

April 25, 2025

The Honorable Mike Flood

United States House of Representatives
343 Cannon House Office Building
Washington, DC 20515

The Honorable Emanuel Cleaver

United States House of Representatives
2217 Rayburn House Office Building
Washington, DC 20515

Re: HOME Investment Partnerships Program & Community Development Block Grant Request for Information

Dear Congressman Flood and Congressman Cleaver,

On behalf of the Council of State Community Development Agencies ([COSCD A](http://www.coscda.org)), thank you for your thoughtful approach to reauthorizing and improving the HOME Investment Partnerships Program (HOME) and the Community Development Block Grant (CDBG). HOME and CDBG are flexible, responsive programs that meet the needs of local communities across the nation. COSCD A supports a reauthorization process that modernizes HOME and CDBG in response to the current housing and community development landscape.

COSCD A represents state agencies that administer HUD's Office of Community Planning & Development (CPD) grants to non-entitlement communities—mostly smaller, rural localities. COSCD A members have a wealth of experience with both HOME and CDBG and are pleased to offer their input on how to strengthen these programs through reauthorization. COSCD A members in your states include:

Nebraska Department of Economic Development

245 Fallbrook Blvd. Suite 002 | Lincoln, Nebraska, 68521

- Administers the CDBG program ([Webpage](#))
- Contact: Jenny Mason (jenny.mason@nebraska.gov)
 - Director of Community Development and Disaster Recovery

Missouri Department of Economic Development

301 W. High Street, Room 770 | Jefferson City, MO 65102

- Administers the CDBG program ([Webpage](#))
- Contact: Debbie Feedback (Debbie.feedback@ded.mo.gov)
 - Chief Development Officer, CDBG Development Team

Missouri Housing Development Commission

920 Main, Suite 1400 | Kansas City, MO 64105

- Administers the HOME Program ([Webpage](#))
- Contact: Cristina Dusenbery (cristina.dusenbery@mhd.com)
 - Manager of HUD Programs

Our team is available to facilitate connections with these and other state agencies that administer the CDBG and HOME programs. Contact Jenna Hampton (jhampton@coscda.org), Director of Advocacy and Federal Programs for assistance.

In response to this request for information, COSCDA staff solicited feedback from members, reviewed our previous regulatory comment letters, and reviewed relevant data collected through the CDBG and HOME Coalitions. Several themes emerged from these sources that we urge Congress to consider when reauthorizing CDBG and HOME:

1. **Streamline Burdensome Administrative Requirements** – COSCDA members support eliminating or streamlining overcomplicated requirements that delay CDBG and HOME projects. Cross-cutting requirements that need modification include Section 3 and Davis-Bacon (labor), environmental reviews, and the Build America, Buy America (BABA) preference. To the extent possible, Congress should also work to align requirements between programs.
2. **Strengthen State Agency Capacity** – States oversee the CDBG and HOME programs for non-entitlement communities (typically small and rural). The current level of administrative funding allowed is not sufficient for state agency staff to implement these programs to their full potential. More technical assistance is also needed to support innovative projects and the implementation of various regulatory updates.
3. **Support Flexibility for Small and Rural Communities** – Many federal requirements that apply to the HOME and CDBG programs were not written with small and rural communities in mind. These communities face greater challenges related to compliance and staffing. HOME and CDBG should provide more flexibility to small and rural communities to facilitate their use of the programs for community development and housing supply.

Again, COSCDA appreciates the opportunity to respond to this RFI. We applaud Congressman Flood and Congressman Cleaver for working to improve these critical community development programs and to increase our nation's housing supply. Our staff and members are available for ongoing discussion as Congress proposes a pathway to reauthorize CDBG and HOME.

Sincerely,



Tess Hembree
Executive Director
Council of State Community Development Agencies (COSCDA)

CROSS-CUTTING RECOMMENDATIONS

COSCD member agencies manage both CDBG and HOME programs. The responses below include cross-cutting issues that apply to both CDBG and HOME and that should be addressed through statutory and regulatory changes.

Challenges: What are the greatest challenges your organization faces when using CDBG / HOME funds effectively in projects?

COSCD member agencies represent state agencies which administer CDBG funding to sub-recipients at the local level (Units of Local Government or UGLGs). For state agencies, one of the greatest challenges when administering the CDBG program is balancing compliance and regulatory requirements while providing the capacity needed for small and rural communities to implement projects successfully. Many local jurisdictions lack experienced staff and resources, which increases their reliance on state-level oversight, technical assistance, and consultants.

While COSCD members recognize that regulatory requirements and oversight are necessary, several states have expressed that current requirements are more burdensome than ever before. Long environmental review timelines, federal procurement requirements, and overlapping cross-cutting regulations can significantly delay project implementation and complicate efforts to meet timeliness standards. Congress and HUD should continue to emphasize grantee capacity building and recognize the growing administrative burden that state agencies face in overseeing local governments. *Future policy shifts should aim to preserve the flexibility that makes CDBG and HOME uniquely valuable programs while streamlining compliance to maximize impact in communities across the nation.*

Administrative Burden: What administrative and regulatory burdens most affect your organization's ability to utilize CDBG / HOME funds efficiently?

Environmental Review (24 CFR Part 50 and 58) and Choice Limiting Actions

National Environmental Policy Act (NEPA) requirements contribute to project delays, especially when projects involve minimal land disruption for infrastructure projects. The environmental review process can be extremely burdensome – grantees must complete assessments for air quality, noise levels, hazardous materials, floodplains, and more. Small jurisdictions and organizations with limited expertise struggle to manage these requirements.

Until the environmental review process is complete and HUD signs off on the review, HUD regulations prohibit all participants in the development process, including the developer, the design team, and the contractor, from taking any “choice-limiting actions.” Acquisition of property, signing a construction contract or abatement contract, purchasing construction materials, or starting demolition or abatement activities are all considered choice-limiting actions, and thus prohibited until the environmental review is completed and certified by HUD. Environmental clearance often takes a year or longer to complete and achieve HUD certification.

Specific to HOME: The environmental review adds significant time to the development process, leading to unnecessary costs as developers are precluded from making a deposit and locking in pricing for materials. These requirements put affordable housing developers at a market disadvantage for

acquiring land and undertaking predevelopment activities. Moreover, if a project sponsor seeks additional HUD resources to fill a financing gap after their project has already undergone an environmental review, the use of the additional resource(s) triggers a subsequent, duplicative environmental review, restarting the entire process and putting any further activity on hold until it is cleared a second time.

