

TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2020

WEDNESDAY, APRIL 3, 2019

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 12:58 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Susan Collins (chairman) presiding.

Present: Senators Collins, Boozman, Capito, Hoeven, Reed, Durbin, Coons, and Murphy.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT STATEMENT OF HON. BEN CARSON, SECRETARY

OPENING STATEMENT OF SENATOR SUSAN M. COLLINS

Senator COLLINS. The hearing will come to order. Today I am pleased to welcome the Secretary of Housing and Urban Development, Dr. Ben Carson, who will testify on the President's fiscal year 2020 budget request. I am also very pleased to be joined by my good friends and the ranking member, Senator Jack Reed, the deputy leader on the Democratic side, Senator Dick Durbin, and I am sure others will be joining us as well.

Because of issues on the floor, we have moved up this hearing to 1:00, and I want to thank the Secretary for accommodating a last-minute change in the schedule. In light of the time constraints that we have, I am going to greatly shorten my opening statement. I am sure that will come as a great disappointment to everybody here, but I would ask unanimous consent that my statement be printed in the record in full.

Thanks to the previous 2-year budget agreement, we were able to provide \$54 billion for the Department of Housing and Urban Development in the fiscal year 2019 appropriations bill. The Administration's fiscal year 2020 request for HUD does not address this cap and highlights why we cannot return to sequestration funding levels.

The request, excluding FHA and Ginnie Mae receipts, is \$44.1 billion, a reduction that is 18 percent below the fiscal year 2019 enacted level. It includes provisions that were rejected as part of our deliberations last year, and I predict that many of the same program eliminations and other cost-shifting gimmicks will once again be rejected. The request, again, reflects a significant realignment of the Federal role in housing and community development.

Just a few of the programs eliminated in the Administration's budget include the Community Development Block Grant, the HOME Program, VASH, the Family Unification vouchers, Youth Homelessness grants, the Public Housing Capital Fund, and the Choice Neighborhoods initiatives. Two of the programs that the Ad-

ministration has once again requested to eliminate—CDBG and HOME—are specifically designed to leverage other funding sources to further locally-driven priorities.

Community Development Block Grants provide very flexible funding for critical water and sewer improvements, public services for seniors, revitalization of distressed downtowns, and countless other worthwhile projects that serve low- and moderate-income communities. This essential resource for State and local governments lies at the heart of HUD's community development mission.

Low-income households face an affordable housing shortage across this country, and in many locations that shortage is reaching crisis levels. That is why I am concerned about some of the changes included in this budget. Moderate-income families are being hurt also by a shortage of affordable housing. The very people who make our communities thrive—the schoolteachers, the firefighters, the police officers, the nurses—find that they can no longer afford to live in the communities they serve. And yet the Administration's proposal eliminates both the Housing Trust Fund and the HOME Program.

The budget request also proposes steep cuts to HUD's Rental Assistance Program. It assumes the enactment of proposals to shift the cost of rental assistance more and more to already-struggling working families, proposals that were soundly rejected last year. The Administration's request does not include funding for new HUD VASH vouchers. These vouchers have been critical in reducing veterans' homelessness by 49 percent since 2010.

While I am deeply troubled by many of the Administration's proposals, I also note that there are areas where HUD and this committee share common goals. A priority that we share is the elimination of the risk of lead paint exposure for children. Reducing lead paint exposure has been a priority of mine and of Senator Reed's since we joined this committee, and I fully know that the Secretary shares this commitment as well. His background makes him uniquely qualified to understand not only the need to reduce lead paint exposure, but also the long-term consequences of failing to act.

That is one reason why I was so pleased that Secretary Carson recently came to Lewiston, Maine to see how HUD's Lead Hazard Mitigation Grants along with programs like Choice Neighborhoods and CDBG are changing lives, improving the health of our children and transforming neighborhoods. And I want to commend the Secretary for the Department's request of a record high \$290 million for the Office of Lead Hazard Control, an increase of \$11 million more than the fiscal year enacted level. That is a welcome bright spot in this budget.

Mr. Secretary, I look forward to hearing from you, and I now turn to Senator Reed for his opening remarks.

OPENING STATEMENT OF SENATOR JACK REED

Senator REED. Thank you very much, Chairman Collins. And I will try to abridge my statement, so I would request the entire statement be made part of the record.

Senator COLLINS. Without objection.

Senator REED. We have had the pleasure of working together many years, and through your leadership, in spite of difficult and challenging budgetary climates, you have been able to advance the Nation's transportation and housing infrastructure, and I appreciate your leadership. And thank you for it, Madam Chairman.

Let me welcome Secretary Carson. Mr. Secretary, thank you for being here today.

Since the passage of the bipartisan Budget Control Act of 2018, we have provided nearly \$15 billion for housing and related infrastructure programs, including \$2.6 billion in new resources for affordable housing construction for the HOME program, \$6.6 billion for the popular bipartisan Community Development Block Grant, or CDBG, Program, and more than \$5.5 billion for capital reinvestment in our Nation's public housing stock. These combined investments get us closer to the goal of providing safe, decent affordable housing for our country's most economically vulnerable.

And as I mentioned in our hearing last week with Secretary Chao, we face yet another year where we are constrained by the caps established in the Budget Control Act, which makes our job of achieving these goals that much harder. We have to work across the aisle to get commonsense relief from these arbitrary one-size-fits-all spending limits.

Today you are here, Mr. Secretary, to discuss the fiscal year 2020 budget request for the Department of Housing and Urban Development. As with the prior two budget requests, the Administration makes minimal investment to preserve our Nation's affordable housing and ensure protections for more than 5 million low-income households served through HUD's Rental Assistance Program, and the additional 550,000 individuals experiencing homelessness.

The Administration's budget request for HUD is \$44 billion, an astounding \$9.7 billion cut in discretionary funding from fiscal year 2019. Much of this decrease is the result of a flawed attempt to shift existing public housing units to the private sector. The budget request incentivizes public housing agencies to demolish this much-needed affordable housing without a requirement to rebuild or replace. Any proposal that exacerbates our affordable housing crisis is, I believe, a nonstarter.

These unrealistically harsh funding levels are also accomplished by eliminating the very same programs local governments leverage to meet their unique housing and local infrastructure needs, the CDBG and the HOME Program. This budget also reflects a less than healthy FHA Fund and a shrinking share of Ginnie Mae receipts and collections, both of which are fundamental to the funding of HUD's core mission programs. This is particularly concerning in light of the fact that the Administration announced last week its intention to pursue housing finance reform, which will require your Agency to submit a plan to reform the critical role played by FHA and Ginnie Mae and helping our neighbors, including veterans and farmers, to responsibly own their homes.

While the Administration claims that sustainable home ownership is the benchmark of success for comprehensive reform to government housing programs, questionable FHA and Ginnie Mae projections appear to suggest that even these hopeful words may ring hollow, and I hope this is not the case. At a minimum, housing fi-

nance reform must responsibly meet the needs of working families, small lenders, consumers, and the civil rights communities while also ensuring that FHA and Ginnie Mae responsibly continue to support HUD's ability to meet its core mission in both the rental and home ownership markets.

While I am pleased that the budget includes a modest amount to sustain the funding for homeless assistance through the Continuum of Care Program, it unfortunately decreases targeted resources for Emergency Solution Grants and overlooks necessary investments for youth and veterans experiencing homelessness as well as victims of domestic violence. Instead it continues to impose rent reforms and proposes to institute mandatory work requirements for workable households. These rent reforms have been proposed and rejected by the authorizing committees multiple times. Further, work requirements are proven to be costly and ineffective.

Overall, what we have in front of us today is a request that I believe lacks the necessary compassion and true understanding of the needs of the country. This budget cuts corners to reduce the footprint of affordable housing. It compromises the fiscal condition and safety of our existing housing stock, and it places unreasonable financial burdens on the already working poor.

Mr. Secretary, you are here today to help us understand this request and how it might actually further HUD's missions without reversing the strategic priorities we have been able to make through our work on this subcommittee and through the chairman's leadership. I look forward to hearing your testimony, and I thank you, Chairman Collins.

Senator COLLINS. Thank you very much. Mr. Secretary, we are delighted to have you here today and ask that you proceed with your testimony.

SUMMARY STATEMENT OF HON. DR. BEN CARSON

Secretary CARSON. Thank you. Chairwoman Collins, and Ranking Member Reed, and members of the subcommittee, thank you for the opportunity to appear before you today to discuss the President's proposed 2020 budget.

This spending plan seeks \$44.1 billion, which is an increase of 7 percent over last year's request. It also seeks a record amount of funding to reduce lead-based paint hazards and other health and safety hazards. This budget will continue providing support for the nearly 5 million families HUD serves through its rental assistance programs. In short, this budget will support HUD's combined efforts to provide safe, decent, and affordable housing for the American people while being good stewards of taxpayers' dollars. I would like to touch upon each of these areas individually.

This Administration is requesting nearly \$2.6 billion to help local communities house and serve individuals and families who are living in shelters and on the streets. This represents an increase of nearly 3-and-a-half percent over last year's level. In my time in Washington, I have learned that this is one area in which we can all agree. Preventing and ending homelessness remains a strategic goal of this Administration, and working with our local partners, we are seeing a positive and measurable impact.

HUD's fiscal year 2020 budget includes a request for \$290 million for the Office of Lead Hazard Control and Healthy Homes. This doubles the investment this Administration sought last year and is \$60 million higher than the funding enacted in fiscal year 2018. As a doctor, it pained me that after treating young children, sometimes you have to return them to a home that was not healthy. Quite simply, you cannot be healthy if your home is sick.

This undeniable link between health and housing is also driving an active campaign at HUD to overhaul a 20-year-old inspection process. HUD will now provide advanced notice of just 14 days before an inspection because it became clear to us that too many PHAs and landlords were using the weeks and, in some cases, months before their inspection to make quick fixes and game the system. These actions are part of a top-to-bottom review of our inspections so we can be true to the promise of providing housing that is decent, safe, and healthy to millions of families that we serve.

Just last week we instructed HUD inspectors to begin evaluating all public housing and privately-owned multifamily properties under contract with HUD for the presence of a working carbon monoxide detector. Additionally, in the coming weeks, HUD will send notices to PHAs and multifamily owners regarding the installation of carbon monoxide detectors. We continue to pursue every possible way to ensure detectors are present in units that need them.

Across our rental assistance programs, HUD has requested sufficient funding to ensure that all currently-served households continue to receive assistance. The Administration's budget continues the support for 4.7 million HUD-assisted households by increasing rental assistance to \$38 billion. This request will allow HUD to maintain rent subsidies for our primary housing programs, including our tenant and project-based Section 8 Program. The budget also proposes \$644 million for the Section 202 Program to support the rents of the elderly. In addition, the request includes \$157 million for the Section 811 Program for persons with disabilities.

While we are here to talk about the Administration's funding request, I would like to point out that not every challenge can simply be solved by more financial resources. One of my priorities as Secretary is to work with our Federal, State, local, and tribal partners on identifying and eliminating regulatory barriers that unnecessarily increase the cost of America's housing supply. Despite low unemployment and strong economic growth, we face stiff headwinds in our effort to increase access to affordable housing. This crisis is not a Federal problem. It is everybody's problem.

The Nation's public housing stock is experiencing a backlog of billions of dollars in capital needs. Our budget, again, proposes to merge the Public Housing Capital Fund and Operating Fund to give greater flexibility to PHAs to pay for capital improvements. Meanwhile, the budget expands HUD's rental assistance demonstration. HUD is specifically requesting \$100 million in dedicated funding for the RAD Program and that the statutory cap on converting units be eliminated once and for all. To date, RAD has placed more than 100,000 units of public housing on a more sus-

tainable funding platform. These are affordable housing units that would have been lost forever without RAD.

To support HUD's fair housing mission, the budget proposes \$62.3 million to allow us to continue fighting housing discrimination and creates awareness of people's rights and enhance economic opportunity. Advancing economic opportunity for all is perhaps the fairest thing we can do. I am proud to chair the White House Opportunity and Revitalization Council to help breathe new life into long-forgotten corners of our country. While we can be very proud of the economic growth we are experiencing, there are still communities that have seen little or no investment for generations.

It is our intent to support over 8,700 opportunity zones across the Nation, economically-distressed places that approximately 35 million Americans call home. We estimate these opportunity zones will attract over \$100 billion in private investment to spur economic development and create jobs. This kind of medicine is precisely what a doctor would prescribe to heal communities where too many live in poverty.

To conclude, this budget advances our key priorities, including empowering HUD-assisted families to achieve self-sufficiency. For generations, the ideal of the Federal government providing housing assistance meant only one thing: helping to pay the rent so families could have a roof over their head. However, we must also think about how we can help families access financial programs, educational opportunities, and higher-paying jobs. In short, we must think beyond investing in bricks and mortar and think about investing in people. This budget does just that, and I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF HON. DR. BEN CARSON

Chairwoman Collins, Ranking Member Reed, and members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the President's proposed fiscal year 2020 Department of Housing and Urban Development (HUD) Budget.

This spending plan seeks \$44.1 billion, an increase of 7 percent over last year's request.

The proposed fiscal year 2020 Budget also seeks a record amount of funding to reduce lead-based paint hazards and other home health and safety hazards.

And this Budget will continue providing support for the nearly five million families HUD is currently serving through the Department's rental assistance programs.

In short, this Budget will support HUD's combined efforts to provide safe, decent, and affordable housing for the American people, while being good stewards of taxpayer dollars.

I would like to touch upon each of these areas individually.

ENDING HOMELESSNESS

This Administration is requesting nearly \$2.6 billion to help local communities house and serve individuals and families who are living in their shelters and on their streets. This represents an increase of nearly three and a half percent over the amount enacted for fiscal year 2018.

In my time in Washington, I have learned this is one area on which we can all agree. Preventing and ending homelessness remains a strategic goal of this Administration and, working with our local partners, we are seeing a positive and measurable impact.

The data being reported to us from thousands of big cities and small towns alike tell us our collective efforts are working. Since 2010, we have cut Veteran homelessness in this country by half. Family homelessness is also on the decline, falling nearly 30 percent during this same period.

This progress is happening because HUD's homeless assistance programs, and the contributions from state and local governments, are being targeted to proven programs and strategies. Our Budget request further supports these local efforts.

PROMOTING HEALTHY HOMES

HUD's fiscal year 2020 Budget includes a request for \$290 million for the Department's Office of Lead Hazard Control and Healthy Homes. This request doubles the investment this Administration sought last year and is \$60 million higher than the funding enacted in fiscal year 2018.

We stopped putting lead in paint back in 1978 yet more than 20 million older homes still contain lead-based paint hazards. Amazingly, though lead poisoning is a preventable disease, we continue to see far too many children exposed to lead.

As a doctor myself, it pained me that after treating a young child, they returned to a home that was not healthy. Quite simply, you cannot be healthy if your home is sick.

This undeniable link between health and housing is also driving an active campaign at HUD to overhaul the inspection process that the Department has been using for more than 20 years.

HUD is dramatically reducing the advance notice we provide to public housing authorities and private owners of HUD-subsidized apartment developments before our inspections. We will now provide advance notice of just 14 calendar days before an inspection—a dramatic reduction from the current notice, which can frequently extend up to 4 months.

It became painfully clear to us that too many public housing authorities and private landlords whom we contract with were using the weeks, in many cases months, before their inspection to make quick fixes, essentially gaming the system.

HUD also launched a series of listening sessions around the nation to gather input about a planned pilot program to test innovative new approaches to inspecting HUD-assisted properties.

These actions are part of a broader, top-to-bottom review of our inspections so we can be true to the promise of providing housing that's decent, safe and healthy to the millions of families we serve.

As a general rule, HUD doesn't inspect properties based upon local codes. But just last week, we instructed HUD inspectors to begin evaluating all public housing and privately-owned multifamily properties under contract with HUD for the presence of a working carbon monoxide detector. Additionally, in the coming weeks, HUD will send notices to PHAs and multifamily owners to encourage them to install carbon monoxide detectors.

We continue to pursue every possible way we can ensure detectors are present in units that need them. This is literally a life and death issue. Ultimately, we want to effectuate change in the most expedient and efficient way possible and are using every lever at our disposal.

CONTINUING RENTAL ASSISTANCE

Across our rental assistance programs, HUD has requested sufficient funding to ensure that all currently served households can continue to receive assistance, without any evictions.

The Administration's Budget continues support for 4.7 million HUD-assisted households by increasing rental assistance to \$38 billion. This request will allow HUD to maintain rent subsidies through our primary housing programs, including our tenant- and project-based Section 8 programs.

The Budget also proposes \$644 million for the Section 202 program to support the rents of the elderly. In addition, the request includes \$157 million for the Section 811 program for persons with disabilities. These requested amounts represent funding increases of 7 percent and 12 percent, respectively, over last year's proposed budget.

While we are here to talk about the Administration's funding request, I would like to point out that not every challenge can simply be solved with more financial resources. One of my priorities as Secretary is to work with our Federal, state, local, and tribal partners on identifying and eliminating regulatory barriers that unnecessarily increase the cost of America's housing supply in general and affordable housing supply in particular. These barriers increase the cost to HUD of operating its rental assistance programs in many markets.

PURSUING RENT REFORM

The Administration's fiscal year 2020 Budget incorporates proposed reforms to HUD's current rent structure, including incorporating the Administration's uniform work requirements. These reforms will:

- Require work for those who are able to work;
- Reduce the administrative burden for housing authorities and residents alike; and
- Allow greater flexibility to create local solutions to local challenges.

