This booklet shares a sampling of housing and community development topics that the NAHRO Policy and Program Development team continues to review and analyze.

Additional information on these and other important housing and community development topics is available on the NAHRO website at www.nahro.org/resource-center and on the NAHRO blog at www.nahroblog.org.
Using CDBG and HOME Funds for Disaster Planning and Recovery

HUD’s Office of Community Planning and Development (CPD) administers a number of formula grant programs to states and local governments for housing and community development (HCD) activities that principally benefit low- and moderate-income (LMI) individuals: Community Development Block Grant (CDBG); HOME Investment Partnership Program (HOME); Emergency Solutions Grants (ESG); and Housing Opportunities for Persons with AIDS (HOPWA).

A hallmark of these programs is the ability for grantees to use the CPD planning process to undertake pre-disaster planning, and the flexibility to reprogram current and/or future funds to carry out or supplement disaster recovery activities when other disaster resources have been exhausted. To participate in the CDBG program, grantees must undergo a planning process and submit a Consolidated Plan to HUD every 3 to 5 years (depending on the grantee). This process is a framework for community-wide dialogue and helps identify HCD priorities that align and focus CPD program funds. Pre-disaster planning can be incorporated into the planning and citizen participation processes, ensuring that plans address the potential use of CPD funds in the event of a disaster and recovery activities are carried out more quickly.

CDBG funds can be used for interim assistance activities that alleviate disaster-related emergency conditions, including assistance not fully covered by the Federal Emergency Management Agency (FEMA) and supplemental CDBG Disaster Recovery (CDBG-DR) funds (considered separate from the broader CDBG program funds). Grantees may use their regular CDBG allocations to fund public services that benefit disaster victims, such as emergency grant payments made to insurance providers on behalf of an income-eligible individual or family. CDBG-funded activities typically have to meet the main national objective of benefiting LMI persons. However, funds can still be used to undertake disaster-related activities that meet the program’s other two national objectives: aiding in the prevention or elimination of slums (e.g., rehabilitation of buildings) and meeting an urgent need (e.g., remediation of a contaminated property).

HOME funds cannot be used for immediate post-disaster cleanup or restoration of service activities, however, these funds can be a potential financing source for long-term housing recovery efforts. Funds can be used to repair, rehabilitate or rebuild damaged properties or to construct new housing to meet the community’s post-disaster housing needs. Funds can also be provided for direct homeownership assistance for affected households or for tenant-based rental assistance (TBRA) to households displaced by a disaster that cannot receive FEMA assistance.

Over the last 10 years, there have been an average of 63 Presidential-declared major disasters a year, but many more disasters than that hit communities across the nation in a given year, and many communities do not receive supplemental disaster funding from Congress. This is one reason why it is important for Congress to maintain level funding for the CDBG and HOME programs; these programs provide leverage power and allow disaster planning and recovery activities to be placed in the hands of states and local governments. See HUD Notice CPD-17-06 to learn more about how CPD funds can be used for disaster planning and recovery.
Community Development Block Grant - Disaster Recovery Program

Last September, President Trump signed H.R. 601 into law, providing $15.25 billion in disaster relief for victims of Hurricane Harvey. Of the amount, $7.4 billion goes to the Federal Emergency Management Agency (FEMA) to help meet immediate needs, and $450 million to the Small Business Administration (SBA) for disaster-relief loans. The remaining $7.4 billion goes to the Department of Housing and Urban Development (HUD) Community Development Block Grant Disaster Recovery (CDBG-DR) program for disaster relief and long-term recovery.

After a major disaster, Congress may appropriate disaster recovery funds through the Community Development Block Grant (CDBG) program. CDBG is a popular federal program that provides flexible annual grants to states and local governments to help meet their community development needs. CDBG activities are initiated and developed at the local level with community input, and principally benefit low- and moderate-income (LMI) persons. CDBG-DR funds are considered separate from the annual allocations provided under the broader CDBG program, but HUD administers the CDBG-DR program through CDBG’s statutory and regulatory framework.