Recommendations:

- Only require one environmental review per project, regardless of which programs are involved.
 - Direct Federal agencies to accept a FONSI (Finding of No Significant Impact) and environmental release AUGF (Authority to Use Grant Funds) issued by other Federal agencies if the HUD-funded project is substantially similar to or contained within the project scope of the previous review.
- Adopt the definition of Categorical Exclusion currently in use at the EPA.
 - EPA definitions allow many small infrastructure projects to experience Categorical Exclusion review, requiring no environmental impact statement, assessment, or FONSI.
 - HUD uses a more restrictive definition of Categorical Exclusion, resulting in more projects experiencing higher levels of review.
- Allow developers to undertake certain activities prior to the completion of the environmental review (such as property acquisition).
- Allow developers to incorporate federal resources into the capital stack after a project has completed an environmental review *without* triggering a subsequent, duplicative review.
- Eliminate environmental review requirements for *existing* projects undergoing rehabilitation.
- Reduce the 30-day public comment period to no more than 15 days.
- Develop streamlined templates that reduce duplicative steps.
- Provide state HFAs with blanket authority to certify the environmental reviews for developments that they finance so that developers are not waiting on approval from HUD to move forward.
- Specific recommendations (HOME only):
 - Eliminate the second sentence of 24 CFR Part 58.22(a) or at a minimum, striking the words “commit non-HUD funds.”
 - Downgrade the following types of actions from current (categorically excluded, but not subject to Part 58.5) to lower classification (categorically excluded, *not subject* to Part 58.5):
 - The rehabilitation of 1-4 unit residential buildings;
 - Individual actions on up to four scattered site dwelling units or housing units; and,
 - The acquisition of real property to be used for its original purpose.
 - Increase the current categorical exclusion (subject to Part 58.5) to individual actions between five and fifteen scattered site dwelling units or housing units.
 - Allow HOME funds deployed for small (1-4 unit) residential projects via nonprofit affordable housing developers to work with local governments as the Responsible Entity for environmental reviews.

Build America, Buy America (BABA)

The Build America, Buy America Act (BABA) was signed into law by President Biden on November 15, 2021, as part of the Infrastructure Investment and Jobs Act (IIJA). COSCDA is supportive of the *intent* of BABA—encouraging the use of American-made materials in federally-funded infrastructure projects. However, the *requirement* for most infrastructure projects, including affordable housing and community development

projects, to use American products (or to prove they are not sufficiently available for use) is overly burdensome and has led to increased costs both in terms of materials and administration.

Specific to HOME: COSCDA members expect developers' administrative costs to increase by approximately 8-10% of the total project cost with a construction cost increase of at least 10%. There are also serious concerns regarding the length of time BABA will add to project completion and how that will align with HUD's project completion and expenditure deadlines (which were established prior to BABA). Delays due to BABA significantly increase the risk of grantees and developers losing funding due to missed HUD expenditure and project completion deadlines.

Specific to Rural Communities: Complying with BABA can be especially challenging for rural communities due to:

- Limited local suppliers – Rural areas often lack access to manufacturers or vendors that produce construction materials in the U.S., especially for specialized products required by infrastructure projects.
- Higher costs – Domestic materials that meet BABA standards are often more expensive, and rural communities typically operate with smaller project budgets and fewer financial resources.
- Supply chain constraints – Rural projects may face long lead times and limited availability when sourcing compliant materials, which can delay timelines and increase logistical complexity.
- Scale of projects – Many rural infrastructure projects are small in scale, making it difficult to meet minimum purchase quantities or justify the added cost of compliant materials.

HUD has taken the position that, with some limited exceptions, HUD-funded projects are subject to BABA requirements. The U.S. Department of Agriculture (USDA) has adopted a different interpretation of the requirements of BABA as they relate to housing. Notably, in its document "USDA's Implementation of the Build America, Buy America" (12/29/2023), the USDA includes a specific definition of the term "infrastructure" on page 4 that does not include housing. In addition, USDA's non-written guidance related to BABA has conveyed that housing is not included in the definition of infrastructure, and BABA requirements do not apply to Federal funding for USDA-sponsored housing projects.

Recommendations:

- Congress should direct HUD to adopt the same interpretation as USDA and exclude HOME and CDBG-funded housing projects from the definition of "infrastructure" as it applies to BABA.
 - In the absence of a full exemption, increase the unit count triggering BABA to large projects of 50 or more units. It does not make practical sense to apply BABA to small-scale residential affordable housing projects.
- Provide HUD with additional authority to grant waivers when BABA presents a significant administrative burden to CDBG and HOME-funded projects, especially in small and rural communities with limited capacity to meet BABA requirements or access American-made products.

Davis-Bacon

Congress enacted the Davis-Bacon Act in 1931. The law was designed during the Great Depression to prevent unfair labor practices and maintain wage standards for workers on federally funded projects. The intent of Davis-Bacon was to guarantee that contractors pay wages that match local labor standards and to discourage

undercutting in competitive bidding. The original construction contract threshold of \$2,000 has not been adjusted for inflation, making nearly all projects subject to this labor standard.

Davis-Bacon has become overly complicated and burdensome. Every contractor, including *all* subcontractors working on a job site must submit complete payroll records *weekly* to ensure correct wages are paid. These requirements increase administrative costs and deter contractors from bidding on HUD-funded projects.

The paperwork required to demonstrate compliance with Davis-Bacon Residential Wage Rates requirements is difficult and time-consuming to complete, adding cost and an additional layer of compliance complexity. In addition, for some markets, market-rate wages are above the Davis-Bacon rates, so the requirements only add time-consuming paperwork tasks that do not add value to anyone involved in the project.

Specific to HOME: The impact of Davis-Bacon requirements on a HOME project can be significant:

- Can add 1.5 – 2% to the cost of construction.
- May require an additional consultant to monitor for compliance.
- Limits the pool of subcontractors who will bid on a job – both for subcontractors who are willing to work with Davis-Bacon, and those who are capable of it.

Specific to Rural Communities: Complying with Davis-Bacon is particularly challenging for rural communities for several reasons:

- Limited Contractor Pool - Rural areas may have fewer contractors familiar with Davis-Bacon requirements, and some may avoid bidding on projects due to the added administrative burden and required wage reporting.
- Administrative Burden - Smaller municipalities often lack the staff capacity or expertise to manage the complex recordkeeping, certified payroll reporting, and compliance monitoring that the law requires.
- Project Scale - Many rural projects are small in scope, but still subject to the same federal labor standards as large urban projects, making compliance disproportionately burdensome.
- Training Gaps - Local contractors and subcontractors may need additional training to understand and comply with the requirements, adding time and cost to already limited resources.

Recommendations:

- Increase the Davis-Bacon Labor Standards from \$2,000 per construction contract to a higher standard
 - One suggestion is to align Davis-Bacon requirements with the Simplified Acquisition Threshold (currently \$150k). COSCDA members have also recommended raising the threshold to anywhere from \$300,000 to \$1 million.
 - Increasing the Davis-Bacon threshold would allow small projects to be completed with fewer compliance obligations, which would reduce the overall cost of these projects.
- Align the number of units that would trigger Davis-Bacon requirements for CDBG and HOME programs. Davis-Bacon is currently triggered at 8 or more units for CDBG and 12 or more for HOME.
 - COSCDA suggests increasing the number of units triggering compliance to large projects of 50 or more units, or

- Align the threshold for compliance with the Simplified Acquisition Threshold (48 CFR subpart 2.1). The federal government has determined that projects at or below the Simplified Acquisition Threshold may appropriately follow streamlined procedures.

