

July 15, 2022

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

Dear Secretary Fudge,

On behalf of the Council of State Community Development Agencies (COSCON) Board of Directors and membership, we extend our appreciation for your efforts on the FY2023 budget. COSCON members facilitate U.S. Housing and Urban Development (HUD) resources under the Office of Community Planning and Development (CPD) primarily supporting populations in small and rural communities. As HUD prepares its budget request for FY2024, we share the following response to the agency's FY23 budget while offering perspective on programs and policies to inform the next fiscal year proposal. Recommendations for the FY2023 spending legislation were recently sent to the appropriations committees - [detailed requests](#), [proposed legislative text](#), and [state responses to COSCON's FY2023 recommendations](#). COSCON also submitted our [FY2023 advocacy priorities](#) earlier this year. We welcome an opportunity to discuss these recommendations to improve both CPD and broader HUD investments.

Cross-Cutting Initiatives

Climate Initiative

COSCON recognizes the importance of emphasizing resources and policies in support of combatting climate change and helping better serve vulnerable populations through improved resiliency. The department requests \$1 billion across various initiatives through Public and Indian Housing, Multifamily Housing, and Policy Development & Research. Efforts are focused as well on resiliency supported by the Community Development Block Grant - Disaster Recovery program (CDBG-DR).

Notably absent from this proposal are HUD's two leading programs for community development and housing production: CDBG and HOME Investment Partnerships (HOME). Both dedicate funding to infrastructure, public facilities, and affordable housing playing a considerable role in climate and resiliency activities. Alongside these investment tools is the Housing Trust Fund (HTF) also promoting affordable housing development. These programs are particularly important as communities decide how best to use funds, a bottom-up approach advancing place-based actions and responsive to on-the-ground needs. Innovative and sustained outcomes aligned with the agency's climate plan can be found through these program investments.

We recommend research and information-sharing on how CDBG, HOME, & HTF integrates resiliency and climate-change in project development, and opportunities which may exist to support grant funds moving forward.

Housing Supply Fund

HUD's introduction of the Housing Supply Fund arrives as home prices and rents have increased drastically across the country due, in large part, to the significant housing shortage. The proposal cites a gap of 3.8 million homes¹ which will likely grow based on continued contractor and labor shortages as well as limited access to materials with a potential downturn in the economy ahead. Since affordable housing development relies on several financing tools, this added funding source would benefit housing expansion efforts.

COSCDCA supports the proposal though adjustments could be made to better streamline resources to housing development. Existing programs at HUD under Community Planning and Development – HOME and Housing Trust Fund - offer a path to directing federal funds to housing development. The Housing Supply Fund's proposed programs for housing production and reducing affordable housing barriers should be informed by the existing CPD grant programs. We recommend alignment of these programs on guidelines and eligibility between CPD programs and this new initiative. Further, recipients of the housing production program should include state and local recipients capable of handling administration and addressing program goals. As with other grant programs, the decision on specific state and local administering entities would be best determined by the recipient jurisdiction.

Community Development Block Grant – Disaster Recovery

Codification of the CDBG-DR program is necessary to expedite aid to impacted populations following disaster events. COSCDCA applauds the administration's request to permanently authorize the program. Our association has partnered with other national groups to actively engage legislators on the benefits of codification and we aim to advance legislation in the current Congress. As stated in the budget request, there is much benefit through consistency in guidance and standards as well as transparency and predictability. Authorization avoids the need for HUD to develop new regulations with each supplemental appropriation. We also concur with the outlined goals of enhanced equity, resiliency, and capacity that codification would bring alongside improved coordination between federal partners and stakeholders in disaster recovery.

COSCDCA is pursuing enactment of the *Reforming Disaster Recovery Act* (H.R. 4707, S. 2471)². The bi-partisan legislation would permanently authorize CDBG-DR and install additional reforms to expedite aid, improve data availability, and strengthen capacity and technical assistance. COSCDCA continues to offer its partnership with HUD on improving outcomes in recovery and resiliency.

¹ U.S. Housing and Urban Development. FY23 Budget – Congressional Justification. Housing Supply Fund. March 28, 2022: https://www.hud.gov/sites/dfiles/CFO/documents/2023_CJ_Program_CC3_Housing_Supply_Fund.pdf.

² 117th Congress. Reforming Disaster Recovery Act (S. 2471). Introduced July 26, 2021: <https://www.congress.gov/bill/117th-congress/senate-bill/2471>.

Community Planning and Development

Community Development Fund

HUD's request of \$3.77 billion would represent a considerable increase over the FY22 level of \$3.3 billion. While the proposed amount is certainly welcomed, COSCDA seeks a higher level (\$4.2 billion) to better position communities in economic recovery, housing production and preservation, and related place-based development. Our request aligns with the program's last authorized level of \$4.168 billion in FY1994³ and works toward reversing decades of funding cuts.

