



National Community Revitalization and Development Committee

Draft Transition Report to Incoming Committee Members (2013-2015 Term) Draft

NAHRO's Community Revitalization and Development (CR&D) Committee addresses a broad range of issues related to the economic vitality of cities and the development and conservation of neighborhoods, including administrative, legislative, regulatory, and funding issues of community development programs and operations. The Committee recommends policies to the Board of Governors in support of its primary goal: the achievement of well-planned, socially and economically sound communities.

MAJOR ACCOMPLISHMENTS OF THE 2011 – 2013 CR&D COMMITTEE

- ▶ The Committee's sustained focus on expanding NAHRO's ability to serve community development agencies was integral to the finalization of the NAHRO/NeighborWorks Certified Community Revitalization and Development Professional certification and is poised to result in expanded NAHRO staff capacity.
- ▶ Under the leadership of the Committee, NAHRO succeeded in restoring public housing authorities' eligibility to seek new project funding under the Continuum of Care competition.
- ▶ The Committee has continued to provide organizational leadership around policy formation related to the Low Income Housing Tax Credit program, New Markets Tax Credits, disaster recovery, and homeless assistance grants.

ONGOING AREAS OF INTEREST FOR THE 2013 – 2015 CR&D COMMITTEE

- ▶ The Committee should look to remain engaged in conversations related to proposed policy changes within the Community Development Block Grant and HOME Investment Partnerships programs.
- ▶ The Committee will be asked to provide guidance related to HUD's ongoing implementation of McKinney-Vento homeless assistance programs as modified by the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act. HUD will soon reopen the public comment period for rulemaking covering the Emergency Solutions Grant program and the Continuum of Care.

RECOMMENDATIONS

► **Expanding NAHRO's Community Development Membership:** Because "Community Revitalization and Development" can be reasonably interpreted to encompass a wide array of issues, programs, and policies, the Committee has typically concerned itself with the full range of federal housing and community development programs to the extent that such programs support local revitalization and redevelopment efforts. This is entirely appropriate as long as an issue's connection to community revitalization remains the Committee's primary motivation for focusing on the issue.

Moving forward, the Committee should continue to give sufficient attention to those issues and program areas that are important to community development professionals, community development agencies, and redevelopment authorities, particularly when those issues are not likely to receive attention from NAHRO's Housing Committee. By maintaining focus in this manner, the Committee can assist NAHRO in its efforts to expand its community development membership while also continuing to serve the interests of the existing membership. This effort could also provide opportunities to more effectively address the concerns of NAHRO members that operate programs targeting rural areas.

► **Sustainability/Livability:** The Committee may wish to consider how best to further the development of NAHRO policy positions around issues related to green building, energy efficiency, sustainability, livability, transit-oriented development etc., while acknowledging how the current fiscal environment can make the implementation of such policies more challenging.

► **Non-HUD Programs:** The Committee may wish to provide guidance on the development of new NAHRO policy positions covering non-HUD programs. Such an effort would need to strike the appropriate balance between a desire to broaden NAHRO's appeal and the limitations of NAHRO's current staff and budgetary capacity.

2011-2013 RESOLUTIONS ADOPTED BY THE NAHRO BOARD OF GOVERNORS

October 2013

TBD

July 2013

► **NAHRO Legislative Network**

Background: The Committee believes that the work of the Legislative Network is strengthened when the Network includes members of standing committees, particularly those committees that focus on legislative and regulatory matters.

Resolution: The Board of Governors should explore ways to ensure that the Community Revitalization and Development, Housing, and Commissioners Committees are guaranteed representation on the Legislative Network.

► **The Administration's Proposals to Alter Community Development Block Grant and HOME Investment Partnerships Program Entitlement Eligibility**

Background: The Administration's FY 2014 budget asserts that "CDBG funds represent a significant expenditure that is not optimally targeted based on community need or used most effectively in many cases." The FY 2014 budget includes proposals intended "to better target funds based on community need and ensure that communities receive grants large enough to be more effective in advancing the goals of the program."

The budget proposes to establish a minimum CDBG grant threshold and eliminate the current entitlement community "grandfathering" provision. Entitlement communities would essentially need to continue to receive an allocation equal to at least 0.0125 percent of the annual appropriation (approximately \$385,000 for FY 2013) in order to maintain their entitlement status. Newly qualified entitlements would need to be eligible for at least \$500,000 in annual formula funding to begin receiving a CDBG formula allocation.

Similarly, the Administration's budget proposes a statutory change to "establish a single qualification threshold of \$500,000 irrespective of the appropriation amount" for entitlement eligibility under the program. A related proposal would revise the HOME program's "grandfathering" provisions in a manner that would make an existing Participating Jurisdiction ineligible for continued entitlement funding if its allocation falls below the new \$500,000 threshold for three years or more out of a five year period.

Resolution: NAHRO should oppose these proposals.

