



# COSCDA Federal Advocacy Priorities for Fiscal Year 2011

---

*The Council of State Community Development Agencies (COSCDA) represents state community development and housing agencies responsible for administering Department of Housing and Urban Development (HUD) programs, including the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships (HOME) program and the McKinney-Vento Homeless Assistance Programs. These programs meet critical housing and community development needs and transform neighborhoods in all fifty states.*

*Since mid-2008 our nation has been in the grips of an economic recession that has impacted every segment of society, with low and moderate income households and neighborhoods particularly impacted in a negative manner. Increasing budget deficits, (national and at the state level) unemployment, foreclosure of owner-occupied and rental housing, inadequate infrastructure and homelessness all disproportionately affect low income households and communities.*

*In response to the issues related to the housing, credit and economic crises, a host of initiatives were enacted to reenergize the economy, new federal programs like NSP, CDBG-R, HPRP, TCAP and TARP created under ARRA and HERA became the vehicles designed to stimulate a crippling economy – states, local governments and the communities they serve have a new vernacular and a new landscape in which to operate.. Both the Administration and Congress recognized that as our economy suffers through a painful recession, the need for these resources to address these pressing challenges is critical. States played a prominent part in the implementation of many of these newly created initiatives as they are uniquely positioned to be a catalyst for community restoration and revitalization. Despite their own significant budget shortfalls resulting in unparalleled challenges such as diminishing tax revenue and employee furloughs, states were and continue to be agents of change in the recovery process which is beginning to take hold in many communities.*

---



1825 K Street, N.W., Suite 515  
Washington, D.C. 20006  
[www.coscda.org](http://www.coscda.org)

*The evidence is affirming that these well-established housing, community development and homelessness programs along with the new initiatives have already begun to alleviate the effects of the economic crisis—creating jobs, improving infrastructure, providing permanently affordable housing and assisting the homeless.*

*In addition to the immediate needs we face in these very difficult times however, we are challenged to ensure that community development; housing and homelessness programs are adequately funded to address the long- term needs of low and moderate income communities. These needs will not disappear when the crisis subsides. We urge the Congress to provide sufficient funding and to join with state agencies and their local partners to strengthen housing and community development programs to effectively serve our most vulnerable communities. Additionally COSCDA supports an active state role in the Federal placed based initiatives that are being debated within the Administration and Congress.*



1825 K Street, N.W., Suite 515  
Washington, D.C. 20006  
[www.coscda.org](http://www.coscda.org)

# **COMMUNITY DEVELOPMENT PRIORITIES**

## **FUNDING LEVEL**

COSCD A supports \$5 billion in funding for the Community Development Block Grant (CDBG) program. COSCD A opposes any mandated set-asides of CDBG funding.

## **PROGRAM OVERVIEW**

The Community Development Block Grant is the cornerstone of states' efforts to address the community development needs of small towns and rural areas. Without this assistance, communities that are home to many low-and moderate- income households will go without potable water and sanitary sewer systems, and continue to suffer from inadequate infrastructure. These communities will thus be unable to support economic development and a suitable quality of life for their residents.

CDBG funds are spent on projects that provide or retain jobs, stimulate the economy and improve the quality of life for low- and moderate-income Americans. States spend slightly more than half their CDBG funds on providing or improving public infrastructure, including water and sewer projects, upgrading roads, and much needed public facilities in neglected communities across the nation.

State CDBG funds are also used to help low-income homeowners with much needed housing rehabilitation. Without this assistance, low-income homeowners who are unable to repair their homes are forced to live in unsafe conditions.

States use CDBG for economic development –often combining CDBG funds with other investments, both public and private, to help small businesses create or retain jobs. CDBG is the only flexible source of federal assistance available to address a wide array of rural community development needs. For three decades, states have used CDBG funds to address these needs, leveraging both public and private funds. This flexibility has been critical to CDBG's effectiveness, allowing states to decide which projects and programs will provide the greatest benefit to their low and moderate income residents. The Community Development Block Grant program continues to be a successful model for federalism at its best.