CDBG-DR dollars are only available to states and local governments located in major disaster declared areas; individuals, communities, and organizations cannot apply for funds. Eligible CDBG-DR activities generally fall into the broad categories of economic revitalization, restoration of infrastructure, and housing (which may include the rehabilitation of public housing units) in the most impacted and distressed areas. CDBG-DR funds cannot duplicate other disaster assistance (e.g., FEMA, the Army Corps of Engineers) available to impacted communities and their residents.

CDBG-DR is allocated through a formula, which considers each community’s unmet recovery needs and capacity to administer disaster funds. The allocation method and grant awards are published by HUD through a Federal Register notice. This notice lays out the program rules such as eligible recovery activities, program requirements, and any waivers and alternative requirements. Notably, HUD can waive, or specify alternative requirements for, most of the program’s governing statutes and regulations. This allows the Department to tailor the CDBG program to the specific needs of each major disaster recovery effort. HUD typically takes two to three months after disaster funds are appropriated to publish a CDBG-DR notice.

Grantees must engage in citizen participation activities throughout their grant life-cycle. To receive funds, an Action Plan detailing the proposed use of disaster funds must be drafted, published for public comment, and submitted to HUD for approval. Affordable housing stakeholders in affected areas should participate in this planning process, which allows the public to give input on how disaster funds are spent locally.

Other CDBG-DR activities include:
- Buying damaged properties in a floodplain and relocating residents;
- Relocation payments for people and businesses displaced by the disaster;
- Debris removal not covered by FEMA;
- Rehabilitation of homes and buildings damaged by the disaster;
- Buying, constructing, or rehabilitating public facilities such as streets, neighborhood centers, and water, sewer and drainage systems;
- Code enforcement;
- Homeownership activities for disaster victims, such as down payment assistance and interest rate subsidies;
- Public services;
- Helping businesses retain or create jobs in disaster impacted areas; and
- Planning and Administration costs.

Much more will be needed to address the destruction caused by hurricanes Irma and Marie. When H.R. 601 was made law, Irma was on a path towards the U.S. and just making landfall in the Bahamas. While appropriation language allows funds to go towards all major disasters declared in 2017, the $15 billion will be largely taken up by victims of hurricanes Harvey and Irma; additional funding is needed to address the humanitarian crises in Puerto Rico and U.S. Virgin Islands, while still continuing the recovery efforts in Texas, Louisiana, and Florida.

For up-to-date information on this issue and other affordable housing issues go to www.nahro.org/resource-center and follow the NAHRO blog at www.nahroblog.org
On January 13, 2017, HUD published the “Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance; Response to Elevated Blood Lead Levels” (lead-free) final rule in the Federal Register. The final rule amends HUD’s lead-based paint regulations on reducing blood lead levels in children under age 6 who reside in federally-owned or -assisted housing that was built pre-1978, and formally adopts the Centers for Disease Control (CDC) definition of “elevated blood lead levels” (EBLLs) in children under the age of six. Under the final rule, PHAs are required to conduct an environmental investigation of the dwelling unit in which the child lived at the time the blood was last sampled (“index unit”) and of common areas servicing the index unit. The rule applies to project-based assistance provided by non-HUD federal agencies, project-based assistance, HUD-owned and mortgagee-in-possession multifamily property, public housing, and tenant-based rental assistance. The final rule also includes a new protocol for responding to a case of a child under 6 that has an EBLL. PHAs should be in compliance with the rule as of July 13, 2017.

