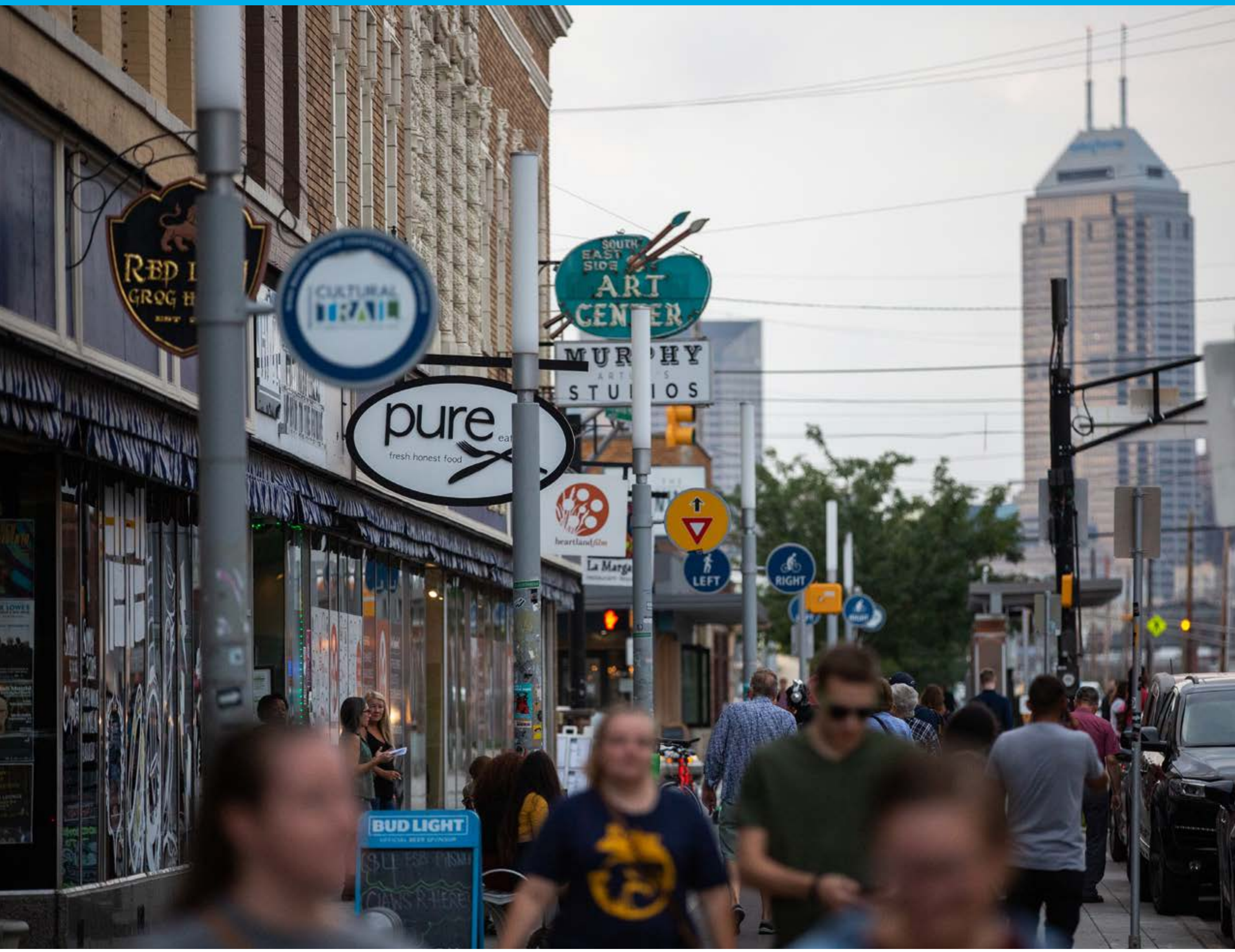
DECEMBER 2020

Local Change, Big Impact

State and Local Policy Responses to Community Needs



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COVER PHOTO: Pedestrians enjoy the Fountain Square commercial corridor on the southeast side of Indianapolis. This funky neighborhood is lined with independent restaurants, live music, working artists, and one-of-a-kind stores.

