LEGISLATIVE REFERRAL MEMORANDUM
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LRM NO: 374

FILE NO: 82

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Lynn
HUD
Specs
for reinventing
trial agency!

RESPONSE TO
LEGISLATIVE REFERRAL MEMORANDUM

LRM NO: 374
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If your response to this request for views is simple (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet.

If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter.

Please include the LRM number shown above, and the subject shown below.

TO: Anna BRIATICO 395-7887
Office of Management and Budget
Fax Number: 395-6148
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

SUBJECT: HOUSING AND URBAN DEVELOPMENT Legislative Specs on HUD Restructuring Legislative Specifications

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _____

_____ Other: ______________

_____ FAX RETURN of ____ pages, attached to this response sheet

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renewed economic development emphasis. Combining the existing CDBG program with a new economic development emphasis along with a new bonus pool has the advantage of building on what works while achieving the objective of making the fund an even more effective tool for economic empowerment. The CDBG program is already a program that offers substantial flexibility to grantees. Therefore, relatively little change is needed for that purpose. This proposal does, however, continue the current efforts to streamline even further the operation of CDBG, by providing greater clarity in the definition of eligible activities addressing economic development and "brownfields."

Importantly, the COF will serve as the key economic development tool for localities across the nation. This proposal pursues the objective of making the fund an effective tool for economic development in three basic ways: by building on the recent regulatory changes that have been made to the CDBG program's economic development rules; by placing greater stress on the need for grantees to address the program's goal of expanding economic opportunity for low- and moderate-income persons through the Consolidated Plan and performance measurement processes; and, by establishing a bonus award system that will establish a pot of money above and beyond the CDBG allocation to fund specific economic development projects and that can be accessed through exceptional performance under the CDBG program, especially regarding economic development. The current annual average expenditure of CDBG funds for economic development purposes is 11 percent for entitlement communities and 17 percent for States. With the additional emphasis that will be given to economic development through the performance measurement and bonus system described in this proposal for the COF, it is expected that a substantially larger proportion of funds will be expended by grantees for economic development purposes than ever before under CDBG.

As with the AHF, under the COF the Federal Government will establish specific goals and objectives, while localities will receive significant flexibility in determining how to achieve them. HUD, in consultation with states and local governments, will develop by regulation the performance measures that grantees will be required to use. The grantees will establish the specific performance levels they expect to achieve within each measure applicable to their CDBG program. HUD will track a grantee's performance against these measures and will publish information allowing the grantee and its citizens to compare its performance against other grantees. Performance against these measures will determine whether the grantee qualifies to compete for a grant under the Performance Bonus pool. As both HUD and grantees gain more experience with these measures, HUD will also use them to determine the need for providing the grantee

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technical assistance and to address cases of severe or chronic performance deficiencies. As part of this process, HUD would require all grantees to identify the outcome measures they intend to achieve, thereby establishing clear goals. These goals would focus on "end-stage" outcomes, such as decreases in poverty or teen unemployment, rather than being limited to process measurements, such as number of clients served. In addition, grantees would establish specific benchmarks as the principal means to assure that they are making reasonable progress toward the broad statutory goals of providing decent housing, a suitable living environment and expanding economic opportunity, principally for lower-income persons.

In order to award effective performance under the program, a $250 million Performance Bonus pool would be established and awarded on a competitive basis to fund specific larger-scale economic development and "brownfields" clean-up projects that are not adequately handled through the CDBG program. These funds would be awarded based both on the specific project proposed and on the grantee's performance under the CDBG program. Projects funded would focus on spurring community economic revitalization in low-income areas, with emphasis on low-income job creation. These projects would be geared toward neighborhood revitalization and would reflect the Administration's commitment to economic revitalization of distressed urban areas. They would also help build on the many potential comparative advantages of inner-city neighborhoods, identified by Michael Porter, including:

- Physical Location. Inner-city areas are generally located near downtown areas and their attendant business, and transportation and communication nodes. Inner-city locations offer potential advantages for businesses requiring proximity to downtown business districts, infrastructure, entertainment and tourist destinations, and concentrations of other companies. This also creates opportunities for locating non-headquarters activity such as warehousing and data processing that benefit from proximity.

- Demand Conditions. Inner cities represent an immense, growing, yet under-served market. Despite low incomes, inner cities have higher income per square mile than suburbs due to higher population density. Furthermore, they present opportunities for developing specialized products and services for urban minority markets.

- Linkages to Regional Clusters. Inner-city locations offer prime access to competitive regional clusters. These local clusters represent large and often rapidly

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growing markets for supplies, components, and support services. Firms based in the inner city should be able to take advantage of proximity to develop close customer relationships with downtown firms.

- Human Resources. Inner cities contain large labor pools which may possess specialized skills, a population with a strong entrepreneurial spirit that in the past has been more devoted to community service organizations than business, and a growing cadre of minority executives trained at the Nation's great business schools and with experience in large corporations who could provide leadership for inner city business.

2. MISSION AND GOALS

The purpose of the COF is the development of viable communities, with particular emphasis on economic development. This new fund builds on the primary objective of the CDBG program, which is the development of viable communities by providing:

- decent housing;
- a suitable living environment; and
- expanding economic opportunities

all of which is principally for low- and moderate-income persons. Thus, the COF will be a powerful tool for revitalizing distressed areas. In addition, emphasis will be placed on encouraging communities to identify specific neighborhoods in which they will invest a "critical mass" of funds so as to bring about visible change and revitalization. Communities opting to focus on such low-income neighborhoods will receive additional administrative flexibility under the CDBG program in implementing their strategic plans.

3. ALLOCATION OF RESOURCES

Under the CDBG program, States have been allocated 30 percent of the amount appropriated after deducting amounts designated for Indian Tribes and other special purpose grants. The remaining 70 percent has been allocated to the larger cities and counties in the U.S. on an entitlement basis. This proposal does not contemplate any change in either this 70/30 split between entitlement and States or the entities that will be entitled to receive a formula grant. It is also expected that the CDBG formulas would continue to be used for the CDBG program.

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It is proposed that the following amounts be taken from the full amount appropriated for the CDBG program before allocating funds that will be provided directly to States and units of local government: (No other set-asides would be used.)

- 1.5 percent for Indian Tribes;
- 0.5 percent for technical assistance and university programs, but no less than $23 million;
- 0.1 percent for Insular Areas; and
- 0.4 percent for management information systems but no less than $18 million.