It is increasingly clear that the way we subsidize families in this country is broken. In fact, the way we calculate a family's rent has not changed since President Reagan was in office. We invite Congress to engage in a dialogue with HUD to find common ground on the package of reforms in the Making Affordable Housing Work Act that the Department submitted last April.

SUPPORTING AFFORDABLE HOUSING

Despite low unemployment and strong economic growth, we face stiff headwinds in our effort to increase access to affordable housing. The President's Budget provides the tools we need to bring everybody to the table to ease the affordability crisis in many parts of our country. This crisis is not a Federal problem, it is everybody's problem.

The nation's public housing stock is experiencing a backlog of billions of dollars in capital needs. This results in the loss of thousands of units each year due to severe disrepair. The Budget again proposes to merge the Public Housing Capital Fund and the Public Housing Operating Fund and to give greater flexibilities to Public Housing Authorities to pay for these capital improvements.

Meanwhile, the Budget expands HUD's Rental Assistance Demonstration (RAD), allowing greater capital investment into deteriorating public housing. HUD is specifically requesting \$100 million in dedicated funding for the RAD program and is requesting that the statutory cap on converting units, currently set at 455,000, be eliminated once and for all. RAD is proving itself to be an outstanding example of bringing the public and the private sectors together to accomplish amazing results.

To date, RAD has placed more than one hundred thousand units of public housing on a more sustainable funding platform. These are affordable housing units we may have lost forever if not for RAD. And these are affordable housing units that will remain affordable.

FEDERAL HOUSING ADMINISTRATION (FHA)

Since its creation during the Great Depression, the FHA has been instrumental in supporting homeownership in this country. The President's Budget continues this support by requesting \$400 billion in single-family loan guarantee authority, as well as \$150 million for FHA administrative contract expenses, including critically needed funding to improve FHA's aging technology systems.

FHA's most recent annual report finds that the agency's Mutual Mortgage Insurance (MMI) Fund is sound. The MMI Fund has a total economic value of nearly \$35 billion and capital ratio above the statutory minimum for a fourth consecutive year. FHA will remain vigilant and continue to monitor economic trends in the housing market to ensure taxpayers are protected.

We propose \$30 billion in loan guarantee authority for FHA's General and Special Risk Insurance programs, including programs that insure financing for multifamily housing and healthcare facilities. And we propose \$550 billion in loan guarantee authority for Ginnie Mae to continue supporting the secondary market for federally-insured loans.

FAIR HOUSING AND ECONOMIC OPPORTUNITY

To support HUD's fair housing mission, the Budget proposes \$62.3 million that will allow us to continue fighting housing discrimination, increase awareness of people's rights, and enhance economic opportunity.

Advancing economic opportunity for all is perhaps the fairest thing we can do. I'm proud to chair the White House Opportunity and Revitalization Council to help breathe new life into long-forgotten corners of our country. While we can be very proud of the economic growth we're experiencing, there are still communities that have seen little or no new investment in generations.

It is our intent to support over 8,700 Opportunity Zones across the nation—economically distressed places that approximately 35 million Americans call home. We estimate these Opportunity Zones will attract over \$100 billion in private invest-

ment to spur economic development and create jobs. This kind of medicine is precisely what a doctor would prescribe to heal communities where too many now live in poverty.

Too often, new investments into distressed communities are here today, gone tomorrow. Opportunity Zones ensure that development and capital investment are available for the long-term.

ELIMINATING/REDUCING INEFFECTIVE PROGRAMS

The Administration continues to propose eliminating the Community Development Block Grant program, the HOME Investment Partnerships Program, the Housing Trust Fund, the Choice Neighborhoods Initiative, and the Self-Help Homeownership Opportunity Program. In today's budget environment, these programs are best supported by state and local governments.

CONCLUSION

This Budget advances our key priorities, including empowering HUD- assisted families to achieve self-sufficiency. For generations, the idea of the Federal government providing housing assistance meant only one thing—helping to pay the rent so families can have a roof over their heads.

However, we must also think about how we can help families to access financial programs, educational opportunities, and higher paying jobs. In short, we must think beyond investing in bricks and mortar, and think about investing in people. This Budget does just that.

Again, thank you for this opportunity to present to you the President's fiscal year 2020 HUD Budget.

I look forward to your questions.

Senator COLLINS. Thank you, Mr. Secretary. Mr. Secretary, I am going to start out with the investment that this subcommittee made in fiscal year 2019 in creating a new Lead Demonstration Program to fund intensive interventions in communities with a very high incidence of lead paint. And from your trip to Lewiston, Maine and from your medical background, you know just how important that is.

In the State of Maine, 57 percent of the housing stock was built prior to the year that lead-based paint was banned. It is one of the highest levels in the country, so remediating exposure to lead-based paint is a real challenge for a region like New England. We need to get that funding out as soon as possible. Could you give us some idea of when we can expect those funds to be made available?

Secretary CARSON. We expect those funds to be made available by the summer.

Senator COLLINS. Thank you. That will be very welcome. The sooner, the better. I want to turn to another issue that is of great concern to me, and that is at-risk youth who are often homeless or at risk of becoming homeless. What we know about this population is that homeless youth are far more likely to be unsheltered compared to the overall homeless population, so they are particularly vulnerable.

While only about one-third of all people who are homeless are actually unsheltered at night, 55 percent of unaccompanied homeless youth under the age of 18 have no roof over their heads each night. And of course that puts them at risk of being trafficked, exposure to drugs, all sorts of bad outcomes. And it is particularly difficult in rural areas where there are few services, and that is why our subcommittee created the Youth Homeless Demonstration Program in 2016 and we increased its funding.

I am disappointed that the Administration seems to be going in the opposite direction when it comes to homeless youth programs. Could you elaborate on the budget request in this area?

Secretary CARSON. Well, first of all, thank you for the tremendous interest you have shown in this. I remember when I was there how you interacted with the young people, and it really meant a lot to them. It means a lot to me, too. And, you know, the amount of money that we have requested for homelessness programs \$2.6 billion includes youth homelessness as well. You know, the attempt is really to kind of amalgamate some of these homelessness programs and to really encourage the ones that are having really stellar results and using an evidence-based model for the funding. And so that will include the youth programs as well.

Senator COLLINS. Well, I would encourage you to work with us to make sure that we can preserve an independent revenue stream that helps our homeless youth whose needs are often very different from that of the adult homeless population. And as we saw in Maine in Lewiston, the drop-in centers, the shelters that exist there are truly changing the lives. Indeed, I would argue are saving the lives of a lot of these young people.

Secretary CARSON. Absolutely.

Senator COLLINS. And I hope we can work together on that.

Secretary CARSON. I will make sure that my staff reaches out to yours to ensure that there is no diminution for the youth.

Senator COLLINS. Thank you. Senator Reed.

Senator REED. Well, thank you, Madam Chairman. Over a year ago, Mr. Secretary, Congress provided HUD with nearly \$16 billion to help areas that were devastated by disasters between 2015 and 2017, to rebuild their communities to a more resilient standard of sustainability with essentially mitigation funds. Fifteen States and localities as well as Puerto Rico and U.S. Virgin Islands are still waiting on HUD's guidance to develop their action plans and begin drawing these funds. First, has the Administration or OMB directed you or any member of your leadership team at any time to delay or suspend action on the mitigation funding?

Secretary CARSON. No, none at all.

Senator REED. Thank you. If not, then what is the cause of this delay in publishing the mitigation notice in the *Federal Register*, and when can we expect the publication?

Secretary CARSON. Well, we had a government shutdown, but also with this mitigation money, this is the largest amount of money that has ever been committed to mitigation, and we want to make sure we get it right. I do expect that to be done by May 1st.

Senator REED. By May 1st. Thank you very much. And as you know, the intent of this funding was to give the grantees the ability to rebuild not just what was there before, which would be destroyed in the next hurricane.

Secretary CARSON. Absolutely.

Senator REED. Which now every 100-year hurricane comes every 3 years, but to provide the resiliency and the sustainability that we need.

Secretary CARSON. Absolutely.

Senator REED. And it also affects their strategy going forward. They have been paralyzed because, and this is not only for the States, but also for the territories and the Commonwealth of the Philippines—of Puerto Rico. Are you concerned that increasing these cost inefficiencies by moving forward will create more problems, i.e., you have committed to May 1st. I appreciate that. But have we already sort of caused undue pain?

Secretary CARSON. Well, I will tell you that the May 1st commitment is 2 months ahead of what we had promised before, so we are moving things along. I have actually impaneled a task force at HUD to look at inefficiencies and ways that we can cut down on timing. There are some areas where we get things done in a day or two and other areas where it takes months, and I find that to be unsatisfactory. And I think you are going to see a big change in that.

Senator REED. Thank you, Mr. Secretary. I want to also ask about the disasters that have occurred in 2018 and 2019. We have not received from the Administration a request yet for disaster assistance, and these are the major disasters in portions of North Carolina, South Carolina, Nebraska, Iowa, and South Dakota. Does the Administration see a need for additional emergency disaster assistance to those impacted States?

Secretary CARSON. I think there probably is going to be a need for it, and I know that the Senate and the House are working on a supplement for that. We are hopeful to get that total amount because it makes it much easier to designate.

Senator REED. But would it not be appropriate for the White House to request the money?

Secretary CARSON. My understanding is that the money—the negotiations are already going on.

Senator REED. No, there are negotiations constantly going around this body, but is the White House going to stand up and say we need several billion dollars for Iowa and Nebraska, et cetera, as is typically done in an emergency?

Secretary CARSON. I do not know.

Senator REED. Well, I would encourage you to encourage the White House to stand up so we know clearly that these funds are necessary. The last thing I think we would want to do is conduct negotiations and discover the White House does not want these monies spent or thinks they are inappropriate. So I think that would be important to do, Mr. Secretary.

There is one other just general area. Last year we discussed your efforts to operationalize the Office of Disaster Management within your Department, and you sent up a report last week. Thank you.

Secretary CARSON. Yes.

Senator REED. It appears that there are a number of challenges that you face. Understandable. So could you just give us what you believe is the biggest challenge and what additional resources you might need?

Secretary CARSON. Thank you. Obviously it is very important because we have become much more involved, you know, pre-disaster during the management and obviously in the post-disaster period. We are reorganizing that office to make it much more efficient. We have placed in charge Janet Golrick, who is an excellent disaster

relief individual, probably knows more than anybody about that. And we are updating the IT systems to give us more efficiency there, and we will continue to give you updates on that.

Senator REED. Thank you very much, Mr. Secretary. Thank you, Madam Chairman.

Senator COLLINS. Thank you, Senator. Senator Boozman.

Senator BOOZMAN. Thank you, Madam Chair, and thank you so much for being here. We appreciate your hard work. First, I would like to compliment your staff. They did a great job during the shut-down. We had some problems and questions, and they were very, very good about getting back and helping us any way that they could. Also, you are going to be at the Arkansas Fair Housing Commission Conference in Little Rock later this month, and the people of Arkansas are really looking forward to having you.

Secretary CARSON. Terrific. Thank you.

Senator BOOZMAN. We do appreciate your emphasis on homelessness. As you noted, it has come up quite a bit today. What I would like to talk to you a little bit about is the effect on veterans, and how we can do a better job there, particularly in States. We have our urban problems, and in Arkansas we have got a mix. You know, we have got a rural area that is certainly in need, sadly it continues to be a real problem. And then the other thing in regard to homelessness and veterans is how you have been able to work perhaps with some of the nonprofits for public/private partnerships.

Secretary CARSON. Yes. Well, I appreciate your interest in the veterans. It is very important. And thank you for the complement to our staff. I always say we have the ugliest building but the best people.

[Laughter.]

Secretary CARSON. And that is wonderful. Thank you. As far as veterans are concerned, you know, 1 percent of our population protects the other 99 percent, and I think we have a special obligation to them. And, you know, veterans homelessness, in particular, as you know, over the last year point in time demonstrates that it has gone down 5.4 percent, and over 49 percent, you know, over the last decade. So we are making very good progress there.

But, you know, until we get it down to zero, it is not going to be good enough, and it does require, you know, the kind of wrap-around services that recognize the kinds of things that are going on in traumatized veterans' lives. This particularly extends to the abuse of drugs, opioids, things of that nature, and being willing to commit the resources that are necessary in order to fully treat people because, you know, the brain can become addicted in a week or two, but it generally takes 12 to 18 months to recover. And if the programs are not extensive enough, then we end up with recidivism and all kinds of problems on a continued basis. So we do recognize that. And we recognize the nexus between housing and health for the veteran and for the population in general, and are tailoring our programs so that they recognize that.

Senator BOOZMAN. You know, I think that the point you brought up then is really a great one in the sense of the very easy ability, particularly for some individuals, to get addicted very, very quickly, and then again, a year to 18 months, you know, to get them off.

Secretary CARSON. Exactly.

Senator BOOZMAN. The other thing that you mentioned in your testimony that I think is really important is the opportunity zones. And in Arkansas we have areas that simply have not recovered as much of the country also has those areas. Can you talk about HUD's role in that?

Secretary CARSON. Sure. Well, I have been very gratified, you know, as the chairman of the Opportunity and Revitalization Council to see how much interest there is in opportunity zones and how much money has already been committed. We are talking unrealized capital gains being invested long term in communities that traditionally have been neglected. And this is going to make a tremendous difference because it is expected on a conservative basis to draw in more than \$100 billion.

These are dollars that can be used for a lot of the traditional things that, you know, some of the programs that we become very used to would do. And, you know, I do not expect people to be willing to give up those programs quickly, but I think you will see that, you know, the things that already exist, like the RAD Program, can be enhanced in opportunity zones, preferences points given, (LIHTC) low-income housing tax credit expansion, the pilot program, so that we are dealing with new constructions and major rehabilitations. And we are also going to have technical assistance available within the opportunity zones to help developing businesses to take advantage of some of the things that are available already through the government that they may not know about it.

Senator BOOZMAN. Thank you, Madam Chair.

Senator COLLINS. Thank you, Senator. Senator Durbin.

Senator DURBIN. Thanks a lot, Madam Chair. Dr. Carson, good to see you.

Secretary CARSON. You, too.

Senator DURBIN. We have spoken several times about at least two or three communities in Illinois: Chicago obviously, but also East St. Louis and Cairo. East St. Louis, my hometown, has a large population of low-income families who live in public housing. They did a recent review of the public housing there, and they found that they need more than \$42 million for backlog capital repairs.

This is not unique across the United States. I understand the figure is some \$26 billion is needed to repair and make habitable and safe public housing. It grows by more than \$3 billion a year. Yet when I look at your budget and I look for the two funds that we could turn to in East St. Louis to repair the public housing, the Public Housing Operating Fund, your budget calls for reducing that by 38 percent, and then the Public Housing Capital Fund, you call for its elimination. So what am I supposed to tell the folks in East St. Louis based on the President's budget when it comes to the housing they are living in that is not safe?

Secretary CARSON. Well, first of all, you know, thank you for your attention to that. I know that is an issue you care deeply about. The escalation of the capital costs is very troublesome, and each year traditionally we have added more and more money to these capital funds. And we have needed more and more, and it is just a continued growing problem. So looking at things that can reverse that trend, I think, is very important, things like the RAD Program where now you have got the private sector involved, but

you have got sustainability that is not coming out of government funding. Also, many of the places that you just talked about are in opportunity zones. So there will be, you know, an opportunity to merge those with some of the other economic new developmental economics that are going on in the area.

Senator DURBIN. I am not familiar with anything in East St. Louis that would do that.

Secretary CARSON. That would be in opportunity zone?

Senator DURBIN. No, it is an opportunity zone, but I do not know of any efforts underway to use that opportunity zone to deal with the very real housing problems that are currently facing these resident.

Secretary CARSON. Well, I will tell you I was—last Friday, I was not in East St. Louis, but I was in St. Louis at the foundry, the old foundry project that is going on there through the opportunity zones. It is being completely revitalized, a lot of investments not only from Missouri, but from throughout the country.

Senator DURBIN. Well, I hope that you can come over to our side of the river and entice them to do the same. I would like to ask you about another issue you would be familiar with from your professional life work, and that relates to the University of Illinois Hospital, which is near the Loop in downtown Chicago. It is a well-regarded, highly regarded hospital.

They did a survey in the year 2017 of emergency room admissions, and they found, Dr. Carson, that there were 48 individuals responsible for 780 emergency room admissions in the year 2017. These 48 people had one thing in common: all homeless. Now, they had other issues, physical and mental issues, for sure. And this hospital finally realized it was costing them thousands of dollars every time they walked through the door and diverting medical resources.

Secretary CARSON. Correct.

Senator DURBIN. So the University of Illinois Hospital came to me and said what we can we do to deal with housing for these people. We are paying a heavy price already in our hospital because of homelessness.

Secretary CARSON. Yeah.

Senator DURBIN. I do not think that is a unique challenge. I think it is a challenge you will find in many cities across the United States, in small towns, too. And I just have to say it is a big challenge for presidents of either political party. Do you feel there is a commitment by this President and your Administration to actively try to deal with the homelessness issue? I look at some of these budget cuts, and I do not see it.

Secretary CARSON. Well, in fact, you see that we have asked for an increase for our homelessness programs. It is a very high priority, and we recognize that a person—

Senator DURBIN. I think you said 3-and-a-half percent increase earlier. Is that what you are saying?

Secretary CARSON [continuing]. We have asked for the increase, yes. But we recognize that it costs more to keep a person on the street than it does to house them. It is an average of \$33 to \$44,000 a year to keep them on the street and about \$21,000 to

house them. So we do know that, and that is reflected in the programs that we are working on.

Senator DURBIN. I hope we can do more. Thank you, sir.

Secretary CARSON. Okay.