PHOTO CREDIT: ANNIE O'NEILL

Foreword from the CEO

Complementary policies at the federal, state, and local levels are essential to the work of community development, and our vision to create more just and inclusive communities. Understanding this, LISC asked our partners to share the policy solutions that are helping them achieve more equitable outcomes in their communities. The state and local policy brief highlights best practices and innovations in two issue areas that are critical to the work of community development: affordable housing and economic development.

State and local policies designed to dismantle the impact of historical and structural discrimination is especially urgent for Black, Indigenous, and people of color (BIPOC) communities, and are key to helping us advance our racial equity work. Taking into account how exclusionary practices have kept Black and Brown individuals from homeownership and other wealth-building opportunities, the report lifts up policies that seek to undo the impact of this historical discrimination. When community organizations wield such policies, we can start to we can start to shrink the racial wealth, health, and opportunity disparities that systematically undermine the success of BIPOC households.

Of course, this is only the beginning. While this report reflects responses shared prior to the onset of the pandemic and the reckoning with longstanding racial injustice throughout our nation, the analysis can contribute to a much-needed dialogue about what policy changes are required to uplift individual and family health and well-being overall, and contribute to safer, more vibrant neighborhoods. So, while we're focusing here on affordable housing and economic development, LISC is committed to advocating for local policies that help us move the needle on all of our work, and inform future policy agendas.

As the COVID-19 pandemic continues to threaten communities, states and localities must be empowered to pass and enforce policies that effectively address longstanding inequities. While there is an extensive system of federal policy and funding that underpins community development work, local governments across the country have a significant responsibility to address these issues head on. As we continue to advocate for flexible federal resources and regulations, there are a number of steps localities and states can take to create comprehensive, community-informed policies within existing structures. Policies like the ones we highlight here will help communities become more resilient, and better for us all.

Maurice A. Jones
CEO, LISC

LEFT: A Bronx, NY resident in the communal garden behind her home, one of several affordable housing communities run by the Banana Kelly Community Improvement Association.

PHOTO CREDIT: RICKY FLORES

Introduction

State and local policy is critical to the work that local organizations and nonprofits do to advance equitable outcomes for their communities. These programs and policies often determine the level of public resources available to these entities, and help shape the broader landscape of housing affordability, job quality, and a host of other issues from policing to public health. Acknowledging this reality, LISC fielded and analyzed a survey that sought to identify the most promising state and local policies that advance equitable and inclusive outcomes within the field of community development.

Today, as the impact of COVID-19 further threatens communities that traditionally have been served by the community development sector, and Black and Brown communities in particular, the need to identify policy reforms that can address equity gaps is even more critical. The pandemic has prompted some states and jurisdictions to introduce proposals to mitigate the negative impact on communities and to plan for recovery, including introducing eviction moratoriums, rental assistance programs[1] and small business supports. These efforts, however, have varied between jurisdictions and their success in preventing homelessness and economic fallout in the long-term is yet to be seen.

The impact of the pandemic may be unprecedented, but the need for interventions which increase the supply of affordable housing and access to economic opportunity, and address the inequity of health outcomes, remains constant. In this brief, readers will find examples of state and local efforts to make communities more equitable and resilient to future shocks of the kind we now experience.

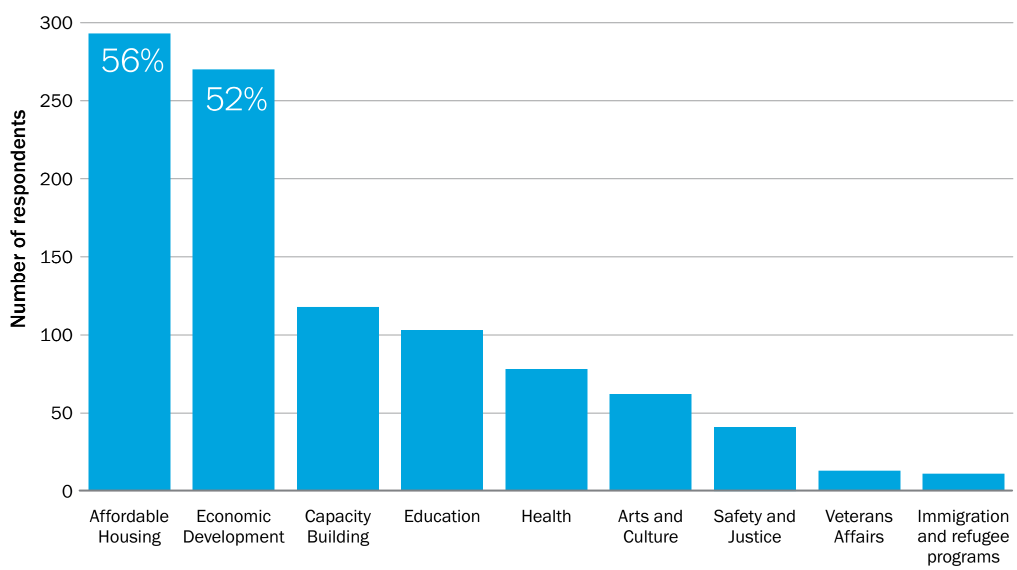
Overview of respondents, and critical issue areas

