COSCDA
Council of State Community Development Agencies

Striving to Build Better Communities
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May 17, 2023

The Honorable Patty Murray
Chair
Senate Appropriations Committee
S-128 Capitol Building
Washington, District of Columbia 20510

The Honorable Susan Collins
Vice Chair
Senate Appropriations Committee
S-128 Capitol Building
Washington, District of Columbia 20510

The Honorable Kay Granger
Chair
House Appropriations Committee
H-307, The Capitol
Washington, DC 20515

The Honorable Rosa DeLauro
Ranking Member
House Appropriations Committee
1036 Longworth House Office Building
Washington, DC 20515

The Honorable Brian Schatz
Chair
Senate Appropriations Transportation-Housing
and Urban Development Subcommittee
125 Hart Senate Office Building
Washington, District of Columbia 20510

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

The Honorable Tom Cole
Chair
House Appropriations Transportation-Housing
and Urban Development Subcommittee
2358-A Rayburn House Office Building
Washington, DC 20515

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

Dear Chairwoman Murray, Vice Chairwoman Collins, Chairwoman Granger, Ranking Member DeLauro, Chairman Schatz, Ranking Member Hyde-Smith, Chairman Cole, and Ranking Member Quigley:

As markups begin soon on the fiscal year (FY) 2024 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 that both challenges and solutions are communicated on a regular basis.

In capturing timely and meaningful response, COSCDA conducted a survey in May 2022 on legislative priorities. The survey inquired about how funding and policy changes would impact specific state programs. One response was recorded from each state. Additionally, in January 2023, state CDBG administrators participated in a survey on staffing and salaries. We hope the following survey 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 this engagement is underway, 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

Sustaining 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; 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 project 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.

Increasing the State Administrative Cap 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. **While the appropriations language going back several decades has directed up to 20% for administrative resources to grantees, states are only able to**

use up to 3% per statute.[1] Respondents stated that additional administrative funding would result in the ability to hire more program staff, improve program accountability, sustain oversight of sub-grantees, and facilitate greater technical assistance to communities. States shared as well that increasing program requirements combined with the large number of communities served by state programs strain administrative activities; therefore, more support is needed for program management and oversight.

Raising 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[2] (there is no match requirement for entitlement grantees**). 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 adequate staffing, 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.

Increasing the Public Services Cap 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%)

Exempting 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%)

[1] U.S.C. 5306(d)(3)(A).

[2] Ibid.

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%)

COSCDA is also proposing an increase to the public services cap (15 to 20%) as well as an 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.**

Promoting 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. COSCDA 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%)

COSCDA 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 overwhelmingly 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.

Enhancing 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.

<u>CDBG Program Staffing & Salaries</u>
In January 2023, COSCDA requested information from state CDBG administrators on staffing and salaries. Twenty-six states offered feedback on key areas of program management including their respective number of full-time equivalents (FTEs) and corresponding program duties, salary ranges for each position, and recent changes in compensation and benefits.

Respondents were asked about factors contributing to the ability to attract and retain qualified employees. Several of these comments are highlighted below.

"Starting pay is a problem. Many of our qualified applicants would have to take a demotion in order to come in and start working in our office."

"We are starting to feel like our salaries are not commensurate with other Southern states, although, within the state, our salaries are competitive compared with other agencies for positions and grades doing similar work."

"Our "prospective job candidates" at our State agency do not want to do all of the tremendous amount of work that is required to be done in the CDBG Program (compared to the workload of other agencies' programs), and the pay rate for CDBG staff is way too low (particularly at the entry level) to attract good candidates (college graduates) who will come to work every day (in the office as well as travel throughout the State/to the HUD Atlanta Office/to Washington, DC) to do this tremendous amount of work. The CDBG Program simply has too many federal and state rules and requirements to which the State grant recipient (the Department) and the local subgrantees must adhere and for which the State's CDBG staff must monitor for compliance, and that heavy workload turns off a lot of prospective employees, local governments, and local grant writers from wanting to work and/or participate in the CDBG Program."

"We only have 4 FTEs assigned to oversee 72 projects across the state. Due to all the federal requirements, contract monitoring alone takes up 75% of staff time. Staff usually have to work over 40 hours a week to keep up with their current workload. With an increase to Admin funds we would be able to hire another FTE to help cover the workload and possibly give current FTEs a bump in pay."

