

June 16, 2019

Public Finance and Regulatory Analysis Division
Office of Policy Development and Research
Department of Housing and Urban Development
451 7th Street SW, Room 8216
Washington, DC 20410-0500

Re: Review of HUD Policy in Opportunity Zones RFI
[Docket No. FR-6155-N-01]

Dear Public Finance and Regulatory Analysis Division:

On behalf of the National Community Development Association (NCDCA), U.S. Conference of Mayors (USCM) and National Association of Counties (NACo), national organizations representing cities and counties across the United States, we respectfully submit the following comments on the request for information regarding review of the U.S. Department of Housing and Urban Development (HUD) policy in Opportunity Zones.

Specific Information Requested

How should HUD use its existing authorities to maximize the beneficial impact of public and private investments in urban and economically distressed communities, including Opportunity Zones.

- a. What actions can HUD take under existing authorities to prioritize or focus Federal investments and programs on urban and economically distressed communities, including Opportunity Zones?**

Response:

Very little information has been provided to HUD Community Planning and Development (CPD) grantees on Opportunity Zones (OZs). HUD should make a concerted effort to educate all program grantees through training and webinars on Opportunity Zones. More specifically: What are OZs? Where are OZs located? How do they work? Which HUD programs have utilized OZs thus far?

Program grantees should decide whether they want to use HUD funding to participate, partner and invest in Opportunity Zones. Existing program dollars, particularly formula grants, should only be used to invest in these Zones without the consent and support of the local grantees.

- b. What actions can HUD take under existing authorities to minimize the regulatory and administrative costs and burdens that discourage public and private investment in urban and economically distressed communities, including Opportunity Zones?**

Response:

To incentivize grantees to participate in the OZs, HUD should reduce the regulatory and administrative burdens currently placed on CDBG and HOME grantees by easing the federal cross-cutting requirements (environmental review, federal labor standards) and certain CDBG and HOME regulations that limit flexibility and hinder program administration and project delivery.

Recommendations:

- Exempt federal investments in Opportunity Zones from federal labor standards (Davis-Bacon)
- Regarding the environmental review process:
 - Lessen the administrative burden by not requiring grantees to review items that do not put people at risk, such as noise exposure and historic preservation.
 - Allow grantees the flexibility to allocate federal funds to projects located within Opportunity Zones prior to the completion of the environmental review.
 - Work with national interest groups representing CDBG grantees, such as NCDCA, USCM and NACo, to further streamline the environmental review process
- Allow grantees to use CDBG funds for new construction of affordable housing in Opportunity Zones.
- Work with national interest groups representing CDBG grantees, such as NCDCA, USCM and NACo, to streamline and update the job creation/retention requirements in the CDBG program
- Eliminate the HOME program 15 percent Community Housing Development Organization (CHDO) requirement and the 24-month commitment requirement for both participating jurisdictions and CHDOs.
- To encourage Section 108 loan investment in the Opportunity Zones, eliminate the Section 108 loan additional collateral requirements. The Section 108 loan fee should be used to guarantee any loan loss instead of the use of CDBG allocations and other Section 108 loan collateral requirements.
- To encourage homeownership, reduce the required FHA down payment to one percent.

At a minimum, Opportunity Zones should be automatically designated as Neighborhood Revitalization Strategy Areas (NRSAs) as are Empowerment Zones and Choice Neighborhoods. NRSAs offer enhanced flexibility for CDBG grantees to invest in economic development, housing and public service activities in designated neighborhoods. The enhanced flexibility includes relaxed job creation/retention tracking efforts, eliminates the public services cap, provides greater flexibility in providing housing, and in selecting and implementing economic development projects.

- c. What tools can HUD provide to make local communities, investors and other stakeholders more aware of the full range of applicable Federal financing programs and incentives to projects located in urban and economically distressed areas, including Opportunity Zones?**

Response:

Create an arsenal of marketing materials for HUD grantees such as a monthly Opportunity Zones newsletter that is sent to all CPD grantees. Partner with national organizations, such as USCM, NACo, and NCDCA to educate jurisdictions, including CDBG and HOME grantees on the Opportunity Zones through conference sessions and webinars. Develop case studies that show how the full range of HUD resources can be used in the Opportunity Zones. Educate banks and other lending institutions on Opportunity Zones. Create an interactive Opportunity Zone mapping tool for jurisdictions. Identify the Opportunity Zones tracts that are low-moderate income.

- d. **What policies could HUD implement that would help community-based applicants, including recipients of investment from Qualified Opportunity Funds, identify and apply for relevant Federal resources?**

Response: Implement policies that incentivize the use of Federal resources by simplifying Federal requirements. Develop an Opportunity Zone Listserv for entities operating in Opportunity Zones that lists Federal funding opportunities

- e. **What policies could HUD implement that would make it easier for recipients to receive and manage multiple types of public and private investments, including by aligning certain program requirements?**

Response: HUD should implement policies that ease program administration and delivery across HUD and other federal programs, and policies that allow for greater flexibility of the usage of HUD and other federal programs in Opportunity Zones.

