



Testimony of the National Community Development Association

For the Record

Subcommittee on Housing and Insurance Hearing – Building Our Future: Increasing Housing Supply in America

Chairman Flood, Ranking Member Cleaver, and distinguished members of the Subcommittee, the National Community Development Association (NCDA) is pleased to submit this written testimony for the record. NCDA is a non-partisan association committed to assisting local governments achieve high quality, locally responsive programs for making communities better places in which to live and work. NCDA represents over 500-member local governments that administer the Community Development Block Grant (CDBG) program and the HOME Investment Partnerships (HOME) program, key federal resources for increasing housing supply. The following are recommendations for some changes to existing HUD programs that we believe will make these programs more useful as tools to increase the supply of housing.

Community Development Block Grant Program

Created in 1974, the Community Development Block Grant (CDBG) Program provides annual funding to over 1,200 states, local jurisdictions, and insular areas to provide decent housing, a suitable living environment, and expand economic opportunities for low- and moderate-income people. The program focuses on four major activities: affordable housing, infrastructure, services, and economic development. The program allows communities to design and implement strategies tailored to meet local needs and priorities. State and local governments work with their local program partners and harness input from the public to develop community development projects.

Using the CDBG Program for Affordable Housing

CDBG program can be used to preserve existing affordable housing and to increase the stock of affordable housing. The single largest use of CDBG funds for affordable housing is the rehabilitation of owner-occupied single-family housing for low and moderate-income homeowners. Many lower-income homeowners simply cannot afford to make necessary repairs and improvements without financial assistance. These households are oftentimes seniors on fixed incomes and working families with limited budgets and options for financing home repairs.

Since FY 2005, the program has assisted over 1.2 million low- and moderate-income households to rehabilitate their homes.¹ CDBG funds are used by local governments to provide flexible financing in the form of deferred payment loans, forgivable loans, grants, and amortizing loans with very low interest rates to help families repair their homes.

¹ U.S. Department of Housing and Urban Development, CDBG National Accomplishment Report.

CDBG can be used to increase the stock of affordable housing by acquiring and rehabilitating existing housing for rent or sale to low- and moderate-income people. CDBG can also assist in developing new rental units by providing funds for property acquisition, site clearance and assemblage, and site improvements. Since FY2005, the CDBG program has funded multifamily rehabilitation improvements that assisted over 220,000 households.²

CDBG funds can be used to provide direct assistance to a homebuyer to assist them in purchasing a home in several ways. CDBG can be used to pay for downpayment and closing cost assistance and for services such as housing counseling, credit counseling, and financial management classes. CDBG can directly finance or subsidize financing for homebuyers through several avenues: amortizing loans, deferred payment loans, forgivable loans, grants, interest-rate write-downs, principal write-downs, and the payment of private mortgage insurance.

CDBG can be used to assist in the development of new affordable housing by funding the acquisition of land, demolition of existing structures, or installation of utilities and other infrastructure. Unfortunately, CDBG funds cannot be used to assist in new housing construction except in very limited circumstances, if the housing project is carried out by a Community-Based Development Organization (CBDO) as part of a comprehensive local neighborhood revitalization plan. In FY24, less than one percent of CDBG funding was used for new construction of housing and NCDCA believes this is because of the restrictions mentioned previously in this paragraph. Local governments need to be able to use all the available tools to address the affordable housing crisis and the CDBG program is one tool that most communities have available if the restrictions on new housing construction are lifted. While the HOME program does allow new construction of housing, less than one-third of CDBG grantees receive HOME program funding.

Recommendation: Amend the CDBG statute to include new construction of housing as an eligible activity without any restrictions.

With rising costs, stagnant CDBG allocations, and increased local demand, the CDBG program is not able to meet existing needs. Local grantees report receiving more CDBG funding requests than they can accommodate. The cost of labor and materials related to the program's two major activities, housing and infrastructure, has increased exponentially. And, with rising inflation and housing costs, more people need CDBG assistance.

Recommendation: Support no less than \$4.2 billion for the CDBG program in FY2026.

Provide Flexibility to CDBG Administrators

Do Not Use the CDBG Consolidated Plan to Track Land Use and Zoning Reforms

NCDCA opposes legislation that expands the administrative burden of CDBG grantees. Legislation such as the "Identifying Regulatory Barriers to Housing Supply Act" would require CDBG grantees to track twenty-two land use and zoning reform policies through the Consolidated Plan. CDBG grantees, many of which are small communities, are overwrought with program reporting and administrative requirements that take away from project implementation. The current CDBG Consolidated Plan already requires grantees to identify and address regulatory barriers to affordable housing. This onerous requirement will add another layer of administrative burden to

² Ibid

already shrinking budgets. This legislation, if enacted, would require CDBG grantees to implement a separate plan to change certain land use policies. Many CDBG grantees have zero control over local land use policies and this requirement will prevent them from receiving their annual CDBG allocations if a plan is not adopted. It will hold federal CDBG funding hostage for those communities unable to change local zoning laws.