The 1.5 percent proposed to be set aside for grants to Indian Tribes represents an increase over the one percent used under the existing CDBG program. With the funding level proposed, this would yield approximately $69 million, as compared with $46 million under CDBG this year.

The TA and university set-aside would yield approximately $23 million. Ten million dollars would be used for economic development training for localities and building the capacity of neighborhood-based and community development organizations that wish to participate in local economic development. The remaining $13 million would be used to provide direct financing to HBCUs as well as other universities.

The funding for the development, implementation and refinement of management information systems is critical to establishing a national database on local needs and program performance as well as to providing localities and other community members with the necessary software to plan and track performance. In addition, because of the heavy reliance on accurate and timely performance information from grantees and the importance of using the latest possible computer technology to advance the sharing of information with citizens, local organizations and other stakeholders in the grantee's community, funding is needed to improve HUD's capacity to provide information related to the Consolidated Plan and the performance measurements. As the necessary systems are implemented and the need for refinements is identified, the amount of funds that will be requested for this purpose could be expected to decrease over time.

Currently, Insular Area funding is treated as a separate appropriation. Under this proposal, the Insular Areas would be treated as they are under HOME, with a small set-aside and then funds distributed on a formula basis.

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One significant change could be made with respect to the authority of States to use the funds allocated to them under the CDBG program. In the existing CDBG program, States must distribute all of the funds (with the exception of a small allowance for their administrative costs and for TA) to units of general local government in nonentitled areas. Under this proposal, States could also be allowed to carry out activities themselves in such areas. Virtually all States have some communities that lack the capacity to carry out activities, particularly in the most rural and undeveloped areas, and this would enable the States to participate more directly in meeting the needs in such areas. In so doing, States could, at their option, also contract directly with other entities to carry out the needed activities, including the use of regional planning or development bodies.

As under the current CDBG program, the States bordering on Mexico would be required to set aside an amount up to 10 percent of their CDBG allocations each year, as determined by the Secretary, for use in addressing needs in Colonias. The provision to allow States to contract with non-government entities or to directly carry out activities could be particularly beneficial for the Southwest Border States. States would be able to award funds to non-profit organizations to carry out activities in Colonias.

4. ELIGIBLE ACTIVITIES

Under the existing CDBG program, grantees have considerable flexibility to select from a broad array of activity types. It is important that this feature be retained and improved in the COF. Therefore, it is proposed that the present confusion concerning the eligibility of types of activities that may be assisted with CDBG funds be reduced by (a) rewording portions of the statute concerning the eligibility of economic development activity; (b) identifying "brownfields" rehabilitation as a separate eligible activity; and, (c) providing less detailed regulatory oversight of eligible activities in cases where localities are implementing a low-income neighborhood revitalization strategy that has been approved by HUD through the Consolidated Plan. Moreover, it is proposed that activities undertaken by a grantee for affirmatively furthering fair housing not be made subject to the percentage limitations on public services or planning and administration.

Recent demand for Section 108 loan guarantee program funds has increased dramatically. The authorization in the existing CDBG program for the Federal guarantee of loans for which the recipient grantee pledges future grants as collateral would be continued under the CDBG program. However, unlike the current

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CDBG program where activities that may be assisted with proceeds of such loans is more limited than those that could be assisted with grant funds, under the proposed loan guarantee provision, activity eligibility would match that of the grant funds.

5. TARGETING OF FUNDS

The three so-called "national objectives" of the existing CDBG program have evolved into the most critical performance requirement for grantees in that program. Simply stated, they are to:

- benefit low- and moderate-income families;
- prevent or eliminate slums and blight; and,
- address other needs of particular urgency.

For the past several years, grantees have been required to spend at least 70 percent of their CDBG funds (including proceeds of guaranteed loans) for activities that address the objective of benefit to low- and moderate-income persons. These objectives have served the purpose of assuring that the vast majority of CDBG-assisted activities have principally benefited lower-income persons, and that other assisted activities have served either to eliminate blight or to address an urgent need for which other funds are not available. In fact, annual reports, borne out by a recently completed evaluation of the CDBG program, show that an average of 90 percent of CDBG funds are used for activities that benefit low- and moderate-income persons, a percentage well above the required statutory minimum. The national objective requirements would be retained.

6. CROSSCUTTING REQUIREMENTS

All Federal crosscutting requirements currently applicable to the CDBG program (e.g. Fair Housing, Labor Standards, Lead-Based Paint, Environmental Review, Displacement and Relocation) would apply to the COF, except for certain changes to Davis-Bacon requirements and environmental requirements.

The trigger for Davis-Bacon would be raised to 12 units of housing to make this requirement conform to that which would apply to the AHF. Generally speaking, it is recommended that the crosscutting requirements that are made to apply to both the COF and the AHF should be covered in the same way when applied to activities of the same type that may be assisted under both programs.

The current requirement for grantees to affirmatively further

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fair housing would be continued under the CDBG program.

7. PERFORMANCE REVIEWS, BONUSES AND SANCTIONS

The COF would institute a new series of performance measures and bonuses. In general, localities would be expected to meet the performance measures they establish. Localities which establish and meet ambitious performance measures for expanding economic opportunity for low-income persons and for revitalizing distressed neighborhoods would be eligible to compete for additional funds from a bonus pool. Such bonus funds would be used to fund specific economic development projects to revitalize low-income residential neighborhoods and to clean up "brownfields."

<u>Review of Performance</u>.

Establishing realistic performance standards and goals is one of the most important new features of the CDBG program. HUD will establish by regulation the performance categories to be measured. The state or locality will then establish performance levels, consistent with its locally-established priorities and resources available. HUD will work in collaboration with grantees in determining measures for those criteria that reflect local needs and opportunities, as well as that identify specific outcomes to be expected from these investments.

Non-profits and other entities could present for HUD's review evidence regarding both the extent of the citizen participation process and the performance standards determined through that process when these standards are grossly disproportionate to the needs identified by the jurisdiction. Particular scrutiny would be paid to evidence presented by providers who have a proven track record of serving needy populations for which there is an identified need for economic development and job creation in the jurisdiction.

It is anticipated that each grantee's projected performance levels will be published so that similar grantees can be compared with each other. This can then be evaluated, both by the grantees and by their citizens. The Secretary shall annually review the performance of grantees in meeting the performance levels they establish . The Secretary will also disseminate information that highlights both poor performance and particularly excellent or innovative performance.