We received responses to the survey from 521 partners[2] spanning the country, from 45 of 50 states and the District of Columbia, and from urban, rural, small and large communities alike. Although nearly half of the respondents indicated that they work at community development organizations, we also received a number of responses from our partners in government, finance, education, and philanthropy.

Respondents were asked to share their primary areas of work, and could select up to three. As displayed in the graph below, many respondents listed at least one of their areas of work as affordable housing and economic development.

In total, 56 percent of respondents listed at least one of their areas of work as being affordable housing, and 52 percent listed economic development as one of their areas of work.

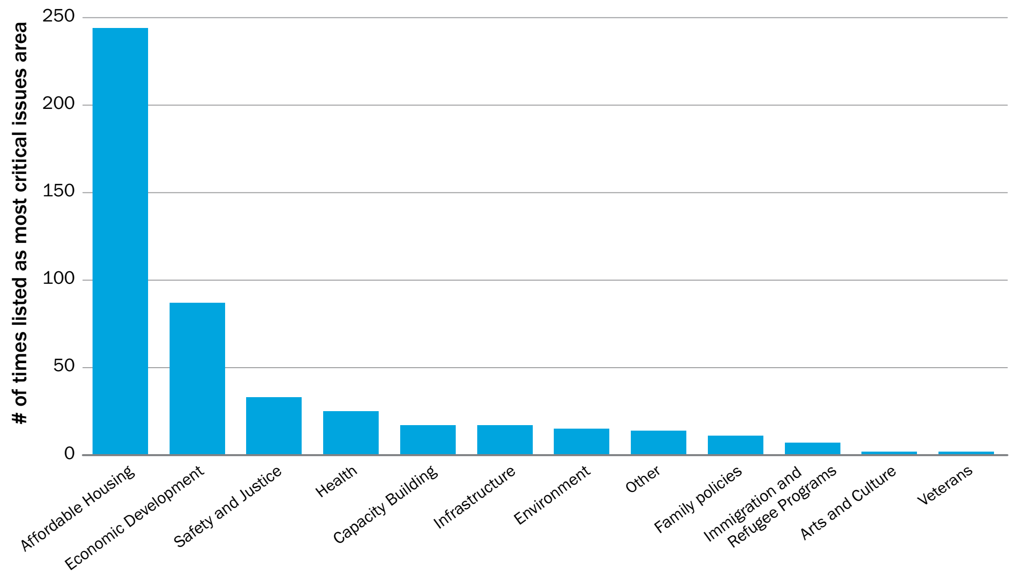
Areas of Work



Respondents were also prompted to indicate the issues that they see as most critical to their communities; priorities generally reflected the work with which respondents were most engaged. Affordable housing and economic development consistently ranked as one of the top five most critical issue areas. This was true across industries, organization size and the reach of an organization. Below is a breakdown of the issue areas that respondents see as most critical to their communities.

Of the total respondents, 47 percent listed affordable housing as the most critical issue area, and 81 percent listed it as a critical issue area in their community. Similarly, 17 percent of respondents listed economic development as the most critical issue area, and 73 percent listed it within their top five.

