



Technical and General Comments to HUD Regarding Choice Neighborhoods Initiative

As the nation's premier representative of Community Development Corporations (CDCs), the National Alliance of Community Economic Development Associations (NACEDA) appreciates the opportunity to provide comment to HUD on its Choice Neighborhood Initiative (CNI) legislation. Through its decades-old network of city and state associations, NACEDA represents more than 3,000 CDCs. Since 1988, CDCs affiliated with NACEDA have produced 1,576,000 housing units, and 82.5% of CDCs perform housing development.¹

NACEDA applauds HUD's efforts to transform neighborhoods. By identifying low-income communities as areas that need socioeconomic assistance, the CNI draft legislation provides an infusion of operational support and financial support to transform these communities into long-term viable areas.

Concept of Expanding HOPE VI. Housing alone cannot transform a community. NACEDA is pleased HUD has identified the need to bolster HOPE VI communities by enlarging the limited but important scope of affordable housing to encompass the provision of community services. Providing socioeconomic and community development services in addition to affordable housing is a powerful method of empowering disadvantaged citizens. CDCs exist for this purpose. CDCs can provide a community with a variety of services that houses residents and also empowers them to become independent. Services beyond housing may include business creation, job placement and training, ex-offender reentry, social services, youth programs, supportive housing and transitional housing for formerly homeless, foreclosure and housing counseling, and more.

Streamlined Design. NACEDA supports the structure of the grant program, such that CDCs and non-profits have direct application access to HUD, and that funding access is not required through Participating Jurisdictions or other intermediaries. In jurisdictions where there is an absence of demonstrated appreciation on the part of Participating Jurisdictions of the long-term economic value of nonprofit organizations, having direct access to funds promotes efficiency and empowerment among non-profit grant recipients.

CDC and Non-profit Recipients. CDCs espouse a philosophy that collaborating with vested and external community stakeholders is invaluable in maximizing a community's political support and in facilitating the self-sufficiency of the community's members. Because of this collaborative nature, CDCs are poised to be a key vehicle nationwide to implement these Transformation Plans. As such, delineating language in the bill that allows CDCs in particular (Section 4) to be eligible for CNI Transformation grants is prudent in utilizing and capitalizing on CDCs' existing nationwide infrastructure. NACEDA also values that "other for-profit and non-profit entities" (Section 4) are included to ensure maximum flexibility in the type of organization that has a record of and potential for neighborhood transformation.

Valuable Community Stakeholder Requirement. In addition, requiring that CDCs demonstrate inclusive input from various community stakeholders [Section 7(b)(2)] presents an opportunity to maximize collective value of various stakeholders with existing, vested interest in a community.

"Planning" and "Land Use Planning" Distinction. In Section 7(b)(2), NACEDA recommends ensuring a clear distinction between "inclusive local planning" and land use planning. (NACEDA discusses in further comments below the inclusion of land use planning as a part of a Transformation Plan.)

¹ Preliminary findings of NACEDA's 2009 Triennial Census of CDCs

Broad Definitions in “Required” and “Eligible Activities.” In order to allow CDCs and non-profit organizations to identify needs-appropriate decisions for their communities, NACEDA recommends the legislative language maintain broad definition of required activities. For example, Section 6(b)(2) “activities that promote economic self-sufficiency” is appropriately broad, so that CDCs and non-profits may identify the most pertinent area of service for its community (such as self employment, IDA accounts, economic literacy, commercial revitalization, etc.).

In terms of “eligible activities” in Section 6(c), because these activities are allowable and not required, NACEDA recommends a more detailed delineation of activities and “support services” that may be provided by the grantee. NACEDA would recommend including “coordination in ex-offender reentry, formerly homeless, HIV/AIDS, individuals with disabilities, social services, health care, mental health care, youth services, arts programs, seniors programs, housing for special needs, and other programs as the community may demonstrate need.” NACEDA also recommends adding these service types to the definition of “supportive services” in Section 9(i). NACEDA also applauds in Section 6(c)(6) the opportunity to partner with organizations to create jobs and job training opportunities.