Section 3 (24 CFR Part 75)

The Section 3 program (established by the Housing and Urban Development Act of 1968) requires recipients of HUD funding to direct employment, training, and contracting opportunities to low-income individuals and the businesses that employ these persons within their community. Section 3 reporting requires labor hour tracking, working income verification, and contractor compliance monitoring, which can be burdensome without enough dedicated resources. Adherence to Section 3 increases project costs because grantees, developers, general contractors, and subcontractors *each* take on the administrative burden of compliance, which adds approximately an additional cost of 6-8% to the total project cost.

Specific to Rural Communities: Further, while the purpose of Section 3 is to ensure that economic opportunities generated by HUD-funded projects benefit low- and very low-income individuals, the requirements under Section 3 do not align with the realities of rural communities for several reasons, including:

- Limited local workforce – Rural areas often have smaller populations, making it challenging to find qualified low- or very low-income individuals locally to fill construction-related jobs.
- Sparse infrastructure resources – Rural communities often lack the workforce development infrastructure (such as job training programs or outreach resources) needed to identify, prepare, and track Section 3 workers.
- Contracting constraints – Projects in rural areas may rely on regional or out-of-town contractors who do not have ties to the local low-income community, making it harder to meet Section 3 hiring goals.
- Administrative burden – Smaller, rural governments may have limited staff capacity to navigate the reporting and documentation requirements that come with Section 3 compliance.

Recommendations:

- Exempt the CDBG and HOME programs from Section 3 requirements.
- If a full exemption is not possible:
 - Simplify the requirements by applying Section 3 only to projects located within a Metropolitan Statistical Area (MSA).
 - Provide automatic waivers or alternative benchmarks for small communities.
 - Create statewide or regional Section 3 worker registries – an online system where qualified individuals and businesses could register, submit their eligibility documents, and be added to a searchable database.
 - Restructure the requirements as an incentive such that public benefit caps are increased for projects meeting Section 3's goals.
 - Raise the threshold of \$200,000 higher to reflect higher construction costs. Members have recommended raising the threshold to \$1 million.
 - (HOME only) Apply Section 3 *only* to large projects of 50 or more units instead of the current \$200,000 threshold, which triggers almost every construction project.
 - Loosen Section 3 hiring requirements as it relates to local and low-income subcontracts.

Alignment Recommendations:

- Make the triggering thresholds for Davis-Bacon, Section 3, and BABA uniform so that it is easier for subrecipients to know when all three are applicable. This would also expedite smaller projects.
- Consider eliminating Section 3 *and* Davis-Bacon labor requirements for communities with fewer than 200,000 people to reduce unreasonable administrative burdens for rural communities.
- Create standards for which agency or program is responsible for compliance requirements (environmental review, BABA, labor standards, etc.) when there are multiple funding streams involved.

ConPlan, CAPER, and IDIS

Planning and reporting requirements are also necessary, but the processes in place for the CDBG and HOME programs need improvement. The amount of data collection and paperwork to complete current requirements is overly burdensome – many states retain designated reporting teams and other staff solely to complete reports such as the Consolidated Plan (ConPlan) and Consolidated Annual Performance and Evaluation Report (CAPER). HUD has made some improvements through the Integrated Disbursement and Information Systems (IDIS), but more are needed.

Recommendations:

- Pre-fill applicable portions of the CAPER (and PER) with reports generated from IDIS. Grantees could still review these sections for accuracy.
- Create a dashboard using IDIS and other data to demonstrate how CDBG and HOME funding is used in each state and congressional district.
- COSCDA urges Congress and HUD to work with COSCDA members and other CDBG / HOME stakeholders to identify common-sense improvements that could be made to the ConPlan, CAPER, and other reporting requirements.

Income and Eligibility Requirements

Income verification requirements direct grantees to collect extensive documentation, such as tax returns, pay stubs, and bank statements. The level of detail required can be burdensome for applicants and administrators. For low-income households, gathering the required documentation can be challenging, particularly if they lack stable employment or formal banking relationships. This can result in delays or even disqualification for assistance for households that should be eligible.

Recommendations:

- Align income eligibility definitions across HUD programs—including HOME and CDBG—to provide for ease of use with multiple HUD funding sources in projects needing layered financing.
- If tenants have verified income under another federal program, this verification should be applicable to HOME and CDBG income verification requirements.

Other comments: Our questions are not exhaustive. If there's something else you would like to highlight about the CDBG / HOME programs, please share it with us.

Administrative Cap and Match

The amount of administrative funds available to state agencies is insufficient for the work involved in meeting all program requirements. There is a significant financial burden attached to implementing a heavily regulated program with a strained administrative cap.

Specific to CDBG: As staffing costs have increased and the amount of CDBG funding has stagnated, the administrative cap has remained at 3%, leading to a drastic reduction in the buying power of the set-aside as staffing costs have gone up over the decades.

The cap on administrative costs makes it difficult to recruit and retain qualified staff, keep up with rising operational costs, and invest in needed training. This is especially challenging in rural states where a small number of staff manage a high volume of responsibilities. One COSCDA state member shared:

“We are a small state that only receives approximately \$3.5 million in CDBG funds each year. The amount of allowable admin costs with CDBG make it extremely difficult to staff the program with enough qualified employees to provide the level of oversight required for compliance... We currently can only fund between 2 and 4 projects a year, because we can’t afford staffing for more projects due to limited administrative funds.”

Increasing the cap would ensure that states can retain experienced personnel, invest in proper training, and maintain the administrative infrastructure necessary to effectively oversee program compliance, technical assistance, and monitoring.

Recommendations:

- Increase the administrative cap for state CDBG and HOME programs to ensure proper staffing and other resources needed to successfully monitor and administer these grant programs.
 - CDBG: Increase administrative cap from 3% (current) to at least 6%.
 - This increase would help States maintain capacity to operate the CDBG program and track local revolving funds and other program income over time.
 - HOME: Increase administrative cap from 10% (current) to at least 15%.
- Further ease state budget constraints by increasing the administrative match threshold to every dollar over the first \$500,000 matched by state funds (currently \$100,000.)

CDBG and HOME Appropriations

Despite their successes, the CDBG and HOME programs have not received adequate funding in recent years. Congress appropriated \$3.3 billion for CDBG in FY24 and FY25, which is a \$1.1 billion cut from the \$4.4 billion provided in FY01. The highest funding for HOME was only \$2.006 billion in FY04, with funding reduced to \$1.25 billion in both FY24 and FY25. State agencies routinely receive more CDBG and HOME project requests than they can accommodate.