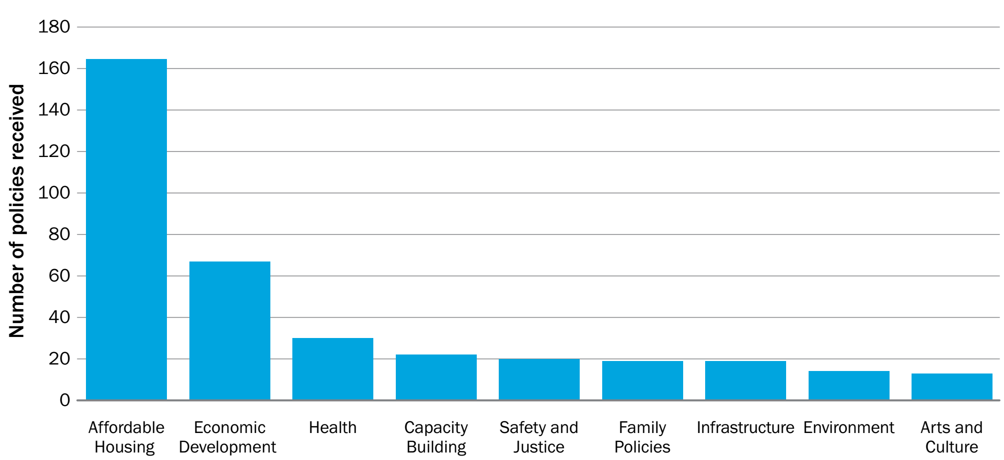
Critical Issue Areas



While respondents shared programs from across the spectrum of community development work, as well as many that cut across program areas, (suggesting the comprehensive nature of the field), most of the policies and programs cited were in the areas of economic development and affordable housing. Due to the consistent emphasis on these two issue areas, this brief focuses on policies and programs within these two pillars of community development. Given the public health crisis caused by COVID-19, the report also covers topics related to health equity, another area frequently mentioned by respondents. (Future publications by LISC will explore issues related to safety and criminal justice reform, especially in the wake of recent police killings and calls for dramatic policy change in those areas.)

Many of the programs and policies we received fell under the topics of affordable housing and economic development. Specifically, out of just under 400 total examples shared in response to our request for policies that are positively impacting communities, we received 161 affordable housing policies, and 67 economic development policies.

Examples of Policies with Positive Impact



Respondents

521

partners

from

45

states

and the
District of Columbia

Areas of Work

(Respondents could select up to three)

56%

work in affordable housing

52%

work in economic development

Critical Issue Areas

AFFORDABLE HOUSING

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listed affordable housing as the most critical issue area

81%

listed affordable housing in their top five critical issue areas in their community

ECONOMIC DEVELOPMENT

17%

listed economic development as the most critical issue area

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listed economic development in their top five critical issue areas in their community

Examples of Policies with Positive Impact

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PHOTO CREDIT: RICKY FLORES

ABOVE: Banana Kelly Community Land Trust in Bronx, NY

Local policies and programs

Affordable Housing: innovative and effective programs and policies

As housing costs continue to rise in major cities across the country, where job opportunities are often concentrated, long-time residents and families with low wages have been at risk of being displaced from their homes – a dynamic that is only exacerbated by COVID-19. Respondents identified multiple state and local policies to create and preserve affordable units, ranging from zoning to public lands ordinances to tenant empowerment and alternative subsidy programs.

Strategies for new production

Inclusionary zoning ordinances. Inclusionary zoning programs link the ability to develop new, market-rate units with the mandate to create affordable units, or offer developers incentives to do so, as with tax breaks or streamlined permitting processes. Many cities, particularly those experiencing rapid growth and a high demand for housing, are implementing inclusionary zoning ordinances that require developers to set aside a percentage of all units as affordable. In Atlanta, for example, advocates are pushing for sweeping zoning reform to keep up with the growing demand for housing (see Appendix). In 2017, Newark, New Jersey passed the

Inclusionary Zoning for Affordable Housing ordinance, which stipulates that all new projects with more than 30 units must set aside 20 percent as affordable (see Appendix). In Loudoun County, Virginia, the Affordable Dwelling Unit Program, which applies to new developments of 50 or more units on sites served by public water and sewer, addresses the need for both affordable rental units and ownership opportunities. The program is targeted to households earning 30 to 70 percent of the area median income (AMI) for ownership units and to those earning 30 to 50 percent of AMI for rentals, with priority given to people who live or work in the county (see Appendix).