<u>Expenditure of Funds</u>.

For years, the existing CDBG program has employed a standard for measuring timely performance by basically requiring entitlement

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grantees to avoid accumulating more than the equivalent of one- and one-half annual grants in the grantee's line of credit at the end of each program year. The CDBG program would continue to use this same measure. States have been required by statute to distribute the funds in a timely manner but there has been no expenditure standard. An appropriate expenditure standard could be developed for States and applied in the CDBG program. Through the use of these standards, HUD could ensure that the funds are expended in a timely manner. Grantees that fail to meet the applicable standard would be subject to having the excess funds reallocated to the bonus pool.

Awarding Performance Bonus grants

Grants under the Performance Bonus pool would be awarded on a competitive basis to grantees for specific economic development projects. In addition to the specific project proposed (including involvement of locally-based non-profits and leveraging through the Section 108 program and other private financing) other criteria for awards could include:

- The grantee's performance in expending funds in a timely manner
- the ambitiousness of the grantee's performance levels as compared to those in similarly situated jurisdictions;
- the extent of low-income targeting by the grantee, with emphasis on the creation of low-income jobs; and
- the extent to which the grantee devotes its CDBG funds to economic development and to implementing neighborhood investment strategies to provide a critical mass of funds to economically revitalize identified distressed neighborhoods in the jurisdiction.

8. TECHNICAL ASSISTANCE

Under this proposal, the existing eligible uses of TA would be maintained. In addition, HUD would be authorized to use the funds set aside for this purpose in a variety of ways based on their appropriateness to meet the needs of grantees to carry out activities under the COF for purposes of achieving progress towards the program's primary goal. HUD could use the funds by contracting with other entities to provide the needed assistance or could use the funds to meet expenses related to the use of HUD staff to provide the assistance directly. HUD could also use the funds to pay for costs incurred by grantees in providing

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assistance to other grantees, when approved in advance by HUD, thereby establishing a peer-to-peer counseling network.

9. SUMMARY

The proposal described above is responsive to the principles which were provided in the Reinvention Blueprint. The CDBG program has been maintained as the nucleus for the COF, including formula allocations, eligible jurisdictions, and the basic operations of the program. Modifications to the program are suggested to clarify eligible activities, to establish the requirement for performance measures, to authorize the Secretary to hold grantees accountable for performance against their own established levels and to bring into sharper focus the economic development nature of the CDBG program.

The COF would maintain CDBG's traditional focus on the needs of low- and moderate-income Americans, through maintenance of the national objectives. The CDBG program would gain, however, a new economic development dimension which is reflected in recently released regulations and would be continued through the COF. The Consolidated Plan will serve to focus those objectives, especially in directing activities toward identifiable low-income areas that can serve as special local "revitalization zones."

The focus on leveraging through the Section 108 program continues, and, should demand for 108 loans grow to the point where it exceeds the maximum authority established in appropriations, HUD expects to give priority to loans that are proposed for use in economic development projects.

Jurisdictions' performance under the CDBG program assumes a much greater importance. Requirements for timely use of funds are strengthened for States, as are requirements for setting performance goals in the Consolidated Plan. $250 million in Performance Bonus funds are available competitively for those that excel at economic development performance to fund local economic revitalization projects.

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February 21, 1995

The Affordable Housing Fund

1. APPROACH

The Affordable Housing Fund (AHF) reflects the Federal Government's commitment to increasing homeownership and providing housing for America's poor and vulnerable populations, both as part of an overall strategy for development in America's cities and communities. The blueprint for how a community will use its AHF monies will arise from that locality's Consolidated Plan, which will identify housing needs, actions to address those needs (including strategies for low-income homeownership), and performance measures, all within the context of a larger plan for community revitalization.

Consistent with the need to provide localities flexibility in using government programs and with the consolidations proposed in the HUD Reinvention Blueprint, AHF will serve as a funding mechanism for what were previously a wide range of independent programs, including the HOME Program and the Section 202 and 811 programs for the elderly and disabled. The six existing HUD McKinney programs for the homeless will be consolidated into a single Homeless Assistance Fund in FY 1996, and will merge into the AHF in the year 2000. After the year 2000, there will be a period during which the AHF will contain a set-aside to assure that funds are directed to the needs of the homeless.

Rather than creating a new superstructure of separate programs, the AHF borrows the strongest and broadest plank from the current affordable housing production programs and places all Federal housing funds on the same foundation supported by the Consolidated Plan. Thus, the HOME Program, which is already accessed through the Consolidated Plan by over 500 participating States and units of local government, will serve as the framework around which the AHF is constructed.[1] Using the HOME Program as the basis will permit a speedy transition as localities will not have to learn to administer a new Federal program. They will also be able to build on the HOME framework which has already produced 45,000 units of affordable housing for low-income people, of which 21 percent of the units are occupied by elderly persons and households. Over 70 percent of renters assisted by HOME funds are below 30 percent of median income while more than 57 percent of the homeowners are below 50 percent of median

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[1] Except where otherwise indicated, all elements of the current HOME statute will be incorporated into the AHF.

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income.

In addition to merging HOME with other affordable housing programs, the AHF will continue the process of streamlining current HOME and other requirements, which has already led to a dramatic increase in affordable housing production over the past two years. Thus, AHF proposes an enhanced HOME Program which incorporates the eligible activities of other affordable housing programs into a streamlined and flexible delivery system.

Under this new program, the Federal Government will establish specific goals and objectives (e.g. income targeting, homeownership, assisting needy populations, and fair housing), while localities will receive significant flexibility in determining how to achieve them. Local performance will be based on a series of performance measures in which the Federal Government provides the categories while the locality establishes the number to be achieved. Performance measures will reflect both "end-stage" outcomes, such as increases in the homeownership rate among low-income households, as well as benchmarks to establish progress toward these goals. The local performance measures will be created through the Consolidated Plan process so as to reflect the specific needs of particular communities. They will both serve as the foundation for a national database on program performance as well as providing a yardstick against which local performance can be measured and rewarded, in addition to being compared with that of other similarly situated communities across the country.

2. MISSION AND GOALS

The purpose of the AHF is to expand the supply of decent, safe, accessible, affordable housing for lower-income families as a key element of promoting neighborhood and community revitalization.