Fiscal Year	CDBG (billions)	HOME (billions)
Original Authorization	\$4.2	\$2.1
FY16	\$3.01	\$0.964
FY17	\$3.0	\$0.958
FY18	\$3.3	\$1.36
FY19	\$3.3	\$1.25
FY20	\$3.4	\$1.35

FY21	\$3.4	\$1.35
FY22	\$3.3	\$1.5
FY23	\$3.3	\$1.5
FY24	\$3.3	\$1.25
FY25	\$3.3	\$1.25

Recommendations: Reauthorize the CDBG and HOME programs at a level higher than their original authorizations. We will refrain from including a specific number in this RFI, but COSCDA staff and members are available to discuss how funding increases could expand the impact of these programs. In general, COSCDA urges Congress to recognize the need for increased CDBG and HOME funding and to identify pathways for future increases in funding.

- CDBG: Originally authorized at \$4.2 billion
- HOME: Originally authorized at \$2.1 billion

HUD Staffing and Technical Assistance

COSCDAs members urge HUD to retain long-term staff with deep programmatic knowledge and long-standing HUD contractors who understand the regulatory requirements and can provide best practices, which is key to offering impactful technical assistance. Even with a simplification of the statutory and regulatory environment, having continued access to these knowledgeable partners is critical to swiftly producing and deploying valuable technical assistance materials and consultation.

Staffing disruptions in HUD regional and field offices have already impacted CDBG and HOME programs. One COSCDA member reported staff losses in their regional office that will lead them to hire external technical assistance providers—increasing their program’s administrative expenses.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

Challenges: What are the greatest challenges your organization faces when using CDBG funds effectively in projects?

Refer to cross-cutting recommendations.

Administrative Burden: What administrative and regulatory burdens most affect your organization’s ability to utilize CDBG funds efficiently? Specifically,

1. Are there CDBG statutory or regulatory requirements that are unnecessarily complicated?

Refer to cross-cutting recommendations for Environmental Reviews and Choice Limiting Actions.

Lead Based Paint Requirements

The current lead-based paint (LBP) requirements for CDBG housing rehabilitation projects exceeding the \$25,000 per unit threshold have become a significant barrier for rural communities and warrant reconsideration. The LBP threshold has not been adjusted in years, despite rising labor and material costs. While protecting residents from lead hazards remains a vital goal, the full abatement requirements triggered at this level, including the need for costly clearance inspections and extensive

compliance documentation, often make projects financially unfeasible for small, low-income towns. In many rural areas, the housing stock is older and more likely to contain lead paint, yet the availability of certified abatement professionals is extremely limited, driving up costs and causing project delays. These communities often lack the local workforce capacity and resources needed to comply with such stringent requirements, resulting in fewer homes being rehabilitated overall.

Further, the Lead Safe Housing Rule (LSHR; 24 CFR Part 35 Subpart J) under CDBG does not follow EPA standards for addressing lead-based paint. The CDBG lead paint requirements are based on the dollar amount spent on a project. The amount determines whether grantees must use abate and use an abatement contractor or a lead safe renovator with lead safe practices. In some states, there are very few lead abatement contractors, and the cost of abatement is very high.

Recommendations:

- Modify LBP requirements to allow more flexibility, such as permitting extended use of interim controls of raising the abatement threshold higher than \$25,000 for rural projects. This modification could still protect resident health while ensuring that CDBG funds can be used more efficiently to improve housing conditions in underserved areas.
- The Lead Safe Housing Rule should be modified to match EPA standards and requirements.

2. Are there CDBG statutory or regulatory requirements that can be modified, expanded, or removed to reduce administrative burdens for grantees?

Refer to cross-cutting recommendations for BABA, Davis-Bacon, and Section 3.

3. Are there CDBG statutory or regulatory requirements that should be revisited to better align with other federal housing or community development programs?

Refer to cross-cutting recommendations for Income Eligibility.

In general, COSCDA recommends modifying CDBG regulations to better align with HOME, LIHTC, and USDA Rural Development housing programs, reducing duplication, and easing the use of layered financing for affordable housing and community development projects.

4. Are there CDBG statutory or regulatory requirements that could be modified, expanded, or removed to increase program access in non-entitlement jurisdictions, particularly in small and rural communities, or in colonias?

Refer to cross-cutting recommendations for Administrative Caps and Section 3.

Colonia Definition

The CDBG program for certain states includes a colonia set-aside, directing four states to award up to ten percent of the funds allocated to the non-entitlement CDBG program to basic infrastructure and housing in colonia communities. Currently, colonias are defined as existing within a 150-mile radius from the United States-Mexico border. However, colonia-like communities exist well outside this geographic restriction. The definition also identifies colonias as communities that lack “adequate

water, sewage systems, or decent, safe, and sanitary housing.” This broad description encompasses communities in desperate and unsafe conditions as well as other communities with existing infrastructure in general need of improvement.

Recommendations:

- Remove the statutory provision on colonia set-aside funding awarded within Metropolitan Statistical Areas (MSA) with populations greater than one million persons. Large MSAs often include many non-entitlement communities and areas with colonia conditions that could be well served by the colonia set-aside funding.
- Consider updating the colonia definition to replace the geographic restriction based on distance from the border with a more defined set of infrastructure needs or failures that constitute colonia conditions throughout the state. COSCDA member agencies in CA, TX, AZ, and NM are available to help Congress refine the definition.

Procurement Requirements for Professional Services

The procurement requirements for professional services (architectural, engineering, grant administration, grant writing, etc.) under 2 CFR 200 are cumbersome for small jurisdictions, especially when paired with state procurement laws. While training and technical assistance is provided, small local governments lack the capacity to fully ensure requirements are met.

5. What types of technical assistance solutions should HUD support to increase program access in non-entitlement jurisdictions, particularly in small and rural communities?

Refer to cross-cutting recommendations for HUD Staffing and Technical Assistance.

In general, COSCDA asks HUD to provide ready-to-use templates for procurement, contracts, and environmental documentation tailored for non-entitlement (small and rural) communities. A robust library of resources, searchable on the HUD website, is critically needed technical assistance for grantees navigating unique situations or new program ideas. In the past, HUD has produced a number of on-demand training modules for environmental review requirements. These trainings could be expanded to include other cross-cutting requirements. Live trainings with the opportunity for discussion and participation is necessary for certain topics, including IDIS data management.

Broadband

Many small and rural communities still lack access to broadband. The pandemic made it clear that internet access is a vital utility in today’s digital world. However, CDBG funds have not yet been widely used to support broadband infrastructure.

Recommendation: Encourage HUD to provide guidance to state agencies on how to use CDBG for broadband expansion in small and rural communities. Inform agencies about how to qualify this activity under one of the existing national objectives.

6. Are current processes and requirements for state distribution of non-entitlement CDBG funds adequate to increase program access and effectively target funds?

Flexibility for Long-Term Projects

While the state distribution process generally promotes access, states would benefit from more flexibility in allowing for multi-year funding to local governments to support transformative, large-scale efforts in rural regions. While multi-year funding may be achieved through state methods of distribution, doing so would prevent states from meeting the timeliness requirements and maintaining expenditure rate standards.

