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Via Facsimile and Mail

September 9, 2008

The Honorable Susan Pepler
Assistant Secretary for Community Planning and Development
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Assistant Secretary Pepler:

As you work to implement the relevant provisions of the Housing and Economic Recovery Act of 2008, the National Association of Housing and Redevelopment Officials would like to take this opportunity to communicate recommendations concerning the \$3.9 billion in emergency Community Development Block Grant (CDBG) funding provided under this landmark legislation. NAHRO represents over 3000 housing authorities, community development departments, and redevelopment agencies across the country, and our members stand ready to work with HUD to ensure the successful implementation of this important neighborhood stabilization program. In that spirit, NAHRO offers the following recommendations:

Eligible Activities: The hallmarks of the CDBG program are its flexible design and emphasis on local decision-making. In order to ensure the success of the emergency CDBG neighborhood stabilization program, our members tell us that HUD must provide states and localities with the maximum degree of programmatic flexibility allowable under H.R. 3221. This will be particularly important in light of the legislation's requirement that every state receive at least 0.5 percent of the total appropriation, a provision that will result in several states receiving significantly more funding than under the regular program.

Although the legislation specifies five eligible uses for these emergency funds, NAHRO notes that it does not preclude the possible enumeration by HUD of additional eligible activities. In order to maximize flexibility, NAHRO recommends that HUD consider expanding the number of eligible uses for the emergency CDBG funding. This expanded list of eligible activities should, at a minimum, include the use of funds to cover so-called "soft costs,"

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including appraisals, architect and engineer fees, and environmental reviews, as well as costs associated with establishing clear title and identifying and resolving liens. HUD should also clarify whether states and localities are required to provide relocation benefits to tenants of foreclosed residential properties acquired through the program, and, if so, whether emergency CDBG funds may be used to provide relocation assistance.

NAHRO also suggests that HUD consider allowing the use of funding for downpayment, closing cost assistance, and security deposit assistance to eligible individuals and families purchasing or renting homes and residential properties redeveloped under the program. Because the demolition of blighted structures and the redevelopment of demolished or vacant properties are eligible uses, HUD should also provide grantees with the flexibility to pursue mixed-use and economic development projects that complement housing-focused activities funded through the program.

Administrative Costs: The legislation does not provide for administrative and planning costs. This is problematic in that the regular CDBG program's 20 percent cap on planning and administrative costs derives neither from the Housing and Community Development Act of 1974 nor from regulation, but results instead from longstanding language included as a matter of course in annual HUD appropriations acts. NAHRO is confident that HUD recognizes that states and local governments currently face numerous fiscal challenges and should not be expected to cut services in other areas in order to find the resources to pay for the planning and administrative costs associated with expending emergency CDBG funding for neighborhood stabilization. NAHRO therefore recommends that states and localities be allowed to use up to 20 percent of their emergency CDBG allocation for planning and administrative costs. This allowance would mirror the regular program as well as CDBG Disaster Recovery assistance.

Allocation of Funding: NAHRO believes that localities suffering from the effects of the foreclosure crisis should have direct access to emergency CDBG funding. To that end, NAHRO supports a formula allocation that preserves as much as possible the regular CDBG program's 70/30 split between direct entitlements and state programs. We recognize that this issue is complicated by the fact that the legislation requires that each state receive at least 0.5 percent of the total CDBG emergency funding but does not clarify whether this requirement is meant to apply to each individual state grantee or to the total amount of funding delivered to each state, i.e. the sum of the state grantee's allocation and the allocations of all direct entitlement communities within that state.

Regarding the formula to be used to determine allocations, our members have reminded us that the foreclosure crisis peaked at different times in different parts of the country. Formula

factors that are overly dependent upon point-in-time measures may fail to capture the true extent of the challenges posed by the foreclosure crisis in many states and communities. As you work to develop the formula, NAHRO recommends that HUD consider incorporating longitudinal indicators that seek to take into account both past and projected future foreclosure activity in order to arrive at an anticipated cumulative total of foreclosures for an area.

Timely Expenditure of Funding: The legislation requires states and local governments receiving emergency CDBG funding to “use such amounts...not later than 18 months after the receipt of such amounts.” NAHRO believes that requiring grantees to expend 100 percent of their emergency funds within 18 months would be unrealistic. Given the many challenges associated with acquiring abandoned or foreclosed-upon properties, NAHRO recommends instead that HUD require only that grantees commit funding, or designate its use, within 18 months of receipt.

Discounted Purchase Price: Our members have indicated a need for HUD to provide clear guidance regarding the legislation’s requirement that “any purchase of a foreclosed upon home or residential property... shall be at a discount from the current market appraised value of the home or property, taking into its current condition, and such discount shall ensure that purchasers are paying below-market value for the home or property.” The continuing decline in property values nationally will pose challenges as grantees seek to comply with this requirement. A clear definition of “discount” for the purpose for the requirement is obviously needed, and HUD should provide grantees with flexibility in obtaining valuations. Here a “point in time” approach to establishing value for purposes of determining discount would be useful.

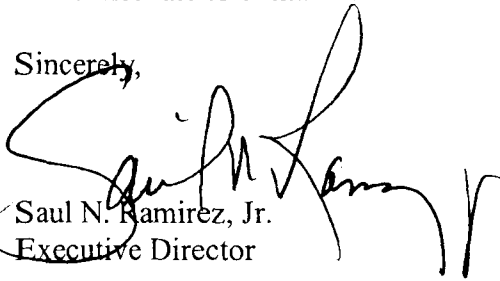
Application of Area Benefit: NAHRO recommends that HUD clearly explain the applicability of area benefit under this emergency CDBG program. This is an important consideration given the likelihood that many communities will use a portion of their funds to demolish blighted structures and redevelop demolished or vacant properties, activities that can reasonably be expected to be of benefit to entire neighborhoods.

Finally, it is our hope that HUD’s implementation of this emergency assistance will emphasize the valuable role that local housing agencies can play in state and local efforts to redevelopment eligible residential properties and matching low- and moderate-income families with new affordable housing opportunities. Local housing agencies are uniquely qualified to understand and respond to the affordable housing needs of the low- and moderate-income residents of the communities in which they operate.

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I thank you in advance for your favorable consideration of our recommendations. If NAHRO can be of assistance to you as you work to implement this critically important program, please do not hesitate to contact me.

Sincerely,



Saul N. Ramirez, Jr.
Executive Director