



May 17, 2019

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

Re: Submission of Comments – Review of HUD Policy on Opportunity Zones
Document Citation: Docket No. FR-6155-N-01

To Whom It May Concern:

The Council of State Community Development Agencies (COSCDA) represents state housing and community development agencies responsible for administering U.S. Department of Housing and Urban Development (HUD) programs, including the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships (HOME) program and the McKinney-Vento Homeless Assistance Programs. On behalf of the members of COSCDA, I respectfully submit the following comments in response to the request for information on Opportunity Zones and HUD's involvement.

General Comment

The recently-established Opportunity Zones program offers a new channel for additional investment in distressed and underperforming communities. COSCDA and its members support increased resources to further development, specifically those investments directed towards affordable housing and community development. As the state agencies on housing and economic/community development, COSCDA members apply federal dollars to address local needs targeted towards helping low-to-moderate income populations. Individually, many communities lack the resources to fully fund projects; the Opportunity Zone program is a potential vehicle for additional investment and could serve as a new resource to support local project development.

Although the potential impact is high, concerns do exist over the program's implementation and term. Thus far, the Department of Treasury has issued general guidelines on eligibility and process. Further clarity is needed to ensure stakeholders respond appropriately to the program's intention. Also, in its current authorization, the program is active for ten years. The established timeline motivates both community and investor to align resources expediently however also invites uncertainty on its viability thereafter. Confidence in the program will need to be reinforced through program reauthorization or an equivalent action to expand the program beyond its current term expiration. We encourage HUD to request additional guidance from Treasury on program rules and objectives during its inaugural decade.

In seeking to align HUD Community Planning and Development (CPD) programs with Opportunity Zones, it is important to recognize that each program acts differently in process and delivery. CPD's grant and loan programs are determined by designated formulas and annual appropriations. In turn, communities use these funds to advance projects based upon local needs. Opportunity Zones captures resources through established funds and applies to projects dependent upon business interests and market forces.

Funds are applied in a market-driven system with resources used to leverage profits. Both HUD and Opportunity Zones may pursue similar missions to serve low-income communities and promote economic growth. Each side uses different means though and any expectation of partnership should be done with a priority of maintaining existing program integrity. Any reform by HUD to accommodate Opportunity Zones, including changes to the current funding structure, would disrupt program implementation.

COSCDAs are available in partnership and perspective on HUD's role to promote Opportunity Zones. There are areas of collaboration to explore between HUD and COSCDAs in furthering the program, especially to benefit small and rural communities. One example would be for HUD and COSCDAs to publish success stories on projects supported by Opportunity Zones and other federal funding sources including HUD. COSCDAs are also available to provide feedback and insight on housing and community development needs. The state-local network developed through COSCDAs members presents valuable insight from local stakeholders as well.

COSCDAs appreciate the opportunity to comment on this important initiative and supports HUD's involvement in the Opportunity Zones program.

Responses to HUD's Office of Community Planning and Development Inquiry

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

COSCDAs recently approved its FY2020 Advocacy Priorities which includes specific goals to reduce administrative burdens at state and local levels. The objectives listed in the priorities align with HUD's requested feedback on minimizing regulatory and administrative costs. If the recommendations are enacted, program administrators will be positioned to better respond and facilitate new developments supported by Opportunity Zones.

COSCDAs seek alignment of environmental review processes across HUD programs, including CDBG, HOME, and Housing Trust Fund (HTF). As it stands, projects must undergo separate environmental reviews of each program. A consistent approach would bring greater efficiency to program administration and allow administrators to conduct better oversight in other areas of project development.

Another recommended step would be for HUD to accept environmental reviews by other federal agencies. Currently, HUD grantees and sub-grantees must complete the agency's environmental review process on a project. If other sources of federal funding are provided, project administrators must follow a different environmental review standard of the corresponding agency. A renewed approach which entails only one review process would expedite project development and remove additional administrative work involved in completing multiple processes for the same project. HUD can remove this burden by recognizing similar reviews completed through other federal agencies such as the U.S. Department of Agriculture (USDA) and Environmental Protection Agency (EPA).

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

HUD can facilitate better understanding of federal resources and incentives by promoting existing tools across federal and state government. Resources are available across federal government in step with

HUD targeted issues, including affordable housing, economic development, and infrastructure. The U.S. Economic Development Administration (EDA), USDA, and other agencies offer a range of programs and services dedicated to addressing local and regional development needs. Although varying by jurisdiction, state governments support development as well through respective housing and community development agencies. Also, additional stakeholder groups are aligned with HUD objectives and serve as an important sources of information. Councils of government, universities, community development corporations (CDCs) provide relevant guidance, especially from local perspectives, which can be adapted to applicable use in other states and localities.

Peer-to-peer learning opportunities also serve to bolster state and local initiatives aligned with HUD objectives. Lessons learned across the country on successful project planning and development guides other initiatives in places with critical needs. A study on recently-awarded projects and step-by-step guidance provides lessons for communities in search of organization and resources to foster development. Through partnership with state and national groups such as COSCDA, HUD is well-positioned to advance training tools suited to empower and engage state and local stakeholders.

An update of HUD's data collection and related technology would better support investments across the agency and federal government. A reinforced data collection system provides greater accountability of HUD investments and how resources correspond with other funding. For example, more information on the financing contributing to a HUD-funded project promotes greater understanding of the project's benefit in the corresponding locality.

Conclusion

COSCDAs recognize the importance of aligning HUD regulations and resources with other federal programs including Opportunity Zones. Although additional program guidance is expected and necessary, stakeholders at all levels of government can take steps to plan for additional investment brought on by Opportunity Zones. COSCDA's recommendations to HUD seeks to further program administration at state and local levels while aiding HUD in its responsible use of federal resources. As the Opportunity Zones program is implemented, COSCDA will remain available to assist HUD and further priorities in community development, housing, and homeless assistance.

Please do not hesitate to contact me at 202-293-5820 if you need more information on any of our comments or recommendations.

Sincerely,



Dianne E. Taylor
Executive Director