7. How can CDBG statutory or regulatory requirements be modified or eliminated to support housing activities not met, or sufficiently met, through HOME or another federal program?

Refer to the questions on Eligible Activities.

Acquisition and Pre-Development

Acquiring property and preparing sites for housing development are often major hurdles. Expanding CDBG eligibility for land acquisition, site preparation, and pre-development costs (including architectural and engineering expenses) would help communities build a pipeline of housing projects.

8. How can Section 108 Loan Guarantee program statutory or regulatory requirements be modified to better support grantees pursuing large-scale projects?

State Grantee Usage of Section 108

State CDBG grantees are hesitant to use the Section 108 Loan Guarantee program for several reasons:

- States do not want to put their future CDBG funding at risk.
- Section 108 is a very intensive application process for states. HUD has been working on making the process easier, but it is challenging when businesses must apply for Section 108 through a local government when the state manages the CDBG program.
- The Section 108 fee is also not helpful in a low-interest rate market. It does not make sense for a business or unit of local government to take on all the CDBG requirements (labor, environment, relocation, etc.) when they can get a market rate loan comparable to the Section 108 rate.

Recommendations:

- Allow state grantees to directly carry out the activity without having to go through a local government to make the Section 108 loan to a business.
- Create a separate funding mechanism for the Section 108 program rather than requiring states to pledge future CDBG allocations.

Eligible Activities

1. Are there activities that are not currently eligible under CDBG, or eligible under another federal program, but are critical to meeting one or more of the statutorily defined national objectives?

Construction of New Housing

While the rehabilitation of existing homes remains important, it is not sufficient to meet the growing need for housing supply, particularly in communities experiencing population growth. Construction of new housing under the CDBG program is currently only allowed when working with a HUD-certified

Community Based Development Organization (CBDO). The requirement to work with CBDOs is infeasible to the point that CDBG grantees are deterred from engaging in new construction.

Housing activities are critical to meeting the national objective of benefit to low- and moderate-income persons. Allowing more flexibility for CDBG funds to go toward the construction of new housing would provide communities with a much-needed tool to alleviate the housing supply crisis. Grantees could create plans to fund workforce housing developments in tandem with economic development projects that create new jobs in the community.

Recommendation: Allow for the construction of new housing under CDBG *without* the requirement to work with CBDOs.

Police Departments

Allow CDBG to fund activities for municipal police departments in small and rural communities that do not have a funding stream, such as equipment needs and facility improvements.

- 2. Are there activities or categories of activities that are currently eligible under CDBG that should be expanded, eliminated, restricted, or otherwise amended? Do current requirements allow grantees to carry out activities in a way that is consistent with Congressional intent and responsive to the current challenges that localities face?**

COSCEA strongly cautions against eliminating any of the eligible activities under CDBG.

Though some state grantees use very few of the wide range of activities available, having access to the full range allows them to be creative in meeting the needs of specific communities.

Public Services Cap

There is a 15% cap (15% of annual allocation plus 15% of program income from the previous year) on CDBG funding used for public services. These activities can include the following:

- Employment training
- Meals and other services to the elderly
- Services for abused and neglected children
- Aid to local food banks
- Childcare and other supportive facilities

The public services cap limits local governments' ability to meet growing needs for health, mental health, homelessness services, and other supports for community members. It also artificially restricts flexibility within a grant program that is widely praised for its responsiveness to local needs. Smaller states in particular rarely use CDBG for public services due to the inadequate amount of funding available for these activities under the current cap.

Recommendation:

- Eliminate or increase the public services cap (*at least* to 20%).
- Also consider eliminating the public services cap and planning cap for program income.

Expand Planning Activities

Grantees can use CDBG for planning activities, including studies, analysis, data gathering, and identification of actions necessary to implement plans. State CDBG grantees often provide planning grants to local governments (and other subgrantees) to help them thoroughly plan a project before providing the funding for implementation. However, planning funds are not permitted to support engineering, architectural, or design planning costs related to a specific project. There is a gap in funding to support these activities within small and rural communities.

Recommendation: Broaden the definition of planning activities to include predevelopment, bid-ready plans and specs, architectural drawings, and other necessary engineering plans.

National Objectives: Should CDBG include additional objectives or should one or more of the existing program objectives be modified?

Under the current CDBG program, there are three national objectives: (1) benefit to low- and moderate-income persons, (2) elimination of slum and blight, and (3) urgent need.

COSCDAs members primarily manage projects under the LMI national objective. Members support LMI as an objective, but are frustrated with the process to qualify communities as LMI. HUD permits grantees to use its Low/Mod Income Summary Data (LMISD) to determine whether a service area qualifies as 51% LMI. The LMISD uses US census and / or American Community Survey (ACS) data, which often does not accurately reflect income levels in the service area – especially in small and rural communities. HUD regulations (24 CFR 570.483(b)(1)(i)) allows states to conduct their own surveys, but such a process is typically too tedious to carry out on a regular basis.

Recommendations:

- Allow different (easier, more accurate) ways to qualify communities at LMI.
 - Establish a presumptive LMI status for communities with persistent poverty.
- Expand the definition of certain “Limited Clientele” under the LMI objective.
 - For example, include “severely disabled children” in addition to “abused children.” Make these definitions more flexible in general.
- Consider raising the public benefit standard and / or eliminating the individual standard under job creation and retention activities (LMI national objective).
 - Currently at one job for every \$35,000 provided, this threshold should be raised to \$100,000 to allow for investment in smaller businesses without the requirement to create so many jobs.
- Consider expanding the Urgent Need national objective to allow for facilities intended to respond to future urgent situations (fire protection, drainage improvements supported by state-wide plan, etc.)

Formula: Are there alternative CDBG distribution or formula allocation methods that would better achieve existing program objectives?

COSCDA advises careful consideration of the CDBG formula to protect against communities or states inadvertently losing access to CDBG funding.

More important than the distribution method for CDBG is the overall amount of funding for the program. Regardless of the formula, if there is not adequate funding for the program, then states and entitlement

communities will not have enough capacity to successfully administer program activities to their fullest potential. A meaningful increase in funding to states is essential to expand access and fulfill the core objectives of the CDBG program.

COSCDA members note that the current formula weighs population, overcrowding, and housing age—which disadvantages rural and high-poverty areas with low population levels and high need. Small and rural communities often have a smaller tax base, which makes it more difficult to leverage tax income to conduct infrastructure and community development projects.

Recommendations:

- A revised formula could factor in persistent poverty rates, broadband access, and other risk factors to better reflect rural community development needs.
- Eliminate the part of the formula that relies on the age of pre-1940 housing units. Use data that is updated periodically instead, like ACS data on housing conditions.
- Include a provision in reauthorization that would allow HUD to correct any past formula allocation errors as part of the next applicable formula allocation cycle.

Specific ideas for statutory and regulatory changes: If you have specific recommendations for statutory or regulatory changes to the CDBG program that are not covered in your responses to the questions above, what are they?