The goals of the AHF include:

- to assist State and local governments in providing housing for persons with special needs, including the disabled and frail elderly, to help these individuals live with dignity and independence in their communities;
- to promote housing affordability and choice for low-income families and deconcentration of low-income housing;
- to expand affordable howeownership opportunities for

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low and moderate income families and help increase howeownership rates nationwide;

- to encourage a comprehensive approach to neighborhood and community revitalization strategies and help stabilize distressed communities; and

- to promote the development of partnerships among the Federal, State and local governments, private industry and nonprofit organizations to utilize effectively all available resources to provide more affordable housing.

3. ALLOCATION OF RESOURCES

AHF funds would be allocated to States, cities, and urban counties, using the current HOME formula, which distributes 40 percent to States and 60 percent to local jurisdictions. One minor modification to the current HOME allocation system are proposed:

- In order to ensure jurisdictions a continuing stream of AHF funds to implement their Consolidated Plan strategies, the current minimum dollar threshold for participation by a locality in the HOME Program would be replaced with a required minimum percentage share of .015 percent of the AHF appropriation so long as it is no less than $400,000. This would help resolve the problem of participating jurisdictions being added and then dropping out as funding levels increase and decrease. Based on the FY 1996 HUD budget of $3,339,000 for the AHF, the minimum percentage share would provide for approximately 700 State and local jurisdictions.

The AHF would include the following set-asides before funds were allocated to State and local jurisdictions:

- 1.5 percent for Indian Tribes;

- 0.2 percent, or $750,000, whichever is greater, for Insular Areas;

- 2.0 percent for technical assistance to nonprofits and State and local governments, but no less than $66 million; and

- 0.5 percent but no less than $16.5 million for management information systems.

The amount available for Indian Tribes will increase from the one

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percent set-aside which is now in the HOME Program to 1.5 percent of the AHF. The amount available to Indians for housing production will more than triple due to the larger funding base on which the percentage is computed. This would result in an increase in housing production funding for Indian Tribes from $14 million under HOME in FY 1995, to approximately $50 million under the AHF in FY 1996.

The current HOME statute provides that 0.2 percent of the HOME appropriation, or $750,000, whichever is greater, be reserved for Insular Areas. It is anticipated that this same percentage factor be retained for the AHF.

Currently $25 million of HOME funds is set aside for TA to Community Housing Development Organizations (CHDOs), and $22 million is set aside for State and local governments, a total of $47 milion. By comparison, the two percent set-aside under the AHF would yield $66.8 million. This reflects the need for added TA for a substantially expanded base of nonprofit housing providers, specifically elderly and disabled housing providers, fair housing agencies, and housing counseling agencies. It also reflects the need to provide TA for migrant farmworker assistance as well as capacity building of community-based organizations generally, as well as neighborhood-based religious organizations in particular, which are often the primary islands of stability and oases of revitalization in otherwise distressed areas. Because appropriations may fluctuate over the years, a floor would also be established of $66 million for any given fiscal year.

The funding for the development, implementation and refinement of management information systems is critical to establishing a national database on local needs and program performance as well as to providing localities and other community members with the necessary software to plan and track performance. In addition, because of the heavy reliance on accurate and timely performance information from grantees and the importance of using the latest possible computer technology to advance the sharing of information with citizens, local organizations and other stakeholders in the grantee's community, funding is needed to improve HUD's capacity to provide information related to the Consolidated Plan and the performance measurements. As the necessary systems are implemented and the need for refinements is identified, the amount of funds that will be requested for this purpose could be expected to decrease over time.

In addition to the above set-asides which occur prior to the allocation to state and local jurisdictions, the four border states of Texas, New Mexico, Arizona, and California would set aside ten percent of their State allocations for addressing the

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needs of Colonias. This would make the AHF comparable to the current CDBG program. Furthermore, States with significant migrant farmworker populations would be required to identify the housing and other needs of these populations in their Consolidated Plan and to set aside funding to address these needs.

4. NONPROFIT SET-ASIDE

Currently each HOME participating jurisdiction must set aside 15 percent of its allocation for CHDOs. These are defined in the statute as community-based nonprofit organizations which provide affordable housing, and maintain, through significant representation on the governing board and otherwise, accountability to low-income community residents. This practice would be continued with some significant modifications.

The AHF would establish a set-aside of 30 percent for all types of nonprofits, including traditional sponsors of elderly and disabled housing, to carry out eligible AHF activities. PHAs[2] would also be able to access this set-aside. Half of this amount, or 15 percent of each jurisdiction's allocation, would be limited to community-based private nonprofit organizations.

The types of eligible activities which could be undertaken with any part of the set-aside would be expanded. For instance, a CHDO presently has to be the owner, sponsor, or developer of housing. Under the AHF it is proposed that other eligible housing activities, including fair housing, homeowner rehab, first-time homebuyer programs, and housing counseling be eligible uses of the set-aside. This would both allow groups now engaging in these activities in programs being consolidated into the AHF to access the set-aside, and provide increased flexibility to existing CHDOs regarding their activities funded with set-aside monies.

Certain activities being folded into the fund (e.g., housing counseling) are currently carried out by nonprofits who are not CHDOs. Therefore, the definition of nonprofits eligible for the 15 percent set-aside would be expanded to include any type of community-based private nonprofit organization engaged in housing activities. Thus, any nonprofit may participate in the 30 percent allocation, but only community-based nonprofits may

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[2] Unlike under HOME, PHAs would be eligible to receive funding from localities under the AHF. In addition, localities would be required in their Consolidated Plan to examine needs for public housing demolition disposition, as well as to outline plans for assisting troubled PHAs.

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participate in the 15 percent allocation.

Finally, the new 30/15 standards would be considered benchmarks, rather than rigid requirements. In other words, jurisdictions would be expected to allocate at least 30 percent of their annual grants to nonprofits, and at least half of that would be for community-based nonprofits. If, on the other hand, a jurisdiction presented convincing arguments why those specific allocations should not be made in a particular year, (e.g., lack of non-profit capacity) it would be able to vary from the benchmark.

5. TARGETING OF FUNDS

In combining several different HUD programs into an AHF, a key question becomes who benefits from the fund. The existing programs are designed to benefit differing income levels and populations including the disabled and the elderly. For example, the 202/811 programs must benefit persons below 50 percent of median income, while the National Homeownership Trust provides assistance for families up to 115 percent of median income in high cost areas.