Recommendation: A more reasonable solution is laid out in the “Housing Supply and Innovations Frameworks Act” that directs the U.S. Department of Housing and Urban Development to publish guidelines and best practices for zoning reform.

Eliminate the CDBG Timeliness Test

The CDBG program timeliness test requires local CDBG grantees to have no more than one-half times their annual grant in their fund balance, 60 days prior to the end of their program year. No other federal program requires such a timeliness test. Due to the late finalization of annual appropriation bills, CDBG allocations are released months after the start of the federal fiscal year causing grantees to receive their grant agreements after the start of their program year which causes extreme delays in project implementation leading to untimely program spending.

Further, the timeliness test discourages grantees from undertaking large-scale, multi-year construction projects such as larger multi-family housing development because of the need to keep program balances low each year. Many construction projects in the northern and midwestern part of the country have difficulty meeting the standard due to the short construction season.

Recommendation: Delete the CDBG timeliness test from the regulations.

Increase the CDBG Public Services Cap and Remove it for Some Activities

The 15% cap on public services hinders the ability to expand the use of CDBG funds to provide critical services to vulnerable residents. We urge you to amend the CDBG statute to increase the public services cap to at least 20% and remove it for housing and homelessness activities. This change would enable grantees to more effectively address the current housing crisis by allowing for increased services to prevent homelessness and keep vulnerable residents housed through interim assistance such as rent, utilities, and mortgage payments.

HOME Investment Partnerships (HOME) Program

Affordable housing continues to be an overarching issue impacting communities nationwide and the HOME Investment Partnerships (HOME) program is the primary federal resource available for communities to build new affordable rental and homeowner housing. Since 1992, the HOME program has produced more than 1.37 million units of affordable housing.³ The HOME program provides funding to state and local governments for the construction and preservation of single- and multifamily for rental or homeownership, rehabilitation of owner-occupied housing, tenant-based rental assistance, and assistance to homebuyers. Rising rents and construction costs are putting people at risk of homelessness and pricing them out of owning a home. These rising costs and the reduction of funding have diminished the impact of HOME program as a tool for increasing housing production.

³ U.S. Department of Housing and Urban Development, HOME Investment Partnerships (HOME) Program National Production Report, December 31, 2024.

Recommendation: Support no less than \$2.5 billion for the HOME program in FY26.

Provide Program Flexibility

Enhanced program flexibility helps participating jurisdictions address local affordable housing needs more quickly, including the expansion of affordable housing.

Community Housing Development Organization (CHDO) Set-Aside

Adding units to the affordable housing stock should be the priority of the HOME program regardless of who is developing the units. However, grantees are required to reserve 15% of their HOME funding for housing to be developed owned or sponsored by CHDOs. While funding a CHDO should continue to be an allowable expense, the set aside does not work for areas without a willing organization to step in as a CHDO. Also, for small grantees the 15% set-aside is too small an amount to incentivize a CHDO to participate in the HOME program.

Recommendation: Allow the CHDO set-aside to be an option for participating jurisdictions, not a requirement.

Increase the HOME Program Administrative Cap

The administrative burden of developing, underwriting, and monitoring HOME-funded projects has risen to a level of unsustainability because of stagnant program funding. More funding for program administration is needed for state and local grantees to add more staff capacity. This is especially important for grantees with many HOME units that must be inspected and monitored each year.

Recommendation: Increase the HOME administrative cap from 10% to at least 15%.

Other Federal Deterrents to Expanding the Affordable Housing Supply

Davis-Bacon and Related Acts

Davis-Bacon Act prevailing wages are required for all non-residential construction and rehabilitation work over \$2,000 and for residential construction and rehabilitation of 8 or more units of housing in projects assisted with CDBG and in projects with 12 or more HOME-assisted units. The Davis-Bacon Act threshold has not increased since its enactment in 1931. The low threshold means that small projects with minimal federal funding are subject to the prevailing wage compliance requirements which are administratively burdensome for grantees, small contractors, and small business owners. Reasonable thresholds are needed to ensure small projects with minimal federal funding are not burdened by this compliance requirement.

Recommendation: Apply the Davis-Bacon Act prevailing wage requirements only to residential construction contracts receiving more than \$200,000 in CDBG or HOME funding and at least 12 or more CDBG or HOME-assisted units. The dollar threshold should be adjusted periodically.

Build America, Buy America (BABA)

The Build America, Buy America Act requires that all iron, steel, manufactured products, and construction materials used in federally funded projects in the U.S. be produced domestically. The requirement reduces the pool of available suppliers for contractors which leads to increased project costs. This is particularly worrisome for projects in high-cost areas, as it could further hinder

the development of affordable housing. In addition, the recent tariffs on steel and lumber will further increase costs and will likely reduce the supply of such materials.

Recommendation: Remove this requirement for federal housing programs, including HOME and CDBG.

Thank you for the opportunity to provide comments and recommendations for increasing the housing supply in America. NCDCA is ready to work with the Subcommittee to institute changes to make this possible.

Contact

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