



June 1, 2022

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, The Capitol  
Washington, DC 20515

The Honorable Kay Granger  
Ranking Member  
House Appropriations Committee  
1036 Longworth House Office Building  
Washington, DC 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, DC 20515

The Honorable Mario Diaz-Balart  
Ranking Member  
House Appropriations Transportation-Housing  
and Urban Development Subcommittee  
1036 Longworth House Office Building  
Washington, DC 20515

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

As markups begin soon on the fiscal year (FY) 2023 appropriations process, COSCDA would like to take this opportunity to share additional insight on our recommendations for the annual spending bill. COSCDA is led by state administrators of Housing and Urban Development – Office of Community Planning and Development (HUD-CPD) programs. Our association offers immense and wide-ranging experience in targeting resources to public needs across housing, infrastructure, homelessness, and related areas. It is through this collective engagement both challenges and solutions are communicated on a regular basis.

In capturing timely and meaningful response, COSCDA conducted a survey over the last month on legislative priorities. The survey inquired about how funding and policy changes would impact specific state programs. One response was recorded from each state. We hope the following results are informative and shed further light on leading issues in HUD-CPD programs.

Additionally, aligned with COSCDA's legislative agenda, efforts are underway to modernize Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) through program reauthorization. COSCDA has partnered with House and Senate committee leadership to advance reforms consistent with the following proposals. While engagement continues on bill introduction, we urge that these flexibilities be adopted in the annual spending bill. State CDBG, HOME, and Emergency Solutions Grant (ESG) administrators spent considerable time in determining the outlined proposals; if accommodated, these updates would strongly benefit development and implementation of program funds moving forward.

## **Community Development Block Grants**

### Increased Annual Funding

*COSCDA continues to seek additional resources for CDBG. How would an increase to your state's annual allocation support future CDBG-sponsored initiatives? Would more funding result in an expansion of current activities or facilitate new activities? How so?*

COSCDA received responses on CDBG from 22 states. Nearly all respondents agreed that increased funding would either expand current activities supported by state CDBG funds, or allow states to expand their programs to support new activities. With a larger allocation, respondents indicated more projects can be completed in infrastructure, housing, and public facilities. More funding would also facilitate larger grant awards to complete more expansive developments in small and rural communities over time; increasing the grant amount jurisdictions can access facilitates more transformative and meaningful community-wide projects. Further, additional resources are very important as labor and material costs continue to rise. Due to these rising costs, adjustments are currently having to be made – such as reducing scope of work - to allow project completion to move forward. Regarding expansion into new activities, states proposed putting additional funds towards economic development (micro-enterprise), broadband, housing, and community planning and technical assistance.

### Administrative Cap Increase for States from 3% to 6%

*COSCDA is also pursuing an increase to the state CDBG administrative and technical assistance cap from 3% to 6%. The proposal aligns with HUD's recommendation in its FY2023 budget. Would your program utilize additional resources provided if the cap was raised for CDBG administration and technical assistance?*

*Yes: 20 (90.9%)*

*No: 2 (9.1%)*

Respondents overwhelmingly shared that an increase to the current administrative cap would be used to enhance program management and technical assistance. Respondents stated that additional administrative funding would result in the ability to hire more program staff, improve program accountability and oversight of sub-grantees, and facilitate greater technical assistance to communities. States shared as well that extensive program rules

combined with the large number of communities served by state programs strain administrative activities; therefore, more support is needed for program management and oversight.

Increase to the State Administrative Match Threshold from \$100,000 to \$500,000

*Along with the administrative cap adjustment, COSCDA seeks an increase to the state administrative match threshold from \$100,000 to \$500,000. Would this provide greater budgetary flexibility to your state's CDBG program?*

*Yes: 18 (81.8%)*

*No: 4 (18.2%)*

Along with an increase to the administrative cap, states responded to COSCDA's proposal to raise the state administrative match threshold from \$100,000 to \$500,000. Currently, states must match every dollar of administrative expenses past the first \$100,000 in these costs. For comparison, entitlement grantees do not have this requirement. Survey responses were clear that an increase to the match threshold would provide more flexibility to state CDBG program budgets. Grantees stated this change would facilitate more staff, greater technical support, increased education and technical assistance offerings, and improved program planning. Further, the update would allow a greater amount of non-federal funds for project development, or activities not eligible under CDBG.

