

Building Inclusive and Sustainable Communities Free from Discrimination

The economic downturn and foreclosure crisis have significantly depleted resources in state and local governments while increasing demand for services. Revenue declines often turn quickly into layoffs and cuts in services for the poor. Meanwhile, community development investments have a heightened role in economic redevelopment and stabilization for neighborhoods and regions across the country. During these difficult economic times, it is critical that the Administration support and enhance community development programs and to partner with grantees in developing strategies to increase economic vitality, build capacity, and build sustainable communities and neighborhoods of opportunity.

The fiscal year 2011 Budget:

Supports and improves the federal government's premier community development program

In the long run, communities are only as strong as their people and neighborhoods. Since 1974, the Community Development Block Grant (CDBG) program has provided formula grants to cities and states to catalyze economic opportunity and create suitable living environments through an extensive array of community development activities that primarily benefit Americans of modest financial means. The fiscal year 2011 Budget proposes a total of \$4.380 billion for the Community Development Fund, which includes:

- \$3.99 billion for *CDBG formula distribution*, delivering on this Administration's promise to provide states and localities with the baseline CDBG funding needed to address the current economic crisis. Simultaneously, the Department proposes a number of improvements to the CDBG program, including revamping the consolidated plans developed by state and local governments, greater accountability, and better performance metrics.
- \$150 million in funding for the second year of the *Sustainable Communities Initiative*. The initiative has four components in 2011.
 - 1) Sustainable Communities Planning Grants administered by HUD in collaboration with the Department of Transportation (DOT) and the Environmental Protection Agency (EPA). These grants will catalyze the next generation of integrated metropolitan transportation, housing, land use and energy planning using the most sophisticated data, analytics and geographic information systems. These integrated plans would inform state, metropolitan and local decisions on how and where to allocate Federal, state and

- local transportation, infrastructure and housing investments. Better coordination of transportation, infrastructure and housing investments will result in more sustainable development patterns, more affordable communities, reduced greenhouse gas emissions, and more transit-accessible housing choices for residents and firms.
- 2) Sustainable Communities Challenge Grants to help localities implement the Sustainable Communities Plans. These investments would provide a local complement to the regional planning initiative, enabling local and multi-jurisdictional partnerships to put in place the policies, codes, tools and critical capital investments to achieve sustainable development patterns.
 - 3) The creation and implementation of a capacity-building program and tools clearinghouse designed to support both Sustainable Communities grantees and other communities interested in becoming more sustainable. This clearinghouse and educational program will be designed to assist a wide array of stakeholders and build the capacity of all levels of government to implement sustainable communities strategies.
 - 4) A joint HUD-DOT-EPA research effort designed to advance transportation and housing linkages on a number of levels. This effort would aggressively pursue data development, information platforms, analytic tools and research that support both HUD's mission of affordable housing and community development, DOT's mission of efficient transportation and EPA's mission of environmentally sustainable communities, thus laying a foundation for greater sustainability in the nation's built environment.
- \$150 million for the *Catalytic Investment Competition Grants program* to provide economic development and gap financing to implement targeted economic investment for neighborhood and community revitalization. This new program uses the authorities of CDBG, but will provide capital to bring impactful and innovative economic development projects to scale. The competitive grants will fund applicants with targeted economic investments while leveraging other federal neighborhood revitalization programs, including mainstream CDBG funding. Unlike CDBG, consortia including high capacity non-governmental entities that have developed an innovative plan may apply along with governmental entities, and the grants will target areas experiencing significant economic distress. The program will create a competitive funding stream that is responsive to changes in market conditions and is intended to increase the economic competitiveness of distressed communities and neighborhoods.

The outcomes of the grants will be measured improvement in economic activity and job creation in targeted neighborhoods. Activities funded with this grant will include a variety of development projects, including those that (1) implement projects designed to reclaim vacant property for the purposes of creating green infrastructure and other environmentally and economically sustainable uses, (2) remove or ameliorate property-related obstacles to economic recovery, (3) support facilitation of economic development and neighborhood viability in targeted neighborhoods and redevelopment into communities with attractive amenities and high quality infrastructure, including the provision of assistance and outreach to small and medium sized businesses, and (4) support economic activities related to transit-oriented development.

The Secretary may consider how much and to what extent the project will complement and leverage other community development and revitalization activities such as the Choice Neighborhoods Initiative, Promise Neighborhoods, HOPE VI, Sustainable Communities, or other place-based investments in targeted neighborhoods to improve economic viability, extend neighborhood transformation efforts, and foster viable and sustainable communities. Applicants must develop a plan that includes measurable outcomes for job creation and economic activity, exhibit capacity to implement such plan, and demonstrate approval for the plan from the local jurisdiction. Applicants will be required to leverage other appropriate federal resources, including but not limited to, Community Development Block Grant formula funding and Section 108 Loan Guarantees. This will support HUD's effort to partner with grantees to more effectively target community development investments towards neighborhoods with greatest need, disinvestment, or potential for growth.

- \$25 million to consolidate four separate university partnership programs into one unified *University Community Fund*. With the restructuring of the United States economy, universities have emerged as growth engines for metropolitan and rural economies while serving as anchor institutions and major employers within their host communities. The consolidated University Community Fund will continue to leverage the potential of universities to serve as catalysts for broader revitalization in their surrounding communities. The University Community Fund will allow funding opportunities for colleges and universities interested in forming consortia with other minority-serving or non-minority-serving institutions to jointly address the community/economic development needs of local communities. Applicants will be encouraged to undertake projects that address a broad range of community and economic development activities.