As noted in the budget document, the program is an important source of gap financing for housing, infrastructure, and associated projects; this is especially true for rural communities which have less access to capital and reduced capacity to attract and manage financing for various public improvements. CDBG also provides a consistent and reliable resource empowering communities to address key activities central to their growth. We appreciate renewed guidance and directives through the expected rulemaking; renewed guidelines and flexibilities on economic development, updates to timeliness, and streamlined reporting will certainly contribute to program modernization. Further, COSCDA agrees with HUD on its request to increase the state administrative cap from 3% to 6%. COSCDA's recent [overview](#) of state CDBG capacity-building activities highlights how available resources are applied to empower staff and related support in rural communities. However, the existing administrative cap inhibit states from doing more to improve local capacity.

While COSCDA strongly supports increased resources to the program, we disagree with the proposal for a set-aside to underserved communities. CDBG administrators remain dedicated to applying program funds to maximize project impact and benefit vulnerable populations. Reduced funding has been the biggest obstacle for states and localities in applying CDBG to transformative projects. In the case of a set-aside, funds directed to HUD-selected jurisdictions runs counter to CDBG's intent and purpose: providing flexible funds to grantees which in turn determine where and how best to direct these resources responsive to on-the-ground needs. A set-aside would be administratively challenging as well with different guidelines and response required in using the special targeted funds. Further, based on the budget description it remains unclear which communities would receive funds, and the capability of those communities to oversee effective use of resources. As state CDBG recipients respond and work on behalf of rural populations, equitable advancement of resources should be prioritized. Rural America faces immense challenges in public needs separate in many ways from urban and suburban communities. Through this initiative, it would be difficult to direct a level of support and program design responsive to these localities.

Section 108 Loan Guarantee

COSCD A agrees with HUD's proposal to authorize level funding of \$300 million for the Section 108 loan program. States however cite several issues in adapting this resource to community development needs. These include challenges in state and local capacity to maintain underwriting staff in addition to grant management personnel, an inability to target loans in an equitable manner across multiple jurisdictions in the state non-entitlement service area, and an unwillingness to accept the risk of repayment using the state's future grant funds as collateral. Legislative approval is also necessary to accommodate loan agreements in some states which proves politically untenable as this financing would only benefit one or a handful of communities.

³ Public Law 102-550. Housing and Community Development Act of 1992. Enacted October 29, 1992:
<https://www.congress.gov/102/statute/STATUTE-106/STATUTE-106-Pg3672.pdf>.

COSCD A has engaged with HUD staff on improving availability and processes with the program; we encourage reforms which would improve use and applicability to state CDBG programs.

Further details on COSCD A's response to the program are available [here](#).

HOME Investment Partnerships

We welcome further resources to the HOME program as proposed by HUD (\$1.95 billion). While COSCD A's request of \$2.5 billion exceeds the HUD's ask, it is nevertheless crucial to advocate for increased resources to help address the severe lack of affordable housing. Similar to the proposed CDBG set-aside, concerns exist though for the FirstHOME Downpayment Assistance program and how effective it can be in directing funds to help homebuyers. Both presently and likely in the immediate future, the biggest barrier for homebuyers and housing affordability is the lack of available units. Homebuyer assistance is already eligible under HOME and many grantees offer this as a part of their affordable housing programs. States indicate though that limited interest exists from the public in homebuyer assistance due primarily to the few available units of housing, and the higher costs of those which are available. The description provided on the proposal also does not make clear how eligibility would be determined for beneficiaries to receive assistance. Continued investment towards development should be the primary goal of HOME to improve access to safe, quality housing for low-income households.

Regarding policy changes, COSCD A agrees with and supports HUD's request to allow no-year CHDO funds be allocated via formula rather than competition, suspension of the commitment deadline, and ability of PJs to use CHDO set-aside funds past the two-year timeline. Additionally, COSCD A recommends an increase to the cap on administrative costs from 10 to 15%, and increase to the operating assistance cap for CHDOs from 5 to 10% while also broadening this support to include other non-profits. Ongoing capacity issues severely limit both PJs and non-profits to adequately manage federal funds. Higher caps on both fronts allow more funds to be dedicated to staffing and related expenses. The renewed cap levels also better align with the appropriations-directed level of 20% on CDBG administrative expenses. HOME and CDBG are similarly structured and rely on multiple levels of administration through grantees, sub-grantees, and sub-recipients.

Housing Trust Fund

HUD indicates a projected \$393 million in resources for HTF in the coming fiscal year. States view additional program investment as essential to advance housing opportunities for extremely low-income households. In addition to the projected funding level, HUD offers several proposed policy updates. COSCD A agrees with the request to authorize an environmental review process for HTF. We request further consideration to allow either Part 58 or a related environmental review process. Grantee discretion on this front supports efficiency in ERs responsive to individual projects depending on factors such as project scope, location, and other available financing in the project including HOME. While a legal interpretation seems to be responsible for preventing HUD from adopting a separate review process, COSCD A is committed to addressing this issue through the legislative process. COSCD A also agrees with removal of the commitment deadline which unnecessarily burdens states.

In addition to the aforementioned policy changes, COSCD A seeks an increase to the administrative cap from 10 to 15%. Similar reasons exist with HTF as HOME to better support program administration and ensure federal funds are directed with oversight and accountability.