Senator COLLINS. Thank you, Senator. Senator Hoeven.

Senator HOEVEN. Thank you, Madam Chairman. Secretary, thanks for being here.

Secretary CARSON. Absolutely.

Senator HOEVEN. And thanks for your work. We really appreciate it. In Minot, North Dakota, they had a devastating flood in 2011, and about 4,000 homes were inundated. And so it has been a big of recovery effort, and also now an effort to build permanent flood protection to protect the community and those homes and so forth. The State put together a plan for permanent flood protection, about \$1.2 billion. We broke it into eight phases, and then between local, State, and Federal funding we are trying to fund those eight phases. But we broke it into those eight phases to try to get the work going knowing we could not get the whole \$1.2 billion.

The first four phases are underway, which covers about half of the challenge, and the funding is coming from State, local and Federal sources. We have been able to utilize some of the Corps of Engineers program. Meeting the benefit cost ratio is tough, but the remaining phases 5 through 8, are lower-income areas. We are really having a problem finding programs that can work. We cannot meet the benefit cost ratio and those kind of things. So my question is, are there CDBG dollars or funds or other programs that could maybe help us in some of these phases 5 through 8 where we really are dealing with low-income neighborhoods?

Secretary CARSON. Sure. Certainly CDBG, Section 108 loans, would be appropriate. I must congratulate you and North Carolina—North Dakota for what you were able to do with the funds that you received already, particularly in terms of the mitigation. That is very, very admirable.

Senator HOEVEN. Well, the first four phases will cover about 65 percent of the community and surrounding area, but the real challenge, again, is, you know, these—like I said, phases 5 through 8. And I think—hopefully the low-income aspect will be taken into consideration.

Secretary CARSON. It would be.

Senator HOEVEN. Okay. So do you have somebody at the Agency that would be a good person to come out and talk with us? We are going to have a number of the Federal agencies out there in April, including the Corps and others. Would there be somebody that could come out and join us in that effort—

Secretary CARSON. We will have somebody contact your staff.

Senator HOEVEN [continuing]. Okay, That would be fantastic. I also want to commend you on a project in Grand Forks. It is called LaGrave on First, and it is the kind of collaboration that I think really is the future in terms of addressing not only housing, but then some of the other challenges that go with homelessness, drug addiction and other types of challenges.

At LaGrave on First in Grand Forks, a 42-unit apartment complex opened its doors in August of 2018. All 42 units pretty much leased up right away, and it combined support of services as well

as housing to deal with physical and mental health, substance abuse, education, job training needs, and more. So I think it is a great example of how you are bringing these services together. I would invite you to come out and see it.

I also chair the Indian Affairs Committee here in the Senate, and we are trying to do a lot with homelessness on the reservation and with veterans. As you know, our Native American population has the highest per capita rate of service in the military of any other group.

Secretary CARSON. Right.

Senator HOEVEN. There is a demonstration program called HUD VASH, and it is really focused on Native American veteran's housing and homelessness on the reservation. We have a demonstration project on the Turtle Mountain Reservation, which I think would also be good for you to see. We are trying to take it from a demonstration project to permanent legislation. As a matter of fact, I have legislation with Senator Johnny Isakson, Senator Tester and Senator Udall, who is ranking member on our committee.

Secretary CARSON. Right.

Senator HOEVEN. So, again, just any comments as far as housing on the reservation and particularly Native American veterans, and then also an invitation to come see some of the projects which you have been a part of and have been very successful.

Secretary CARSON. Well, I know it is a very significant issue on the Indian properties. I would be delighted to come up there in July or August to see what is going on there.

[Laughter.]

Secretary CARSON. I hope to schedule a visit with you there if we could.

Senator HOEVEN. Well, it is beautiful in the summer months, and we would love to have you. But thank you for your work. We appreciate it very much.

Secretary CARSON. Thank you.

Senator COLLINS. Thank you, Senator. Senator Coons.

Senator COONS. Thank you, Chairman Collins, Ranking Member Reed. And I just want to thank you, Chairwoman, for the bipartisan and balanced way in which you and Ranking Member Reed worked together last year to ensure that critical programs in HUD were funded in the appropriations bill.

Secretary Carson, I must say we are going to repeat probably identically our exchange from last year since, as you know, as a former county executive, I spent years working in affordable housing and relying heavily on CDBG, and HOME, and, to a lesser extent, CHAP, to make those things possible for my home city of Wilmington and my county of New Castle County. And my recollection is last year you said that State and local governments would make up the difference given that these programs were proposed for complete elimination.

I have spent a fair amount of time asking questions of my mayor, my city council, my county executive, county council, General Assembly, and our governor, and they have neither the intention nor the resources to fill the significant hole created by your proposed elimination. I will follow on some of the questions by Senator Durbin as well.

Across CDBG, HOME, CHAP, Public Housing Capital Fund, and the Operating Fund, I see a cut of about \$9 billion. I respect and appreciate your saying that the committee—excuse me—that the Department is committed to combatting homelessness. As someone who has worked in and around housing and homelessness issues for—off and on for 30 years, I do not see how you can credibly say that you will almost eliminate the capital funding from public housing programs and the resources of CDBG and HOME from State and local governments and not have that contribute to homelessness. Help me understand how in your view, your vision, we will combat effectively homelessness while cutting \$9 billion of well-established, effective programs that have demonstrated positive impact over decades?

Secretary CARSON. Well, first of all, the amount of money that we have requested for the Homelessness Continuum of Care Program is actually greater than what was enacted last year.

Senator COONS. By how much?

Secretary CARSON. I forgot the exact amount, but it is greater.

Senator COONS. But it is in the millions of dollars, correct, Mr. Secretary?

Secretary CARSON. I think it is in the tens of millions of dollars.

Senator COONS. Tens of millions of dollars.

Secretary CARSON. Yes.

Senator COONS. Okay. And we are talking about a shortfall in the housing area of about \$9 billion.

Secretary CARSON. Right.

Senator COONS. Okay.

Secretary CARSON. True.

Senator COONS. Forgive the interruption, sir.

Secretary CARSON. Okay. Now, I guess the question really becomes should we continue to chase a growing problem, or should we look for other ways to deal with it. We can continue to chase it with more money every year, which has been the tradition, but we must also recognize that we have a responsibility to the people who are coming after us, so we can find other ways, for instance, you know, working through the opportunity funds to get money that is going to be invested somewhere. Why not invest it into these areas where you really have been neglected for a long time?

Senator COONS. Mr. Secretary, with all due respect, I would welcome the opportunity to hear from you and from your Agency how opportunity zones private-sector investment could either supplement or replace. That, frankly, would be preferable to me. I would prefer to see private-sector investment than public dollars. They would be more likely to produce sustainable outcomes. But the specific communities in Delaware where we have applied these funds over years are areas that have genuinely struggled to attract private sector investment.

So I have written to the Secretary of the Treasury. I would be appreciative of your technical assistance to my office, my governor, my county executive. If your argument is that somehow opportunity zone-incentivized private investment is going to replace public investment in housing, I would love to see how. My concern is that the way the rules are rolling out for opportunity zones and the way they are structured, they will generate significant benefits for

folks who were already investing in capital infrastructure and may not provide employment opportunities, housing opportunities, and redevelopment opportunities in some of our most distressed communities. There is a very compelling public/private partnership redeveloping a longstanding public housing project in Northeast Wilmington where we would love to have opportunity zones be the answer, but I need persuading.

Secretary CARSON. Okay.

Senator COONS. And I would welcome that opportunity, Mr. Secretary.

Secretary CARSON. We would be very happy to provide that technical assistance.

Senator COONS. Because in my view, our best path forward is to retain the best of CDBG and HOME, and complement it with opportunity zone funding until there is a clear demonstration that it can effectively supplant it, if that ends up being the case.

Secretary CARSON. And I would have no problem at all working with you to do that. You know, the things that have happened with CDBG, with HOME, with Choice Neighborhoods, these are good things. These are things that we want to continue to happen, but we want to do it under the right circumstances. And also, you know, I could talk for a long time about some of the problems with some of those programs because of the formulas which are old and need to be updated so that we really are targeting the right people.

Senator COONS. Well, in my own experience, they were remarkably effective tools. I cannot speak for the whole country. I can simply speak for the community I know and the programs we invested in. And I would welcome and appreciate the opportunity to work with you on a way to deploy new capital to a longstanding problems.

Secretary CARSON. Terrific.

Senator COONS. Thank you, Madam Chair.

Senator COLLINS. Thank you. Senator Capito.

Senator CAPITO. Thank you, Madam Chair, and thank you, Mr. Secretary, for being here. I want to keep on the theme of opportunity zones. Being from the State of West Virginia, we have really been trying to figure out where our place is going to be with opportunity zones, and obviously we have great need. The program is designed, I believe, originally to help areas such as ours.

One of the concerns I have, I know that you are now the chair of the White House Opportunity and Revitalization Council, and I assume you are going to be and have been looking at opportunity zones. I guess my question is more how do you see this rolling out in areas that have not previously been invested in? And some of the concerns I have heard most recently have been that opportunity zones are going to follow real estate more than anything else. And so—when we say “real estate,” does that—mean housing to you, and how do you figure those investments are going to aid the areas it is intended to aid?

Secretary CARSON. A lot of the money that has already been committed is, in fact, targeted for housing. You know, we do not tell people what to do.

Senator CAPITO. Right.

Secretary CARSON. But, you know, there have been places also that I have visited, like a saw mill that had gone out of business in an opportunity zone, because it was in that zone, was repurchased, reinvested, hiring, bringing in a lot of people, which then brought in builders to build houses for them and other community development. And that is how I see it rolling out.

And the key thing here is because it is a long-term investment, it is very different than a lot of the investment programs that have been done before where people would come in, reap their benefit, and take off. They do not get a benefit here until they have invested those unrealized capital gains for at least 5 years, in which time they get a 10 percent decrement in the capital gains that they owe in the original investment.

Two additional years they get 5 percent more; 10 years, no capital gains on the new gain from the original investment. So it is a big advantage, but the biggest advantage, of course, is that this money, which was going to be invested in something, is brought into these areas. And West Virginia would seem to be, you know, an ideal place for the opportunity funds. I suspect there are some developing there already.

Senator CAPITO. Right. We are working hard to facilitate that and look forward to talking to HUD further on that. We have a unique situation. You are aware that we had the floods in West Virginia in 2016.

Secretary CARSON. Yes.

Senator CAPITO. And we were the recipient, and gratefully so, of the CDBG disaster relief funds. But the concern I have is with an entity that has come into the State that has been very, very helpful to us. And it seems like they are kind of getting caught up in a bureaucratic ping-pong match, to characterize it. It is called the Appalachian Service Project. It is a religious-based organization from Tennessee actually. They were on the ground, and they have already rebuilt 74 houses aside from the CDBG disaster relief funding. This was under other funding and simply under some of it was under just grants and donations and things of that nature.

But they have been told that they are no longer eligible for this funding. And we are—I am concerned because I have seen the good work that they do, that they are going to pull up stakes and leave, which is basically what they have said they have to do. So I am just really asking you if you would be willing to or somebody from your staff would be willing to meet with them to understand because it is kind of going between HUD, the State, them, back and we have a little bit of problems with our flood relief dollars on the FEMA side. We just want to make sure we, A, do not lose and we do not lose their good service as well.

Secretary CARSON. Sure.

Senator CAPITO. So I would ask you—I do not know if you are familiar with the situation.

Secretary CARSON. I am familiar with it, and they did good work in the first phase. And then they became a sub-recipient and wanted to continue with unit cost procedures, but they are not eligible for unit cost procedures.

Senator CAPITO. Right.

Secretary CARSON. They have to charge according to what it costs to do the work, and they were not willing to make that transition. I think that is why it fell apart. So if they are willing to abide by the structures that exist, you know, we very much would appreciate having them.

Senator CAPITO. So moving from being a sub-recipient to what would be the category that they need to move to, main contractor or—

Secretary CARSON. I guess they were a main contractor and then they moved to sub-recipient, and it changes.

Senator CAPITO [continuing]. Yeah, because they said it is cost plus 5 percent administrative fee. It does not help cover the costs, so their volunteers come in and helping, other costs that they incur.

Secretary CARSON. But if they are willing to be flexible, we can certainly work with them on getting into the category that works for them.

Senator CAPITO. Is the best place for them to and for me to help them is directly with HUD or to go to the State through HUD, or is it directly with HUD?

Secretary CARSON. Well, if you work directly with HUD, we can subsequently get you to the right place.

Senator CAPITO. All right. Thank you very much.

Secretary CARSON. Thank you.

Senator COLLINS. Thank you, Senator. Senator Murphy.

Senator MURPHY. Thank you, Madam Chairman. Good to see you again, Mr. Secretary. I want to thank you for coming to Connecticut last June to hear firsthand about the pernicious issue in Connecticut of foundations that are crumbling to the ground, affecting some potential 30,000 homes in Eastern and Central Connecticut.

Secretary CARSON. Right.

Senator MURPHY. This is a problem that is affecting property values throughout Connecticut, but, in particular, the eastern and central and northern parts of our State. And I want to also thank you for working with us to allow for CDBG funds to be used by municipalities in order to help address this problem. Admittedly, for many of these towns which do not receive significant amounts of CDBG dollars, this is a drop in the bucket. But as you challenged Connecticut to do, the State has also put up \$100 million, stood up a Captive Insurance Company and pressured insurers to step up as well.

So given the one step forward that we made on allowing CDBG funds to be used by the State of Connecticut to help address this problem how do you explain the two steps back now?

You are proposing to eliminate those dollars. How do we continue to work together if we do not have those CDBG dollars as a HUD financing vehicle to try to address this crisis issue in Connecticut? What do you suggest to someone who has seen these homes and heard the stories of these homeowners that we do together if we do not have CDBG dollars as your budget proposes eliminating?

Secretary CARSON. Well, you know, certainly my heart goes out to those people who, in many cases, have invested their life savings in their homes to have this happen. You know, I am happy to see

that some of the insurance companies have stepped up to the plate after hiding in the beginning, and I am happy to see that the State is there.

You know, I have talked to multiple people on the Federal government level about what is happening there. It is not something that we would traditionally do at HUD. I think you probably understand that. But we have, you know, allowed \$1 million to be repurposed for the testing and recently added another \$480,000. And we will be willing to work with you in any way that we can because it is a significant problem. As far as I am concerned, it is a disaster, but not everybody agrees that that is the case.

Senator MURPHY. I appreciate that, and as you know, Senator Blumenthal and I have proposed some new funding sources, one of which would run through HUD, in order to assist in a remediation. One simple request that the town, the State, and the individuals working at our Captive Insurance Agency asked me to relay to you is they thought it would be very useful to have one designated point person at HUD that they could work with and be in contact with as we try to examine new, creative ways that we can work with the Federal government. And I would ask if you would work with us on designating someone who can develop some expertise on this question.

Secretary CARSON. Sure. No problem.

Senator MURPHY. Second and lastly, I wanted to add my voice to others who are very concerned about the pace of relief dollars to Puerto Rico. It was very concerning to many of those in Connecticut who have family and friends in Puerto Rico to hear these reports that the President had at a February 22nd meeting directed the slowdown of dollars to Puerto Rico. And I heard your answer before on that question, and I appreciate it.

I wanted to ask you a more specific question about a \$15 million fund that was made available to HUD for capacity building and technical assistance, including assistance on contracting and procurement. This is a complaint that we hear from the Administration that Puerto Rico is not ready to take these dollars, but we put \$15 million your hands to try to help Puerto Rico address any issues that we jointly identified that would slow the receipt of the billions of dollars that we have authorized. Do you have any update on how that \$15 million was and is being spent on capacity building and technical assistance?

Secretary CARSON. I could not tell you specifically. I have been dealing with much larger sums of money. I have not dealt with that particular one, but maybe we can have the point person or someone talk to you about that.

Senator MURPHY. I would appreciate a response back, understanding it is a much smaller amount of money. But on one hand we hear complaints from the President and people around the President that Puerto Rico cannot take this money. We do not think that is true, but then we also have this fund of money that is still a large sum. I know in the scope of disaster assistance, \$15 million may sound like a small amount of money, but that could put a lot of technical assistance on the ground in Puerto Rico to help ease any concerns that the Administration has. And so I would love to have an update on that as well.

Secretary CARSON. And, you know, the first \$1.5 billion has, in fact, been not only designated, but given to them.

Senator MURPHY. Right.

Secretary CARSON. And that the unmet needs, the second tranche of \$8.2, the agreement still needs to be signed, but the plan has been accepted.

Senator MURPHY. I appreciate it. Thank you for continuing to focus on this, and we appreciate any efforts to expedite that. This is an emergency. Thank you, Mr. Secretary.

Senator COLLINS. Mr. Secretary, due to the work that I have done on the Aging Committee as the chair of that committee, I have learned a great deal about how we can allow our seniors to age in their own homes. And we included \$10 million for new Aging in Place Grants for HUD in the fiscal year 2019 bill. And these grants are intended to enable low-income seniors who are homeowners to make low-cost, high-impact home modifications, such as grab bars, or handrails, or adjusting cabinet heights, higher toilets, wider entryways, things that can allow them to stay in their own homes.

And this demonstration project is based on smaller programs across the country, including the Bath Housing Authority and the Maine State Housing Authority. Allowing older homeowners to remain in their own homes not only allows them to be where they really want to be, but it avoids the cost of their moving into assisted living facilities. And there is a real shortage of those kinds of properties in rural areas. What we are concerned about is that HUD appears to be moving in the direction that we did not intend, and that is to use these grants for multifamily rental properties rather than to help seniors upgrade their own homes, low-income seniors.