Enhances and broadens capacity building for our partners

The fiscal 2011 Budget provides \$60 million for a revamped Capacity Building program. HUD must embrace a 21st century vision for supporting the affordable housing and community development sector and will reframe the Section 4 program, including renaming the program to "Capacity Building", in order to reflect that vision. The objective is to expand HUD's funding capabilities, and encourage open competition through mainstream and consistent program funding for these activities.

Working with cities and states to readily understand how to meet the needs of their communities with depleting resources, leverage private and other kinds of resources, and align existing programs is fundamental to building resilience in tough economic times. Increasing capacity at the local level is critical as jurisdictions partner with the Administration in implementing key initiatives such as Choice Neighborhoods, Sustainable Communities, and the Catalytic Competition and work to restore the economic vitality of their communities. This enhanced program will include local governments as technical assistance service recipients.

Takes Choice Neighborhoods to scale

The Administration will also propose authorizing legislation for Choice Neighborhoods, funded at \$65 million in fiscal year 2010 on a demonstration basis and which the Budget funds at \$250 million.

This initiative will transform distressed neighborhoods and public and assisted projects into functioning, sustainable mixed-income neighborhoods by linking housing improvements with appropriate services, schools, public assets, transportation, and access to jobs. A strong emphasis will be placed on local community planning for school and educational improvements including early childhood initiatives. Choice Neighborhood grants would build upon the successes of public housing transformation under HOPE VI to provide support for the preservation and rehabilitation of public and HUD-assisted housing, within the context of a broader approach to concentrated poverty. In addition to public housing authorities, the initiative will involve local governments, non profits and for profit developers in undertaking comprehensive local planning with input from the residents and the community.

Additionally, the Department is placing a strong emphasis on coordination with other federal agencies, with the expected result that federal investments in education, employment, income support, and social services will be better aligned in targeted neighborhoods. To date, the Departments of Education, Justice and HHS are working with HUD to coordinate investments in neighborhoods of concentrated poverty, including those targeted by Choice Neighborhoods.

Protects consumers from discrimination in the housing market and affirmatively furthers the goals of the Fair Housing Act

The Budget proposes \$61.1 million in support of the fair housing activities of HUD partners. Some sources estimate that more than 4 million acts of housing discrimination occur each year. To meaningfully address that level of discrimination, the Department, in addition to directing its own fair housing enforcement and education efforts, must engage outside partners. Therefore, this budget funds state and local government agencies to supplement HUD's enforcement role through the Fair Housing Assistance Program (FHAP) and provides funding also to nonprofit fair housing organizations that provide direct, community-based assistance to victims of discrimination through the Fair Housing Initiatives Program (FHIP). The entities participating in the two programs both help individuals seek redress for discrimination they have suffered and help eliminate more wide-scale systemic practices of discrimination in housing, lending, and other housing-related services. Their efforts ensure that housing markets, products, and services are truly open to all people and offered on an equal basis without regard to race, color, religion, national origin, sex, disability, or familial status. These efforts also help dismantle historic segregation and other practices which distort the housing and lending market. This Budget provides \$28.5 million to state and local agencies in the FHAP and \$32.6 million to fair housing organizations through the FHIP.

Since its passage in 1968, the Fair Housing Act has mandated that HUD shall "affirmatively further fair housing" in the operation of its programs. This requires that HUD and recipients of HUD funds not only prohibit and refrain from discrimination in the operation of HUD programs but also take pro-active steps to overcome effects of past discrimination and eliminate unnecessary barriers that deny some populations equal housing opportunities. To assist recipients in meeting these obligations, the Department is revising its regulations to clearly enumerate the specific activities one must undertake to "affirmatively further fair housing" and the consequences for the failure to comply. To support this effort, \$2 million of the FHIP budget will support a pilot program whereby fair housing organizations help HUD-funded jurisdictions comply with these regulations. Fair housing organizations will provide testing and analysis to help communities assess whether they

are reducing housing barriers and promoting more inclusive communities. The results of this pilot will help the Department to assess the best way to assist the more than 1200 jurisdictions that must comply with the obligation to affirmatively further fair housing.

Building Inclusive, Sustainable Communities Free from Discrimination				
(\$ in millions)				
	2010		2011	Difference
	Enacted		Request	2011 vs 2010
Community Development Fund (CDBG)				
Entitlement/Non-Entitlement	\$3,983.1		\$3,990.1	\$7.0
Catalytic Competition Grants	.....		\$150.0	\$150.0
Sustainable Communities	\$150.0		\$150.0	.....
Insular Area CDBG Program	\$7.0		.....	(\$7.0)
Indian Tribes (Section 107)	\$65.0		\$65.0	.....
Economic Development Initiative	\$172.8		.....	(\$172.8)
Neighborhoods Initiatives Program	\$22.1		.....	(\$22.1)
Rural Innovation Fund	\$25.0		.....	(\$25.0)
University Community Fund	\$25.0		\$25.0	.....
Total, Community Development	\$4,450.0		\$4,380.1	(\$69.9)
Choice Neighborhoods	\$65.0	a/	\$250.0	\$185.0
Fair Housing and Equal Opportunity	\$72.0	b/	\$61.1	(\$10.9)
a/ 2010 enacted as \$65 of \$200 million under HOPE VI				
b/ 2010 enacted includes \$13 million for initiative to combat mortgage fraud				