.

[5] Congress.Gov. Public Law 102-550 (enacted on October 28, 1992): https://www.congress.gov/102/statute/STATUTE-106/STATUTE-106-Pg3672.pdf.

Further, we ask that states be allowed to use a higher share of existing funds to carry out administrative functions and technical assistance. Per statute (42 U.S.C. 5306(d)(6)), states are limited to 3% of grant funds for administrative and technical assistance. Additionally, state CDBG administrators must match every dollar for administration beyond the initial $100,000 in administrative expenses (42 U.S.C. 5306(d)(3)(A)). States not only experience undue burden to handle administrative and support duties with the miniscule grant resources available for administration but also must produce match funds for the majority of their administrative costs. For program oversight and assistance to multiple sub-grantees, states work with little available funding while having to use more of their resources to support these activities.

COSCDA recommends the administrative cap for states be lifted from 3% to 5% and the threshold on administrative match be removed or at minimum increased to $500,000 from the current $100,000 level.

The following legislative text is suggested:

Community Development Fund
Provided further, up to 5% of funds shall be available to states for administrative and technical assistance activities per Section 106(d)(6) of the Act (42 U.S.C. 5306(d)(6)); Provided further, match requirements under Section 106(d)(3)(A) of the Act shall not apply (42 U.S.C. 5306(d)(3)(A)).

<u>Proposed set aside funding in CDBG</u>
Targeted funding to historically underserved places (HUD Budget: $295m)

HUD has requested $295 million for targeting resources to "revitalization of deteriorating or deteriorated neighborhoods and places with the greatest need.[6]" The amount reflects the overall recommended increase of program funding from FY2021 ($295 million). The resources are intended to support additional investments in communities of color and low-income neighborhoods.

COSCDA recognizes the impact of federal assistance in areas facing socio-economic challenges including high poverty rates, low educational attainment, and high unemployment. As CDBG administrators serve a wide array of places, conditions are recognized limiting underserved people and communities. CDBG's flexibility in using funds for varying communities and neighborhoods cannot be overstated, and it allows investments to be dedicated for maximum benefit to the project or service area. In targeting program funds, states and localities attempt to drive federal investments to areas of greatest need.

The lack of resources over many years though has limited CDBG's success in serving more people and places. Increased attention is needed to communities crippled by intergenerational poverty and less capital. Any additional funding through the CDBG formula will better serve people and communities targeted by HUD's proposal. With few details on how the set-aside will be directed, including eligible areas, it is unclear that targeted funding will meet the intent of the directive. Instead, this funding amount may prove too restrictive and burdensome for many states or communities to administer. **We urge funding including any increases to remain dedicated to the formula program; additional funding to the formula program will certainly accomplish HUD's goal of directing more federal assistance to underserved areas.**

HOME Investment Partnerships (Senate FY22 Bill: $1.45B; House FY22: $1.85B; HUD Budget: $1.85B; COSCDA FY22 Request: $1.9B)

The HOME Investment Partnerships Program (HOME) dedicates federal funding to advance housing opportunities for low-income households. Similar to CDBG, HOME directs resources to state and local governments promoting housing development and preservation. Additionally, funds can be provided to meet

[6] U.S. Department of Housing and Urban Development, FY2022 Congressional Justification, Community Development Fund: https://www.hud.gov/sites/dfiles/CFO/documents/18_2022CJ-CommunityDevelopmentFund.pdf.

housing assistance needs of renters and homeowners. The program's host of eligible activities makes it adaptable to specific circumstances in housing access.

HOME offers key support to state and local engagement on affordable housing. As of October 2021, the program has supported 1.343 million units leveraging $162.7 billion in other public and private investment; every dollar of HOME leverages another $4.58 in other funding[7]. HOME is oftentimes matched with other federal sources including the Low-Income Housing Tax Credit (LIHTC).

Declining funds over many years has limited HOME's impact in affordable housing. The program was cut nearly in half in FY2011 and in preceding years has remained at either level funding or received nominal increases. HOME was level-funded in FY2021 at $1.35 billion; currently, the program is 25% less than its FY2010 level of $1.8 billion[8].