So I know that HUD is developing the notice of funding availability for these grants, and I would ask you to work closely with our committee to ensure that the program is accurately reflecting the intent of this committee.

Secretary CARSON. Absolutely, and that is such an incredibly important thing because the aging population is rapidly increasing in proportion to the population at large. And, you know, there is a tremendous opportunity for us to do things for people aging in place. There is \$7 trillion worth of equity that seniors have. Eighty percent of seniors actually are homeowners, so we have got all that equity. We have to come up with an appropriate way that we can use that equity to eliminate some of the anxiety in their lives and allow them to benefit from what they have accumulated over their lifetime. We are working on that.

Senator COLLINS. Thank you. We look forward to further discussions with your staff on that issue. You and I also share an interest in new kinds of construction materials that can lower the cost of housing. Being able to reduce those costs is really critical to expanding the supply of affordable housing. There are emerging approaches that include new technology, such as using 3D printing for construction. And another innovative approach is the use of mass timber such as cross-laminated timber and similar products. That offers a sustainable and cost-effective building material.

The University of Maine has a wonderful project where they are really leading the way in cross-laminated construction materials. How is HUD using its programs and research capacity to further the development and adoption of innovative approaches like these to lower the cost of construction and, thus, expand the availability of more affordable housing?

Secretary CARSON. A very important question. It is the reason that we have initiated an Office of Innovation at HUD looking at these very things. In fact, this summer on the Mall in Washington, D.C., we will have a demonstration including 3D printing, including some of the newer technologies and manufactured housing, tiny homes, accessory dwelling units, and some of the materials. About 3 or 4 weeks ago, I was in Las Vegas for the National Association of Homebuilders looking at some of the new products that have come online, which will be terrific for the mitigation products.

And when you look at the effects of mitigation, I want you to think back to Hurricane Irma and what we were anticipating as opposed to what happened. Because Florida had already from the previous hurricane season engaged in mitigation, we ended up with a lot less damage, and that is going to be on the real purposes of looking at these new building techniques. If you look at things like manufactured homes, manufactured homes which are not trailers—not how people think about it—look better than site-built homes and built on the appropriate foundation actually withstand natural disasters better than site-built homes.

Those are the kinds of things. That is one of the reasons that we are moving so rapidly to get rid of a lot of the regulatory barriers dealing with manufactured homes so that we can use them, particularly in rural areas. Ten percent of the single-family housing is manufactured homes in this country.

Senator COLLINS. Thank you. Senator Reed.

Senator REED. Thank you very much, Madam Chairman. I want to go back to what you indicated as a drastically-increasing need for affordable housing for elderly Americans. It is a cohort—I think we are part of it, Mr. Secretary that is growing dramatically. And, in fact, only one-third of the eligible seniors are receiving assistance right now throughout the United States, and that is expected to double in the next 15 years.

So that is why it is—I find it interesting, over the last 3 years the committee through proper authorization, we have appropriated \$166 million to construct new affordable elderly housing. You indicated to us that under the Section 202 Program, that all of that would be available by the end of 2018, but we are still awaiting the release of those funds. So can you give us an idea of when you intend to make this money available for housing construction?

Secretary CARSON. We intend to make it available as soon as possible, and I would think that that would be before this fall.

Senator REED. Well, you know, again, there seems to be this emerging pattern of we authorize and appropriate funds over several years, and they get hung up. The CDBG Sustainability Funds, there the issue was it is a novel program, you need to some analysis. This Section 202 Program has been around for a long time, and I would think that you would get those funds out the door immediately.

Secretary CARSON. Well, this is a new iteration of that program. Fifty million of it is going to be gotten out immediately. The rest of it is being looked at in terms of ways—innovative ways for people to age in place, and that is why it is taking a little bit longer.

Senator REED. Well, again, this pattern, I will say for myself at least, it is disturbing of money being—the long, long lead times to get money out that is appropriated by this committee. The other area I want to concentrate as the time slips away is the FHA. You have been directed to study FHA reform, et cetera. One of the things that FHA does is it contributes a lot of money to our operating budget through its receipts, and it also has a great deal of flexibility because through mortgage letters, it can vary the terms of its lending arrangements. It can do a lot of things to protect the fund from risk and also to provide more opportunities for homeownership.

Secretary CARSON. Yes.

Senator REED. This budget assumes \$2.3 billion less in FHA single-family mortgage receipts for 2019, and that is a significant fluctuation. And it raises the question of why are we not using the flexibility, you as Secretary, to ensure that there is at least a consistent flow of FHA funds to HUD for your programs.

Secretary CARSON. As far as I know, the flow from the FHA funding does not come directly back to the Agency. It goes to Treasury, and then we have to be allocated money from them. I wish we could do it that way.

Senator REED. Well, you traditionally are funded even through Treasury by—in fact, this budget is showing funding coming from the FHA for your—the President's proposal. So your answer is that the Treasury has arbitrarily decided to take money away from—

Secretary CARSON. Well, it goes to the Treasury, and then we have to go through other processes. The money never comes directly to us.

Senator REED. Well, but somewhere along the line this budget suggests that someone is taking a significant decrease in normally-allowed FHA expenditures going to HUD. That is the math of this budget.

Secretary CARSON. Well.

Senator REED. If it is not you, then it is Treasury.

Secretary CARSON. I would request that Congress—I have said this for a long time. If we can take the profits that we generate through FHA and we can use them directly and we will be completely transparent—boy, we could do a lot.

Senator REED. Well, let me—I will continue to pursue this issue because, again, I think this—as you go forward with plans, because you have been directed to sort of look at the reformation of FHA.

Secretary CARSON. Or of housing finance in general.

Senator REED. And housing finance in general, but if FHA is “reformed” to the degree that you do not have access to any of these receipts, then your programs—your whole range of programs will suffer dramatically.

Secretary CARSON. I agree.

Senator REED. The only final point I would note was that there was money, \$25 million in 2017, to help PHAs, public housing authorities, with their lead-based hazard—lead paint-based hazards.

You have only awarded \$18 million and that is just to 20 housing authorities, and you decided that the award would be limited to a maximum of \$1 million, and also that you would not consider PHAs that have lead compliance issues. You would help some PHAs, but not others. Are you after this experience, are you contemplating any changes to this program to allocate the additional resources?

Secretary CARSON. Well, one of the major changes is we are trying to get the information disseminated so that we have more people applying for it. The reason that all the money was not allocated is because we did not have enough people applying for it.

Senator REED. Well, again, we will continue to work and this is an issue of lead paint both in private homes and subsidized housing and public housing that the chairman and I are very much concerned about.

Secretary CARSON. Thank you.

Senator REED. Thank you, Mr. Secretary.

Senator COLLINS. Mr. Secretary, thank you so much for being with us today and for altering your schedule to accommodate the earlier start time.

ADDITIONAL COMMITTEE QUESTIONS

The hearing record will remain open until Friday, April 12th, 2019, for additional questions. I know I have several, and I am sure that the ranking member does as well, and we will be submitting those for the record.

QUESTIONS SUBMITTED BY SENATOR SUSAN M. COLLINS

PUBLIC HOUSING ANNUAL CONTRIBUTIONS CONTRACT

Question. Last April, HUD issued a new Annual Contributions Contract (ACC), which is the grant agreement for the public housing operating and capital funds administered by housing authorities. Shortly after it was issued, HUD pulled it back due to numerous concerns from PHAs across the country, including those in Maine. In December, HUD published additional revisions to the ACC for public comment. The newly revised ACC appears to be very similar to what HUD issued last year, with little consideration for the concerns from PHAs. Concerns from PHAs include: an improper overreach of Federal authority; noncompliance with the Administrative Procedures Act; HUD control of non-Federal funds; and requiring PHAs to violate state Freedom of Information and Freedom of Access Acts.

What problem is HUD currently experiencing with either the operation of the public housing programs, or its relationship with PHAs, that this revised ACC is intended to fix?

Answer. The revisions to the ACC published for public comment in December 2018 set forth the terms and conditions associated with HUD's longstanding award of Federal financial assistance for the public housing program in the form of grants (current regulations 24 CFR 905.106). The Paperwork Reduction Act is the appropriate method for revising the ACC because HUD is making a change to a required form (namely the ACC) under its regular expiration/renewal cycle; HUD is not making any changes to the substantive requirements of the Public Housing Program. When HUD requirements are changed by rulemaking (which is done through rulemaking and consistent with the APA), the ACC incorporates by reference any such changes.

The concerns from PHAs enumerated in the preamble to this question all represent existing requirements of PHAs in statute or regulation that govern public housing funding. The December 2018 public comment version of the ACC proposed elimination of provisions that, since 1995, have been fully incorporated by regulation. The December 2018 proposed ACC did not initiate new provisions that are not currently in effect through statute or regulation.

Prior to the ACC changes proposed in 2018, HUD had last updated the ACC in 1995; and prior to that, in 1969. Remarkably, some 400 of the 3,000 PHAs nationwide still have never executed the 1995 version of the ACC and maintain that their

participation in the public housing funding program is based on the 1969 version, which was developed when the public housing program was a loan program. This is an untenable situation for HUD and for the PHAs, given more than two decades of changes to applicable statutory and regulatory public housing funding requirements, as described below.

The Public Housing program, which was initially a loan program, was changed by Congress to a direct grant program in 1987, through which HUD awards grants for the development and operation of public housing (See sections 112 and 119 of the Housing and Community Development Act of 1987 (the HCD Act)).

In 1988, HUD implemented OMB Circular A-102 "Grant Awards and Cooperative Agreements with State and Local Governments," by codifying its provisions in 24 CFR part 85 (March 11, 1988, 53 FR 8025, 8650). HUD made the public housing program subject to 24 CFR Part 85 in 53 fiscal year 7875:

HUD previously took the position that annual contributions for public housing development and modernization were not subject to Circular A-102 requirements because the Federal assistance to public housing agencies (PHAs) was in the form of loans and loan guarantee commitments made by HUD. The Department's current method of funding public housing development and modernization by means of capital grants (as opposed to loans, as in the past) has the effect of subjecting public housing development and modernization funding to A-102 requirements. Public housing operating subsidies are administered as grants and therefore are also appropriate for A-102 grant management treatment. (emphasis added). In this statement, HUD clearly reflected its determination that because of the changes made by the HCD Act, public housing funding (capital and operating funding) were to be administered as grants. Consequently, the ACC is an agreement related to the receipt of public housing grant funding (i.e., a grant agreement). Accordingly, as a result of the changes to the program made by the HCD Act, HUD has, since 1988, consistently administered the public housing program as a grant program.

In addition to codifying A-102 at 24 CFR Part 85, HUD codified the provisions of other grant management-related OMB circulars, including OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," in 24 CFR parts 84 and 85 in 1997 (November 18, 1997, 62 FR 61617), and such other circulars related to grant management. In the intervening years since codifying the guidance in these circulars, HUD has cross-referenced applicable provisions of 24 CFR parts 84 and 85 throughout program regulations, including applicable regulations for public housing development, modernization and operating funding.

In 1995 HUD issued PIH Notice 95-44 which transmitted a revised ACC, Form HUD-53012A and Form HUD-53012B (commonly known now as the 1995 version, which is the current version). The form was revised against the backdrop of the public housing program being a grant program, and HUD's determination that the ACC was a grant agreement. HUD regulations and guidance frequently referenced the funding as grant funding (e.g., 24 CFR §§ 941.103 (ACC definition), 941.612, 968.103). The 1995 version was revised to be consistent with HUD's program regulations and grant funding scheme. HUD noted that:

[t]he revised ACC eliminates the recitation of the specific statutory, regulatory and executive order requirements to which a HA is subject with respect to its public or Indian housing projects. Instead, the HA is made subject to "all applicable laws, executive orders and regulations," whether or not these authorities are specifically incorporated by reference in the ACC . . . With the execution of this revised ACC, HUD intends to eliminate the obsolescence that has developed over time in the existing ACC as a result of the enactment of new legislation and the promulgation of new regulations that conflict with specific requirements contained in the ACC.

But since 1995 there have been numerous additional changes to the specific statutory, regulatory and executive order requirements to which a HA is subject with respect to its public projects. For example, in October 2013 HUD published the final rule for the Capital Fund Program at 24 CFR Part 905. The final rule combined and streamlined the former legacy public housing modernization grant programs, including the Comprehensive Grant Program, the Comprehensive Improvement Assistance Program and the Public Housing Development Program.

In 2004, the SF-424 "Application For Federal Assistance" was identified as a new form added to the PHA-required submissions for the receipt of public housing Operating Funds. (See Notice PIH 2003-22). At that time, HUD identified the SF-424 as a new form that was required as part of a government-wide grants management initiative and was applicable to the public housing programs and PHAs requesting public housing development and operating grant funding.

On December 19, 2014, OMB published a joint, Governmentwide interim rule with all Federal award-making agencies, entitled Federal Awarding Agency Regulatory Implementation of Office of Management and Budget's Uniform Administra-

tive Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly called the "Uniform Guidance"). All Federal award-making agencies, including HUD, implemented the Uniform Guidance. HUD amended its administrative requirements for grants and cooperative agreements. HUD's final rule (December 7, 2015, 80 FR 75931) conformed HUD's regulations to the Uniform Guidance, and revised cross references within affected HUD regulations, including the public housing programs covered by the 1995 ACC (e.g., the Public Housing Capital Fund Program and the Operating Fund Program). In the preamble to the final rule HUD stated:

Grant recipients and those who monitor grants are strongly encouraged to review the Uniform Guidance to obtain a better understanding of the Uniform Guidance and its implications for their Federal awards.

The proposed changes to the ACC update the agreement to conform to government requirements at 2 CFR Part 200 that apply to grant funding, and to address any misunderstandings and misinterpretations that have developed over the 20+ year since the last revision to the document. The ACC published in December 2018 was for public comment, and in response to concerns raised by PHAs, HUD proposes to address and concerns consistent with existing statutory and regulatory requirements.

INSPECTIONS OF HUD-ASSISTED PROPERTIES

Question. The physical quality of HUD-assisted units has long been a concern of mine. I have pushed HUD to improve its oversight of the physical conditions of units, including the collection of photos of inspections to improve accuracy. As I have stated previously, neither assisted families nor taxpayers are well served by subsidizing housing in poor condition. At the direction of this Committee, GAO recently completed a review of HUD's physical inspection process and inspector oversight for HUD-assisted properties, identifying 14 recommendations to improve quality and oversight. HUD concedes that the inspection scoring model no longer aligns with housing quality, and that properties can pass inspection even with poor unit conditions. In response, HUD has announced a new policy of shortening the time between inspection notification and the actual inspection to prevent owners from doing only "just in time" repairs, and plans to undertake a 2-year demonstration to evaluate and implement changes to the scoring model. HUD has noted that the current model of five inspectable areas (dwelling units, building systems, common areas, building exteriors, and site) enables properties to pass inspections even if the dwelling units fail inspection. HUD's new approach will consolidate these five areas into only three—dwelling units, inside, and outside—and the property will not pass the overall inspection if the dwelling units inspectable area fails.

If HUD knows that the inspection scoring model based on these five inspectable areas is flawed, why is HUD waiting 2-years to make the change to three areas and a requirement that the dwelling units pass, while families continue to live in substandard units?

Answer. There are two reasons HUD wants to make changes to the scoring weights of our physical inspections over a two-year period.

First, the Department wants to ensure it has the correct solution. We acknowledge concerns about the current weighting structure. While we believe we have the solution, the Department is hesitant to make a drastic change to the current system without a testing period. HUD needs to ensure that changes to the model produces a more accurate score and does not exacerbate existing or create new issues. The current schedule is very aggressive but allows HUD the appropriate time to ensure what we are proposing in the updated model works.

Second, making changes to the current state scoring model requires a significant level of effort and commitment of resources that are needed to develop the future state. The National Standards for the Physical Inspection of Real Estate (NSPIRE) demonstration, which is HUD's overarching effort at overhauling its inspections system, includes other changes such as revising the inspection standards and types of inspections that are intended to replace the current state. The NSPIRE demonstration and the new inspection scoring model are more closely aligned than the current system and these resources at the Federal level would be better served creating a new system that works rather than making fixes to the current system.

While HUD believes that a streamlined scoring model will provide several benefits, changing the scoring model alone is not sufficient to address the broad range of causal factors that can contribute to improving the detection of substandard housing. This requires enhancements to the underlying standards, protocols, processes, and information technology. Given the inextricable linkage between the standards and the scoring model, testing changes to one without the other may lead to unin-

tended negative consequences. The full extent of those necessary changes will be evaluated as part of the NSPIRE demonstration.

RENT COMPARABILITY STUDIES IN THE NORTHEAST

Question. The recent government shutdown highlighted some HUD process issues when it comes to renewing rental assistance. One such case was the renewal of an 8-unit elderly housing project in Swans Island, Maine. In places like Maine, properties like this are critical to meeting the housing needs of low-income families and seniors. Renewal of this property was complicated by HUD's inability to secure a contract for a third-party rent comparability study, or other market analysis, to provide the property with a rent subsidy increase, which it had not received since 1996. I am pleased that, working with your staff, we were able to ensure that this property will receive a full renewal and subsidy increase. However, this renewal in Maine highlighted that securing rent comparability studies or other market analyses to justify subsidy increases is a particular problem for HUD in the Northeast.

What steps is HUD taking to ensure that other properties are not subject to similar delays and uncertainty?

Answer. To address delays and uncertainty in securing rent comparability studies, HUD has recently taken steps to enter into a contract with one vendor that will allow for the procurement of multiple studies at once and delivery of a more expeditious product rather than competing each property study separately, as was the practice at the time of the Swan's Island, Maine property renewal.

