June 3, 2020

Eric Ogle
CDBG Program Manager
Indiana Office of Community and Rural Affairs
One North Capitol – Suite 600
Indianapolis, IN 46204

Dear Mr. Ogle:

Thank you for your thoughtful work in helping to respond to critical housing and community development needs in the face of the COVID-19 pandemic through the prioritization of federal resources as outlined in the draft Long-Term Phase of the COVID-19 Response Program amendment to the state’s 2019 Annual Action Plan. Our comments today do not object to the proposed new activities in the amendment in isolation, but instead demonstrate our concern about the missed opportunities of not employing allowed uses of Community Development Block Grant (CDBG) resources for emergency rental assistance as part of a recommended state COVID-19 housing stability plan.

Our membership, comprised of nearly 200 organizations, is dedicated to creating inclusive opportunities that build assets and improve lives throughout every region of our state. Our network is diverse, but united by a mission to transform Hoosier communities. In particular, our members are dedicated to strengthening communities that are economically distressed through comprehensive solutions in rural, urban, and suburban neighborhoods. Expanding access to safe, affordable housing and economic opportunity are at the core of that work.

Prosperity Indiana members not only meet basic human needs, such as providing food and shelter, but ensure low-income Hoosiers have the kinds of tools and resources required to attain and maintain economic sufficiency. We actively engage our membership on policy issues through a variety of mediums to identify areas where community development approaches are effective, and where they should be improved upon to be responsive to local needs. Our members have been greatly involved in the COVID-19 pandemic response and their resources
strained by attempts to assist the hardest-hit Hoosiers and their communities in the ensuing economic fallout.

It is for these reasons that we ask you to reconsider the opportunity to use part of the CDBG resources covered by this amended Long-Term Phase of the COVID-19 Response Program to align with the long-term needs for housing security, including emergency rental assistance, in response to the pandemic. In early May, Prosperity Indiana, along with a number of Indiana’s housing security advocates, offered recommendations for such an aligned COVID-19 Housing Stability policy response, outlined in the Hoosier Housing Needs Coalition release ‘New Hoosier Housing Needs Coalition urges actions to ensure housing stability response to COVID-19’. Since then, additional data and information has come to light, demonstrating that housing security is likely to be a major need for over half a million low-income Hoosier renters and the housing providers who serve them. Prosperity Indiana has recently released an analysis of this information in ‘Housing and Rental Assistance Among Hoosiers’ Top Unmet COVID-19 Needs’ with data from Indiana 211, the Indiana Apartment Association, and the National Low Income Housing Coalition, alongside state unemployment data and polling results from the Opportunity Starts at Home initiative showing broad support for emergency rental assistance. This new data informs the comments on the proposal at hand.

We appreciate that the Long-Term Phase proposal seeks to assist Indiana communities by assisting non-entitlement local units of government and for-profit organizations with criteria intended to prioritize populations most in need. However, by failing to use any of the $18.7M in CDBG-CV funds to coordinate with a statewide housing security response, the proposal not only neglects to use a potential financial resource, it also does not align with a major issue needed for long-term COVID-19 response across the state.

Despite the current eviction pause, new data from Indiana 211 finds that requests for housing assistance are both the largest source of referral calls, as well as the top unmet need in their network in May. Since the public health emergency was declared on March 6, over 11,000 requests have come in for rent assistance, which is nearly three times the requests for homelessness prevention and far more than the requests for mortgage assistance or any other housing need. At the same time, the Indiana Apartment Association found that the rate of rent delinquencies increased greatly from 6% in April to 21% in May, with the highest delinquency rate (28%) in May coming from market rate/conventional properties and from the $20,000-
$30,000 income range that most Indiana renter households earn. In addition, Indiana Business Research Center data finds that the occupations with the greatest number of COVID-19 related unemployment claims are those most often held by low-income renters, women, and Hoosiers of color. The jobs include accommodation and food services, retail, health care and social assistance, administrative support and waste management. All of this data points to a massive economic disruption borne most heavily on previously employed but low-income renter households.

State estimates of the need for rental assistance from NLIHC find that 267,832 renter households have been affected by the pandemic in Indiana. But because only 9,051 of those households are served by HUD-subsidized housing, 258,782 low-income Hoosier renter households will need emergency rental assistance by September 2020, two months after the eviction moratorium is lifted and pandemic unemployment insurance ends. Using Congressional Budget Office estimates of an unemployment rate that stays above 10% through July 2021, over 186,000 Hoosier households will likely continue to need rent assistance through next summer.

All of this data leads us to believe that any Long-Term response program that includes funds that can be used for housing security must be coordinated together for maximum impact, not only to avoid duplication of services, but also to avoid gaps in services needed for recovery.

As we noted in our comments on May 8, emergency rental assistance has long been an eligible activity in CDBG regulations, and analysis of the CARES Act reconfirms this eligible use. However the provision allowing it is found in the “Ineligible Activities” section of the Entitlement regulations at 24 CFR part 570.207(b)(4), reproduced here:

(4) Income payments. The general rule is that CDBG funds may not be used for income payments. For purposes of the CDBG program, “income payments” means a series of subsistence-type grant payments made to an individual or family for items such as food, clothing, housing (rent or mortgage), or utilities, but excludes emergency grant payments made over a period of up to three consecutive months to the provider of such items or services on behalf of an individual or family.

Also note that emergency rental assistance is considered a “public service.” The CDBG statute states that a jurisdiction cannot obligate more than 15% of its annual CDBG allocation and any program income for public services during a program year. However, the CARES Act
eliminates the 15% cap not only for a jurisdiction’s CDBG-CV allocation, but also for its FY19 and FY20 allocations, provided the funds are used to prevent, prepare for, or respond to the coronavirus.

More recently, in her presentation ‘CARES Act CDBG Funds Used to Support Coronavirus Response’, Jessie Handforth Kome, HUD’s Director of the Office of Block Grant Assistance wrote:

CDBG-CV grantees must have policies and procedures to prevent duplication of benefits with Stafford Act and other CARES Act programs. This means grantees may not use CDBG for costs already covered by other programs. Many other programs are providing similar advice. **HUD is not cautioning grantees to avoid the same uses as other CARES Act programs if unmet need exists and the use is CDBG-CV eligible. Rather, HUD is advising grantees to be strategic in selecting program designs that best align funding sources with local needs.** [emphasis added]

Prosperity Indiana urges OCRA and all parts of state government to heed the call to “be strategic in selecting program designs that best align funding sources with local needs”. Any long-term response plan that does not align available funding with the demonstrated major housing need is liable to leave Hoosiers at risk of eviction or homelessness, the costs of which multiply the personal, economic, and public health damage of the pandemic.

We sincerely hope to increasingly partner with OCRA staff and leadership to work towards shared community development goals, both during the COVID-19 response phase and beyond. On behalf of our dedicated membership affecting positive change in communities throughout the state, we would like to thank both OCRA and IHCDA for the opportunity to weigh in on this proposal and hope to work collaboratively with you in the future.

Sincerely,

Andrew Bradley
Policy Director
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