Flexibility of Statute and Related Performance Measures

Flexibility of Statute. In general, NACEDA values the broad approach in drafting this legislation. Because local communities know their needs best, NACEDA believes that allowing HUD the flexibility to adapt the intent of the law to local needs provides most effective outcomes. For example, the language does not make specific requirements of communities in terms of weighting the awarding of grants, in defining “distressed” communities, and other ways the bill allows HUD the authority to determine the most community-appropriate paths forward. Additionally, with flexibility, HUD may craft regulations that appropriately meet the needs of communities, and HUD may modify regulations as adaptation is needed, without congressional authorization or revision. As HUD implements CNI, it can evaluate its progress and if necessary make determinations of modifications to the law.

Performance Measures. Insofar as flexibility is provided, however, NACEDA recommends that the legislation include performance measures that hold both HUD and grantees accountable to some quantifiable transformation outcomes that demonstrate long-term transformation efficacy. Tests of performance complement needs-based flexibility. Along these lines, NACEDA suggests HUD add language to include measuring the performance of HUD in at the least these following general categories: grantees selection, housing opportunities for residents of severely distressed neighborhoods (including one-for-one replacement), and efficacy of holistic community development and its various services. NACEDA notes the collection of performance data by non-profit organizations is consuming of resources and capital. As such, NACEDA recommends HUD weight this financial and operational capacity burden as it makes funding determinations, so that non-profit organizations have the reasonable capacity to carry out efficacious transformation. After enactment of the bill, as HUD drafts regulation, NACEDA recommends language that provides more specific tools that measure goals and outcomes in terms of housing units, types of community services provided, and other subjects.

Demonstration. NACEDA suggests HUD consider the value of initializing CNI grant awarding in selected communities of demonstration. CNI’s lofty goals require a critical amount of financial support for impact and sustainability at economies of scale. Commencing the program with select demonstration awards would enable communities to make the most of both the requirements and the funding. Upon successes and lessons learned, the program would ideally be expanded to all eligible and selected applicants nationwide. NACEDA is currently performing a 3-city demonstration program

identifying best community development practices and would be pleased to assist HUD in the formation of CNI best practices.

Report to Congress. With respect to aforementioned performance measures, in addition to the existing reporting requirements in Section 13, NACEDA recommends language that requires HUD report to Congress its evaluation of performance measures and program assessment.

Representation of Low- and Lowest-Income Residents. NACEDA recommends that the language include a requirement that the applicants of the Transformation Plans be representative in some fashion of the low- and lowest-income residents in the community for which the Transformation Plan is being applied. For example, under the HOME Program, one-third of the Boards of CHDOs must be representative of the low-income community of the jurisdiction.

One-for-One Replacement. The bill's replacement provision provides assurance that all residents who would be displaced by the demolition or disposition of public or assisted housing have a guarantee of a replacement home within 25 miles of the original project site. NACEDA recognizes that the transformation of severely underserved areas requires substantive change, and is pleased the language provides one-for-one replacement. NACEDA also however recommends ensuring affordable housing is not lost, in that displacement of low- and lowest-income individuals is minimized except when those individuals are offered an opportunity to move to a higher-income community and elect so; that on-site placement is retained insofar as possible with respect to planning; and that individuals with lower incomes are a key part of the planning process. NACEDA also recommends performance measures (as mentioned above) to ensure one-for-one replacement compliance.