Acquisition and URA

Create an exemption from the documentation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) for very low-cost property acquisition. Such an exemption would apply to property donated by the current owner, as well as easements whose value calculated from public records is less than \$1,000 per parcel. Grantees should still be required to provide information to property owners upon request. Exempting these low-cost properties from documentation requirements related to distribution of notices and offers of fair market value for each parcel would reduce the administrative burden for small infrastructure projects.

Pre-Award Requirement

Remove the 90-day pre-award requirement to allow subrecipients, especially lower income municipalities, the ability to recover costs for environmental reviews and PERs/PARs.

Presumed Benefit

Include “families qualifying for free and reduced lunch” as a readily available source of data in small communities. The CDBG proposed rule (2024) was an excellent step in this direction.

Other comments: Our questions are not exhaustive. If there’s something else you would like to highlight about the CDBG program, please share it with us.

HUD published a proposed rule for the CDBG program in January 2024. Among other ideas, the proposed rule intended to revise CDBG and Section 108 to make it easier for grantees to promote economic development. Congress should encourage the administration to publish a CDBG Final Rule, or to re-start the rulemaking process to modernize program regulations.

CDBG should be the primary avenue for federal investment in state and local community development projects. Unlike new or smaller scale initiatives, CDBG has a 50-year record of successful projects, and a broad infrastructure of state and local agencies trained to manage community development grants. COSCDA urges Congress to focus on strengthening and investing in the CDBG program rather than spending limited federal resources on smaller, boutique programs whose goals could be accomplished through CDBG. COSCDA reminds Congress that many Community Project Funding grant projects within HUD's Economic Development Initiative (EDI) could be achieved through the CDBG program if more funding were available.

HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

Challenges: What are the greatest challenges your organization faces when using HOME funds effectively in projects?

Refer to cross-cutting recommendations.

Developers rely on HOME funds as critical gap financing for Low-Income Housing Tax Credit (LIHTC) properties. However, the LIHTC program runs through the Treasury Department and is not subject to the same burdensome requirements as HUD-funded programs. The increasingly burdensome statutory and regulatory requirements tied to the HOME program (Section 3, Davis-Bacon, BABA, environmental review, etc.) make developers hesitant to use HOME funds. Further, many of the HOME regulations were written with urban areas at the forefront and do not address the unique challenges of small and rural communities and do not allow for enough flexibility.

Administrative Burden: What administrative and regulatory burdens most affect your organization's ability to utilize HOME funds efficiently? Specifically,

1. Are there HOME statutory or regulatory requirements that are unnecessarily complicated?

Refer to cross-cutting recommendations for Environmental Review and Choice Limiting Actions.

HUD Minimum Energy Standards (2024-08793; 89 FR 33112)

HUD and USDA adopted the 2021 IECC and ASHRAE 90.1-2019 as the minimum energy efficiency standards for covered programs to fulfill a statutory requirement under the Energy Independence and Security Act of 2007 (EISA) that requires HUD and USDA to jointly adopt the most recently published energy standards, subject to a cost-benefit housing "affordability and availability" test.

HUD has implemented a standard that is not a building standard in many states. This makes building affordable housing burdensome, costly, and reduces interest and participation of architects, engineers, and developers that want to take part in affordable housing programs. There are concerns about the supply of the materials required to meet the standard, especially coupled with BABA. Consultants with the knowledge and certification to rest for compliance of these standards will be needed, which will increase both project and administrative costs.

Recommendation: Energy codes updates should be required by the Department of Energy (DOE) through the states in their adopted codes, *not* through HUD and the affordable housing industry.

Violence Against Women Act (VAWA)

HOME, like many HUD programs, is subject to the Violence Against Women Act (VAWA), which is intended to protect survivors of domestic violence and other crimes from losing their housing assistance.

Unfortunately, HUD's VAWA regulations require the participating jurisdiction (PJ) to approve an external transfer when a tenant seeks to move to another property.

Recommendation: HUD should expedite the moving process for individuals covered by VAWA by allowing building owners to approve external transfers rather than requiring action by the PJ. There is no need to also require the PJ to sign off, especially as the survivor's safety may require a speedy transfer.

2. Are there HOME statutory or regulatory requirements that can be modified, expanded, or removed to reduce administrative burdens for grantees?

Refer to cross-cutting recommendations for BABA, Section 3, and Davis-Bacon.

Commitment Deadline

Currently, there is a 2-year (24 month) commitment deadline for HOME funds. The housing development process takes at least two years, often longer. If the 24-month commitment deadline passes while HOME grantees are still involved in the development process, it is not possible to move funding to another viable project. Removing the commitment deadline would add more flexibility to the program and prevent grantees from losing funding when there are other projects HOME funding could support.

In the absence of a commitment deadline, there are other controls that hold grantees accountable to expending HOME funds in a timely manner. There is a 4-year completion deadline and a 5-year expenditure deadline for the HOME program. Both the commitment deadline and expenditure deadline have been waived through appropriations bills in the past several years. Participating jurisdictions have been supportive of the waived deadlines.

Recommendations:

- Permanently remove the 2-year commitment deadline for HOME funds.
- Consider also removing the 5-year expenditure deadline and reevaluating the 4-year completion deadline.

Radon Rule

HUD issued CPD Notice 23-103 to clarify that radon must be considered in the contamination analysis for 24 CFR Parts 50 or 58 as applicable. With the new radon regulations, if radon is identified as a mitigating factor, then each single-family unit that used to convert to exempt (environmental reviews) now must be posted for public comment and be submitted to the HUD field office for approval. This requirement creates more work for both state agencies and field office staff and creates delays to providing environmental clearance to single-family units.

Recommendation: Rescind both the public notice process at 24 CFR 58.70 and subsequently the Request for Release of Funds (RROF) and Certification process identified in 24 CFR part 58.71 when radon is a mitigating factor in single-family environmental reviews. Mitigation would still be addressed in these units—the only changes would be to exclude the public notice and RROF process.

3. Are there HOME statutory or regulatory requirements that should be revisited to better align with other federal housing or community development programs?

Align HOME inspections with other programs that commonly layer with HOME funds (LIHTC, HTF, CDBG, housing vouchers, etc.). Evaluate whether NSPIRE, HQS, or another federal property inspection protocol is the most appropriate for the HOME program.

4. What statutory or regulatory requirements should be amended to reduce burdens for grantees in reserving a share of HOME funds for Community Housing Development Organizations?

Community Housing Development Organization (CHDO) participation has dropped off significantly in some states since the pandemic. The CHDO regulations are very complicated, and many CHDOs have expressed difficulty with maintaining their CHDO status throughout the affordability period, which is often 20 years.