FAIR HOUSING ACTION AGAINST FACEBOOK

Question. Last week, the Department charged Facebook with violating the Fair Housing Act by enabling advertisers to exclude people based on their religion, national origin, and even for being a parent with children. According to HUD, Facebook also used protected characteristics of people to determine who could view ads regardless of whether an advertiser wants to reach a broad or narrow audience. Facebook's machine learning and other prediction techniques were used to intentionally target and excludes users based on their protected class. In today's digital world, I appreciate that the Secretary has focused on new platforms that can be used to exclude protected classes.

Has the Department found other instances of new technologies that could be restricting or limiting housing opportunities in violation of the Fair Housing Act?

Answer. The Department is always exploring the application of the Fair Housing Act and related authorities to new technologies. The Department investigates and makes findings in thousands of cases per year, many of which implicate new technologies, such as tenant screening software, underwriting models, online advertising, automated valuations, and social media. These types of technologies are of interest to the Department because any unlawful bias in the technologies may affect a large number of victims. As noted in the hearing, the Department engaged Facebook beginning in 2016 about its advertising practices and ultimately issued a charge of discrimination against the company. The Department has also initiated dialogue with other companies engaged in social media and advertising technology about their advertising practices and is continuing to explore the application of the Fair Housing Act to the online advertising space. As more people turn to the web to find housing, loans, insurance, and other housing-related services, online advertising plays a bigger role in who has access to housing opportunities. The Department is committed to protecting the rights of the American people online as well as in the physical world.

3-YEAR INCOME RECERTIFICATION AND FAMILY SELF-SUFFICIENCY

Question. One of the core aspects of the Administration's proposed changes to rental assistance calculations is the triennial recertification of income, which is intended to simplify administrative requirements. On the other hand, the Family-Self Sufficiency program, which is the Department's signature self-sufficiency program, deposits funds into the FSS escrow accounts based on increases in household income. A triennial recertification of household income would appear to undercut the effectiveness of the FSS program.

Has HUD taken into account the intersection of changes to rent calculations and self-sufficiency programs?

Answer. HUD currently has two self-sufficiency programs that include a rent incentive: Family Self-Sufficiency programs (FSS) and Jobs Plus. All other self-sufficiency initiatives function on the standard rent calculation platform. HUD's proposed rent reform bill, the Making Affordable Housing Work Act (MAHWA), would supplement these programs by providing additional alternatives to standard income-

based rent that could be available to the broader universe of HUD tenants in order to ameliorate any disincentive to increasing earnings. Specifically, MAHWA has several provisions that build upon programmatic experience regarding incentivizing self-sufficiency. These include the following provisions:

1. Triennial recertifications—triennial recertifications would provide a temporary incentive to families to increase earnings without having an impact to total tenant payment until the next triennial reexamination.
2. Minimum rent based at the minimum wage and part-time work hours—this provision encourages individuals who may not have been working to take steps to obtain employment in order to meet the higher minimum rental amount.
3. Alternative rents—building upon the experiences of Moving to Work (MTW) agencies and the FSS program, these rent structures are developed to incentivize increased earnings over time, while also, simplifying rent calculations, and permitting families to keep some of the increased earnings.
4. Optional Work Requirements—again building upon the experience of MTW agencies and the FSS program, PHAs and owners of project-based assistance properties would be permitted to adopt work requirements as a condition of admission and continued occupancy for work-able families.

The FSS program, particularly the escrow savings in FSS, provides a long-term incentive to increase income, with the “reward” or incentive coming after several years of program participation. Alternative rent structures that delay rent increases provide an immediate incentive in the form of the ability to retain more of the increases wages as they come in. There is ongoing research regarding the differing benefits to the “reward now” or “reward later” models and the added benefit of financial coaching in working towards long-term self-sufficiency. These new rent calculations provide an excellent opportunity to expand the benefits to more residents and test the impact of various models.

OPPORTUNITY ZONES

Question. The 2017 tax reform legislation included the creation of Opportunity Zones, to be administered by the Treasury. These Opportunity Zones will encourage investment in distressed communities through tax incentives. You have been named the Chair of the White House Opportunity and Revitalization Council, which will look at ways to remove barriers to revitalization efforts and work on broader efforts to combat poverty and geographic inequality. We recently had the opportunity to visit an Opportunity Zone in Maine and I look forward to working with you on the transformation of this neighborhood.

Given your leadership roles as chair of this council and as HUD secretary, how can HUD and the Opportunity Zone program work together to benefit additional communities that are in need of revitalization?

Answer. HUD has a very important presence within Opportunity Zones, including: approximately 2.4 million persons living in HUD-assisted housing (27 percent of the national total); 371,000 public housing units (38 percent of the national); 2,400 Multifamily housing properties with FHA mortgage insurance (21 percent of the national total); and 617,000 FHA-insured Single Family properties (8 percent of the national total) as of April 2019. HUD is uniquely positioned to utilize its existing authorities to maximize the beneficial impact of public and private investments in Opportunity Zones, as the agency’s various grant programs (whether discretionary or competitive in nature) will be important for communities to help build the requisite housing, infrastructure, and capacity at-large in order to attract private capital in a way that most benefits existing residents. The same holds true for additional communities that are in need of revitalization, and yet have not been designated as Opportunity Zones. Although the relevant Opportunity Zone Federal tax incentives do not apply to investments made in other communities, we are working with State, local, tribal, and territorial leaders (HUD grantees) to re-think their economic development plans and engage residents in a way that has long been neglected.

QUESTIONS SUBMITTED BY SENATOR STEVE DAINES

MANUFACTURED HOUSING

Question. In its 2017 Omnibus bill, Congress included a directive to HUD to review its add-on letter for garages and carports, the proposed interpretive bulletin on frost-free foundations, and the on-site completion of construction rule and “de-

velop a solution that ensures the safety of consumers and minimizes costs and burdensome requirements on manufacturers and consumers.”

The Manufactured Housing Consensus Committee (MHCC) is responsible for recommending and facilitating revisions and interpretations of the HUD Code and during a 2018 meeting took the following actions:

- Voted to rescind HUD’s extension of “alternative construction” requirements for carports.
- Voted to withdraw HUD’s proposed Interpretative Bulletin on Frost Free Foundations.
- Unanimously supported changes to the HUD Code’s requirements for add-on structures (garages).
- Discussed changes to the on-site completion of construction rule.

Despite the MHCC recommendations, HUD has not taken action to implement the recommended changes. What are your plans to move forward with implementation?

Answer. HUD is working diligently to implement recommendations received from the MHCC by revising the Manufactured Home Construction and Safety Standards, which will include “Add-On” provisions to address attached garages and carports, among other things.

The MHCC voted during its April-May 2019 meeting for HUD not to finalize the proposed Interpretative Bulletin (IB) on Frost Free Foundations and sent the subject to subcommittee for further review. Accordingly, HUD is not working on finalizing the IB at this time.

Changes to the on-site completion of construction rule were discussed during the April-May 2019 MHCC meeting. The MHCC referred all recommendations regarding the On-Site Completion of Construction Rule to MHCC subcommittees, which will revise them for final recommendations to the full MHCC committee. HUD will continue to work with the relevant MHCC subcommittees to implement findings from HUD’s Report on the On-site Completion of Construction for Manufactured Homes.

Question. When do you expect the first changes to me made with regard to the comprehensive review of HUD’s manufactured housing regulations, which you announced last year?

Answer. HUD is working to release the first of three sets of updates to the Manufactured Home Construction and Safety Standards by March 2020.

Question. Can you discuss your plans to implement backlog of more than 100 pending changes recommended by the MHCC?

Answer. HUD is working to release the first of three sets of updates to the Manufactured Home Construction and Safety Standards by March 2020. The Manufactured Home Construction and Safety Standards have not been significantly updated since 2009. The third set of standards will go far to address the backlog of pending changes. The MHCC is currently addressing approximately 300 pending items, 200 of which were just assigned to subcommittee at the April/May meeting. HUD will begin a separate regulatory process for these pending items once they are finalized by the MHCC and submitted to HUD.

QUESTIONS SUBMITTED BY SENATOR JACK REED

COMPETITIVE GRANTS TO PUBLIC HOUSING AGENCIES TO ADDRESS LEAD-BASED PAINT HAZARDS IN PUBLIC HOUSING

Question. Secretary Carson, as I mentioned during the hearing, this Committee provided \$25 million in fiscal year 2017 to help public housing agencies (PHAs) address lead-based paint hazards in public housing. I raised concern about HUD’s failure to disseminate all of this funding, by only awarding \$18 million to 20 PHAs. In your response, you stated that this was a result of not enough PHAs applying for the funding. However, my staff received data from HUD on August 17, 2018 which stated 83 PHAs applied for this funding, of which, 48 PHAs met the eligibility threshold and were considered for the awards. Because the demand exceeded the amount of funding available, Senator Collins and I included an additional \$25 million in grants to PHAs for this purpose in fiscal year 2019.

During the hearing I also noted two concerns with the fiscal year 2017 competition. Despite Congress providing this funding to help PHAs come into compliance with the Lead Safe Housing and Lead Disclosure Rules, HUD prohibited PHAs with any lead compliance issues from being eligible for the funding. Additionally, HUD limited grant awards to a maximum of \$1 million, which does not take into account PHAs that might have needs that far exceed this award amount.

Why is HUD defining PHAs that have existing lead-related compliance issues as ineligible for the public housing lead funding and what long-term effect does this have on their ability to meet the health and safety needs of public housing residents?

Answer. The Notice of Funds Availability (NOFA) includes the following provision: “PHAs that have received written notification of violations of the Lead Safe Housing Rule (LSHR) or Lead Disclosure Rule (LDR) from the U.S. Environmental Protection Agency (EPA), HUD, or the U.S. Department of Justice (DOJ), and have not yet resolved these findings are not eligible for these funds. Further, these funds shall not be used to perform any work required by a settlement agreement, consent decree, voluntary agreement, or similar document, with EPA, HUD, or DOJ for violations of the LSHR or LDR.”

The Department has multiple reasons for this provision. The first reason is that PHAs that know about existing lead hazards have a 90 day deadline to resolve the issue. Assuming that a PHA discovered a lead hazard right before the application deadline for the grant, it could not realistically expect to get funding from the grant fast enough to comply with the 90-day deadline (even if it was assured of getting grant funding). HUD needs adequate time to review the applications and make the funding available. In addition, a PHA would have to go through a procurement process after receiving an award before it could engage a vendor to address the identified hazard. Further, the vendor would need some period of time to begin work. It is unrealistic to think that all of the necessary steps to use grant funds to address the hazard could be completed to comply with the 90-day deadline. Realistically, a PHA that has an already identified lead hazard must rely on existing resources to mitigate the identified hazard. Additionally, PHAs that have unresolved findings likely lack the necessary capacity to properly carry out lead based paint grant activities properly and would be identified as high-risk grant recipients.

Question. What data did HUD use to inform the maximum grant award threshold and how was economies of scale taken into consideration?

Answer. Given that the grant program has very limited funding relative to the potential need, the purpose of the maximum grant award was to ensure that the grant funding would be spread across a significant number of PHAs with properties that were clearly at risk. This decision was made without particular regard for a concentration of lead hazards in a single large property or in many properties managed by the same housing authority. This decision had the effect of preventing grant award bias away from smaller housing authorities or housing authorities in more rural and less densely populated areas.

Again, with a grant program of limited funding, the Department did not consider economies of scale in establishing a maximum grant award amount, as the existence of lead hazards in any public housing unit represents a significant health risk to the residents of that unit.

AFFORDABLE HOUSING DEVELOPMENT

Question. The leading causes of homelessness in the United States are a lack of affordable housing, high rental price increases, and stagnant wage growth for low-income Americans. As demand for affordable housing vastly outpaces supply and drives rental prices higher, some households making less than 50 percent of area median income (AMI) are being forced to pay more than 50 percent of their incomes on rent. This leaves few resources available for food, basic healthcare, and other necessary expenses. Further exacerbating this crisis is wage stagnation among low-income Americans. Even though the U.S. unemployment rate is at its lowest level in two decades, wage growth has largely benefitted top earners, while wages for low to median earners have remained the same.

Secretary Carson, The affordable housing crisis is reaching epic proportions in urban and rural communities alike, with the number of low-income households facing worst case housing needs reaching 8.3 million in 2015.

Given the increasing demands for affordable housing, especially among low-income households, what is HUD doing in this budget proposal to expand our affordable housing stock?

Answer. HUD has prioritized working with our Federal, state, and local partners to reduce the regulatory barriers that impede the development of additional housing supply, particularly affordable housing. A significant portion of the cost of building new multifamily housing is related to regulations, so simply increasing funding for HUD's programs will not solve this crisis.

HUD is also prioritizing the alignment of our programs with Opportunity Zones, a tax incentive that encourages the deployment of much-needed private capital into some of America's most distressed Census tracts. In addition, HUD's Rental Assist-

ance Demonstration will allow the preservation and recapitalization of affordable units that might otherwise be lost.

For potential homeowners, HUD has successfully preserved FHA as a source of affordable mortgage credit and as a result FHA has served over 3.6 million families during the past 3 years with:

- Over 2.5 million forward purchase loans;
- Almost 1 million refinances—resulting in reduced loan terms or monthly payments;
- Over 150,000 HECM loans, enabling seniors to stay in their homes.

Further, over the past 3 years, FHA endorsed purchase loans for 2.1 million first-time buyers, or 82 percent of its total purchase loan endorsements during this period. FHA has provided access to home-ownership for people who otherwise may have faced difficulty obtaining a conventional mortgage.

MULTIFAMILY HOUSING CONTRACT MANAGEMENT PRACTICES

Question. During the government shutdown, HUD allowed over 1,500 multifamily housing contracts to expire, impacting nearly 60,000 tenants receiving assistance under the Section 8 Project-Based Rental Assistance (PBRA), Section 202 Housing for the Elderly, and Section 811 Housing for Persons with Disabilities programs. In these cases, landlords and public housing agencies (PHAs) were required to expend reserve funds to meet ongoing obligations until HUD was able to resume operations and contract renewal activities.

These events brought to light that HUD's internal contract renewal procedures and financial management systems were insufficient and a predominantly cumbersome manual process. As a result, HUD consistently faces challenges predicting and managing the contract renewal process.

What business processes have you identified that HUD needs to change in order to better predict and manage the renewal of expiring contracts?

Answer. HUD has identified business processes that could be improved with information technology advances. Completion of a contract renewal is a multi-step business process involving a series of back-and-forth exchanges over email and through standard mail between an owner, HUD staff, and in many cases a Project-based Contract Administrator (PBCA); however, HUD is exploring options for utilizing a secure cloud-based document exchange platform for renewal contracts and rent adjustment documents as well as tools to standardize workflow tracking. By improving the process to share documents and increase visibility into transaction status, we expect to be more predictive in the renewal process and enhance both efficiency and customer experience.

Question. If IT improvements are a component of that solution, what system-specific changes need to be made and how is the Office of the Chief Information Officer incorporating those changes into HUD's IT modernization plan?

Answer. In 2018, HUD completed a review of the potential for modernization of the Tenant Rental Assistance Certification System (TRACS), the system central to contract renewals, tenant income certifications, and payments for Multifamily's Section 8 PBRA, Section 202, and Section 811 programs. This review highlighted functional systems enhancements needed to improve management of contract renewals. In addition to re-platforming the aging system, TRACS modernization would enhance Multifamily contracts management by eliminating certain manual entries and improving interfaces with the integrated Real Estate Management System (iREMS) for properties and the Line of Credit Control System (LOCCS) payment system. HUD has recently begun the first steps of TRACS modernization through its Enterprise Subsidies Management initiative.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

FAIR MARKET RENTS

Question. Fair Market Rent—The fair market rents published by HUD for fiscal year 2019 showed a decrease in rents for two bedroom apartments in all but one county in Vermont. HUD's rents do not reflect the rental market in Vermont, which has experienced a steady increase in price over the last decade. The misalignment between HUD's Fair Market Rents and Vermont's rental market results in voucher holders who are unable to find quality homes in good neighborhoods. In fiscal year 18 and fiscal year 19, the Senate Appropriations Committee included report language directing HUD to explore methods to improve its FMR formula and identify barriers to states seeking to adjust their FMR's based on private rental surveys.

What would be the impact of extending the authority of PHAs to set payment standards from 110 percent of FMR to 120 percent of FMR?

Answer. If the payment standard basic range were extended to 120 percent, PHAs would be able to offer their tenants an additional 9.1 percent in voucher purchasing power. The following table provides examples of the increased payment standard authority:

FMR	110% PS	120% PS	% Difference
\$500	\$550	\$600	9.1%
\$750	\$825	\$900	9.1%
\$1,000	\$1,100	\$1,200	9.1%

By increasing the payment standard, the PHA is reducing the number of families that the PHA can assist with its program funding. Any increase in the maximum payment standard level is likely to increase the per-unit costs in the voucher program, which will reduce the number of participants the voucher program can serve unless the Department receives a commensurate increase in TBRA funding.

Question. What regulatory or statutory changes need to take place for this to occur?

Answer. The statute governing the payment standards is found at 42 USC 1437(f)(o)(1)(B): Establishment of payment standard. The text of this paragraph is as follows: Except as provided under subparagraph (D), the payment standard for each size of dwelling unit in a market area shall not exceed 110 percent of the fair market rental established under subsection (c) for the same size of dwelling unit in the same market area and shall be not less than 90 percent of that fair market rental, except that no public housing agency shall be required as a result of a reduction in the fair market rental to reduce the payment standard applied to a family continuing to reside in a unit for which the family was receiving assistance under this section at the time the fair market rental was reduced. The Secretary shall allow public housing agencies to request exception payment standards within fair market rental areas subject to criteria and procedures established by the Secretary.