► Integrated Planning and Investment Grants

Background: The Administration's FY 2014 budget proposed to set aside \$75 million from the Community Development Fund for Integrated Planning and Investment Grants. These grants would essentially take the place of the Sustainable Housing and Communities Initiative, which was not funded for either FY 2012 or FY 2013. The newly proposed grant program, to be administered by HUD's "Office of Economic Resilience" within the Office of Community Planning and Development, would support HUD's partnership with the Department of Transportation and the Environmental Protection Agency aimed at "expand[ing] job opportunities and improv[ing] the quality of life for families by providing incentives to regions and communities to align planning efforts, invest public and private resources to attract businesses, modernize land use and building codes, attract private capital for community revitalization efforts, and sponsor robust community engagement efforts." The Senate's version of the FY 2014 HUD appropriations bill sets aside \$50 million for these purposes.

NAHRO has a longstanding policy in opposition to set-asides under the Community Development Fund, since these set-asides reduce the funding available for CDBG formula allocations. NAHRO has only expressed support for funding for the Administration's sustainability initiative once: for FY 2012, when the Administration proposed to fund the initiative as a separate line item in the budget.

Resolution: NAHRO should support funding for Integrated Planning and Investment Grants, but only if those resources are provided as incremental, stand-alone appropriations and do not reduce the CDBG formula allocation.

► The Administration's Low-Income Housing Tax Credit Reform Proposals

Background: The President's FY 2014 budget includes several LIHTC reform proposals:

Preservation: The budget proposes to make the preservation of federally assisted affordable housing a required selection criterion for all state Qualified Allocation Plans.

Income Averaging: This proposal (earlier versions of which appeared in the FY 2012 and FY 2013 budgets) would allow for a development to qualify for credits by choosing from three income averaging options:

- At least 20 percent of the units have rent restrictions in place and will be occupied by households with income at or below 50 percent of area median income (AMI); or
- At least 40 percent of the units have rent restrictions in place and will be occupied by households with incomes at or below 60 percent of AMI; or
- At least 40 percent of the units must be occupied by households whose incomes average no more than 60 percent of AMI. This option would preclude renting rent-restricted units to households with incomes over 80 percent of AMI, while households/tenants with incomes below 20 percent of AMI would be treated as having incomes equal to 20 percent for the purpose of calculating the average.

Credit Rates: The budget proposes to alter the formulas used to set the actual values of the so-called 9 percent credits and 4 percent acquisition credits. This proposal would result in rates that are slightly higher than the rates calculated under the current formula and would apply to allocations made after December 31, 2013.

Bond Conversion: The budget would authorize states to convert a portion of their private-activity-bond volume cap into authority to allocate additional tax credits.

Real Estate Investment Trusts (REITS): This proposal would make the LIHTC program more beneficial to REITS by allowing a REIT that receives Housing Credits to designate as tax-exempt some of the dividends that it distributes.

Resolution: NAHRO should support the Income Averaging, Bond Conversion, and Real Estate Investment Trusts proposals as put forward by the Administration. Regarding the Credit Rates proposal, NAHRO prefers its existing position in favor of fixing the 9 percent credits and 4 percent acquisition credits at a true 9 percent and 4 percent, respectively. Regarding the Preservation proposal, NAHRO takes no position at this time but suggests that making preservation a mandatory criterion could inadvertently disadvantage projects focused on expanding the affordable housing inventory through production.

► NLIHC's Housing Trust Fund Lawsuit

Background: On July 9 the National Low Income Housing Coalition (NLIHC), along with three individual plaintiffs and the Right to the City Alliance, filed a lawsuit against the Acting Director of the Federal Housing Finance Agency "for failing to uphold Fannie Mae and Freddie Mac's statutory obligations to make contributions to the National Housing Trust Fund." From NLIHC:

"When the National Housing Trust Fund was established in the Housing and Economic Recovery (HERA) Act of 2008, the identified source of dedicated funding was contributions from Fannie Mae and Freddie Mac. The law requires that Fannie Mae and Freddie Mac transfer a portion of the value of their new business to the National Housing Trust Fund. The financial crisis of 2008 hit and the companies' regulator, the Federal

Housing Finance Agency, temporarily suspended this requirement. Fannie Mae and Freddie Mac were taken into conservatorship.

“Fannie Mae and Freddie Mac have been highly profitable for six consecutive quarters and the conditions that warranted the suspension no longer apply. The 2012 Securities and Exchange Commission’s filings show that new business activity for Fannie Mae and Freddie Mac in 2012 was approximately \$1.4 trillion. Thus in 2012, approximately \$382 million of that amount should have gone to the National Housing Trust Fund.”

Resolution: NAHRO staff should investigate whether there are ways to express support for NLIHC's efforts that do not involve incurring significant organizational expense.

► **New Markets Tax Credit Act of 2013**

Background: The New Markets Tax Credit Act of 2013 (S. 1133) would amend the Internal Revenue Code to: (1) make permanent the New Markets Tax Credit, (2) provide for an inflation adjustment to the limitation amount for such credit after 2013, and (3) allow an offset against the alternative minimum tax (AMT) for such credit (determined with respect to qualified equity investments initially made before January 1, 2014).