Recommendations:

- Remove the CHDO-specific requirements from the HOME program and allow the set-aside to be for nonprofits. This would align more with the Low-Income Housing Tax Credit (LIHTC) program, which has a 10% nonprofit set-aside and would remove the recertification burden off PJs and nonprofits.
- In the absence of CHDO removal, COSCDA recommends the following:
 - Eliminate the requirement to commit funding to CHDOs within the 4-month commitment deadline and allow the funding to be committed to nonprofits.
 - Allow the grantee to retain the 15% if it is unable to commit the funding to nonprofits or CHDOs so it can be committed to other entities such as PHAs, local governments, and for-profits with viable projects.
 - Further, consider reverting the CHDO set-aside to general funding sooner than the current 24-month requirement if there are no eligible CHDOs applying for funding in a community.
 - Eliminate CHDO-Sponsor option and streamline to CHDO-Owner and CHDO-Developer only.
 - Eliminate need for CHDO's Articles of Incorporation/Charter (could use IRS letter instead)
 - Maintain continuous designation as a CHDO (if already established in the past 3 years, no need to re-establish).
 - CHDO Board:
 - HUD should allow members who qualify as low-income when they join a CHDO Board to remain qualified for a period of 10 years.
 - If a board member moves or has their home address re-designated into a different census tract, HUD should allow a grace period for that board member to continue to qualify as living in a low-income community for the duration of their current board term. Both changes will make it easier to recruit and retain CHDO board members.
 - Eligible Activities for CHDOs:

- Clearly delineate the status quo, pre-2013 HOME Rule, which allowed USDA Section 523 “Mutual Self-Help Housing” work as a CHDO eligible activity.
- Allow use of CHDO funds to repair owner-occupied housing without the need for acquisition, and maintain the current ability for CHDOs to do acquisition or rehabilitation work.

Eligible Activities:

- 1. Are there activities that are not currently eligible under HOME, or eligible under another federal program, but are critical to meeting one of the programs stated objectives?**

Consider allowing HOME to be used to provide 1st mortgage financing at lower than market interest rates to provide avenues for affordable homeownership.

Manufactured Housing

Ease restrictions on using HOME to support the development and use of manufactured housing. In remote and rural areas, the ability to transport pre-built quality homes to communities where on-site construction may not be feasible due to logistics or costs could dramatically increase the affordable housing stock. There could also be value in allowing owner-occupied manufactured housing to be eligible for HOME under Homeowner Rehabilitation activities in certain circumstances.

Supportive Services

Case management and supportive services are currently ineligible under HOME, but these services are essential to stabilizing households and supporting successful transitions to permanent housing. Grantees typically secure funding for these services from separate funding sources—an often difficult and inconsistent process that can delay or prevent access to the support households need. Expand eligible activities to include case management and supportive services to help improve HOME resident outcomes and self-sufficiency.

- 2. Are there activities or categories of activities that are currently eligible under HOME that should be expanded, eliminated, restricted, or otherwise amended?**

States find value in most of the eligible activities under the HOME program. COSCDA does not recommend eliminating any the eligible activities, as states prefer to reserve maximum flexibility when designing their programs to respond to current needs. However, there are challenges with certain activities that could be address through technical fixes or assistance.

- *Homeownership*: Allow the income certification and underwriting process to be more aligned with industry standards of mortgage lending companies.
 - Placing a lien on developer subsidies when homes are sold for less than the appraised value does not work well with traditional underwriting requirements.
 - Allow more flexibility for the use of manufactured housing (use CDBG as a model).
- *Tenant Based Rental Assistance (TBRA)*: Administration of these programs is complicated, but TBRA is valuable in states that need these resources. Simplification of program requirements would improve ease of use.

Other Questions:

1. How might HOME per-unit subsidy limit requirements be amended to better align with the program's stated objectives?

One COSCDA member suggests eliminating the subsidy limits and rely on cost allocation requirements. This would allow HOME funds to pay for 100% of a HOME unit. In properties with layered financing, other sources (such as LIHTC) could cover the cost of non-HOME units. Uncertainty in the market has made it harder to navigate the per-unit subsidy limit.

2. How might HOME requirements for qualification as affordable housing be amended to better align with the program's stated objectives?

Recommendations:

- Revisit income eligibility thresholds and affordability periods to better align with local housing market conditions and ensure long-term affordability.
- Remove the "resale" option and keep the "recapture" option for determining what happens when an assisted property is sold during the affordability period.
 - Many lenders do not allow the use of the resale provision because they have concerns with the future sales price of the property being restricted and income of the future buyer also being restricted.
- Revise the requirement (24 CFR 92.252(e)) to repay the entire investment if the housing no longer qualifies as affordable housing to only require that a portion (or pro-rated portion) of the investment must be returned.

3. Should HOME allocation thresholds for qualification of localities as Participating Jurisdictions be modified to better align with the program's stated objectives?

COSCD A has no comment.

4. How should the HOME program's requirements work in conjunction with LIHTC? What pain points emerge when using LIHTC and HOME together on a project?

As noted, the HOME program (managed through HUD) carries several burdensome requirements that are not applicable to LIHTC (managed through Treasury). Pain points from the misalignment between HOME and LIHTC include different requirements for environmental reviews, physical inspections, and income and rent restrictions.

Recommendations:

- Environmental reviews – To the extent possible, streamline environmental review requirements for HOME, LIHTC, and the Housing Trust Fund (HTF), which are often used together to finance affordable housing projects.
- Physical inspections
 - Identify one standard inspection protocol (NSPIRE, HQS, etc.) per project rather than requiring multiple inspections according to program funding (HOME, LIHTC, etc.).
 - Align the inspection timeframes and file reviews for HOME units to be the same as LIHTC – every 3 or 5 years during the affordability period.
- Income and rent restrictions

- HOME requires full income certification every year and uses a separate but similar rent schedule. Use the same income and compliance requirements for HOME and LIHTC to reduce overall compliance burden.
- Allow for more flexibility for an existing property that is having challenges filling their units due to overly narrow eligibility requirements.
- Review and improve the high and low HOME rent limits.
 - Allow local jurisdictions to have the flexibility of the low HOME election without the underwriting challenge of rents being below 60% LIHTC rents.
- Once certified as eligible at move-in, HOME tenants should remain eligible throughout the duration of their occupancy. This would align with LIHTC eligibility requirements (although not with other HUD program requirements).
- If a project has already been approved for LIHTC, use a shorter version of the HOME application to apply for HOME funds, possibly by requiring the submission of an Operating Agreement.
- Standardize lease terms – For example, draft all leases at a minimum of 1 year or allow all leases to be month-to-month.
- Allow proration in HOME’s repayment requirement (24 CFR 92.252(e)).
 - If a LIHTC property falls out of compliance within the first 15 years of the affordability period, the IRS may recapture the housing credits from investors on a *prorated* basis.

5. What portions of the HOME Final Rule, as published in the Federal Register on January 6, 2025, were helpful changes for your organization? What portions of the HOME Final Rule were not helpful changes for your organization?

COSCDAs members believe the HOME Final Rule will better align HOME with other affordable housing programs and improve the delivery of resources.