1825 K Street, N.W., Suite 515  
Washington, D.C. 20006  
[www.coscda.org](http://www.coscda.org)

## ADVOCACY PRIORITIES

### ■ **Restore Adequate Funding to the CDBG Program**

For six years, COSCDA has consistently called on Congress to halt cuts to CDBG funding. Nearly \$2 billion in funding has been lost since FY2004. In 2008, CDBG funding was at its lowest level since 1992, only \$3.59 billion. This downward trend was reversed in 2010 and should set the parameters for funding the program at an amount that will have a sustained impact. At least \$5 billion is urgently needed to meet the needs of low-and moderate-income communities, especially in the context of the current broader economic distress. COSCDA urges the Congress to work toward restoring CDBG funding to that level.

### ■ **Increase State Administrative Fees**

To administer the CDBG program properly, states need an administrative fee structure sufficient to meet the current requirements. The proportion of the annual allocation available for state administrative expenses should be increased from two percent to five percent, at the discretion of the state. In addition, the amount of administrative funding not subject to a match requirement should be increased from \$100,000 to \$500,000. It should be noted that this action will not increase the existing administrative limits.

Since the inception of the state program, states have administered the CDBG program for their non-urban areas; however the funding available to cover the costs of running the program has never been adjusted. During this time, there has been a significant increase in the number of program requirements, as well as sharply increased costs for staffing, service delivery and monitoring, particularly due to the increased expenses associated with administering a program over a large geographic area. Additionally administrative dollars have decreased at the same rate as the decrease in CDBG funding as personnel costs have increased and states are being asked to do “more with less” in a austere fiscal environment.

It should be noted that State governments do contribute state resources to cover the costs of administering the CDBG program. In the current economic and state fiscal climate, a majority of states are unable to make such contributions. In fact, the HUD Inspector General acknowledged that states have limited resources to complete the monitoring of expenditures required by federal laws and regulations, allowing this flexibility would not require additional appropriations, nor would it take money away from projects for local communities. It would simply allow an increased proportion of



administrative funding to be made available to those states that need additional resources to operate the CDBG program more effectively.

■ **Change Federal Disaster Policy To Expedite Recovery Efforts**

Members of the Council of State Community Development Agencies (COSCD A) are the state agencies that administer the emergency appropriations for disaster recovery funded through the Community Development Block Grant (CDBG) program. These state agencies have led recovery efforts following the Midwest Floods in 1994, Hurricanes Wilma, Rita and Katrina in 2005; along with Gus and Ike in 2008, and most recently the floods which devastated the Midwest in the fall of 2008.

Time and again, implementation of programs and real recovery efforts by these state agencies are delayed by a lack of comprehensive and consistent policies at the Federal level. Most notably, when supplemental appropriations are passed by Congress, too often Federal requirements automatically apply to these funds that clearly should not. In cases of catastrophic disasters, recovery programs implemented by state agencies are frequently overseen by multiple federal agencies. Consequently, there are multiple layers of often conflicting or duplicative spending and reporting requirements that state agencies must adhere to before they can proceed with actually spending these emergency appropriations to provide assistance. While Congress does allow limited waivers of some requirements when it appropriates emergency funds, approval of these waivers can take several months.

Alternatively, if such waiver authority was specifically included in the statute, it could be self-implementing. Certain waivers are often urgently needed but never allowed, such as limited waivers of the National Environmental Protection Act (NEPA) or Davis Bacon Labor Standards. Common sense tells us that replacing a 20-year-old roof that blew off a house is unlikely to have an environmental impact. Yet, a project such as this is delayed sometimes up to six months due to these requirements.

COSCD A calls on Congress to “relax the regulations governing the emergency appropriations instead of emergency appropriations for disasters to enable states to spend the funds more expeditiously and get help to the people that so desperately need it. For example, for disasters resulting in damage of at least \$1 billion, COSCD A recommends that Congress suspend, by statute, the Davis-Bacon labor standards and NEPA requirements for repair or restoration projects in the disaster area for a period of 12 months. In addition, where there are multiple federal agencies involved in the disaster recovery with different implementing regulations, the statutory and regulatory requirements of the CDBG program should prevail, in that most of the recovery funds are appropriated through that program.



COSCDCA recommends Congress reform the sections of the Stafford Act that will help states better implement federally funded disaster recovery programs.

## **HOUSING PRIORITIES**

### **FUNDING LEVEL**

COSCDCA supports funding the HOME Investment Partnerships (HOME) Program at \$2.9 billion, with no set-asides for special initiatives or projects. Housing counseling and related activities should be funded separately.