The new protocol for responding to a case of a child under 6 that has an EBLL requires PHAs to conduct an environmental investigation of the index unit and of common areas servicing the index unit. The procedure for conducting an environmental investigation includes: reviewing the findings of any previous lead-based paint inspection, risk assessment, environmental investigation, or reevaluation of the property; conducting a comprehensive interview of the family of the child, based on the CDC EBLL environmental investigation checklist or HUD EBLL questionnaire, or a comparable questionnaire (such as one from the public health department); conducting a risk assessment; augmenting the risk assessment, in consultation with the public health department managing the child’s EBLL case, if that public health department chooses to cooperate with the designated party, to determine what, if any, other possible sources of exposure should be investigated. This would include, but is not limited to: drinking

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water, glazed pottery or tableware that may contain lead glazes, work clothes or vehicle that may have been contaminated from a parent's or guardian's workplace, or imported cosmetics, hobbies, folk remedies, and candies; providing to the HUD field office documentation that the designated party has conducted the activities above, within 10 business days of the deadline for each activity. PHAs may submit this documentation electronically.

Once the PHA performs the environmental investigation, the PHA or owner would conduct interim controls designed to reduce temporary human exposure or likely exposure to lead-based paint hazards. If the risk assessment of the index unit and common areas servicing the unit identifies lead-based paint hazards, PHAs are required to conduct a risk assessment of other units that house children under the age of 6 within the building. For public housing, PHAs would then conduct interim controls of identified hazards and for tenant-based vouchers, the owner would conduct interim controls.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Public Housing</th>
<th>Housing Choice Voucher</th>
<th>Tenant-based Voucher</th>
<th>Project-based Voucher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial notification to HUD of confirmed case</td>
<td>X</td>
<td>*</td>
<td>X</td>
<td>*</td>
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<tr>
<td>Verification, if necessary</td>
<td>X</td>
<td>X</td>
<td>*</td>
<td>*</td>
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<tr>
<td>Initial notification of confirmed case to public health department</td>
<td>X</td>
<td>*</td>
<td>X</td>
<td>*</td>
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<tr>
<td>Environmental investigation</td>
<td>X</td>
<td>X</td>
<td>*</td>
<td>X</td>
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<tr>
<td>Lead hazard control</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Clearance after work completed</td>
<td>X</td>
<td>*</td>
<td>X</td>
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<tr>
<td>Follow-up notification to HUD</td>
<td>X</td>
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<tr>
<td>Notification to other residents</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Ongoing LBP maintenance</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Ensuring Compliance with LSHR (Public Housing)</td>
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<td></td>
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<tr>
<td>Periodic Reevaluation and Response, if &gt; $5,000/unit/year</td>
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<td>X</td>
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<tr>
<td>Monitoring of Owner’s Compliance with LSHR and HQS (HCV/PBV)</td>
<td></td>
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<td></td>
<td>X</td>
</tr>
</tbody>
</table>

* - The PHA may wish to collaborate with the owner on implementing this process.

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According to HUD, the Rental Assistance Demonstration (RAD) was created “in order to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties and address the $26 billion dollar nationwide backlog of deferred maintenance.” Through RAD, PHAs are able to convert their public housing units to a Section 8 platform with a long-term contract that must be renewed. Currently, RAD has leveraged almost $4.3 billion in total construction activity.

RAD was authorized as a part of the Consolidated Appropriations Act of 2012. Initially, the number of units to be converted through RAD was capped at 60,000. This cap was increased to 185,000 units in 2015 and again in 2017 to 225,000 units. The 2017 Appropriations Act also changed the September 30, 2018 deadline for submission of RAD applications under the first component to September 30, 2020.

On August 23, 2017, HUD released a notice that increased the unit cap for RAD as mandated by the 2017 Appropriations Act and set rents for units converted under the increase. PHAs that had already submitted Letters of Interest (LOI) to reserve their position on the RAD waiting list became eligible for award under this expansion if the PHA submitted a complete RAD Application, Portfolio Award, or Multi-phase Award for the number of units identified in their LOI by October 23, 2017. Those that did not submit a complete application by this date forfeited their position on the waiting list, allowing other PHAs on the waiting list to become eligible for the expansion spots.