Public Services Cap Increase from 15% to 20%

*The cap on public services limits grantees to 15% of CDBG funds for these activities. While states generally do not fund public services through CDBG, the cap was removed for CDBG-CV and FY19 and 20 funds due to the COVID-19 pandemic. In response, states directed 55% of CV funds to public services in 2021. COSCDA seeks an increase to the public services cap from 15 to 20%. Would your state use more annual CDBG funds if this cap is increased for public services?*

*Yes: 10 (45.5%)*

*No: 12 (54.5%)*

Exempt Fair Housing from the Public Services Cap

*Another targeted reform is how grantees can apply CDBG to fair housing activities. Currently, fair housing activities can only be supported under administrative or public services categories which both have respective caps. To advance flexibility in using funds, COSCDA is advocating for fair housing activities to be exempted from the public services cap. Do the current caps limit your state's ability to use CDBG for fair housing?*

*Yes: 5 (22.7%)*

*No: 17 (77.3%)*

*Would the update provide additional flexibility under either administrative or public services caps to devote resources to other needs?*

*Yes: 14 (66.7%)*

*No: 7 (33.3%)*

COSCSA is also proposing an increase to the public services cap (15 to 20%) as well as exemption to the cap for fair housing activities. Responses were fairly split on whether the increase to the public services cap would result in states dedicating more CDBG funds to these activities. For grantees which would take advantage of the increased cap, activities eyed for new or additional investment include child care, digital literacy, housing and drug recovery, youth job training, and senior services. As the cap was lifted for CDBG CARES Act (CDBG-CV) grants, there is also a need to continuing public services supported by this funding.

On the question of current caps restricting fair housing activities, a majority of respondents stated this is not a factor. However, a majority did agree that an exemption of fair housing activities for either the administrative or public services caps would provide further flexibility to devote more funding to other activities and needs.

#### Increased Flexibility to Apply CDBG to Housing Construction

*CDBG can currently be used for new construction of housing however must be completed through a Community-Based Development Organization (CBDO) and as part of a neighborhood revitalization strategy. COSCSA is advocating for additional flexibility to use CDBG for housing construction, and proposes creating a new, separate CDBG-eligible activity. Would your state consider applying CDBG to housing construction if the CBDO and revitalization plan requirements were removed?*

*Yes: 21 (95.5%)*

*No: 1 (4.5%)*

COSCSA also seeks greater flexibility to use CDBG funds for construction of housing, and proposes removing the requirements that projects be supported by Community-Based Development Organizations (CBDOs) and as a part of a neighborhood revitalization or economic development plan, or energy project. In response to whether grantees would use CDBG funds for housing construction if these requirements are removed, states overwhelming indicated that this activity would be considered for CDBG funding. The lack of available housing is likely to persist in the coming years especially for low and moderate income households. With fewer resources available in rural areas, any funding source to support housing production is direly needed. Respondents shared how CDBG's use for housing construction can benefit service areas which includes creating more workforce housing, providing opportunities for households living inside floodplains to relocate, and assisting rural communities inhibited by limited housing to attract and retain business. States added that the biggest obstacle to CDBG being used for housing construction presently is the CBDO requirement as very few to none of these entities serve rural areas.

#### Enhanced Program Delivery through Recent Waivers/Flexibilities

*In response to the COVID-19 pandemic, various waivers and flexibilities were provided on both annual and CDBG CARES Act (CDBG-CV) funds. Did your program use these waivers/flexibilities?*

*Yes: 20 (95.5%)*

*No: 1 (4.8%)*

States also agreed with the use and effectiveness of the waivers recently provided by HUD in response to the pandemic. Respondents cited the suspension of the public services cap, updated public participation requirements, and revised economic development rules as the most helpful flexibilities extended by HUD.