HUD is considering creating an information portal on Opportunity Zones. What types of information should HUD include in such a tool? How can it be made accessible to and most usable by HUD's various stakeholders and customers? If the portal includes information on Federal financing programs and incentives beyond those offered by HUD, what types of information would be most useful to include?

Response:

The information portal should include the following information:

- Opportunity Zones: What are they? Where are they located? How do they work? Where have HUD programs been used thus far, if any, in combination with Opportunity Zones?
- Opportunity Zone case studies – actual investments (or planned) investments that focus on economic development, affordable housing, neighborhood revitalization, etc.
- The portal should be posted to the HUD Exchange and an e-mail alert should be sent to all HUD grantees notifying them of the portal.
- The portal should include information on federal financing programs and incentives beyond those offered by HUD, such as affordable housing, economic development and community development programs administered by USDA, EDA, Transportation and Treasury departments and other relevant federal agencies.

In what ways could HUD structure preference points for Opportunity Zones and incorporate policy objectives in the rating factors for applications in discretionary grant competitions to increase the incentive to invest in Opportunity Zones? In addition, how should HUD prioritize support for urban and economically distressed areas, including Opportunity Zones, in its grants, financing, and other assistance?

Answer:

We do not support efforts by HUD to offer preference points in applications or target HUD programs toward Opportunity Zones. The targeting of HUD programs in Opportunity Zones should be at the sole discretion of the HUD grantee.

What types of technical assistance should be offered through HUD?

Response:

We support a full range of technical assistance offerings by HUD such as training, webinars, OZs newsletter, case studies, federal program streamlining, and an OZs portal on the HUD Exchange. Further, information on how to leverage OZs for affordable housing, how affordable housing can flourish in OZs and how to couple retail with job creation in OZs would be helpful.

What role can HUD play in helping ensure that existing residents, businesses, and community organizations in Opportunity Zones benefit from the influx of investment and remain the focus of their community's growth moving forward?

Response:

All federal agencies, not just HUD and the investors can work together to help existing residents and businesses benefit from the OZs investments and remain part of the community's growth.

- Develop anti-displacement policies that protect existing residents from the pitfalls of over gentrification.
- Encourage the development of job training programs and other opportunities for existing residents to obtain jobs created through OZs investments.
- Encourage businesses located in OZs to offer a living wage to help residents afford to remain in the community.
- Use OZs investments to provide technical assistance and financing opportunities to existing businesses to expand operations.

How can HUD properly evaluate the impact of Opportunity Zones on communities?

Response:

- Track leveraging of HUD resources (CDBG, HOME, Section 108 Loan Guarantee)
- Track number of jobs created/retained through HUD program investments
- Track number of people benefitting from the HUD programs invested in the OZs by category:
 - Very low income; low income; moderate income
 - By activity – homeownership assistance, housing rehabilitation, public services, infrastructure, etc.
- Track number of blighted properties acquired/demolished

How should HUD interact with other stakeholders to maximize the success of the Opportunity Zone incentive? For example:

How should HUD interact with State, local, and tribal governments, institutions, local and regional agencies, businesses, and individuals from the private sector to most effectively encourage beneficial investment in urban and economically distressed areas?

Response:

Work through national associations such as the U.S. Conference of Mayors, National Association of Counties and National Community Development Association, and others to reach these sectors.

How should HUD participate in Federal interagency efforts to help ensure that private and public stakeholders can successfully develop strategies for economic growth and revitalization in urban and economically distressed areas?

Response:

HUD Secretary Ben Carson Chairs the White House Opportunity and Revitalization Council. As such, HUD should have the lead role in directing and advancing Federal interagency efforts to foster successful strategies for economic growth and revitalization in OZs in urban and economically distressed areas.

How should Federal technical assistance, planning, financing tools, and implementation strategies be coordinated across agencies to assist communities in addressing economic problems, engaging in comprehensive planning, and advancing regional collaboration?

Response:

The White House Opportunity and Revitalization Council or a newly created Interagency Council on Opportunity Zones should work across Federal departments to coordinate competitive applications to ensure better planning and delivery of resources to communities. Regional collaboration should be incentivized through financial incentives (additional federal funding) for local partners to collaborate regionally.

How might Qualified Opportunity Fund Investments support the goal of ending homelessness?

Response:

These funds could support the goal of ending homelessness through the development of permanent supportive housing and rapid re-housing, supportive services (health care including substance abuse and mental health care) and job training programs that pay a living wage.

Are there other aspects of Opportunity Zones that should be considered and are not addressed in this request for information?

Response:

Require the IRS-Treasury Department to provide annual reports on the investments made in Opportunity Zones and the tax breaks provided for each of the Opportunity Zones.

Thank you for the opportunity to comment. Please contact NCDAs Executive Director, Vicki Watson at vwatson@ncdaonline.org with any questions regarding these comments.

Sincerely,

Vicki Watson, Executive Director, NCDA

Daria Daniel, Associate Legislative Director, NACo

Gene Lowe, Assistant Executive Director, USCM