The current HOME income targeting rules provide that all HOME funds must be used to benefit families below 80 percent of median income. For rental housing, 90 percent of the families assisted must be below 60 percent of median, and 20 percent of the units in each project must be occupied by families below 50 percent of median.

The AHF would continue the basic income targeting requirements of the HOME program. First, the 80 percent of median standard has been used in both the CDBG and HOME programs for years and has become widely accepted. Second, experience with the HOME program has demonstrated that deep targeting is in fact occurring.

The AHF could also authorize jurisdictions to use a portion of their funds for units occupied by families up to 115 percent of median income that are located in designated low income revitalization areas. This flexibility could serve as an effective tool for neighborhood revitalization and deconcentration.

6. ELIGIBLE USES

To provide State and local governments flexibility in meeting their needs for affordable and special needs housing, the AHF would permit a broad range of activities to assist rental and homeownership efforts. Essentially all activities currently

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eligible under HOME, 202 and 811 (except for CHSP) would be eligible, including rehabilitation, new construction, acquisition, and tenant-based rental assistance. Up to ten percent of the grant could be used for administrative costs, and up to five percent for operating expenses for community-based private nonprofit organizations. Neighborhood deconcentration efforts and local flexibility would be enhanced by removing fair housing activities from the cap on administrative costs.

This new menu of expanded AHF activities would include the following:

> Supportive Services -- The Section 202 program provides for a cost sharing arrangement for the provision of social services for residents who qualify as frail elderly or are determined to be "at-risk" of being institutionalized. Specifically, 202 funds may be used to pay up to 15 percent (up to $15 per unit/per month) of the service costs of these residents. Services eligible for cost sharing include: meal servies, housekeeping aid, personal assistance, transportation services, health-related services and other services deemed essential for maintaining independent living. The AHF will authorize grantees to fund supportive services for the frail elderly or "at-risk" elderly subject to the same conditions.
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> Service Coordinators -- The Section 202 program also pays for the cost of service coordinators. This will also be authorized under AHF to the same extent it currently is eligible under 202.
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> Housing Counseling -- AHF funds could be used to provide information and counseling services to renters, to potential homebuyers before and after purchase, or to conduct housing counseling programs for the community.
>
> Fair Housing Activities -- Although currently eligible either as an administrative cost or a project cost, fair housing activities would be eligible outside of the administrative cap.
>
> Public Housing Modernization -- The HOME program statute currently prohibits States and localities from using HOME money for public housing modernization. This would become an eligible AHF expenditure at such time as the public housing modernization fund is phased out in favor of the new Housing Certificate Fund.
>
> Project-Based Rental Assistance and Operating Subsidies -- The Section 202 and 811 programs as currently structured

rely on project-based rental assistance. Although the HOME statute permits project-based rental assistance, the HOME regulations prohibit it except as a temporary operating subsidy during the initial rent-up period of up to 18 months. The AHF will retain the current general language of the HOME statute, and the specific guidance will be proposed in the regulations governing the AHF program.

7. AHF LOAN GUARANTEE PROGRAM

This proposal would establish a loan guarantee program for the AHF, similar to the Section 108 authority for the CDBG Program. This authority would provide jurisdictions with an additional source of financing for large-scale housing and homeownership tract development.

Eligible applicants would be eligible AHF jurisdictions. The jurisdiction may be the borrower or it may designate a public agency to issue the notes or other obligations and receive the guarantee.

Eligible activities would include: acquisition, new construction, reconstruction, or moderate or substantial rehabilitation of affordable housing including real property acquisition, site improvements, conversion, demolition and other expenses, including financing costs, credit enhancements, debt service reserves, and relocation expenses of any displaced persons, families or business organizations. The costs associated with a public offering are also eligible. All housing funded under the loan guarantee must meet the requirements of the AHF.

The maximum amount of loans that HUD may guarantee or commit to guarantee for each jurisdiction is limited to five times the jurisdiction's latest AHF allocation amount, as well as being limited by the appropriations action.

Security for the loan guarantee is a pledge by the applicant of its current and future AHF funds. HUD may also require additional security, especially if the repayment period exceeds 10 years. In any event, the repayment period may not exceed 20 years. The guaranteed loans would be financed in the same manner as the CDBG Section 108 loan guarantee program. In the event of default, HUD could make payments on the loan using the pledged AHF funds.

8. CROSSCUTTING REQUIREMENTS

All Federal crosscutting requirements currently applicable to the HOME Program (e.g., Fair Housing, Labor Standards, Lead-Based Paint, Environmental Review, Displacement and Relocation) would

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apply to the AHF, except for certain changes to Davis-Bacon requirements and environmental requirements.

In the case of Davis-Bacon, the AHF will be brought into conformity with the CDBG (CDBG Fund) requirements by exempting from Davis-Bacon the acquisition of land which is then developed using non-Federal funds. Also, the threshold for triggering Davis-Bacon would be raised to 12 units for the CDBG Fund bringing it into conformity with the HOME Program (AHF) statute.

The current HOME program regulations prohibit discrimination in any HOME-assisted rental property against any person holding a rental certificate or voucher. This policy would be continued in the AHF. In addition, the existing civil rights and fair housing requirements would continue as they are currently applicable to the HOME program and under the Consolidated Plan which requires jurisdictions to administer their programs and activities in a manner to affirmatively further fair housing. They accomplish this by carrying out an analysis of impediments to fair housing and taking appropriate actions to overcome the effects of any impediments. The program and activities carried out under the AHF offer a vehicle for eliminating the impediments identified in the analysis. This approach will also end the past micromanagement in which the Department engaged in a site-by-site review of site selection for assisted housing in local jurisdictions. Although a national standard (mandated by statutes and court decisions) will remain, each community will be able to apply the standards collectively to all of its new construction activity and certify compliance to HUD, which will examine the certification only where evidence exists to challenge it.

9. PERFORMANCE REVIEWS AND BONUSES

The AHF would institute a new series of performance measures and establish a bonus pool. Ten percent of each jurisdiction's allocation will be retained as an incentive to meet the performance measures established in its Consolidated Plan. Failure to meet those performance and expenditure measures or other AHF program requirements would result in the reallocation of its ten percent "holdback."

Review of Performance.