Our nation faces an unprecedented housing shortage with the lack of units driving up housing costs beyond reach for many households especially low-income families[9]. Coupled with rising construction costs, housing development has slowed and affordable housing is an afterthought in many parts of the country. Housing supply dropped to a critically-low level in September 2020 with an estimated 3.5 months of housing supply being reported; this improved to 6.3 months as of June 2021 however is still insufficient to meet demand[10]. HOME can be a part of the solution however the program needs to be reinvigorated through the annual appropriations process.

We recommend $1.9 billion for HOME in FY2022 through formula allocation. Additional funding will promote state and local efforts on affordable housing at a time when safe, quality housing has never been more out of reach to many Americans. Further resources for HOME not only connects people to housing opportunities, but also helps to create and sustain jobs, promote health, and reinvest in neighborhoods experiencing neglect and loss in capital. Housing development remains crucial to better communities and economic competitiveness; HOME is clearly a part of addressing this leading national challenge.

In addition to funds available under the formula allocation, we request increased resources available for administrative expenses. Several issues continue to inhibit program management including budgetary constraints posed by the effects of COVID-19, staffing shortages at the state and local levels to direct HOME funds, and overall capacity limitations of sub-recipients to accommodate housing development. **COSCDA asks for an increase to the administrative amount available to grantees from 10 to 15%.**

The following legislative text is suggested:

HOME Investment Partnerships Program
Provided, of this amount, up to 15% shall be made available for administrative expenses under Title II of the Act (42 U.S.C. 12742).

Further, we recommend retaining directives proposed in both the House and Senate bills to remove the 24-month commitment deadline on HOME funds and suspension on recapturing unused funds by a grantee designated to community housing development organizations (CHDOs).

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[7] U.S. Department of Housing and Urban Development, Office of Community Planning and Development, HOME – National Production Report, October 31, 2021: https://files.hudexchange.info/reports/published/HOME_Prod_Natl_20211031.pdf.

[8] Congressional Research Service, An Overview of the HOME Investment Partnerships Program, January 4, 2021: https://crsreports.congress.gov/product/pdf/R/R40118.

[9] Public Broadcasting Service, Houses are Getting Scooped Up Before They're Listed. It's Shutting People Out of Homeownership, August 10, 2021: https://www.pbs.org/newshour/economy/houses-are-getting-scooped-up-before-theyre-listed-its-shutting-people-out-of-homeownership.

[10] Federal Reserve Bank of St. Louis, Monthly Supply of Houses in the U.S., accessed on August 11, 2021: https://fred.stlouisfed.org/series/MSACSR.

Set-Aside Funding
FirstHOME Down Payment Assistance (House FY22:$50m, HUD Budget: $100m)

As a part of the HUD FY2022 budget, the agency requests $100 million in set-aside funding to establish a homebuyer down payment assistance program. Targeting first generation first-time homebuyers, the initiative is well-intended in directing assistance to facilitate home purchasing. Homeownership is an important contributor to financial stability and wealth-building.

Currently, the housing market is experiencing unprecedented circumstances limiting available housing and accelerating costs to both rent and buy homes. Fewer units, contractor and labor shortages, and increased material prices have contributed to higher costs and prevented further housing development. Much of the predicament will take time to sort out however without additional housing units, prices will remain high and housing unattainable to many households especially populations targeted through HOME.

Due to the ongoing shortage of units and rising housing costs, production is priority to ensuring expanded housing opportunity. HOME is a critical tool to promote more units for low-income households. The program's flexibility remains key to this mission as states and localities target HOME to meet housing needs specific to their respective jurisdictions. Down payment assistance is eligible under the program and many grantees include this among their HOME-funded activities. However, the biggest barrier to homebuyers is the severe lack of available housing. **We recommend funding for HOME continue through the formula process supporting housing development, preservation, and related actions responsive to the current housing crisis**.

Homeless Assistance Grants (Senate FY22 Bill: $3.26B; House FY22: $3.42B; HUD Budget Request: $3.5B; COSCDA Request: $3.5B)

Funding provided to Homeless Assistance Grants (HAGs) supports comprehensive response to aid persons experiencing homelessness. Assistance funds many projects and activities including permanent supportive housing, data systems, emergency shelters, rapid rehousing, and transitional housing. As homelessness and housing instability rises, resources are critical to facilitating state and local response.