Similarly, HUD's regulations at 24 CFR 982.503(b) contains companion language to the statute: Establishing payment standard amounts. (1)(i) The PHA may establish the payment standard amount for a unit size at any level between 90 percent and 110 percent of the published FMR for that unit size. HUD approval is not required to establish a payment standard amount in that range ("basic range"). The PHA must revise the payment standard amount no later than 3 months following the effective date of the published FMR if a change is necessary to stay within the basic range.

Consequently, both the statute and the regulation would need to be amended to allow PHAs with general authority to set payment standards above 110 percent.

Question. What is HUD doing to identify barriers for small rural PHAs to request an adjustment to the FMR's for their region?

Answer. PHAs operating in rural areas likely need to partner with neighboring areas and conduct an area group survey. The non-metropolitan counties of Bennington, Windham, and Windsor in Vermont successfully completed a survey in 2016 that was used as the basis for FMR calculations in fiscal year 2016, fiscal year 2017, and fiscal year 2018. Similarly, in fiscal year 2019, the non-metropolitan counties of Coos and Curry in Oregon successfully completed a local survey of the grouped area. HUD works with PHAs in smaller areas to ensure that they have specific targets for number of survey responses needed to support their reevaluation requests.

Question. PHAs are required by HUD to maintain rent reasonableness databases based on the local rental market. In what ways could HUD change its FMR adjustment process to include the utilization of this data?

Answer. Rent reasonableness data are not statistically representative of rental markets. These data are compiled based on where voucher holders are seeking rental units or where voucher holders have been successful in finding rental units. Consequently, these data may not be compared to or considered a replacement for comprehensive market data available from the American Community Survey (ACS). HUD has set a standard that there must be at least 100 survey observations in a dataset for HUD to use the information in the FMR calculation as a replacement for ACS based point estimates of rent. If these databases consistently tracked the same units from year to year, a measure of the change in rents in an area may be

obtainable. In order for this information to be used in the calculation of FMRs, HUD would need to develop a mechanism for PHAs to provide significant amounts of rental data to the department each year and the PHAs would need to commit to sending this information to the Department in a timely and consistent manner each year.

QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER COONS

TRANSITIONAL HOUSING

Question. What is the Administration's approach to transitional housing as a means of assisting vulnerable populations who are homeless or at risk of homelessness?

Answer.

HUD's Funding Process:

Each year, thousands of projects apply for funding under HUD's Continuum of Care (CoC) program. In each community, applications are coordinated by a local body known as the local CoC, which includes members from the nonprofit, faith-based, business, and local government sectors, people who have experienced homelessness, and other knowledgeable stakeholders. The local CoC determines which projects they will apply for and how they will prioritize those projects. That local process generally focuses on the performance of those projects and the need for those projects. HUD does not identify specific indicators of need or performance that local CoCs should use, but at the direction of congressional appropriations language, HUD is required to encourage local CoCs to rank projects based on the degree to which they improve the overall performance of the CoC at reducing homelessness.

Once applications are submitted, HUD evaluates CoCs based on their performance. Higher scoring CoCs may receive more funding relative to the previous year, and lower scoring CoCs may receive less. The specific projects that are funded are almost entirely based on the overall performance of the CoC and where the CoC ranked the project. There is no evaluation for which types of projects the CoC applies for and HUD does not currently rate CoCs on their use of transitional housing, either positively or negatively. The incentive or disincentive for CoCs to apply for transitional housing projects is based on their impact on the CoC's overall performance.

Beginning in fiscal year 2017, HUD allows CoCs to apply for projects that combine transitional housing and rapid re-housing assistance. In fiscal year 2018, HUD awarded approximately \$116 million for projects with transitional housing, compared to \$104 million in the prior year.

Evidence and Uses of Transitional Housing:

Despite the fact that transitional housing has been funded by Federal programs for several years, there are few comprehensive studies of its effectiveness, and evidence suggests that in most cases, transitional housing projects cost more than other types of assistance and have similar or worse outcomes. For example, an Urban Institute report indicated: "Evidence shows that transitional housing has high barriers to entry: many programs screen for motivation, conduct drug tests, and require demonstrated willingness to work with the program through engagement in services (Burt 2010; Burt 2006). Even after screening out higher-need families, the evidence on transitional housing shows weak results." (Cunningham, M., Gillespie, S., Anderson, J., Rapid Re-housing What the Research Says, 2015, Urban Institute).

There is some evidence, however, that transitional housing can be an effective intervention in some contexts. For example, for people who are seeking a transitional recovery housing program, evidence indicates that the transitional housing can aid in the recovery process. HUD published a brief on recovery housing that included a description of effective practices for operating a recovery focused transitional housing program. (<https://files.hudexchange.info/resources/documents/Recovery-Housing-Policy-Brief.pdf>).

In addition to serving people seeking recovery from substance use disorders, transitional housing may be effective for other populations such as survivors of domestic violence who may require and prefer the security and onsite services provided in a transitional housing program, or unaccompanied minors who may be unable to live independently. The combined transitional housing and rapid re-housing programs may be particularly effective for people fleeing domestic violence and people who are unsheltered.

DEFINITION OF CHRONIC HOMELESSNESS

Question. We hear from social service providers who struggle to find housing options for families and individuals who are homeless but do not meet the HUD definition of chronically homeless. HUD defines a chronically homeless person as “either (1) an unaccompanied homeless individual with a disabling condition who has been continuously homeless for a year or more, or (2) an unaccompanied individual with a disabling condition who has had at least four episodes of homelessness in the past 3 years.”

What efforts is HUD undertaking to address homelessness for those who do not meet this high bar?

Answer. The majority of individuals and families experiencing homelessness do not, and likely will never meet the definition of chronically homeless, and serving these groups is a critical component of HUD’s homeless assistance programs. Permanent Supportive Housing (PSH) delivered with a Housing First program model has been tremendously successful at reducing homelessness and is the most appropriate tool for people experiencing chronic homelessness. However, there are not at present sufficient PSH resources to meet the needs of even the chronically homeless population. In addition to PSH, HUD uses a variety of approaches to address homelessness that have proven to be effective for target populations such as emergency shelters, Rapid Re-Housing, transitional housing, support services, and homelessness prevention.

It is not clear whether providing individuals and families who are not chronically homeless—in particular those who do not have a disabling condition—intensive supportive services would be necessary to keep those groups housed. For example, HUD’s recently completed Family Options Study found that homeless families had substantially better outcomes when receiving traditional Housing Choice Vouchers than those who were left in the usual care of the homeless system. HUD has published guidance and provided technical assistance on the subject of coordination between Housing Authorities and Continuums of Care (CoCs) and has encouraged Housing Authorities to offer wait-list preferences to individuals and families experiencing homelessness. Many individuals and families resolve experiences of non-chronic homelessness after short stays in the shelter system, with short-term assistance through Rapid Re-Housing, or with housing-focused services designed to help people find affordable housing or connect with family or friends who can help them weather the crisis that caused their homelessness. To that end, HUD has provided extensive technical assistance through the Community Compass program aimed at improving CoC operations to more efficiently and strategically use available resources to make homelessness rare, brief, and non-recurring.

OPPORTUNITY ZONES

Question. What evidence does the Department have of any investments in affordable housing that make use of Opportunity Zones? What is Secretary Carson doing as a part of the interagency effort to support Opportunity Zones?

Answer.

- It is not possible for us at this time to provide definitive evidence as to investments in affordable housing that make use of the relevant Opportunity Zone Federal tax incentives due to the need for Qualified Opportunity Funds to self-certify through the IRS Form 8996. However, there have been many unofficial public directories/lists of Qualified Opportunity Funds aiming to raise capital with the intent of investing in affordable housing.
- As part of the interagency effort to support Opportunity Zones, Secretary Carson has:
 - Visited multiple cities and rural areas to tour Opportunity Zones
 - Created a HUD-internal Opportunity Zone taskforce comprised of all HUD program offices, accomplishments of which thus far include:
 - Including preference points for qualified activities in Opportunity Zones in applicable discretionary grants;
 - Designating senior underwriters to be responsible for eligible multifamily properties applying for FHA mortgage insurance in Opportunity Zones (thus ensuring quicker and more efficient review periods);
 - Reducing application fees for multifamily properties applying for certain FHA mortgage insurance in Opportunity Zones (from 30 basis points down to 20 basis points for market rate and affordable housing, and 10 basis points for broadly affordable housing);

—Publishing a Request for Information (RFI) soliciting public comment on how HUD can utilize its existing authorities to bolster investments in Opportunity Zones (amongst other things);

—Creating an “OpportunityZones.gov” website (publication by mid-June 2019);

—Leading a team of inter-agency representatives in the formation of a Federal field staff manual (publication by mid-June 2019);

—Creating a “community toolkit” for local leaders (publication due mid-to-late June 2019).

FAIR HOUSING

Question. What has been the impact of the rollback of the Obama Administration’s strengthened and modernized fair housing regulations?

Answer. HUD has not rolled back the 2015 Affirmatively Furthering Fair Housing rule (80 FR 42357). HUD withdrew a computer assessment tool for local governments in May 2018 because it was unworkable. The decision to withdraw the assessment tool was upheld by the U.S. District Court for the District of Columbia in *NFHA v. Carson* in August 2018.

The Local Government Assessment Tool was a geographic data interface that assisted local governments in formulating acceptable Assessments of Fair Housing (AFH). It required users to answer questions on data analysis and provide an assessment of fair housing issues, priorities, and goals. All program participants are no longer required to complete an Assessment of Fair Housing (AFH) and instead must prepare an Analysis of Impediments (AI) to fair housing choice. States and public housing agencies (PHAs) were not subject to the rule, and HUD did not provide a computer assessment tool for them.

Grantees and PHAs must continue to comply with statutory obligations to affirmatively further fair housing. Program participants required to complete a consolidated plan must certify they will affirmatively further fair housing, which currently means that they will conduct an AI within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions. PHAs must also follow the regulations that existed prior to the AFFH rule, which advise them to partner with their local governments as they complete an AI.

In August 2018, HUD announced it would seek revisions to make the AFFH rule more effective and practical. These revisions would: (1) minimize regulatory burden while more effectively aiding program participants to plan for fulfilling their obligation to affirmatively further the purposes and policies of the Fair Housing Act; (2) create a process that is focused primarily on accomplishing positive results, rather than on performing analysis of community characteristics; (3) provide for greater local control and innovation; (4) seek to encourage actions that increase housing choice, including through greater housing supply; and (5) more efficiently utilize HUD resources.

OPERATING FUNDS FOR PUBLIC HOUSING

Question. The Administration’s budget proposes cutting the Public Housing Operating Funds from \$4.55 billion to \$2.86 billion. How can communities like Wilmington, Delaware sustain essential public housing units with cuts like these?

Answer. HUD’s proposed 2020 budget request for the Public Housing Operating Fund of \$2.86 billion provides funding at an estimated 54 percent proration. However, this request considers the existence of approximately \$4.5 billion of operating reserves held locally by PHAs that can be used to pay for operating costs. Furthermore, while most PHAs have sufficient reserves to operate public housing projects at this reduced funding level, HUD has also requested \$340 million in set-aside funds to provide targeted support to PHAs that may not have sufficient operating reserves to cover project costs.

TROUBLES PROPERTIES

Question. How does HUD handle cases of troubled and failing properties in public housing? Does the Department have enough staff and resources to enforce public housing inspection standards?

Answer. HUD identifies troubled and failing properties through its inspection process. The property score determines condition of the property as well as exigent health and safety issues. Troubled and failing properties are reported to the PIH Field Offices responsible for each asset and the Field Offices in turn conduct exten-

sive outreach to assist the impacted PHAs in improving property conditions. The troubled and failing property scores are incorporated into the PHAS score, which encourages improvement and negatively impacts the capital funding available to the PHAs that do not improve property conditions. A failure to adequately address troubled or failing scores is a possible trigger for notice of default and possible receivership for those PHAs that do not adequately address troubled or failing property conditions. The Department currently does not have sufficient human and capital resources to ensure quality inspections and provide robust assistance to PHAs. Additional Quality Assurance Inspectors and Field Staff are needed to provide oversight and assistance to PHAs. Capital resources are need as well. In the fiscal year 20 Budget Request, the Department seeks \$16 million to addresses the capital needs of public housing developments at High Risk, Troubled and Receivership PHAs. These funds specifically target the capital needs at troubled and failing properties to preserve these assets for the long term.

QUESTIONS SUBMITTED BY SENATOR CHRIS MURPHY

CRUMBLING FOUNDATIONS

Question. At the hearing, you promised to designate a point person at the department who could develop expertise on the issue of crumbling foundations. This person would work with State of Connecticut, the towns, and the captive insurance agency—all of which are involved in addressing the crumbling foundations crisis—as they try to examine new and creative ways they can work with the Federal government on this issue. I thank you for that commitment.

Can you please provide me with the name, title, and relevant contact information (i.e. phone number and email address) of the person you have designated as the point person for crumbling foundations?

Answer. Please see the contact information below:

Alanna C. Kabel
Community Planning and Development Field Office Director
1Hartford Field Office
1 Corporate Center
Hartford, CT 06103
Alanna.C.Kabel@hud.gov
860-240-9770

TECHNICAL ASSISTANCE TO PUERTO RICO FOR DISASTER RELIEF

Question. As you know, the Bipartisan Budget Act passed last February included disaster relief appropriations. Of the money appropriated under the bill, \$11 billion was appropriated for your department's CDBG-Disaster Relief program for areas affected by Hurricane Maria.

As I discussed at the hearing, as part of that appropriation, \$15 million was made available for "capacity building and technical assistance, including assistance on contracting and procurement processes" to help Puerto Rico effectively and promptly use the money this Committee appropriated to address the challenges stemming from the natural disasters.

T1 Can you speak to how the department has used the \$15 million appropriated in the Bipartisan Budget Act to further "capacity building and technical assistance" for Puerto Rico?

Answer. To date, \$6.1 million of the disaster Technical Assistance (TA) set-aside has been awarded to organizations to help build capacity and provide TA for both Puerto Rico and the U.S. Virgin Islands. The remaining funds will be awarded this summer.

Beginning in March 2018, HUD assigned a team of TA providers to Puerto Rico with a goal of providing intensive program launch support. The team consists of five firms that provide both intensive on the ground and remote capacity building and technical assistance. The team conducted a needs assessment of the Puerto Rico Department of Housing (PRDOH), the administering agency, and its capacity to manage and implement the CDBG-DR program. Based on that assessment, a TA plan was developed and included a focus on preparation of materials for the statutorily-required CDBG-DR Financial Management and Grant Compliance Certifications and PRDOH's CDBG-DR action plan submission to HUD. The TA team also provided assistance on procurement design and review, program design, community participation and transparency, and staff capacity.

The TA team started Phase II of the TA plan in August 2018, and completed the tasks identified in March 2019. The TA provided in Phase II included items on the

following topics: 1) the development and review of program policies and procedures; 2) the development and review of financial policies and procedures; 3) procurement policy support and technical assistance; 4) the development of action plan amendments; 5) how to manage and monitor subrecipients; 6) on-boarding staff and building capacity to manage CDBG-DR; and 7) the translation of existing HUD resources.

Phase III began in April 2019, and includes TA focused on the following areas: 1) staff capacity development on CDBG-DR basics, housing programs, economic development programs, continued subrecipient management/monitoring, record-keeping, and financial management; 2) strengthening program policies and procedures to support program implementation; 3) finalizing policies and procedures for its financial management systems; and 4) program implementation assistance that will address specific challenges identified by PRDOH.

Question. What type of technical assistance have you provided to the island to help them stand up their programs and help them execute their funding?

Answer. The Department has focused its technical assistance efforts on building the capacity of the Puerto Rico Department of Housing (PRDOH) staff, which are the staff administering the overall CDBG-DR grant. The list below provides an example of the type of topics HUD recently covered as part of the technical assistance.

Date	Topics Covered
April 15, 2019	Training to PRDOH staff on How to Achieve CDBG-DR National Objectives.
March 15, 2019	HUD's Monitoring Process, Corrective Actions and Sanctions; Overview of CPD Maps Application; How to Document Low- and Moderate-Income Area Benefit National Objective; Determining CDBG-DR Service Areas.
February 27, 2019	Using CDBG-DR for Low Income Housing Tax Credit Gap Financing; Action Plan Substantial Amendment Process and Citizen Participation Process.
February 26, and March 1, 2019	Disaster Recovery Grant Reporting Changes for 2017 [CDBG-DR grantees Webinar].
February 21, 2019	Review of PRDOH organizational chart and aligning with internal operational procedures and workflows.
February 4, 2019	Subrecipient Training for Housing Rehabilitation Program on cross-cutting Federal requirements; subrecipient procurement.

PUERTO RICO DISASTER RELIEF

Question. Has anyone from the White House or the Office of Management and Budget asked you or other HUD officials to reduce, slow, stop, or claw-back any of the hurricane relief funding Congress approved for Puerto Rico? Has the President or Mick Mulvaney ever spoken to you about hurricane relief funding for Puerto Rico?

Answer. This question seeks the substance of communications with the White House and OMB, the disclosure of which would reveal confidential, deliberative and internal Executive Branch information.

Question. Did former Deputy Secretary Pam Patenaude ever express to you or other HUD officials her concerns regarding White House or OMB efforts to reduce, slow, stop, or claw-back any of the hurricane relief funding Congress approved for Puerto Rico?