Establishing realistic performance standards and goals is one of the most important new features of the AHF. HUD will establish the performance categories to be measured (increases in homeownership rates, funds expended, houses rehabilitated, rental units constructed, new home owners, etc.). The state or locality will then establish specific performance measures and benchmarks

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(number of houses rehabilitated, number of rental units constructed, etc.), consistent with its locally-established priorities and resources available.

It is anticipated that each jurisdiction's measures will be published so that similar jurisdictions can be compared. This can then be evaluated, both by the States and localities and by HUD. The Secretary shall annually review the performance of jurisdictions in meeting the objectives of the AHF and the Consolidated Plan.

Non-profits and other entities could present for HUD's review evidence regarding both the extent of the citizen participation process and the performance standards determined through that process when these standards are grossly disproportionate to the needs identified by the jurisdiction. Particular scrutiny would be paid to evidence presented by providers who have a proven track record of serving needy populations for which there is an identified need for housing in the jurisdiction.

Establishing a Performance Bonus Pool.

The performance bonus pool will be available to jurisdictions which surpass key Federal objectives such as low-income targeting, leveraging and homeownership.[3] The ten percent holdback retained from jurisdictions which do not meet the performance measures established in their Consolidated Plans, will fund the bonus pool. In addition, any funds deobligated as a result of failure to meet statutory requirements will be added to the pool. Amounts available for performance bonuses to local governments would be kept separate from that available for States.

Awarding Performance Bonuses.

Once it has been determined which jurisdictions have met the AHF statutory requirements and the performance goals in their Consolidated Plans, they would be ranked on objective criteria such as the following:

a. percent of funds targeted to extremely low-income households;

b. percent of funds expended;

c. percentage of other funds leveraged; and

---

[3] Localities would be required to include a homeownership strategy in their Consolidated Plan.

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d. percent increase in number of low-income households becoming homeowners.

Top performing jurisdictions will receive bonus awards.

10. TECHNICAL ASSISTANCE

The current HOME structure for technical assistance will be retained, with the following modifications:

a. Technical assistance for CHDOs would be expanded to allow assistance to be provided to any private nonprofit which qualifies for the 30 percent set-aside.

b. Activities to assist PJs to comply with program requirements would be added.

c. The provisions for training for women in homebuilding would be expanded to include training for low-income residents in homebuilding in order to reflect Departmental commitment to Section 3.

d. Training of HUD staff to enable them to provide technical assistance would be added.

e. HUD could also use the funds to pay for costs incurred by jurisdictions in providing assistance to other jurisdictions, when approved in advance by HUD, thereby establishing a peer-to-peer counseling network.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

LRM NO: 374
FILE NO: 82

URGENT

2/22/95

LEGISLATIVE REFERRAL MEMORANDUM

Total Page(s): ____

TO: Legislative Liaison Officer - See Distribution below:
FROM: Janet FORSGREN (for) Janet L. Forsgren
Assistant Director for Legislative Reference
OMB CONTACT: Anna BRIATICO 395-7887
Legislative Assistant's line (for simple responses): 395-7362

SUBJECT: HOUSING AND URBAN DEVELOPMENT Legislative Specs on HUD Restructuring Legislative Specifications

DEADLINE: COB Friday, February 24,1995

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President.

Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: ★★★

PLEASE NOTE --- This is the first part of the HUD Reinvention proposed legislative specifications. Additional specifications will also be circulated to relevant agencies and offices. Comments on this first part are due by COB Friday, February 24th. If we do not hear from you by 5:30 p.m. , we will assume that you concur with the specifications. Thanks.

Lynn

January 17, 1995

MEMORANDUM TO: Marcia Hale

FROM: Lynn Margherio LM

SUBJECT: NGA Proposed Policy on Affordable Housing

The NGA proposal is generally consistent with the Administration's current and proposed policies (see attached memo from OMB), with one minor difference - - we have no plans to increase limits for mortgage revenue bonds and certificates and the low-income housing tax credit as they propose on page 27 of their proposal.

cc: Paul Weinstein

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

14-Jan-1995 04:16pm

TO: Paul J. Weinstein, Jr

FROM: Francis S. Redburn
Office of Mgmt and Budget, HTF

CC: Margaret R. Shaw

SUBJECT: NGA Statement on Affordable Housing

The NGA policy statement is generally consistent with Administration policy, including the HUD Reinvention.

In particular, the restructuring presented in the 1996 Budget will:

> Give state and local govts. more flexibility to use affordable housing resources (certificates) to help end welfare dependency

> Retain, for the new consolidated performance grants, the current formula split between states and local govts. that now exist for HOME and CDBG

> Repropose the blocking of homeless programs.

> Replace rigid setasides and rigid planning requirements with a results oriented funding system that lets states and localities set performance benchmarks consistent with national program goals and then rewards high performers with bonus funding and greater flexibility.

One place where Administration policy parts company with the Governors' policy statement:

> To my knowledge, there are no recommendations to increase limits for mortgage revenue bonds, mortgage credit certificates, and the low-income housing tax credit.

THE WHITE HOUSE

WASHINGTON

January 13, 1995

MEMORANDUM

TO: Paul Weinstein MH

FROM: Marcia Hale

SUBJECT: NGA Proposed Policy on Affordable Housing

As you know, the National Governors' Association will hold its Winter meeting on January 28-31 in Washington. Please review the proposed policy on Affordable Housing and let me know of any comments or suggestions you may have regarding this policy so that I may advise the Democratic Governors' representatives on the Economic Development and Commerce Committee. Please return your written comments to my office on Tuesday, January 17.

Thank you for your help in reviewing this policy. Please call me if you have any questions.

Attachment

NATIONAL GOVERNORS' ASSOCIATION

Howard Dean, M.D.
Governor of Vermont
Chair

Tommy G. Thompson
Governor of Wisconsin
Vice Chair

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5300

1995 Winter Meeting

COMMITTEE ON ECONOMIC DEVELOPMENT AND COMMERCE

Governor Stephen Merrill, Chair
Governor E. Benjamin Nelson, Vice Chair

Tim Masanz, Group Director

Proposed Changes in Policy

Reaffirm Existing Policy

New language is typed double-spaced and in ALL CAPS, with deleted material lined-throughout (—).

The Committee on Economic Development and Commerce recommends the consideration of five new policy positions, amendments to two existing policy positions, an amendment in the form of a substitute to one existing policy position, and the reaffirmation of one existing policy position. Pursuant to the recommendations of the Strategic Review Task Force, these proposals are time limited to two years. Background information and fiscal impact data follow.