For Commitments to Enter into a Housing Assistance Payments Contract (CHAPs) issued beyond the 185,000-unit cap and for any replacement awards made as a result of revocations or withdraws that occurred after May 5, 2017, HUD will use rent levels based on the FY 2016 RAD rent base year. However, HUD will use rent levels based on the FY 2014 RAD rent base year for replacement awards made under the 185,000-unit cap as a result of revocations or withdraws that occurred prior to May 5, 2017.

PHAs that are issued Multi-phase Awards after May 5, 2017 will have until September 30, 2020 to submit an application for the final phase of the project. HUD may approve extensions up to September 30, 2020 for Multi-phase Awards made prior to May 5, 2017 on a case-by-case basis.

Looking forward, the FY 2018 Senate THUD Appropriations bill aims to eliminate the September 20, 2020 deadline for the submission of RAD applications under the first component and eliminate the cap on conversions. The FY 2018 House THUD Appropriations bill does not do this.

Project Renovate is the first Rental Assistance Demonstration (RAD) conversion of public housing in the state of Colorado, enabling Boulder Housing Partners to convert 279 public housing units into a tax credit partnership. The agency won a 2017 Awards of Merit.
Mandatory Use of Small Area FMRs Suspended

In mid-August, HUD published a report on the Small Area Fair Market Rent (FMR) Demonstration which shows mixed results for the efficacy of Small Area FMRs. On August 11, HUD suspended the mandatory implementation of Small Area FMRs for PHAs in 23 of the 24 metropolitan areas. For two years HUD cited the mixed results of the interim report as one of the bases for the suspension. Although, the mandatory implementation has been suspended, all the provisions in the Small Area FMR rule remain in place and those PHAs that wish to continue to implement Small Area FMRs may still implement them.

FMRs are calculated by HUD on the county or metropolitan area level. HUD states that the FMR is the amount of money that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest nature. Fair market rents help determine the amount of rent covered by the voucher (i.e., the higher the FMR, the higher the potential value of the voucher). Small Area FMRs are FMRs calculated by zip code. The intended effect of Small Area FMRs is to decrease subsidies in low-opportunity (low-rent) neighborhoods and increase subsidies in high-opportunity (high-rent) neighborhoods to incentivize families to move from low-opportunity neighborhoods to high-opportunity neighborhoods.

In 2012, HUD began the Small Area FMR Demonstration (though the Demonstration uses PHAs which have been using Small Area FMRs since before 2012), and HUD has now published interim findings from the Demonstration. The findings show the benefits and costs to Small Area FMRs.

More Families Are Moving into Areas of Opportunity - The interim evaluation found that Housing Choice Voucher (HCV) holders were slightly more likely to live in high-rent zip codes than they were before the implementation of Small Area FMRs.

There Is a Loss of Affordable Units - Across all PHAs implementing Small Area FMRs in the Small Area FMR Demonstration, the evaluation found that the gain in units in high-rent zip codes does not offset the loss of units in the low-rent and moderate-rent zip codes. The evaluation found a loss of affordability for over 22,000 units among the seven PHAs in available housing stock for vouchers.

Families Are Bearing an Aggregate Higher Cost Burden - The average tenant contribution to rent in the Small Area FMR PHAs increased by sixteen percent between 2010 and 2015.

Using Small Area FMRs Should Be a Community Decision - These findings should dispel arguments that Small Area FMRs are “good” or “bad” as those arguments tend to be overly simplistic. Instead, Small Area FMRs, like many other policy options in the public sphere, impose a set of trade-offs. In this case, the researchers found that Small Area FMRs allow for “slightly more” households to live in areas of opportunity with a higher cost burden for households in the aggregate and a 3.4 percent drop in available units for households. Additionally, the magnitude of the trade-off can vary by housing market. For example, in some markets there will be a greater loss in units for a smaller gain in households living in areas of opportunity.

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NAHRO's Policy and Program Development department conducts public policy analysis, formulates regulatory recommendations, and interacts with the U.S. Department of Housing and Urban Development on behalf of the Association's members.

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