

March 11, 2024

Jessie Handforth Kome
Director, Office of Block Grant Assistance
Room 7282
U.S. Department of Housing and Urban Development
451 7th Street SW, Washington, DC 20410

Heidi Frechette
Deputy Assistant Secretary for Native American Programs
Room 4108
U.S. Department of Housing and Urban Development
451 7th Street SW, Washington, DC 20410

RE: Submission for Community Development Block Grant Program, Consolidated Plans, and Indian Community Development Block Grant Program Changes

Dear Director Kome and Deputy Assistant Secretary Frechette:

The National Community Reinvestment Coalition (NCRC) appreciates the opportunity to submit written comments to the U.S. Department of Housing and Urban Development (HUD) about the proposed changes to the Community Development Block Grant Program (CDBG) and the Indian Community Development Block Grant Program (ICDBG). NCRC and its grassroots member organizations create opportunities for people to build wealth and participate more fully in the nation's economy. We work with community leaders, policymakers and financial institutions to champion fairness and end discrimination in lending, housing and business. NCRC was formed in 1990 by national, regional and local organizations to increase the flow of private capital into traditionally underserved communities. NCRC has grown into an association of more than 700 community-based organizations that promote access to fair and affordable housing, basic banking services, entrepreneurship, job creation and vibrant communities for America's working families.

NCRC wants to commend HUD for revising the CDBG program for the first time in almost 30 years.¹ Overall, we think that the proposed rule will make it easier for grantees to use CDBGs. We also have some policy recommendations that can be incorporated into the proposed rule to make it easier for grantees to use CDBGs:

¹ Department of Housing and Urban Development, [Docket No. FR-6148-P-01] RIN 2506-AC52, "Submission for Community Development Block Grant Program, Consolidated Plans, and Indian Community Development Block Grant Program Changes," *Federal Register*, 89, no. 7, January 10, 2024, 1765, <https://www.federalregister.gov/documents/2024/01/10/2024-00039/submission-for-community-development-block-grant-program-consolidated-plans-and-indian-community>.

Question for Comment #2: “Relative to current requirements, would the proposed revision encourage recipients to carry out activities in underserved and blighted communities and therefore allow recipients to assist economic development in areas most in need of jobs and economic revitalization?” “If the proposed revision does not encourage recipients to carry out activities in underserved and blighted communities, please explain why and share possible alternative standards that might more effectively balance HUD’s goal of enabling recipients broader flexibility with using funds for remediation while still ensuring funds are allocated in a manner that broadly benefits the general public.”

While we are pleased that HUD will no longer use criteria to restrict activities that eliminate slums and blight based on “conditions detrimental to public health and safety,” and will instead rely on objective data that demonstrates that an area is distressed, such as abandoned buildings in 25% of a given area, we would like to underscore how the rule can be further improved.² We want to ensure that Black communities and other communities of color are not inadvertently deemed blighted and have their homes and businesses destroyed. This concern is rooted in a history of urban renewal which disproportionately targeted and destroyed African-American communities.

Historically, as African Americans migrated from Southern cities to Northern and Midwestern cities, many downtown business leaders perceived their arrival and neighborhoods’ proximity to central business districts as a threat to commercial property values.³ Consequently, business leaders — with the backing of federal funds from the Housing Act of 1949 — embarked on redeveloping areas deemed blighted.⁴ Unfortunately, the areas that were disproportionately deemed blighted were neighborhoods where African Americans lived.⁵ According to one estimate, 609,000 people were displaced by 1963 — ⅔ of whom were African American.⁶ Between 1949 and 1962, local authorities spent \$3 billion in federal funding (adjusted for inflation, this figure is closer to \$17 billion based on the value of U.S. currency in the year 2000).⁷ Many displaced African Americans retreated to public housing in other city neighborhoods.⁸ A lot of this replacement public housing was located in predominantly African-American neighborhoods, thereby concentrating poverty in many African-American communities.⁹

Given this history, HUD must incorporate into the consultation requirements of its Consolidated Plan listening sessions with community-based organizations that represent the interests of people

² Ibid., 1749 and 1778.

³ Derek S. Hyra, “Conceptualizing the New Urban Renewal: Comparing the Past to the Present,” *Urban Affairs Review*, 48, no. 4, (2012): 502, <https://journals.sagepub.com/doi/10.1177/1078087411434905>.

⁴ Ibid., 502-503.