1. Military Base Closure, Disposal, and Reuse (Amendments to EDC-6) (Preamble) (Value vs. Cost of Military Bases)

   The amendments add the word "closure" to the title of the existing policy and add a new section, "Value vs. Cost of Military Bases." This section recalls that the primary factor in the decisionmaking process for the closure of military bases was national security; pledges that Governors will work with the Base Closure Commission during the third and largest round of base closures; and urges the commission to make questions of national security and defense infrastructure the primary factor in its decisionmaking process, rather than short-term budget savings. Further the language urges Congress and the administration to carefully consider whether or not this round will result in a defense infrastructure capable of meeting our nation's long-term national security interests.

   It is difficult to estimate the federal fiscal impact of this amendment. If fewer bases are closed than originally planned, Department of Defense expenditures may rise. However, even if bases are closed with savings realized, additional funds may have to be allocated to ensure an adequate defense infrastructure, thereby causing a net increase in spending.

2. Economic and Community Development (Amendment in the form of a substitute to EDC-18)

   The proposed policy summarizes the committee's major priorities, including full funding for transportation programs; swift passage of federal telecommunications legislation; increased flexibility in the use of tax-exempt financing and an increase in the state-by-state volume cap; removal of unnecessary and duplicative regulatory barriers on businesses in order to promote economic and community growth, and a requirement for an assessment of the impact of jobs, investment, and income of decisions that increase or decrease the burden of government on businesses; effective implementation of NAFTA and GATT; permanent extension of the research and development tax credit; the launching of a national rural development policy; consolidation and coordination of federal grant and loan programs, including job training programs; implementation of the federal empowerment zone program; and support for joint state-federal competitiveness programs.

   There is no significant federal fiscal impact from this policy. Setting aside policy recommendations summarized from existing policies, this policy would increase spending related to tax-exempt financing and the research and development tax credit, both of which would likely increase economic growth.

3. Governors' Principles on International Trade (New Policy Position, EDC-19)

   This proposed policy links the recent passage of the North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT) with the growing international economy and proposes several state-federal trade policy objectives. These objectives include ensuring an effective state role in implementation of both NAFTA and GATT, enhancing the state role in promoting international trade, supporting state agricultural market development programs, and calling on the federal government to take necessary steps to achieve free trade and to expand existing trade agreements.

There is minimal federal fiscal impact from this policy, which calls for support for states to play an effective role in NAFTA and GATT implementation.

4. "Fast-Track" Trade Negotiation Authority for the President (New Policy Position, EDC-20)

   The proposed policy expresses the Governors' support for renewal of fast-track negotiation authority for the President to help open foreign markets to increased U.S. trade to ensure that the United States does not lose market opportunities and jobs to other countries.

   There is no federal fiscal impact from this policy.

5. Surface Transportation (New Policy Position, EDC-21)

   The proposed surface transportation policy is the first one written since the inception of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). The proposed policy notes that state and local governments should not assume the lion's share of responsibility for the transportation financing burden, since the federal government share has declined substantially. Most recent estimates indicate that approximately $290 billion is needed to meet the current backlog of highway and bridge improvements. ISTEA provided $155 billion over a six-year period, but appropriations have fallen $6 billion short of authorized levels over the past three years.

   The recommendation also outlines three general principles: Providing adequate financing, maintaining state authority, and implementing effective programs.

   Providing Adequate Financing. The policy proposal calls for ending the diversion of federal gas taxes from the general revenue fund to the Highway Trust Fund and for restoring the integrity of a dedicated user fee trust fund. It also encourages further use and development of innovative financing mechanisms.

   Maintaining State Authority. The proposed policy maintains that the primacy of statewide planning and project selection to meet the diverse needs of urban, suburban, and rural communities should be acknowledged and maintained. As such, states need flexibility to plan and implement priority transportation programs. The recommendation also indicates that incentives are more effective tools than sanctions and/or unfunded federal mandates to encourage achievement of national goals.

   Implementing Effective Programs. The proposal also underscores the necessary elements for successful program implementation. This includes the Governors' continuing call for full and adequate funding and implementation of ISTEA. The proposed policy urges the elimination of financial feasibility constraints, the prompt enactment of the National Highway System, and a continuing emphasis on safety. Finally, the recommendation asserts that the goals of meeting environmental requirements and transportation objectives can be compatible.

The proposal that federal gas tax revenues be directed solely to transportation projects would require non-transportation program reductions or tax increases of $8.8 billion in fiscal 1995 and $5.5 billion in fiscal 1996. 2.5 cents per gallon of the gas tax is scheduled to revert to the Highway Trust Fund beginning October 1, 1995.

6. Rail Transportation Safety (New Policy Position, EDC-22)

The existing rail transportation policy is scheduled to sunset at the 1995 NGA Winter Meeting and a new version will be written for consideration at the NGA 1995 Annual Meeting. This policy proposal addresses only rail transportation safety issues. The recommendation endorses a strong federal-state-local partnership to improve the safety of one of the nation's most important transportation industries. It delineates several efforts to encourage safety efforts, including effective inspections and incident management, the increased use of technological advances, shared use of rights-of-way, and the maintenance of grade crossings.

7. Affordable Housing (New Policy Position, EDC-23)

This proposed policy replaces existing policy that is scheduled to sunset at the 1995 NGA Winter Meeting. It expresses support for existing programs that demonstrate an effective intergovernmental partnership and flexibility, for mortgage revenue bonds and certificates, and for the low-income housing tax credit. The proposal calls for federal action on certain priority issues, including consolidation of programs; promotion of programs that are leveraged, that preserve existing housing stock, and that remove impediments to affordable housing; and the development of consistent definitions and eligibility criteria, with a focus on output measures rather than planning documents. The proposal further urges the federal government to strengthen efforts to increase homeownership, including encouragement for public-private partnerships. The proposal also calls for consolidation of homeless assistance programs.

There is no federal fiscal impact from this policy.

8. Uniform Product Liability Code (Amendments to EDC-24)

The amendments update the policy to remove references to the liability insurance crisis of the mid-1980s and to refocus the issue on the unpredictability that businesses face rather than insurers. The amendments also remove language regarding the regulation of insurance that were superseded by separate policy on this issue. The regulation of insurance policy also sunsets at this meeting but will likely be discussed at the 1995 NGA Annual Meeting.