COSCD A disagrees with HUD’s call on applying Davis Bacon labor standards to the program. We recognize the need to ensure laborers receive fair compensation for their work. Implementation of Davis Bacon wage rates unfortunately fails to respond to modern project development. Processes involved in tracking and reporting prevailing wage rates are administratively burdensome for states, sub-recipients, contractors, laborers, and associated project stakeholders. Housing needs continue to grow and amid the ongoing crisis more flexibility in program administration will be required to meet this demand.

Homeless Assistance Grants

HUD’s proposal to seek \$3.576 billion for Homeless Assistance Grants (HAGs) is needed to help more individuals and families secure stable housing. Different though than COSCD A’s proposal is the requested funding level for the Emergency Solutions Grant (ESG) program. COSCD A seeks 20% of HAGs funding for ESG as allowed by the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH Act)⁴. At HUD’s requested level for HAGs, this would amount to \$715.2 million for ESG which is more than double the amount currently proposed by the administration. The importance of this funding cannot be understated. As states and localities use remaining ESG CARES Act funds, it is vital for homelessness providers to continue operations and sustain assistance. ESG provides key crisis response for various activities necessary to improving conditions for homeless and near-homeless populations. Concerns exist that the network fostered by pandemic-related funding will be disrupted and unable to continue services unless other resources follow.

Aside from renewed funding, COSCD A also seeks an increase to the ESG administrative cap from 7.5 to 10%. Capacity needs are prevalent throughout the homelessness network and the current administrative cap proves too restrictive to maintain sufficient program management; it is important to note 7.5% must be shared between grantees and sub-grantees and recipients. Further, COSCD A requests extended availability of waivers and flexibilities provided in response to COVID-19. The flexibilities provided during the emergency declaration have been widely used and improves efficiencies in resource delivery.

HUD Salaries & Expenses – Office of Community Development & Planning

COSCD A strongly supports the requested amount of \$154 million for HUD-CPD salaries and expenses. HUD administration and technical assistance provides critical support to grant recipients and related program stakeholders. Due to HUD’s reduced staff over many years, the department faces tremendous challenges in maintaining sufficient program oversight. Perhaps now more than ever added support is needed to accommodate supplemental funding via CARES, ARPA, and disaster aid. The additional 60 FTEs as expected should lead to better program delivery. We especially encourage additional attention to staffing needs in field operations.

⁴ Public Law 111-22. Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009. 42 U.S. Code § 11372a. Enacted May 20, 2009: <https://www.govinfo.gov/content/pkg/PLAW-111publ22/pdf/PLAW-111publ22.pdf>.

CPD Information Technology – Development & Enhancement Fund

In addition to the \$3 million request for e-SNAPS, COSCDA urges dedicated resources to improve information technology and reporting systems used in CPD programs – Integrated Disbursement and Information System (IDIS), Disaster Recovery Grant Reporting (DRGR), and Homeless Management Information System (HMIS). Data is critical for tracking federal investments and ensuring compliance. Grant administrators experience considerable 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, DRGR, and HMIS.

Improved Streamlining & Program Coordination

Additional consideration is requested in streamlining compliance standards and promoting interagency coordination. Significant time and costs of CPD administration involves implementing labor, environmental, procurement, and relocation standards. As CPD resources often co-exist with other federal financing which must meet similar compliance measures, increased alignment would facilitate more efficient program administration. Here, the ability of HUD programs to adopt of other agencies reviews would reduce administrative expenses and expedite project timelines. This may be accomplished through interagency agreements or similar compacts between HUD and federal partners such as Agriculture, Commerce, Labor, Environmental Protection, and related agencies. COSCDA recognizes current progress being made towards this goal through HUD’s respective offices - Energy and Environment, and Davis Bacon and Labor Standards. We urge additional exploration on interagency adoption of procurement and relocation standards as well.

COSCDA also asks for improved coordination between HUD and federal agencies on mutual goals especially in promoting better outcomes in rural areas. As CPD programs align well with other agencies in housing, infrastructure, and related areas, both access and application of resources remain exclusive to each agency. We welcome interagency examination of how HUD programs may better connect with other federal funding sources. Rural populations which COSCDA members primarily serve would especially benefit from greater collaboration between HUD, US Department of Agriculture, US Department of Commerce, US Department of the Treasury, and other agencies. Despite multiple funding sources available, reduced capacity and technical support often prohibits smaller communities from advancing projects. Fewer obstacles would exist if more consistency was applied between HUD and other federal sources. Rural communities continue to face a host of challenges preventing growth and development compared to urban and suburban counterparts; promoting easier access to resources for these communities should be a priority across federal entities. COSCDA is available to assist HUD in this review, and recently provided congressional contacts with a [summary](#) of this proposal.

Thank you for the opportunity to share these comments and feedback. We welcome further exchange on strengthening HUD’s position to impact lives and communities.

Sincerely,

A handwritten signature in black ink, appearing to read "Dianne E. Taylor". The signature is written in a cursive, flowing style.

Dianne E. Taylor
Executive Director