### **PROGRAM OVERVIEW**

The HOME Investment Partnership Program is the largest Federal block grant to State and local governments designed exclusively to expand the supply of affordable housing for low-income households. Each year it allocates approximately \$1.6 billion among the States and hundreds of localities nationwide for rental and single-family housing development and rehabilitation, homeownership opportunities, and tenant-based rental assistance. Since 1992, HOME has produced or rehabilitated over 900,000 units of affordable housing. The program provides much flexibility to states and localities in determining how HOME funds can be spent to meet communities' needs and priorities. According to the National Low Income Housing Coalition, there continues to be a need for the production and rehabilitation of affordable rental housing units, particularly for extremely low income persons. COSCDCA strongly supports the continued funding of this successful program, and opposes legislatively mandated set-asides for special initiatives or projects.

### **ADVOCACY PRIORITIES**

- **Restore Adequate Funding to the HOME Program**

Funding for this program has generally declined in the past decade, and has only recently received a slight increase in appropriations. COSCDCA strongly supports increased funding of the HOME Program to a level that reflects annual inflation adjustments since the inception of the HOME Program. This increase will ensure its continued and well-documented success.

COSCDCA opposes mandated set-asides which impose federal priorities that reduce states' flexibility to address their housing needs. While adequate funding for the HOME Program continues to be COSCDCA's top housing priority for FY2011, we also support the following proposals.



Funding for this program has generally declined in the past decade, and has only recently received a slight increase in appropriations. Moreover, the Administration's FY2011 budget would cut HOME Program funding by ten percent from the previous fiscal year's level. COSCDA strongly supports increased funding of the HOME Program to a level that reflects inflationary increases of the amount the HOME Program received when the program began. This increase will ensure its continued and well-documented success. HOME Program funds can be used to meet the needs of rental housing for the increasing number of families that have lost homes due to the economic downturn. COSCDA opposes mandated set-asides that impose federal priorities that reduce states' flexibility to address their housing needs. While adequate funding for the HOME Program continues to be COSCDA's top housing priority for FY2011, we also support the following proposals.

- **Extend the LIHTC Exchange Program**

Congress should extend for another year the Section 1602 Housing Credit exchange program as established in the Recovery Act and modify it to include the four percent Housing Credits that accompany tax-exempt multifamily housing bonds. The exchange program allows states to exchange a portion of their 2009 housing credit ceiling for grants. The recession and the financial crisis have drastically reduced investment in Housing Credit over the past 18 months, preventing the production of needed affordable housing and eliminating tens of thousands of jobs. This extension and modification will give each state the ability and resources to continue to fund needed affordable rental housing in 2010 based on the Housing Credit model while the investment market recovers.

- **Allow Flexibility in Meeting the NSP 25 Percent at 50 Percent Requirement**

Although NSP funds may be used for the purchase and redevelopment of vacant properties, the statute precludes the renting or selling of these vacant homes to very low-income households from counting toward the requirement that 25% of funds be spent on very low-income households. As permitted in the statute, only abandoned or foreclosed homes count toward satisfying the 25% requirement. This provision unduly restricts the ability of grantees to meet affordable housing needs by providing very affordable housing in available locations. Given current market conditions and the difficulties states and localities have in finding appropriate properties and subsidies, this restriction will strangle efforts to meet the statutory requirement. Many communities would like to build or redevelop very affordable housing on vacant parcels in prime redevelopment locations as well as provide elderly housing and permanent supportive housing for the homeless through the conversion of existing properties and through the demolition of blighted properties. This activity should



count towards the 25% requirement. Therefore, COSCDA asks that Congress fix this statutory inconsistency and permit rehabilitation or redevelopment of vacant properties, already an eligible use under NSP, to count toward the 25% low-income set-aside requirement.

■ **Fund the National Affordable Housing Trust Fund for Housing Production and Rehabilitation**

The Housing and Economic Recovery Act of 2008 included a National Affordable Housing Trust Fund, administered by states, which would provide for primarily rental housing production and rehabilitation. Given the current housing crisis, many homeowners who have lost their homes due to foreclosure will now seek affordable rental housing, which the Trust Fund would help to provide. According to the National Low Income Housing Coalition, there continues to be a shortage of affordable rental housing units, particularly for extremely low income persons. A portion of the Fund would be set-aside for this income group, who are finding it increasingly difficult to afford housing given the significant downturn in the economy.