Funding. Section 14 authorizes \$250 million for CNI for 2010. NACEDA recommends a substantially higher amount of funding for CNI, of at least \$1 billion per year. Transforming distressed neighborhoods requires an infusion of financial capital. Along these lines, NACEDA is pleased the draft legislation does not cap an amount to be received by one grant applicant, as the needs of each community are different and as transformation of a community's various sectors – from housing and education to job creation and business development – requires substantial financial investment. The Harlem Children's Zone, for example, has benefited from an infusion of tens of millions of dollars for its one project alone. With respect to the Neighborhood Stabilization Fund, CDCs have encountered difficulty in accomplishing the lofty community development goals with limited funding sources. The level of rehab CDCs are asked to provide in greening, energy efficiency, disability access, and more is no possible to achieve with limited financial resources. In order to not repeat the challenges with NSP of a high performance demand coupled with low and inappropriate funding levels, NACEDA recommends the addition of language to the draft bill that states that the provision of funding shall be commensurate with the needs of the applicant's community.

Operational Support for Non-Profit Organizations. At a time when CDCs are experiencing extraordinary demand from their constituents to help stabilize neighborhoods and prevent foreclosures, the shrinking economy has caused foundations and corporations nationwide to retract their operating funding for these vital organizations, threatening the viability of many. In addition, in order for non-profit organizations to provide projects, they need the wherewithal to finance operating expenses, including salaries and operational needs. As such, NACEDA recommends language that authorizes HUD to provide up to 5% of Transformation Plan funds for the operational support of non-profit grantees. This operating expense funding would express the federal commitment to long-term community transformation through sustaining non-profit organizations.

Inclusion of Historic Preservation and Land Use Planning

Critical Land Use Planning. NACEDA strongly recommends HUD include as a “required activity” in Section 6(b) land use planning. Planning the economic and population growth and development of any community is critical, and it is the nature of CNI Transformation Plans. Planning growth is performed through land use planning, and in coordination with the comprehensive master plans of local jurisdictions, including municipalities, counties, and regions. Many towns in the U.S. do not have comprehensive plans, which have led unfortunately to the patchwork and racially discriminatory economic development seen today in multiple small and large U.S. towns. Adding a requirement for coordination with the local jurisdiction’s comprehensive land use plan, or, adding a requirement for land use planning consultation where no comprehensive plan exists, is the backbone of any Transformation Plan. NACEDA recommends adding these requirements to Section 6(b) “required activities” and to Section 7(b) “selection criteria,” and to Section 8 “program requirements.”

Historic Preservation. Also NACEDA recommends adding “historic preservation activities” to Section 6(c) “eligible activities” and to Section 7(b) “selection criteria.” Adding historic preservation activities to a Transformation Plan adds intrinsic aesthetic, historic and cultural value to a community that helps to counteract blight. In past transformation and redevelopment of communities, CDCs have witnessed the erasing of very high-quality housing craftsmanship and handwork from which underserved neighborhoods benefit. Historic preservation and its inherent sustainability qualities utilize existing infrastructure, belie waste inherent to demolition, and can promote energy efficiency. Insofar as subsequent regulations may establish criteria and weight in selecting valuable Transformation Plans, NACEDA recommends adding historic preservation, in order to provide prospective grantees with incentive to preserve historic beautification. Further, upon HUD’s promulgation of regulation, NACEDA would be pleased to comment on the various federal historic preservation programs (such as federal and local tax credits and grant programs) that exist and ways to capture their added value for neighborhood transformation.

Research and Study. NACEDA recommends adding language that directs HUD to provide data collection, analysis, and reporting on short- and long-term effects of this housing and community development initiative. Specifically, NACEDA recommends the inclusion of language that requires research that demonstrates scientific causality between the (1) various elements of community development improvements (such as housing, greening, social services, and other “critical community improvements”) and (2) their scientific effect on economic development and community sustainability. Because the intent of this Transformation Plan program is to strengthen and stabilize communities by transforming them, measuring their strength and stabilization should be required. Further, upon future analysis of data findings, HUD would be enabled to identify successes and needs both in terms of direct community needs and in terms of CNI Transformation Plan structure. In addition, because of the financial expense required in engaging in research and data collection, especially long-term tracking, NACEDA recommends the authorization of additional funding to carry out this provision, at an amount HUD would calculate as appropriate.