Resolution: NAHRO should support the enactment of the New Markets Tax Credit Act of 2013

March 2013

► **Eligible Subrecipients under the Emergency Solutions Grant Program**

Background: NAHRO has long favored the elimination of unnecessary statutory and regulatory barriers that prevent public housing authorities and local redevelopment authorities from accessing or administering funding under federal housing and community development programs. In many Emergency Solutions Grant entitlement communities (as well as in localities that receive ESG funding through the state government), local governments would like the public housing authority or redevelopment authority to act as a program subrecipient and in some cases, to administer the program on the local government's behalf. Unfortunately, the McKinney-Vento Act, as amended by the HEARTH Act of 2009, limits subrecipient eligibility to "private nonprofit organizations."

Resolution: NAHRO will pursue a statutory change allowing public housing authorities and redevelopment authorities to act as subrecipients under the Emergency Solutions Grant program.

October 2012

► **Timely HUD Approval of Annual Action Plans and Release of Community Planning and Development Formula Funding**

Background: Current Community Planning and Development (CPD) regulations require formula (state and entitlement) grantees to submit Annual Action Plans no later than 45 days before the start of a grantee's respective program year start date. Under regulation, HUD has 45

days to review the submitted plan, and the plan is considered to be approved upon the expiration of the 45-day review period if not already approved or denied. The regulations do not impose a deadline upon the Department to execute grant agreements with grantees once plans are approved. Execution of grant agreements coincides with the so-called "Congressional release date," a concept with no formal basis in statute or regulation. In recent years, many grantees have become frustrated with HUD's lack of timeliness in executing grant agreements after the expiration of the 45-day review period.

Resolution: NAHRO will pursue a regulatory or administrative change to require that HUD execute CPD formula grant agreements no later than 30 days from the date on which the Annual Action Plan is approved.

► **NPDS Operations Certification for Community Revitalization and Development Professionals**

Background: Working with members of the Community Revitalization and Development Committee, the Professional Development Committee has developed a certification curriculum intended for Community Revitalization and Development Professionals.

Resolution: The Community Revitalization and Development Committee supports this effort.

July 2012

► **American Community Survey**

Background: On May 9 the House of Representatives adopted an amendment to the FY 2013 Commerce-Science-Justice appropriations bill (H.R. 5326) to eliminate funding for the American Community Survey (ACS). H.R. 5326 also substantially reduces funding to support the decennial Census.

The ACS was put into place by Congress over a decade ago to replace the decennial Census's long form. Through a small sampling of approximately three million households, the ACS provides a wide range of demographic data, including information on income, housing, race, ethnicity, and education. ACS data is used to help determine how more than \$400 billion in federal and state funds are distributed each year.

Resolution: NAHRO opposes the effort to eliminate funding for the American Community Survey. NAHRO supports full funding for the American Community Survey and calls upon the Congress to provide the funding necessary to conduct the 2020 Census in a responsible manner.

March 2012

► **Low-Income Housing Tax Credit (LIHTC) Reform Legislation**

Background: Congressmen Pat Tiberi (R-OH) and Richard Neal (D-MA) recently introduced H.R. 3661, a bill to permanently extend the flat 9 percent credit rate and create a flat 4 percent

credit rate for allocated LIHTCs. Senators Maria Cantwell (D-WA) and Olympia Snowe (R-ME) introduced S. 1989, the Senate version of the same legislation.

The 9 percent flat rate credit for new construction and substantial rehabilitation LIHTCs was authorized by the Housing and Economic Recovery Act of 2008 and is set to expire in 2013. Fixing the value of these credits at 9 percent removed the uncertainty and financial complexity of the LIHTC floating credit rate, simplified state administration, and facilitated development of affordable housing after HERA's enactment. If the flat rate credit is not extended, new and pending affordable housing developments will need to be underwritten at the (substantially reduced) floating credit rate, which would mean a sudden and substantial reduction in the amount of equity that a development could receive for its LIHTC allocation.

Resolution: NAHRO supports the enactment of H.R 3661/S. 1989.

► CDBG Disaster Funding

Background: In a break with legislative precedent, the FY 2012 HUD appropriations bill provided the HUD Secretary with the discretionary authority to set aside up to \$300 million from the Community Development Fund to provide Community Development Block Grant (CDBG) disaster assistance. This type of assistance has traditionally been provided as off-budget emergency spending, typically through supplemental appropriations bills (the FY 2012 HUD funding bill provided an additional \$100 million in disaster CDBG funding as emergency spending.)

NAHRO has traditionally opposed set-asides under the Community Development Fund since set-asides ultimately reduce the amount of funding available for distribution through CDBG formula allocations. Accordingly, NAHRO and its community development industry partners formally urged the Department not to set aside the \$300 million authorized under the FY 2012 bill and to instead request supplemental appropriations (in the form of emergency spending) to the extent that resources beyond the separately appropriated \$100 million in disaster CDBG are needed to address disasters occurring during FY 2012. HUD denied this request, thus effectively reducing FY 2012 CDBG program funding to \$2.948 billion from a potential maximum of \$3.248 billion.

Resolution: NAHRO reaffirms its general opposition to set-asides that negatively impact CDBG formula funding and urges HUD and Congress to return to the past practice of seeking and providing CDBG disaster assistance as emergency spending.