We encourage the committee to fund no less than $3.5 billion to Homeless Assistance Grants in FY2022. Among this amount, we urge increased funding to the Emergency Solutions Grants (ESG) program. The HEARTH Act allows up to 20% of HAG funding to be directed to ESG however program funding has never reached this level. Dedicated resources are necessary to sustain capacity in homeless engagement, expand shelter operations, and reinforce supportive services. Until market conditions change and housing supply increases, limited units will be available to provide sufficient housing for persons experiencing homelessness. In the meantime, emergency shelters will be frequently relied upon for transitional housing. **We urge consideration to direct 20% of HAGs to ESG**; if HAGs receive the recommended $3.5 billion, this would equal $700 million.

Alongside increased funding to HAGs and ESG, further administrative resources are needed to carry out program management and oversight. Homelessness programs have experienced declining personnel and lack of service providers in homeless response networks for some time. Additionally, COVID-19 has shifted emphasis in homelessness assistance to short-term diversion and related actions to protect client health. As the world moves way from pandemic response to recovery, homelessness networks face understaffed facilities and limited capacity across supportive services. Shelter operations and client intake services cannot be maintained or rejuvenated without dedicated funding. **We request allowance of up to 10% for ESG administration.**

Within ESG administration, data management is increasingly important to aiding clients and ensuring reporting requirements are maintained. HUD and ESG administrators use the Homeless Management Information System (HMIS) for data input and collection. Grantees experience considerable administrative duties involved with HMIS as dedicated staff and training are necessary to handle data-related responsibilities. ESG funding provided through the CARES Act (ESG-CV) afforded grantees the ability to use a portion of their administrative costs for HMIS. As a result, grantees were able to better support HMIS duties through contracted services, dedicated training, and related functions. **We recommend up to 10% of administrative funds be reserved for carrying out duties involved with HMIS at the grantee's discretion**.

The following is suggested legislative text:

Homeless Assistance Grants
$700,000,000 shall be for the Emergency Solutions Grants program authorized under subtitle 15 of such title IV (42 U.S.C. 11371 et seq.); Provided further, up to 10% of funds shall be available for administrative expenses under subtitle B of such title IV (42 U.S.C. 11378) and up to ten percent of these funds shall be made available for administration of the Homeless Management Information System (HMIS).

Further, HUD deadlines are looming for state and local ESG providers to expend CV resources as well. Due to the extraneous circumstances around homelessness assistance, ESG-CV has been significantly impeded in pandemic response and recovery. COSCDA will formally request suspension of the March 2022 deadline for grantees to expend 80% of CV funding; an additional request will be made to provide a one-year extension for grantees to expend all CV funds by September 2023.

Further Recommendations

Technology Improvements

Information management at CPD relies on separate systems, Integrated Disbursement and Information System (IDIS) and Disaster Recovery Grant Reporting (DRGR). Reporting through IDIS and DRGR promotes transparency and accountability of CPD resources. Issues have lingered with these systems though preventing grantees from interfacing their respective systems with HUD-supported software of IDIS and DRGR. Other challenges exist in risk analysis, geocoding, and urban county qualifications in CDBG. Minor improvements have been completed in recent years through HUD's information technology (IT) maintenance budget. The minimal upgrades have proven insufficient however and significant improvements are necessary to ensure technology is responsive to CPD and stakeholders. **We urge dedicated resources to CPD's IT budget within the Development and Enhancement Fund to adequately update IDIS and DRGR**.

Labor and Section 3 Assessments

Compliance with HUD regulations proves burdensome in many aspects of CPD program administration. Regulations in fair housing, discrimination, labor, and environment are necessary and important in project development. Program stakeholders – sub-grantees, contractors, and related entities – report challenges in meeting regulatory compliance, particularly in regards to labor standards. Activities and reporting requirements under Davis Bacon and Section 3 can be challenging to complete especially for communities and contractors with limited capacity and resources. Grantees have experienced fewer bids to CPD-supported projects; contractor feedback points to challenges in meeting labor standards. The situation has proven very difficult to overcome with some communities even receiving no bids on HUD-sponsored developments.

We request support from the committee to review current regulations involved in HUD programs related to labor standards and Section 3. Recommendations would be welcomed as well on reducing time and resources involved in regulatory compliance. Grantees and additional stakeholders to HUD programs can be better supported through renewed approaches which promote more efficient processes. This is an ideal time for an assessment considering a new rule on Davis Bacon is expected to be published in late 2021[11][12] as well as recent issuance of a revised Section 3 rule[13].