HOME Investment Partnerships

<u>Sustained Annual Funding</u>
COSCDA 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.

<u>Suspending HOME's 24-Month Commitment Deadline</u>

The 24-month commitment deadline has been suspended in the annual appropriations law in recent years. COSCDA 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 COSCDA'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.

<u>Allowing PJs to Use Unspent CHDO Set-Aside Funds Following the 2-Year Commitment Period</u>

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 COSCDA 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 can facilitate HOME activities without CHDO involvement in the program. To a lesser degree, some states expressed no challenges with the CHDO set-aside; both the number of the organizations is sufficient and depth of HOME activities can be accommodated through these organizations.

Increasing the Administrative Cap from 10 to 15%

COSCDA 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.

Allowing 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, COSCDA 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.

Enhancing 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

<u>Sustaining Annual Funding</u>

COSCDA 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.

<u>Increasing the Administrative Cap from 7.5% to 10%</u>

COSCDA 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.

<u>Enhancing Program Delivery through Recent Waivers/Flexibilities</u>

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).

COSCDA appreciates your consideration on improving outcomes with HUD-CPD resources. In addition to the above information, please find previous correspondence regarding COSCDA's FY24 appropriations request. Please reach out if we can provide further details.

Sincerely,

Dianne E. Taylor
Executive Director

Attachments:

COSCDA FY24 appropriations request (incl. summary & recommended bill/report language) (April 2023)
NCDA & COSCDA program requests to House & Senate authorizing committees (May 2023)

Cc:
The Honorable Charles Schumer
The Honorable Mitch McConnell
The Honorable Kevin McCarthy
The Honorable Hakeem Jeffries
The Honorable Tammy Baldwin
The Honorable John Boozman
The Honorable Katie Britt
The Honorable Shelley Moore Capito
The Honorable Chris Coons
The Honorable Dick Durbin
The Honorable Dianne Feinstein
The Honorable Deb Fischer
The Honorable Lindsey Graham
The Honorable Bill Hagerty
The Honorable Martin Heinrich
The Honorable John Hoeven
The Honorable John Kennedy
The Honorable Joe Manchin
The Honorable Jeff Merkley
The Honorable Jerry Moran
The Honorable Lisa Murkowski
The Honorable Chris Murphy
The Honorable Gary Peters
The Honorable Jack Reed
The Honorable Marco Rubio
The Honorable Jeanne Shaheen
The Honorable Jon Tester
The Honorable Chris Van Hollen
The Honorable Robert Aderholt
The Honorable Pete Aguilar
The Honorable Mark Amodei
The Honorable Stephanie Bice
The Honorable Sanford Bishop
The Honorable Ken Calvert
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The Honorable Ben Cline
The Honorable Michael Cloud
The Honorable Andrew Clyde
The Honorable Henry Cuellar
The Honorable Mario Diaz-Balart
The Honorable Jake Ellzey
The Honorable Adriano Espaillat
The Honorable Chuck Fleischmann
The Honorable Lois Frankel
The Honorable Scott Franklin
The Honorable Mike Garcia
The Honorable Tony Gonzales
The Honorable Michael Guest
The Honorable Josh Harder
The Honorable Andy Harris
The Honorable Ashley Hinson
The Honorable Steny Hoyer
The Honorable Dave Joyce
The Honorable Marcy Kaptur
The Honorable Derek Kilmer
The Honorable Jake LaTurner
The Honorable Barbara Lee
The Honorable Susie Lee
The Honorable Julia Letlow
The Honorable Betty McCollum
The Honorable Grace Meng
The Honorable John Moolenaar
The Honorable Joe Morelle
The Honorable Dan Newhouse
The Honorable Chellie Pingree
The Honorable Mark Pocan
The Honorable Guy Reschenthaler
The Honorable Hal Rogers
The Honorable Dutch Ruppersberger
The Honorable John Rutherford
The Honorable Mike Simpson
The Honorable Chris Stewart
The Honorable Norma Torres
The Honorable David Trone
The Honorable Lauren Underwood
The Honorable David Valadao
The Honorable Debbie Wasserman Schultz
The Honorable Bonnie Watson Coleman
The Honorable Jennifer Wexton
The Honorable Steve Womack
The Honorable Ryan Zinke