

WRITTEN STATEMENT OF DOMINIQUE BLOM

Deputy Assistant Secretary, Office of Public Housing Investments
U.S. Department of Housing and Urban Development

Hearing before the Subcommittee on Housing and Community
Opportunity, Committee on Financial Services

United States House of Representatives



“Federal Spending Requirements in Housing and Community
Development Programs: Challenges in 2008 and Beyond”

July 9, 2008

Good morning Chairwoman Waters and members of the Subcommittee. I am Dominique Blom, the Deputy Assistant Secretary for the Office of Public Housing Investments at the U.S. Department of Housing and Urban Development (HUD). Thank you for inviting me to testify today.

The Department assists and monitors all HOPE VI grantees to enable them to implement their revitalization plans and construct units in accordance with their development schedules. For grantees awarded HOPE VI funding in FY 2002 or later, Congress established an expenditure deadline for HOPE VI funds. Grantees are required to expend their HOPE VI funds within five years of HUD's deadline for obligating the grant funds. Under this requirement, it is the responsibility of each grantee to establish and implement realistic development schedules that allow them to complete the federally funded components of their projects by the five year expenditure deadline or have the unused funds recaptured by the Treasury.

Over the last year, the Department has discussed the potential impacts of this expenditure deadline with both the House and Senate Appropriations Committees. My remarks today will focus on what the Department has done to assist FY 2002 HOPE VI grantees in meeting the expenditure deadline of September 30, 2008 and the current status of funds that remain unexpended as of June 30, 2008.

The Department has taken numerous steps in notifying and reminding FY 2002 grantees of their responsibility to meet their own development schedules and the five year expenditure deadline of September 30, 2008 that was established by Congress. The grant agreement that codified the funding relationship between each grantee and HUD clearly stated (in bold type) that all funds must be expended within five years of grant award or unused funds would be recaptured by the Treasury. The letter from HUD approving the revitalization plan submitted by each grantee reiterated the language in the grant agreement, and encouraged grantees to stay on schedule to meet the expenditure deadline. In post-award and follow-up site visits over the life of each grant, HUD staff also reminded grantees of this requirement and their responsibility to stay on schedule.

During the course of each grant, if a grantee submitted revisions to the Revitalization Plan that altered the development schedule, HUD staff reviewed the schedule to ensure that the grantee would complete construction ahead of the expenditure deadline before approving the changes. In the approval of these revisions, HUD staff again reminded grantees that it was their responsibility to expend all HOPE VI funds by the expenditure deadline.

On March 20, 2008 HUD issued a letter to all FY 2002 grantees with unexpended funds. In this letter grantees were again reminded that all HOPE VI funds must be expended by September 30, 2008. In response to this letter grantees were required to state in writing if they would be able to meet the expenditure deadline.

For those grantees that expressed concern about meeting the expenditure deadline, the Department assisted the grantee to develop a plan for completing construction and

expending HOPE VI funds by the deadline. The Department also accelerated review processes and expedited approvals to put each of these production and expenditure plans into action. Throughout this process the Department was careful to exercise good judgment, not take unreasonable risks and ensure that taxpayer dollars were used for eligible and feasible purposes.

As of June 30, 2008, there was \$78 million in unexpended funds across the 28 grantees awarded HOPE VI funding in FY 2002. Based on grantee responses and the Department's monitoring efforts, we currently believe that 21 grantees will expend all funds, four are likely to expend all funds, and three are unlikely to expend all funds by the September 30, 2008 deadline. Of the three that are unlikely to expend all funds by the deadline, the Department estimates that the amount of funds at risk for recapture by the Treasury across these grantees ranges from \$200,000 to \$2.3 million, for an approximate total of \$4 million.

Beyond FY 2002 grantees, the Department is also assisting HOPE VI grantees awarded funding in FY 2003 or later with their efforts to meet the expenditure deadline set by Congress for each grant cohort. To this end, HUD has sent a letter to FY 2003 grantees with unexpended funds that requests information on their estimated time frame for completing construction and expending all HOPE VI funds. Grantees are required to respond to this letter and state in writing if they are able to meet the expenditure deadline. In addition to assistance provided by HUD staff, the Department is also dedicating HOPE VI technical assistance funding to further assist FY 2003 and later grantees in meeting their expenditure deadlines.

Thank you for the opportunity to discuss the status of FY 2002 HOPE VI grantees. As I mentioned earlier, the Department assists and monitors all HOPE VI grantees to enable them to implement their revitalization plans and construct units in accordance with their development schedules. As part of these efforts, the Department will continue to assist HOPE VI grantees in meeting the expenditure deadlines that are mandated by Congress for each grant cohort. I am happy to respond to any questions that you might have.