⁵ Ibid., 503.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid., 504.

⁹ Ibid.

that urban renewal has historically harmed. Doing so can help mitigate loss of property and wealth through homeownership for Black people and other people of color. Hopefully, these listening sessions can avoid contributing to the already massive racial wealth and homeownership gaps.

Questions for Comment #4: “How frequently should the standard be updated for inflation, and should HUD update the standard automatically with a self-executing inflation calculation?”

The standard should be updated for inflation once a year using the Consumer Price Index (CPI) as a metric since the CPI is a “measure of the average change over time” in prices that consumers pay for goods and services.¹⁰

Questions for Comment #9: “Is six years from the initial drawdown of CDBG funds an adequate time period to demonstrate that activities have met a national objective?”

Yes. See the answer to questions for comment #10 below.

Questions for Comment #10: “Is the proposed six-year period of performance an appropriate period of time to expend funds for activities under a given grant?”

Yes. This amount of time will allow grantees enough time to use the grant as well as sufficient time to undertake bigger projects. As HUD notes in its own proposed rule, the current timeliness regulations combined with the annual 1.5 standard, grant-based accounting, and “stagnant CDBG grant amounts appears to have created an unintended — and undesired — consequence.”¹¹ According to HUD’s own observations, current standards cause grantees to use CDBG grants for “annual ‘soft’ expenditures” such as code enforcement, planning, public services, and salaries for activity delivery, and less for “major brick-and-mortar activities.”¹² “Brick-and-mortar” activities usually deliver more benefits to a community but require longer time frames to spend the funds.¹³

HUD acknowledges that a large Midwestern city identified its need to comply with the 1.5 requirement as the reason for improving sidewalks in low-income neighborhoods even though it believed the “better fit for its community development priorities” would have been “a significant multi-unit, multi-structure, housing rehabilitation project.”¹⁴ The CDBG program in section 101(c) of the Housing and Community Development Act, “emphasize[s] development of viable urban

¹⁰ U.S. Bureau of Labor Statistics, “Consumer Price Index,” <https://www.bls.gov/cpi/>.

¹¹ Department of Housing and Urban Development, [Docket No. FR-6148-P-01] RIN 2506-AC52, “Submission for Community Development Block Grant Program, Consolidated Plans, and Indian Community Development Block Grant Program Changes,” *Federal Register*, 89, no. 7, January 10, 2024, 1755.

¹² *Ibid.*

¹³ *Ibid.*

¹⁴ *Ibid.*

communities by providing suitable living environments.”¹⁵ HUD admits, “[i]f the timeliness enforcement standard is causing grantees to shift funding decisions away from activities generating long-lasting improvements, the standard undercuts the purposes of the Act.”¹⁶

Therefore, HUD should allow grantees six years to use CDBGs to aid economic and community development to pursue larger, more meaningful projects.

We also have a policy recommendation that the proposed rule did not mention:

HUD Should Partner with Federal Regulators to Encourage Banks to Fund CDBG Projects

The CRA final rule released in October 2023 encourages banks to work with local governments and nonprofits on affordable housing and community development projects.¹⁷ HUD should work with the federal regulators to encourage banks to help fund CDBG projects and collaborate with local governments and nonprofits on these projects.

Thank you for your consideration of our recommendations on this important issue. Please contact Nichole Nelson, Senior Policy Advisor, at nnelson@ncrc.org with any questions.

Sincerely,
Jesse van Tol

National Community Reinvestment Coalition

¹⁵ Ibid. and “Housing and Community Development Act of 1974: Title I; sections 210 and 213; title VI; and sections 802, 809, 817, and 819,” Sec. 101(c), 2, <https://www.govinfo.gov/content/pkg/COMPS-10382/pdf/COMPS-10382.pdf>.

“The primary objective of this title and of the community development program of each grantee under this title is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.”

¹⁶ Department of Housing and Urban Development, [Docket No. FR–6148–P–01] RIN 2506–AC52, “Submission for Community Development Block Grant Program, Consolidated Plans, and Indian Community Development Block Grant Program Changes,” *Federal Register*, 89, no. 7, January 10, 2024, 1755.

¹⁷ Office of the Comptroller of the Currency, Treasury, Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation, “Community Reinvestment Act Final Rule,” 6677–6678, <https://www.govinfo.gov/content/pkg/FR-2024-02-01/pdf/2023-25797.pdf>.