Answer. This question seeks the substance of communications with the White House and OMB, the disclosure of which would reveal confidential, deliberative and internal Executive Branch information.

Question. Have you been contacted as part of the ongoing HUD Inspector General's investigation into potential interference with disaster relief funding approved for Puerto Rico? Will you commit that you and your agency will cooperate with the IG's investigation?

Answer. The IG has contacted the Department with respect to a review which is understood to involve CDBG-DR and Puerto Rico. The Department cooperates with the IG in all of its investigations of the Department.

SECTION 811

Question. In 2010, Congress passed the Frank Melville Supportive Housing Investment Act. I was the author of this bipartisan legislation to reform and modernize the HUD Section 811 program.

The 811 Project-Based Rental Assistance program has been enormously successful. It helps states develop integrated permanent supportive housing targeted to non-elderly people with disabilities.

Prior to passage of the Melville Act, the 811 “capital advance” program was cumbersome and costly. Today, the success of the program is hard to overstate.

—Today, the per unit cost of a Project-Based Rental Assistance program unit averages only \$30,000. Prior to the passage of the bill, the per unit cost of the program exceeded \$120,000 in many parts of the country.

—In fiscal year 2010 & 2011, under the old program, \$300 million in funding produced less than 1,000 units across the entire country. By contrast, 3 years of funding under the new 811 PRA program (fiscal year 2012, 2013 and 2014) is projected to produce as many as 7,500 units of integrated permanent supportive housing at a fraction of the cost.

—Unfortunately, the President’s fiscal year 2020 budget proposes to reduce funding for Section 811 to \$157 million, \$27 million less than the fiscal year 2019 level, a more than 30 percent cut.

How can you justify this cut given the success of the 811 PRA program and the tremendous need out there for permanent supportive housing?

Answer. The fiscal year 2020 President’s Budget request fully funds the annual renewal and amendment for over 29,000 units across 2,450 housing properties that require additional budget authority in fiscal year 2020. At the requested funding level, the Section 811 program would support the same number of households currently assisted. Additionally, the Budget includes a request to use offsetting collections of excess residual receipts to fund new Capital Advances and State Project Rental Assistance awards, thereby modestly increasing the number of disabled, very low-income persons living in safe, decent, and affordable housing.

FUNDING AVAILABILITY NOTICES (“NOFAS”) FOR SECTION 811

Question. With the two-year budget agreement that governed fiscal year 2018 and 2019, this Subcommittee was able to make important new investments in a number of HUD programs including Section 811. This includes as much as \$385 million for new Section 811 “Mainstream” tenant-based vouchers in fiscal year 2018 and another \$114 million for fiscal year 2019. For 811 Project-Based Rental Assistance, the fiscal year 2018 THUD bill allocated \$82 .6 million for new units and another \$30 million for fiscal year 2019.

While HUD did award \$98.5 million of the fiscal year 2018 funding for 811 Mainstream in September, state and local agencies are still waiting for a NOFA for the remaining \$287 million—as well as the \$114 million for the current fiscal year.

Likewise, HUD has yet to publish a NOFA for state housing agencies for the \$82.6 million for 811 PRA for fiscal year 2018. This is 6 months after fiscal year 2018 ended, and agencies are still waiting for these NOFAs. This is troubling given the enormous demand for affordable rental housing and permanent supportive housing experienced by non-elderly people with disabilities.

What is the delay in getting these NOFAs published and these desperately needed resources out the door?

Answer. In 2018, the Office of Multifamily Housing held multiple listening sessions to seek input from stakeholders in order to inform the design of the Notice of Funding Availability (NOFA) for the Section 811 Supportive Housing for Persons with Disabilities. These discussions enhanced understanding of the current landscape for developing supportive housing for persons with disabilities, including best practices and innovative approaches to project financing, housing quality, and partnerships with service providers. Also, HUD is drawing from lessons learned through the ongoing assessment of the Section 811 PRA grant program. This informed approach to NOFA development is essential to ensure a competitive process that targets funds to strong project proposals in areas of great need. The Department anticipates NOFAs for both fiscal year 18 and fiscal year 19 appropriations will be published in late Summer 2019 and Spring 2020 for awards.

OVERSIGHT OF REVERSE MORTGAGE SERVICERS

Question. The government-insured Home Equity Conversion Mortgage (HECM) is a reverse mortgage program that serves elderly borrowers exclusively. Many of

these borrowers rely on fixed incomes, lack family or support systems, or have disabilities that make it challenging for them to communicate or understand what their mortgage lender is telling them. All of this means HECM-borrowers are especially vulnerable to mistreatment by their mortgage servicer.

I am concerned that HUD may not have provided robust oversight of the mortgage servicers that handle the day-to-day operations of HECM loans or required safeguards that would protect this vulnerable population of borrowers from mistreatment or unnecessary foreclosure.

What is HUD doing to protect reverse mortgage borrowers impacted companies that may be pending Chapter 11 bankruptcy?

Answer. HUD has procedures in place to ensure that all HECM borrowers will receive the funds owed to them under their HECM loan. Following endorsement, every HECM borrower is sent a notice instructing the borrower to contact HUD should they ever have difficulty obtaining loan proceeds from their HECM servicer. When such a complaint is received, HUD staff will contact the HECM servicer to determine the reason for the delay of a HECM payment. Should a HECM servicer be unable to make borrower payments, due to bankruptcy or any other reason, HUD will provide required payments under the second mortgage to the borrower to ensure that the borrower is unaffected by the servicer's default.

Question. What will HUD do to ensure that servicers of HECM reverse mortgages:

- a. only seek due and payable status based on a property tax default if the taxes are actually delinquent in accordance with local law;
- b. only initiate foreclosure when there are grounds to do so;
- c. only cancel repayment plans or other loss mitigation when there are grounds to do so;
- d. comply with Federal law, including HUD regulations and RESPA;
- e. have robust procedures that are followed to respond to borrower concerns and complaints, including Notices of Error and Requests for Information under RESPA; and
- f. are providing equal access to borrowers with disabilities, including those with visual impairments, hearing impairments, and cognitive disabilities.

Answer.

—HUD approval is required before a HECM loan can be called due and payable by a HECM servicer for a tax default. HUD uses the local taxing authority's definition of "delinquent" in rendering its decision for such an approval.

—HUD approval is required before a HECM loan can be called due and payable by a HECM servicer for reasons other than the death of the last surviving borrower, end of a non-borrowing spouse's deferral period, or transfer of title. A HECM servicer cannot initiate foreclosure prior to the loan being called due and payable.

—HUD's policy contains specific conditions under which HECM servicers may consider a repayment plan. Servicers must upload supporting documentation into the Home Equity Reverse Mortgage Information Technology (HERMIT) system to support their loan servicing actions.

—HECM servicers must comply with all applicable laws and regulations.

—HUD has a robust procedure for responding to concerns and complaints from HECM borrowers. All HECM calls into HUD are initially answered by the FHA Resource Center. The customer service representatives gather information from the caller and document the information into the Customer Relationship Management (CRM) system to allow tracking of the call through resolution. The customer service representatives answer any questions regarding general information or clarification. Calls requiring more specific information are escalated to HUD staff for resolution. RESPA falls under the jurisdiction of the CFPB. Therefore, HUD does not resolve complaints relative to RESPA but, instead often refers borrowers with such complaints to the CFPB.

—HECM servicers must comply with all applicable laws and regulations. Any complaints received from borrowers stating that they do not have access to their loan information due to a disability are addressed directly by HUD staff who work directly with FHA-approved mortgage servicers to ensure that the borrower is provided the necessary information in a format which they can utilize.

Question. Will HUD review HECM-servicers requests for due and payable status or to terminate a foreclosure extension to verify that there is actually a default warranting foreclosure?

Answer. HUD approval is required before a HECM loan can be called due and payable by a HECM servicer for reasons other than the death of the last surviving borrower, end of a deferral period or transfer of title. A servicer cannot initiate foreclosure prior to the loan being called due and payable.

Question. Will HUD require HECM-servicers to provide important notices to borrowers and non-borrowing spouses, including those involving loss mitigation, written in plain language and in an accessible font and font-size?

Answer. HUD requires that servicers provide important notices with specific information to borrowers and non-borrowing spouses under existing policy. HUD's existing policy does not require specific fonts or font-sizes. Any complaints received from borrowers stating that they do not have access to their loan information due to a disability limiting their ability to access information in their loan documents are addressed directly by HUD staff who work directly with FHA-approved mortgage servicers to ensure that the borrower is provided the necessary information in a format which they can utilize.

Question. Will HUD require HECM-servicers to notify borrowers and non-borrowing spouses of all loss mitigation options that are available to them, including repayment plans, At-Risk Extensions, and the MOE, both orally and in writing, prior to initiating foreclosure?

Answer. Loss Mitigation is not required for the HECM portfolio, so HUD does not require HECM servicers to provide notice of loss mitigation options to borrowers prior to the initiation of foreclosure. However, HECM servicers must provide a Due and Payable Notice to all borrowers whose HECM loans become due and payable. All Due and Payable Notices sent to borrowers must reference available loss mitigation options, if any, and inform the mortgagor of his/her ability to sell his/her property or execute a Deed-in-Lieu of foreclosure. HECM servicers must also refer borrowers to a HUD-approved Housing Counseling Agency prior to initiating foreclosure. Servicers are currently required under existing policy to be available to borrowers by phone to answer questions regarding their HECM.

Question. Will HUD review and require HUD approval of HECM-servicers' important notices to borrowers and non-borrowing spouses, including those involving loss mitigation, to ensure that these notices provide accurate and complete information, are written in plain English, and are in an accessible font and font-size?

Answer. HUD requires that servicers provide important notices with specific information to borrowers and non-borrowing spouses under existing policy. These notices include monthly statements, annual occupancy certification letters, Due and Payable Notices, and notice of intent to foreclose. These documents are sent to the borrower and any non-borrowing spouse throughout the life of the HECM. HUD's existing policy does not require specific fonts or font sizes; however, if a borrower needs assistance HUD staff will work directly with the HECM servicer to ensure that the borrower is provided the necessary information in a format which they can utilize.

FREEDOM OF INFORMATION ACT

Question. Many tenants' and consumers' rights organizations in Connecticut use FOIA requests to fulfill their missions. HUD is required to respond to FOIAs in 20 business days, except for "unusual circumstances." During 2018, HUD reported it took HUD Headquarters an average of 116 days to respond to "simple" FOIAs and an average of 199 days to reply to "complex" FOIAs.¹ HUD took as many as 881 days to respond to a FOIA, and it still has FOIAs pending from years ago, going as far back as 2014.

HUD's decision to take down its FOIA web portal during the government shutdown and to go without a vendor for its FOIA submission and tracking system for approximately 2 months has only worsened the delays.²

How many FOIAs did HUD lose (or need to have resubmitted or assigned a new case number) during the government shutdown or the outage of its FOIA submission and tracking system? What are the reasons HUD lost these FOIAs (or needed to resubmit them or assign them new case numbers)?

Answer. There were no lost FOIAs and because all the data in the FOIA Management System (FMS2) was available when the system came back online. All records and data stored in the FMS2 were available on the first day the FMS2 contract was reinstated. Case numbers were not reassigned because the new FOIA request did not get a FMS2 case number until it was entered into FMS2, which was not possible

¹ See 2018 HUD Annual FOIA Report, available at https://www.hud.gov/program_offices/administration/foia/foiarpts. Numbers includes only FOIAs where information was granted.

² See <https://www.propublica.org/article/hud-system-for-processing-public-records-requests-died-during-the-shutdown>

until the FMS2 software was online. FOIAs received and processed while FMS2 was down were entered into the FMS2 system when the system was back online and assigned FMS2 case numbers. Once FMS2 was back online, FOIA requesters were sent FMS2 case numbers for tracking purposes, if the case had not already been closed. There was no need to resubmit FOIAs because when the system was back up, all the FOIAs that were inputted through the DOJ portal while the system was down were available in the system.

Question. What are the reasons HUD did not already have a new FOIA vendor when its contract with Copper River Enterprise elapsed on January 7, 2019? What are the reasons it took HUD nearly 2 months to secure a new vendor? How did the system outage affect HUD's ability to process and track FOIAs?

Answer. During the shutdown, the IT contract that funded the application that supports the processing of FOIAs, FMS2, ended on January 7, 2019. FOIAs were not considered an excepted activity in HUD's contingency plan, therefore, all processing and correspondence related to FOIAs ceased after December 22, 2018 due to the lapse of appropriations. After consultation with our General Counsel, Appropriations Law Staff, and Chief Financial Officer, it was determined that since the contract was not in support of excepted activity, it was not allowable for the agency to take any action to preserve the contracted services or perform contract placement activities for those services.

Upon reopening of the government on January 28, 2019, one of the first priorities of the Office of Chief Information Officer, Office of Chief Procurement Office and the Office of Administration was to institute the contract that supported the processing of FOIAs. Upon receipt of the required documentation and funding in February, the Office of the Chief Procurement Officer expedited the contract award and executed the new contract on February 25, 2019 well in advance of its standard processing times (which is 60 days). It should be noted that the lapsed award was a direct award with an Alaskan Native company under the Small Business Administration (SBA) 8(a) program. Upon requesting approval to issue a new contract award to the same company, SBA disapproved which necessitated a new vendor be identified. Once a new 8(a) vendor was identified, HUD sought and obtained SBA approval and awarded the contract to the new 8(a) vendor.

While the FMS2 processing system was unavailable, staff were not able to access the central database of all FOIA records of both closed and pending cases. Staff had to rely on personal records to determine the status of a request. New FOIA requests had to be tracked manually with Excel sheets and Sharepoint and redactions were done through pdf editing software instead of FMS2.

Question. What are the reasons HUD did not timely respond to FOIAs in 2018?

Answer. HUD's use of technology—FMS2 and electronic discovery (eDiscovery) tool has proven to be a significant factor in effectively processing requests, as well as a significant challenge to efficiency.

While the use of FMS2 allows for the seamless integration of a case's intake, its assignment out for collection of records, review and redaction of those records, legal clearance, final approval, and closure. The proliferation of this system's use, particularly amongst employees not solely dedicated to FOIA, has better equipped the Department to maintain a consistent approach to FOIA processing and to ensure a robust and accurate administrative record for each request.

The Department's use of an eDiscovery platform for collection of electronic records from employees' .gov email accounts allows specialists to bypass custodial self-searches and to ensure that each such collection is conducted both objectively and completely. However, a surge in the number of requests for email-based records—thus, a surge in the required use of the eDiscovery collection system—has significantly challenged our ability to complete such collections expeditiously. The turnaround time for collection of records through eDiscovery is now in excess of 5 months.

Another challenge the Department consistently faces is that of limited personnel. Many field offices around the country, and several program offices within HUD Headquarters, rely on the efforts of a single employee (for whom FOIA is one of many responsibilities) to facilitate the collection of records responsive to incoming FOIA requests. This, coupled with significant turnover across the agency, has proved to be a noteworthy hurdle in both maintaining consistent practices and closing FOIA requests efficiently.

Question. What is HUD doing to ensure that it timely responds to FOIAs in accordance with the statute and to reduce the FOIA response time identified in its 2018 Annual Report?

Answer. To significantly reduce the amount of time FOIA requests are processed through the eDiscovery tool, two significant streamlining improvements have been made to FOIA searches effective April 28, 2019.

First, the approval process for FOIA searches with the eDiscovery tool has been streamlined. This reduced the number of steps in the work flow process for electronic searches in half which will significantly cut down the time a search request waits for approval before the search is conducted.

Second, the search parameters for relevant documents is being narrowed when the search is being initiated instead of when the search is completed. This reduces the amount of data that flows through the FOIA process, reducing processing time and the time it takes for FOIA specialist to review for relevant records.

These two improvements should significantly reduce the amount of time it takes to search for relevant documents through the eDiscovery tool.

Question. What changes has HUD's implemented to its FOIA tracking and submission system to ensure that it timely responds to FOIAs?

Answer. To significantly reduce the amount of time FOIA requests are processed through the eDiscovery tool, two significant streamlining improvements have been made to FOIA searches effective April 28, 2019.

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These two improvements should significantly reduce the amount of time it takes to search for relevant documents through the eDiscovery tool.

Question. Will HUD commit to responding to FOIAs in 20 business days? What does HUD need to do to be able to respond to FOIAs within 20 business days?

Answer. The Department will continue to review FOIA processing and analyze resources to meet the statutory requirements under FOIA. Changes are already underway to reduce the eDiscovery processing time of up to 5 months. To address the eDiscovery processing times, changes are being implemented effective April 28, 2019, and further process improvements are being studied.

There are several reasons for the increase in FOIA processing times in the most recent fiscal year. First, there has been an increased requests from members of the news media and government oversight groups. Because these organizations do not pay FOIA processing fees, they are more likely to file a greater number of requests, and those requests are more likely to be complex, involve voluminous records, or both. Second, a greater number of requests required the utilization of eDiscovery for data collection, which as explained above has been a cause for a delay in processing time. The hope is that with the new procedures established in late-April, this processing time will decrease. Third, a greater number of FOIA requests proceeded to litigation. Due to Federal court production schedules and filing deadlines, FOIA litigation must often be prioritized, drawing additional resources (including staff) away from the processing of traditional requests.

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QUESTIONS SUBMITTED BY SENATOR BRIAN SCHATZ

FACEBOOK'S VIOLATION OF THE FAIR HOUSING ACT

Question. On March 28, 2019, HUD announced that it is charging Facebook with violating the Fair Housing Act.

What actions is the FHCO taking to enforce, and better prepare itself to enforce, the Fair Housing Act in the broader algorithm-driven advertising space?