## **HOME Investment Partnerships**

### Increased Annual Funding

*COSCOA is advocating for increased resources to HOME. How would an increase to your state's annual allocation support future HOME-sponsored initiatives? Would more funding result in an expansion of current activities or facilitate new activities? How so?*

HOME administrators from 20 state Participating Jurisdictions (PJs) contributed to this survey. Respondents agreed that increased funding would primarily be used to expand current activities; these include construction and rehabilitation of both single and multi-family rental housing. Other investment priorities include homeownership activities, tenant based rental assistance (TBRA), and operating assistance for Community Housing Development Organizations (CHDOs). Additional funds would also be targeted to gap financing for Low Income Housing Tax Credit (LIHTC) projects.

### Remove HOME's 24-Month Commitment Deadline

*The 24-month commitment deadline has been suspended in the annual appropriations law in recent years. COSCOA seeks permanent removal of the deadline. Does the commitment deadline help or hinder your ability to invest HOME funds in quality and sustainable projects?*

*Help: 4 (20%)*

*Hinder: 16 (80%)*

Regarding COSCOA's proposed policy updates, four out of five respondents agreed that the current commitment deadline negatively impacts their programs. States reported being largely concerned with the time it takes to identify, comply with necessary reviews, ensure financing is secure for project completion, among other needs ahead of committing funds; due to this, there is general consensus the 24-month deadline is not conducive to housing project timelines. Ongoing issues with labor and supply chains also continue to pose considerable delays in project completion. It was suggested as well that the current completion deadline is sufficient to ensure funding is directed in a timely manner.

### Allow PJs to Use Unspent CHDO Set-Aside Funds Following 2-Year Commitment Period

*Along with the commitment deadline suspension, Congress has also allowed PJs to recapture unspent CHDO set-aside funds remaining after the two-year period. The change has been directed year-to-year in the appropriations process and COSCOA is advocating for this to be made permanent. Would a permanent adjustment to the rule allowing recapture after the two years better accommodate HOME support for affordable housing activities?*

*Yes: 16 (80%)*

*No: 4 (20%)*

States also overwhelmingly support extending the ability for PJs to recapture unused set-aside funds for CHDOs past the two-year commitment period and in turn, allowing these resources to be directed to their respective HOME Trust Funds. The additional flexibility entailed allows PJs to use HOME funds in a more responsive and effective manner. Much like CBDOS, respondents share that the availability of CHDOs vary and is especially limited or non-existent in rural areas. Additionally, the process for a non-profit to become a CHDO and retain this status proves too burdensome for many organizations. Another limitation is that the CHDOs which are

available can only dedicate themselves to their respective organization-led activities; on the other hand, PJ-supported HOME activities may not align with CHDOs in this way. Several PJs expressed that the wider non-profit housing developers are capable of facilitating HOME activities without CHDO involvement in the program. To a lesser degree, some states expressed no challenges with the CHDO set-aside, and both the number of the organizations is sufficient and depth of HOME activities can be accommodated through these organizations.

#### Increase the Administrative Cap from 10 to 15%

*COSCD A is seeking additional administrative resources for HOME PJs by raising the administrative cap from 10% to 15%. Would your program utilize additional resources for administration under an increased cap?*

*Yes: 17 (85%)*

*No: 3 (15%)*

PJs by a similar margin agreed that available resources under an increased administrative cap (15%) would be beneficial to their respective programs. Most responses indicated that additional administrative resources would be applied to hiring more staff, expanding technical assistance, improving compliance and monitoring, and offering more training. Respondents shared that further resources to administration would also support sub-grantee capacity as well.