There is no federal fiscal impact from this policy.

9. Reaffirmation of Existing Policy Position

Governors' Principles to Ensure Workforce Excellence (EDC-2)
The Committee on Economic Development and Commerce recommends the reaffirmation of this policy position. Governor Caperton and Governor Carlson, co-lead Governors on the workforce in 1992-1993, developed these principles, which were adopted by this committee and the Human Resources Committee. The Human Resources Committee has also recommended reaffirmation.

EDC-23. AFFORDABLE HOUSING

23.1 PREAMBLE

THE GOVERNORS SUPPORT THE INTEGRATION AND COORDINATION OF PUBLIC AND PRIVATE RESOURCES TO MAKE AVAILABLE EFFECTIVE, AFFORDABLE HOUSING SERVICES THAT RANGE FROM PREVENTING HOMELESSNESS TO PROMOTING HOMEOWNERSHIP AND THAT ENCOURAGE SELF-SUFFICIENCY AND PROMOTE ECONOMIC OPPORTUNITY. WELFARE REFORM SHOULD PERMIT STATES AND LOCAL GOVERNMENTS TO USE AFFORDABLE HOUSING RESOURCES TO HELP END WELFARE DEPENDENCY. AS MAJOR PARTNERS IN THE AFFORDABLE HOUSING ARENA AND AS MANAGERS OF A SIGNIFICANT PROPORTION OF HUMAN SERVICES PROGRAM DOLLARS, STATES ARE IN A UNIQUE LEADERSHIP POSITION TO COORDINATE THESE RESOURCES IN AN EFFECTIVE WAY TO END WELFARE DEPENDENCY AND PROMOTE ECONOMIC SELF-SUFFICIENCY.

23.2 SUPPORT FOR EXISTING PROGRAMS

THE HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) AND THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROVIDE SUCCESSFUL AND PROVEN MODELS OF A STATE-FEDERAL PARTNERSHIP THAT CAN BE USED IN OTHER HOUSING AND DEVELOPMENT AREAS. HOME WAS DESIGNED AS A FEDERAL/STATE/LOCAL PROGRAM, WITH STATES RECEIVING A SUBSTANTIAL SHARE OF THE FUNDING, HAVING THE FLEXIBILITY TO FIT HOME FUNDS INTO THE FULL RANGE OF HOUSING SERVICES, AND HAVING THE AUTHORITY TO SPEND FUNDS ANYWHERE WITHIN A STATE RATHER THAN ONLY IN RURAL AREAS. AS EFFORTS TO STREAMLINE AND CONSOLIDATE PROGRAMS CONTINUE, CONGRESS AND THE ADMINISTRATION SHOULD USE THESE PARTNERSHIP ASPECTS OF THE HOME PROGRAM AS A MODEL. THE GOVERNORS ALSO SUPPORT CONSIDERATION OF INCREASES IN THE LIMITS ON PERMANENT MORTGAGE REVENUE BONDS, MORTGAGE CREDIT CERTIFICATES, AND THE LOW-INCOME HOUSING TAX CREDIT PROGRAM.

23.3 FEDERAL HOUSING EFFORTS

THE GOVERNORS URGE CONGRESS AND THE ADMINISTRATION TO WORK MORE CLOSELY WITH STATES TO ADDRESS THE FOLLOWING PRIORITY ISSUES:

- CONSOLIDATE PROGRAMS AND STREAMLINE PROGRAM ADMINISTRATION TO BETTER EFFECT LOCAL CONTROL, ENSURING THAT EXISTING CONTRACTS ARE ADEQUATELY RESOLVED, AND TO INCREASE FLEXIBILITY FOR STATES IN ADMINISTERING FEDERAL PROGRAMS, INCLUDING AUTHORITY FOR STATES TO USE EXISTING LEGISLATIVE OR REGULATORY PROCEDURES WHEREVER POSSIBLE TO ACHIEVE FEDERAL PROGRAM GOALS;
- PROMOTE PROGRAMS THAT ARE LEVERAGED WITH PRIVATE SECTOR FUNDS, THAT PRESERVE THE AFFORDABLE HOUSING STOCK, THAT INCREASE THE USE OF NEW TECHNOLOGIES TO LOWER HOUSING COSTS, AND THAT REMOVE UNNECESSARY REGULATORY IMPEDIMENTS TO THE CONSTRUCTION OF AFFORDABLE HOUSING; AND
- DEVELOP CONSISTENT DEFINITIONS AND ELIGIBILITY CRITERIA, REMOVE SET-ASIDES AND RIGID PLANNING REQUIREMENTS, AND FOCUS ON OUTPUT MEASURES RATHER THAN DETAILED PLANNING DOCUMENTS.

BEYOND THESE RECOMMENDATIONS, THE GOVERNORS URGE THE FEDERAL GOVERNMENT TO STRENGTHEN EFFORTS TO INCREASE HOMEOWNERSHIP. ONE APPROACH IS TO STRENGTHEN THE PUBLIC/PRIVATE PARTNERSHIP. FOR EXAMPLE, THE FEDERAL GOVERNMENT SHOULD STUDY EFFECTIVE INCENTIVES TO INCREASE THE CONSTRUCTION OF AFFORDABLE "STARTER" HOMES, WORK WITH STATES AND LOCALITIES TO IDENTIFY UNNECESSARY BARRIERS TO THE CONSTRUCTION OF AFFORDABLE HOUSING, AND CONSIDER OTHER STEPS THAT MIGHT UNLEASH THE RESOURCES OF THE PRIVATE SECTOR IN THE PURSUIT OF HOMEOWNERSHIP.

23.4 PROGRAMS SERVING THE HOMELESS

IN THE PAST, CONGRESS HAS CONSIDERED LEGISLATION TO BLOCK GRANT FEDERAL PROGRAMS FOR THE HOMELESS. THE GOVERNORS SUPPORT CONSOLIDATION, ASK THAT THESE PROGRAMS BE ADEQUATELY FUNDED, AND ASK THAT EFFORTS TO STREAMLINE AND CONSOLIDATE FEDERAL PROGRAMS TO SERVE THE HOMELESS AND TO PREVENT HOMELESSNESS INCLUDE AN EFFECTIVE STATE ROLE.

Time limited (effective Winter Meeting 1995-Winter Meeting 1997).