Answer. The Department is committed to ensuring enforcement of the Fair Housing Act in all covered transactions. Millions of housing-related advertisements are seen each day online, and many are highly targeted to audiences. In addition to the specific enforcement actions referenced above, the Department is actively considering the application of the Fair Housing Act to a variety of transactions and actors in this space. The Department is in regular coordination with other interested agencies, such as the Department of Justice, the Consumer Financial Protection Bureau,

and the Office of the Comptroller of the Currency. The Department has a dedicated Office of Systemic Investigations that focuses on cases that are complex or have a large number of potential victims, and the staff in this office are increasing their expertise in the area of targeted advertisements, as it is clear they play a role in the availability of housing opportunities. The Department notes that while these technologies are evolving, the law remains the same, and the Department intends to enforce the Fair Housing Act as it has since 1968. The Department is continuing to invest in staff recruitment, development, and training to support this mission.

ZONING REFORM AND AFFORDABLE HOUSING

Question. You have said that zoning reform is key to addressing the affordable housing crisis.

What are the major components of successful zoning reform? How can HUD implement zoning reform and through what programs? Additionally, how can HUD ensure zoning reform reaches communities with the most exclusionary zoning regulations, communities not typically targeted by HUD's programs?

Answer. Zoning is increasingly recognized as a major regulatory barrier contributing to the affordable housing crisis. Strict zoning codes can often restrict housing development and supply, leading to increased housing costs at all income levels.

Key components of successful zoning reform include the following:

- Identifying and prohibiting exclusionary zoning practices that create unequal access to a variety of housing options and prevent families from fully participating in a community. A streamlined rezoning process should adapt to a changing community and the challenges that may emerge there such as workforce housing needs, disadvantaged populations, aging baby boomers, migration patterns, and young professionals.
- Integrating housing, transportation, and infrastructure planning in a comprehensive fashion to improve livability. Effective zoning begins with assessing the feasibility of creating well-planned, livable communities of opportunity. It also considers community resilience and sustainability by preserving existing natural resources and planning for disasters, including not building in flood zones.
- Encouraging regional cooperation by identifying and encouraging state and local stakeholders to collaborate across silos to find regional solutions to infrastructure challenges. Reforms should interpret zoning regulations with sufficient flexibility to accommodate the interests and preferences of rural and small-town residents.
- Building evidence-based knowledge on zoning by learning what works at the state and local government levels, and using the knowledge to provide technical assistance to states and their local government units. It also is essential to educating the public about the importance of zoning and its impact on land resources.
- Zoning strategies that can be used to increase housing supply include:
 - Offering incentives to developers, such as tax abatements, density bonuses, and other programs to encourage the building (or preservation), of housing units. Expanding “by right” zoning will allow for more flexibility and creativity.
 - Overlay zoning districts, affordable housing districts, inclusionary zoning, allowing accessory dwelling units, allowing manufactured housing and density bonus programs.
 - Upzoning by allowing increased density may result in more housing units, including smaller housing units that could be more affordable. Increasing density strategically can create amenity-rich environments by increasing ridership of public transit and creating more walk-able, less car-dependent neighborhoods. Zoning districts are sometimes created for special purposes, such as preserving open space, improving walkability, or expanding access to healthy foods.

HUD is reviving its America's Affordable Communities Initiative (AACI), an effort to reduce regulatory barriers to affordable housing and extending it to all levels of government. HUD recently directed program offices to review their own program policies and procedures to identify rules or regulations that could impede housing development and preservation thereby reducing the availability of affordable housing. AACI will allow HUD to work with state and local governments to assist them with review of their comprehensive plans to identify zoning regulations or land use policies that are exclusionary in nature and recommendations for removing those impediments.

AFFORDABLE HOUSING CRISIS

Question. The United States is facing an affordable housing supply crisis. This crisis is particularly acute in Hawai'i, where nearly 65,000 homes must be built in the next 6 years just to meet demand.

We must consider new and innovative solutions to this problem. What is HUD doing to explore international models, such as Singapore or Vienna, that may be worth evaluating to see what aspects could be incorporated here?

Answer. The International and Philanthropic Affairs Division (IPAD) of HUD's Office of Policy Development and Research coordinates HUD's international engagement with the objective of sourcing international best practices and lessons to help make HUD's policies and programs more effective. The IPAD office brings best practices back to HUD on a myriad of issues including affordable housing, disaster recovery, ending homelessness, and promoting economic opportunity. International engagement by IPAD involves close coordination with the State Department and includes the following:

- Organization for Economic Co-operation and Development (OECD): IPAD works with the US–OECD Mission on housing and urban development issues, providing input for OECD reports and participating in the OECD Working Party on Urban Policy (WPURB) reviews of how OECD countries engage in national urban policy, affordable housing issues, and related topics. HUD's senior economist attends the semiannual meetings of the WPURB.
- U.S. Department of State Mission to the United Nations: IPAD provides support on housing and urban development issues for the U.S. Mission to the UN's engagement with UN Habitat. HUD's delegation to the 2019 World Urban Forum was led by Community Planning and Development's Assistant Secretary, Neal Rackleff. The delegation had a bilateral meeting with the Singapore delegation to discuss this issue. The delegation invited Secretary Carson to visit Singapore.
- United States Mission to the United Nations Economic Commission for Europe (UNECE): UNECE includes 56-member States in Europe, North America, and Asia, and aims to promote pan-European economic integration. IPI coordinates membership and information/research exchanges for the UNECE Housing and Land Administration Committee, which focuses on housing affordability, social housing and low-cost housing. The Associate Deputy Assistant Secretary for the Office of Policy Development attends the annual meeting in Geneva and attends regular conference calls throughout the year that often center on affordable housing issues.
- Japan Aging in Place Memorandum of Cooperation: This MOC signed in June 2017 allows bilateral cooperation in Aging in Place research and forums. An Aging in Place Forum in Los Angeles on June 24–28 will focus on the affordable housing crisis and the Los Angeles County Purposeful Aging Initiative (PALA). A joint U.S.-Japan White Paper to be published later this year that will include four case studies each from both HUD and MLIT (our counterpart), focusing on Aging in Place but also including housing affordability.
- IPAD supports professional exchanges through the International Visitor Leadership Program (IVLP) of the State Department's Bureau of Cultural and Education Affairs. HUD, on average, receives about one to two delegations a month.
- IPAD supports the Dialogue for Change (D4C) initiative, whereby the German Marshall Fund of the United States (GMF), HUD, and several German government counterparts support a transatlantic network of city official participants focused on successful implementation of urban development projects including affordable housing.
- IPAD supports the U.S.-Israel Joint Economic Development Group (JEDG) in an annual dialogue to strengthen the bilateral economic relationship and expand policy coordination and cooperation. An MOC between HUD and the Israeli Ministry of Finance enables collaborative research on affordable housing and urban development policies and programs. In November 2019, Israel and the US will conduct a city to city exchange focused specifically on regulatory barriers/zoning that affects affordable housing.
- IPAD sources and edits research to be included in the Foreign Exchange section of HUD's policy journal Cityscape and other publications by which international evidence might inform U.S. housing and community development policy.

RESILIENT HOUSING AND RESILIENT NEIGHBORHOODS

Question. You have suggested that HUD can support programs to create more resilient housing and resilient neighborhoods.

What are specific changes HUD can pursue administratively and that Congress can pursue to better support resilient neighborhoods?

Answer. The Department has not conducted an assessment of specific administrative or legislative changes to support resilient neighborhoods. More important than Federal funding is a focused effort by state and local governments to reassess local building regulations and land use policies. Work of this nature is encouraged within the CDBG disaster recovery and mitigation funding and can also be an eligible activity under the regular CDBG program. CDBG grantees may always choose to pursue resilience investments with their annual funding to the extent such investment are consistent with CDBG program requirements. Consistent with the Administration's budget proposals in the past several years, funding of these types of activities is best pursued by states and local governments with their own resources.

DISASTER ALLOCATIONS

Question. In determining CDBG–DR allocations, how can HUD better account for the unique challenges of disaster recovery in remote locations?

Answer. When allocating formula disaster assistance funding, HUD uses data that are collected by FEMA for both its Individual Assistance and Public Assistance (categories C to G) programs, and SBA for its disaster assistance loan program. Over the years of managing these allocations, HUD has found that sometimes changes are needed to account for the unique aspects of a disasters covered by a supplemental appropriation, such as when in 2017 and 2018 there were severe disasters in several remote locations. In some of these places, FEMA has extra authorities, such as Permanent Housing Construction, that, when calculating unmet needs for CDBG–DR, HUD takes into consideration when normally the Department would not. Also, because remote areas can have much greater recovery cost, HUD has revised the formula to reflect higher costs to repair in those areas than in other less remote and less costly recovery areas. Finally, to be more inclusive of remote (or) rural areas, which are relatively low population, HUD has adapted its thresholds to include as most impacted and distressed zip codes (in addition to counties with a concentration of damage).

GAO REPORT ON DISASTER

Question. Last week, GAO released a report supporting the full authorization of the CDBG–DR program, additional grantee oversight, and better staff training.

What steps is HUD taking to improve the efficiency and ensure proper stewardship of CDBG–DR funds, including those based on GAO recommendations? What communities would benefit from these changes, and what would the impact on these communities look like?

Answer. The Department is focusing on efforts to make the CDBG–DR grant process more efficient and provide clarity for communities receiving funds. For example, consolidation and standardization of Federal Register Notices could reduce the time that grantees must wait to initiate their long-term recovery efforts. Additionally, the Department will attempt to consolidate Federal Register Notices for existing grantees who have multiple Notices governing their CDBG–DR allocations. The Department is also developing an online tool to help grantees identify the specific requirements that apply to their CDBG–DR grant(s) across multiple Federal Register Notices.

The Department will also improve its stewardship by focusing on pre-award grantee capacity and strengthening HUD's assessment tools. CDBG–DR has hired 14 employees since January 2017 to support these efforts with plans to have an additional 6 employees on board in June 2019. As the Department indicated in its comments to the GAO regarding its recent report, the Department will expand its existing financial management, capacity, and action plan assessments. The revisions include clarifying the standards HUD uses to determine proficiency and capacity and will provide additional training and/or guidance for HUD staff performing the reviews.

QUESTIONS SUBMITTED BY SENATOR JOE MANCHIN, III

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

Question. As you know, the Community Development Block Grant (CDBG) program is one of the longest running programs at the Department of Housing and Urban Development (HUD). CDBG is a useful program because it allows recipient communities to have the flexibility to determine how best to use the money for their state's unique needs, whether it is rehabilitating dilapidated housing stock, downtown revitalization, or improving rural broadband connectivity. In West Virginia, we need it all. In 2018, totaling all the funds grantee counties were awarded, West Virginia received around \$20 million in CDBG funds. As a former Governor, I understand that nobody knows what a community needs better than the people that live there. However, I was disappointed to see the complete elimination of a program that does just that, for the third year in a row.

I know this program has a lot of bipartisan support in the Congress. Secretary Carson you've said this program is best supported by state and local governments, how do you propose state and local governments come up with the funds to support the CDBG program.

Answer. Many CDBG grantees have generated substantial program income through implementation of their CDBG programs in prior years, particularly in the areas of housing rehabilitation and economic development. Moreover, local tax revenues plus public-private partnerships are additional sources of funds for local and state governments to address the types of activities eligible to be funded through CDBG. HUD continues to effectively and efficiently administer the requirements of the program while also remaining a good steward of taxpayer dollars.

HUD DUPLICATION OF BENEFITS (BOP)

Question. On October 5, 2018, President Trump signed the FAA Reauthorization Act into law. It included a number of policy reforms affecting the way in which the Federal government responds to major disasters. It included one specific provision to ensure that the people who applied for Small Business Administration Disaster Loans immediately after the storm would not be penalized for doing that by ensuring that those loans would not be treated a "Duplication of Benefits" that would render them ineligible for HUD disaster funding later down the line. With all of the disaster related Community Development Block Grant Funding currently on hold, the demand for loans and other bridge financing is only going to increase in these disaster affected communities.

When can we expect your guidance on how these new "Duplication of Benefits" rules should be implemented? What interim advice should we be giving our constituents while we wait for that guidance?

Answer. The Disaster Recovery Reform Act (DRRA), enacted on October 5, 2018, included one specific provision amending the "duplication of benefit" provisions of the Stafford Act and establishes that a loan is not a duplication of benefit. This amendment is effective for major declared disasters between January 1, 2016 and December 31, 2021. HUD has been coordinating the policy consideration with the Federal Emergency Management Agency (FEMA) and the Small Business Administration (SBA) and will shortly issue revised duplication of benefit policy guidance for CDBG-DR grantees to implement this legislative change.

HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

Question. Stable housing has been shown to end persistent homelessness, improve health conditions, and lower public costs by reducing the use of other public services. We also know that stable housing supports a stable workforce, enables children to achieve more at school, and supports the strength of our communities. As you are aware, the HOME Investment Partnerships Program (HOME) provides funds for those who need it most. The funds benefit low-income families and can be used for rehabilitation of owner-occupied housing, homebuyer assistance, rental housing construction and rehabilitation, and the provision of tenant-based rental assistance. In West Virginia, Huntington Habitat for Humanity has dedicated 109 homes and they tell us the construction of those homes would not be possible without the support of government funding for affordable housing, like the HOME funds. Their home buyers not only purchase their homes but they also are a part of the building process of their own home and homes for others.

In fiscal year 2019, Congress funded this program at \$1.25 billion. However, for the third year in a row, we saw this program eliminated in the President's budget.

In the HUD budget the HOME program is set to be eliminated. How do you plan to supplement all the good development and investment that organizations who use this funding are able to provide?

Answer. HUD believes states and local governments are uniquely situated to engage public, private, and philanthropic partners and to coordinate efforts to effectively address affordable housing needs within their jurisdictions. To meet their affordable housing needs, states and localities must reform local policies such as zoning and permitting policies, commit state and local resources through state or local housing trust funds, property tax exemptions, state-funded rental assistance programs, or state investor tax credits. Further, the Administration's Opportunity Zone initiative will attract significant private investment to the distressed neighborhoods in which HOME Program funds have frequently been invested. The Department will continue to increase local affordable housing delivery capacity through technical assistance resources, including a range of training, toolkits, webinars, on-site help, and a variety of guides available on the HUD Exchange website.

NEIGHBORHOOD REINVESTMENT CORPORATION (NEIGHBORWORKS AMERICA)

Question. The public nonprofit organization, NeighborWorks America, supports a network of nearly 250 select local and regional nonprofit community development organizations across the country. NeighborWorks offers financial support, technical assistance, training and other services to the nonprofits they work with. One of the NeighborWorks chartered organizations in West Virginia that is doing great work is the HomeOwnership Center located in Eklins.

It is important to have NeighborWorks chartered organizations in West Virginia to continue to provide their services to the community. How does HUD plan to continue to fund the Neighborhood Reinvestment Corporation?

Answer. HUD holds a Comprehensive Housing Counseling Notice of Funding Availability (NOFA) competition to distribute Housing Counseling Assistance funds appropriated by Congress. NeighborWorks America has been a HUD-approved housing counseling national intermediary for more than twenty years. In 2018, HUD awarded a total of \$47 million, appropriated by Congress, to support housing counseling agencies like the Homeownership Center. NeighborWorks America received an award of \$3 million in the 2018 NOFA, which the agency sub-assigns to approximately 117 affiliated HUD-participating housing counseling agencies nationwide. In the coming months, Housing Counseling plans to hold a NOFA competition to encourage all HUD-approved housing counseling agencies, including NeighborWorks America and its affiliates, to compete for funding.

HUD'S SECTION 4 CAPACITY BUILDING FOR COMMUNITY DEVELOPMENT AND AFFORDABLE HOUSING (SECTION 4)

Question. Through funding of national intermediaries (such as; Habitat for Humanity, Enterprise Community Partners), the Section 4 Capacity Building for Community Development and Affordable Housing Program (Section 4) enhances the capacity and ability of Community Development Corporations (CDCs) and Community Housing Development Organizations (CHDOs) to carry out affordable housing and community development activities that benefit low- and moderate-income families and persons. The national partners distribute Section 4 funds to local non-profits. Local non-profits in West Virginia, like Coalfield Development Corporation, located in the southern part of the state which has been hit hard by the downturn in coal production, has received these awards and benefited greatly. Since 2013, Section 4 has leveraged almost \$7.5 billion in development costs alone.

It is important to see this investment in community development and affordable housing, how does HUD plan to continue to encourage this investment?

Answer. The awards for the \$35 million Section 4 program were recently announced, and the grant agreements were signed on April 23, 2019, effectively initiating the funds to the following awarded entities—Habitat for Humanity International, the Local Initiative Support Corporation, and Enterprise Community Partners. These entities will provide Capacity Building and Technical Assistance to Community Development organizations in primarily Urban areas throughout the country. However, \$5 million of the designated \$35 million must be earmarked for rural communities and activities. Additionally, the HUD Office of Community Planning and Development published a \$5 million Notice of Funding Availability (NOFA) on April 8, 2019, soliciting applications for the Rural Capacity Building (RCB) program. Once applications are received, and awards are made, the selected organizations will focus their Capacity Building effort solely in rural communities throughout the country.

SUBCOMMITTEE RECESS

Senator COLLINS. I thank you for your cooperation, and I also want to thank our subcommittee staff and your staff for the work on this hearing.

Secretary CARSON. Thank you.

Senator COLLINS. This hearing is now adjourned.

[Whereupon, at 2:12 p.m., Wednesday, April 3, the subcommittee was recessed, to reconvene at a time subject to the call of the Chair.]