#### Allow PJs to Dedicate More Resources to Non-Profit Operating Assistance

*Operating assistance is critical for non-profit housing partners and their ability to direct funds to project development. To advance this capacity-building, COSCD A is advocating for an increase from 5% to 10% on operating assistance for CHDOs and other non-profit organizations. Would your program direct more operating assistance to non-profits under this change?*

*Yes: 9 (45%)*

*No: 11 (55%)*

On the proposal to increase the cap on CHDO operating assistance (10%), and broadening to include other non-profits, PJs are split on dedicating more resources to this activity. For PJs which would use the additional resources for operating assistance, this support is viewed as critical to CHDO success. Greater ability to assist CHDOs is also desired. Further, the CHDO definition is seen as too restrictive and PJs welcome the increased flexibility to use HOME funds responsive to jurisdictional needs. For respondents which would not use additional funds for operating assistance, either this activity is not currently supported by the PJ or the focus of their respective HOME funds is committed to housing development.

#### Enhanced Program Delivery through Recent Waivers/Flexibilities

*In response to the COVID-19 pandemic, various waivers and flexibilities were provided for HOME funds. Did your program use these waivers/flexibilities?*

*Yes: 19 (95%)*

*No: 1 (5%)*

Nearly all respondents signaled that their programs took advantage of recent HUD waivers in pandemic response. PJs consistently reported that the following waivers were both helpful in the aftermath of the pandemic and would be beneficial if extended permanently: suspension and waiver on maximum per unit subsidy limit, waiver on commitment and completion deadlines, and on-site inspection requirement of rental units.

## **Emergency Solutions Grants**

### Increased Annual Funding

*COSCOA is advocating for increased resources to ESG in annual funding. How would an increase to your state's ESG allocation advance homelessness support and activities in your state? Would more funding result in an expansion of current activities or facilitate new activities?*

ESG administrators from 19 states participated in a brief survey. Respondents stated that increased funding to the annual program would not only reinforce current activities but also allow an expansion into other activities. These existing activities include rapid rehousing, prevention, and street outreach. An extension into other services may include activities allowed by HUD through ESG CARES (ESG-CV) funding – landlord and volunteer incentives, homeless diversion, and expanded shelter operations. Many respondents expressed concern about expiring ESG-CV funds and the ability to continue supporting sub-recipient operations as well. Additionally, states reported that increased funds would prioritize enhanced staffing and capacity at both the state and sub-recipient levels, further training opportunities, and expanded services to more locations. Inflation and limited housing were also cited as barriers to continuing support through ESG as well as connecting persons to housing opportunities.

### Increase the Administrative Cap from 7.5% to 10%

*COSCOA is also seeking an increase on the ESG administrative cap from 7.5% to 10% to enhance grantee capacity and technical assistance. Would your program utilize additional resources under an increased administrative cap?*

*Yes: 16 (84.2%)*

*No: 3 (15.8%)*

Regarding an increase to the administrative cap (10%), a vast majority of respondents agreed that their programs would use these additional resources if provided. States communicated dire needs for both their respective staffing and ability to adequately support sub-recipient capacity. As the administrative cap is shared between grantees and sub-recipients, it is regarded as too limiting to meet administration and technical assistance needs which includes addressing HUD's extensive regulations. Alongside improved training and monitoring, respondents indicated more resources are needed to retain staffing once CV funds expire.

Enhanced Program Delivery through Recent Waivers/Flexibilities

*In response to the COVID-19 pandemic, various waivers and flexibilities were provided for both annual and ESG CARES Act (ESG-CV) funds. Did your program use these waivers/flexibilities?*

*Yes: 19 (100%)*

*No: 0 (0%)*

All respondents stated that their respective programs took advantage of recent HUD waivers in pandemic response. Specifically, nearly all respondents shared their use of the waiver on rent reasonableness instead of Fair Market Rent (FMR). Flexibilities extended on landlord incentives were also widely applied as well as the increase on beneficiary eligibility to 50% area median income (AMI).

COSCSA appreciates your consideration on improving outcomes with HUD-CPD resources. We hope this information can better inform policies to meet current program needs. Please reach out if we can provide further context to the aforementioned proposals and state responses.

Sincerely,



Dianne E. Taylor  
Executive Director