The Final Rule makes the following *helpful* changes:

- Aligns HOME rent rules with HUD rental assistance programs and the Low Income Housing Tax Credit to reduce program administration complexities and improve project operational needs;
- Modernizes maximum per unit subsidy limit determinations to shore up project financing;
- Simplifies rules for Community Housing Development Organizations (CHDOs) so that more high capacity nonprofits will be able to qualify for CHDO status;
- Streamlines onerous requirements for using HOME for homeownership activities;
- Aligns inspection requirements with other HUD programs subject to the NSPIRE inspection standards; and
- Facilitates the use of utility allowance standards set by public housing authorities, providing more flexibility for owners and helping to align HOME with other HUD programs.

Less helpful changes involve provisions where additional clarity or guidance is still needed. The HOME Final Rule leaves many areas within the regulations to the interpretation of participating jurisdictions without adequate guidance from HUD. COSCDA urges HUD to offer robust technical assistance and training sessions to prepare grantees for compliance. Create mechanisms for grantees to share their challenges and ask for feedback. This could include surveys or forums where HUD can also collect insights for future refinements.

Specific Ideas for Statutory and Regulatory Changes: If you have specific recommendations for statutory or regulatory changes to the HOME program that are not covered in your responses to the questions above, what are they?

Floodplain Management and Protection of Wetlands (24 CFR Part 55)

HUD's final rule to implement the Federal Flood Risk Management Standard (FFRMS) was published on April 23, 2024. The final rule adopts a future flood risk management model and implements EO 13690 (Establishing a Federal Flood Risk Management Standard; 2015) and EO 14030 (Climate Related Financial Risk; 2021). The new FFRMS rule is too complicated for developers to correctly pre-screen project sites to ensure they avoid sites located in an FFRMS (new flood plain category). This will lead to project sites getting submitted that will require the complicated, lengthy, and costly environmental mitigation process known as the 8-step Process. This process lengthens the timeline of the environmental review, which currently takes on average 6-9 months per project, and increases the cost of the environmental review.

Recommendation: HUD should revert 24 CFR Part 55 to how it was written prior to the addition of the FFRMS. The final rule has caused confusion, administrative burden, and an increase to project costs.

Endangered and Threatened Species (50 CFR Part 402)

Current requirements allow participating jurisdictions to use this letter as documentation for compliance if a proposed development meets what it outlines: U.S. Fish and Wildlife Service Clearance to Proceed with Federally-Insured Loan and Grant Project Requests.

Recommendation: Allow the use of the previous letter (U.S. Fish and Wildlife Service Clearance to Proceed with U.S. Dept. of Commerce, U.S. Dept of Housing and Urban Development, and U.S. Dept. of Agriculture Projects) or include the following language in the current letter:

- "Construct, expand, maintain, remove, replace, or rehabilitate structures on developed or otherwise disturbed areas. Examples of developed or disturbed areas include paved, filled, graveled, routinely mowed vegetated grasses, agricultural fields, and pasturelands. Undeveloped areas are those sites where natural vegetation dominates."

Minimum Property Standard Exemptions (24 CFR 200.926)

HUD should exempt emergency repairs from Minimum Property Standards, allowing HOME to be a more efficient tool to use in disaster recovery situations. Also exempt HOME homebuyer activities from the MPS requirement.

Property-Specific Waitlists

Requiring property-specific waitlists is often burdensome and time-consuming for individuals administering the HOME program. It does not work for properties that require the use of Coordinated Entry and who receive Continuum of Care (CoC) funding. Removal of this requirement would reduce the obstacles individuals face when attempting to find housing.

HOME Program Match Guidance

CPD Notice 97-03 identifies eligible sources of matching contributions, calculating the value of matching contributions, determining the point at which a contribution may be recognized as match, and tracking matching obligations and contributions. Broaden the definition of allowable match under the HOME program.

Modify the 25% match requirement to reduce the financial strain on jurisdictions with limited resources. For example, waiving or reducing the match for areas facing severe economic hardship could increase affordable housing in those areas. Be more lenient on sources of match funds.

Conflict of Interest Requirements (24 CFR 92.356(d))

HUD should empower the grant recipient or pass-thru entity to make the determination on whether the conflict of interest should be exempted or mitigated in some way. This would remove a significant administrative burden from HUD and the recipient entity would not have to wait months to get an answer. All granted exemptions or modifications would be documented appropriately and could be reviewed by HUD during the compliance monitoring of the recipient. Therefore, HUD would still be able to retain oversight of the COI process without having to review every single COI request.

Recommendation: Stricter regulation / clarification on what is allowed for potential conflicts of interest in sales of land tracts.

Rural Income Limits

Congress and HUD should work to increase interoperability with USDA programs for rural areas by allowing families to qualify for HOME funding based on the low-income limits of the USDA's Section 502 Homeownership Direct Loan Program, when the HOME project is either constructed via the USDA Mutual self-help housing program or sold via the USDA Section 502 Mortgage programs.

Homeownership Value Limit (95% Rule)

The Homeownership Value Limit is too low for some rural areas. HUD should update its methodology for calculating area median purchase prices. One way to accomplish this would be to revert to the 203(b) data used prior to the adoption of the 2013 HOME Rule, with mathematical modifiers to ensure compliance with the HOME statute.

Digital Notarization

Allow for DocuSign or other digital notarization on legal documents (LURA, mortgage, etc.). This could improve the process of releasing a site from the program, as well.

Title 42: The public health and welfare, Chapter 130 – National Affordable Housing, Subchapter II – Investment in Affordable Housing, Subpart A

- *Sec. 212. Eligible Uses of Investment a.(2.) Preference to rehabilitation:* Remove this preference requirement as this should be based on the specific needs of the market and local community.
- *Sec. 214. Income Targeting (2.):* Due to the increasing sales prices of “starter homes,” raise the allowable income limit for homeownership assistance to 120% AMI.

Eligible Costs

92.206(d)(1) allows for predevelopment costs such as architectural, engineering, or related professional services to prepare plans, specifications, or work write-ups to be eligible if the costs were incurred by the project owner within 24 months of the written agreement.

Recommendation: Revise this section to allow for these costs to be eligible if incurred within 36 months of signing the written agreement. This would allow more developers to re-coup predevelopment costs. Due to the time it takes to administer a competitive funding cycle (6-9 months) and the preparation and evaluation of the environmental review (an additional 6-9 months) many developers are left with costs they can't be reimbursed for simply due to timing.

92.206(d)(5) allows for HOME to be used to fund the initial 18 months of operating reserves.

Recommendation: Revise this section to allow HOME to provide capitalized operating expenses (reserves) for the affordability period for supportive housing projects that target special needs populations at 50% and below AMI.

Other Comments: Our questions are not exhaustive. If there's something else about the HOME program that you would like to highlight, please share it with us.

COSCDAs thanks Congressman Flood and Congressman Cleaver for the opportunity to comment on both the CDBG and HOME programs. Our member agencies across the country, as well as COSCDA leadership and staff, are available for further communications. Please contact Jenna Hampton (jhampton@coscda.org), Director of Advocacy and Federal Programs for assistance.