COSCDAs asks Congress to provide a dedicated and sustainable source of funding for the Trust Fund to enable states and localities to meet the ongoing housing needs of the very low income. The Trust Fund legislation should be amended to allow state agencies to use a portion of the funds for maintenance, operating costs and rent subsidies to fully cover the costs of managing the units or projects, and funds should be distributed through a grantee's Consolidated Plan rather than a separate Qualified Allocation Plan (QAP).

■ **Strengthen the Waxman-Markey Climate Change Bill**

The climate-change bill (H.R. 2454), also known as the "Cap and Trade" bill, includes several provisions that seek to promote a more efficient use of energy in housing. COSCDA calls on Congress to revise the current climate change bill to strengthen the bill's effectiveness that would, among other improvements, provide:

- flexibility to states regarding the energy requirements that HUD can develop under the bill, such as HUD-issued building codes for energy efficiency and solar energy systems
- a separate energy set-aside for LIHTC projects
- the ability for states to apply for energy efficiency demonstration programs and code enforcement competitive grants



- an administrative allowance for REEP activities (Residential Energy Efficiency Block Grant Program)

## **HOMELESS PRIORITIES**

### **FUNDING LEVEL**

COSCD A supports an appropriation of \$2.5 billion for the McKinney-Vento Homeless Assistance programs. Funding for renewals of expiring Shelter Plus Care and Supportive Housing program projects is especially important, and may be threatened by the new activities authorized by the HEARTH Act. Congress should appropriate sufficient funds to fully implement the HEARTH Act, to fully fund renewals, and to provide states and communities with funding for new projects in FY 2011.

### **PROGRAM OVERVIEW**

The McKinney-Vento Homeless Assistance programs were established more than twenty years ago to help provide shelter and services to homeless families and individuals. The programs include the Emergency Shelter Grant (ESG), which is distributed by formula and the Continuum of Care programs (Supportive Housing, Shelter Plus Care and Section 8 SRO) which are distributed competitively. Together, these programs support a wide range of community efforts to assist the homeless and provide permanent housing.

### **ADVOCACY PRIORITIES**

#### **▪ Provide Flexibility to States in the HEARTH Act Regulations**

COSCD A is requesting that HUD to maintain flexibility in state administration of the McKinney-Vento (HEARTH Act) programs while it develops regulations. For example:

- HUD should maintain flexibility regarding the state's role as the Collaborative Applicant in the Continuum of Care process.
- Funding provided to a Unified Funding Agency should be made available through the IDIS system.
- Funding thresholds for the new Emergency Solutions Grant Program should be sufficient for each local grantee
- Administrative fee for the new ESG should be 10% for general and 2.5% for training and TA.



## **CROSS CUTTING PRIORITIES**

- **Increase States' Role in the Sustainable Communities Initiative**

The Sustainable Communities Initiative, as developed in S 1619, the *Livable Communities Act of 2009*, will help improve the coordination of transportation and housing investments that result in more regional and local sustainable development patterns. COSCDA calls on Congress to pass and fund this initiative, and to recognize states as having a vital interest in overall regional housing and transportation planning. Given the role that states play in transportation, housing and state planning in general, states should be eligible applicants and partners with regional and local entities for the planning and implementation grants of this Initiative. The Sustainable Communities Initiative should be funded from an account separate from the CDBG fund.

- **Fund the Choice Neighborhoods Initiative**

The Choice Neighborhoods program is designed as a successor to the HOPE VI program and would create a program of competitive grants to rebuild public and assisted housing into mixed income communities with access to quality schools, transportation, and other vital community services. COSCDA supports the Choice Neighborhood concept, but recommends that it be funded out of the HOPE VI account, rather than the CDBG account.

- **Implement Flexible Section 3 Requirements**

The proposed legislation from Rep. Nydia Velasquez (D-CA) that would reform the Section 3 statute would be very burdensome to states and localities. Congress and HUD need to strike the appropriate balance between the limitations of state and local agencies' administrative and financial resources and Section 3 program goals.