The following report language is recommended:

Examination of labor standards and Section 3 on program administration and project development - *Federal labor standards are intended to ensure prevailing wages are met in federally-funded projects. Similarly, HUD applies Section 3 to encourage employment opportunities for low-income residents residing in proximity of agency-supported projects. HUD program administrators have reported increased challenges in carrying out requirements under Davis Bacon Act as well as reporting for Section 3. In anticipation of a new rule from the U.S. Department of Labor as well as a recently-updated Section 3 rule, renewed attention is warranted on implementation of both policies and their impact on program administration and projects. The Committee directs HUD to report to the House and Senate Appropriations committees, within 180 days of enactment of this act, on existing barriers in grant administration and project development including contractor engagement, and actions which the Department can take to support streamlined processes and reduced costs associated with implementing both policies.*

Coordination of federal resources

While HUD-CPD programs provide specific resources to states and localities, other programs exist in federal government with similar investment priorities. Affordable housing development, utility upgrades, and business assistance are examples of supported activities funded by multiple agencies. Even with overlapping missions, requirements are frequently different for each program. Varying rules of each program prove challenging to project stakeholders in implementing federal funds.

We ask for an examination of CPD programs compared to other federal resources to address infrastructure, housing, disaster response and recovery, and other related needs. Primary agencies for consideration include USDA-RD, EPA SRLF, Treasury Low-Income Housing Tax Credit, and Health and Human Services supportive services programs. Review of Treasury resources provided through recent emergency supplemental funding would also be meaningful to better understand how resources are being directed. Ultimately, this review would help to assess how CPD programs can better adapt policies and procedures aligned with other federal programs, facilitating streamlined administration and combining resources in a more effective way to support project development.

Remove expenditure deadline for 2013 disaster recovery funding

In response to several natural disaster events from 2011 to 2013, Congress approved supplemental funding under Public Law 113-2 enacted on January 29, 2013. Federal resources were necessary following the devastating impact of Hurricane Sandy as well as flooding and wildfires throughout the country. When Congress approved funding under PL 113-2, a deadline was installed which allowed funds to be expended until

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[11] Office of Management and Budget, Modernizing the Davis-Bacon and Related Acts Regulations, Notice of Proposed Rulemaking: https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202104&RIN=1235-AA40.

[12] Reuters, DOL rules will focus on tipped worker pay, Davis Bacon updates (June 14, 2021): https://www.reuters.com/legal/transactional/dol-rules-will-focus-tipped-worker-pay-davis-bacon-updates-2021-06-14/.

[13] U.S. Department of Housing and Urban Development, Section 3 Final Rule (issued on August 24, 2021): https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-09cpdn.pdf.

September 30, 2022. Even with a short-term allowance of an additional year (provided under PL 116-260, Sec. 1301[14]) and funds now expiring in September 2023, it is unclear if resources will be fully expended by this date.

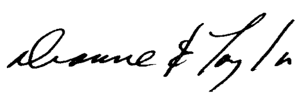
In addition to delays posed by pre-existing administrative issues of the CDBG-DR program, development has been disrupted from the COVID-19 pandemic with lingering effects impacting project timelines. The market remains upended in the housing and construction industry. Demand has shifted causing limited availability of contractors and materials across the country. As a result, disaster recovery grantees are experiencing extended timelines and increased costs on projects.

We urge adoption of the provision included in the House FY22 appropriations legislation removing the expenditure deadline (page 1015 of H.R. 4502)[15]:

Sec. 237 (a) Funds previously made available in chapter 9 of title X of the Disaster Relief Appropriations Act, 2013 (Public Law 113–2, division A; 127 Stat. 36) under the heading ‘‘Department of Housing and Urban Development—Community Planning and Development—Community Development Fund’’ that were available for obligation through fiscal year 2017 are to remain available until expended for the liquidation of valid obligations incurred in fiscal years 2013 through 2017.

Thank you for your time and consideration regarding these recommendations. We look forward to working with the committees to improve CPD programs and promote meaningful investments across community development goals.

Sincerely,



Dianne E. Taylor
Executive Director

[14] P.L. 116-260 (enacted on December 27, 2020): https://www.congress.gov/116/bills/hr133/BILLS-116hr133enr.pdf.
[15] 117th Congress, H.R. 4502: https://rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-117-RCP117-12.pdf.