In cases where affordable unit requirements are not mandatory, incentives such as density bonuses, or reducing or waiving parking requirements, are offered to developers to encourage the inclusion of affordable units.[3] For example, Chapter 40B, or the Comprehensive Permit Statute, in Massachusetts provides a streamlined way to permit developments that include at least 20 to 25 percent affordable housing. In communities where less than 10 percent of housing stock is affordable housing, developers who propose qualifying projects may appeal to a state body to override a local zoning board decision denying a permit (see Appendix).

In 2016, Santa Fe, New Mexico amended its existing inclusionary zoning program, which included a standard requirement that 30 percent of homes be sold to income-qualified homebuyers, to incorporate a menu of options from which developers can choose. Among these options is a fee-in-lieu of on-site development, which directs funds into the city's Housing Trust Fund; an option to create 100% "low-priced" dwelling units which can serve renters up to 120 percent AMI (Area Median Income); or a set-aside of affordable units (see Appendix).

When asked about the negative impacts of local programs and policies in communities, many respondents cited restrictive local zoning – especially in the suburbs – as a roadblock to the production of affordable housing. This was particularly prevalent for localities in states where inclusionary zoning policies are illegal or severely limited. Twenty-two states have enacted laws that limit the ability of cities to enact inclusionary zoning policies and eight states have preemptive laws expressly prohibiting inclusionary zoning.[4] Though not explicitly discriminatory, some localities also hinder the development of new, affordable units through zoning policies designed to prevent density by prioritizing single-family housing. These exclusionary zoning ordinances can foster concentrated wealth or poverty by limiting the areas where more affordable housing can be developed.

Public lands ordinances. Another tool for increasing the production of affordable housing units in areas with high land costs is public land ordinances. In Washington, D.C., for example, the Disposition of District Land for Affordable Housing Amendment Act of 2014 requires developers of multifamily housing built on surplus city-owned land to reserve at least 20 to 30 percent of units for low-income households (see Appendix).

Although zoning ordinances are widely used across the country, some critics have noted that many instances of inclusionary housing do not result in units that are affordable to individuals earning very low wages, while other critics have cited that zoning ordinances don't do enough to encourage the development of workforce housing to serve individuals earning the median income.

Market Challenges. Respondents also noted how booming housing markets did not always solve the affordable housing crisis by producing more units, which would theoretically ease demand. Many respondents indicated that newly constructed units were often unaffordable to their communities, while in other instances, respondents shared examples of policies and programs which constrain affordable housing developers. For example, one respondent cited local demolition policies as increasing local development costs (the policies prohibit the rehabilitation of properties and instead require they be torn down prior to being rebuilt). One respondent also cited California's Proposition 13, which allows landowners to be taxed based on the original purchase price of their land as opposed to its current value, as being a hindrance to the development of affordable housing. According to critics, California's Proposition 13 makes it relatively inexpensive to hold onto land even in high demand areas, and may enable landowners to sit on vacant or blighted properties that might otherwise be sold and thereby increase the supply of homes and bring down costs (see Appendix).

Preserving the existing supply of affordable housing

Some jurisdictions, especially ones where gentrification is a concern, are implementing policies and programs to preserve the existing stock of affordable housing by increasing opportunities for tenant ownership. This can include offering protections to renters, and supporting land trusts and cooperatives that preserve affordability by limiting future sale prices. In Washington, D.C., tenants have right-of-first-refusal to purchase their properties, as described below. In Massachusetts, Section 40T, or the Expiring Use Preservation Law, incentivizes the preservation of affordable housing with expiring use restrictions by requiring notice to state and tenants, giving the state a right of first offer to buy a property being marketed, and by protecting tenants from precipitous rent increases for a few years following expiration (see Appendix).

TENANT OPPORTUNITY TO PURCHASE ACT LAW

The Tenant Opportunity to Purchase Act (TOPA) in Washington, D.C. assists low-to-moderate income District residents threatened with displacement due to the sale of their building, by offering them the first opportunity to purchase their building (see Appendix). This legislation has allowed long-time residents to stay in their neighborhoods despite rapidly increasing housing prices throughout the city.

TOPA gives residents the option to convert their building and existing units into cooperatives or condominiums. In cases where a limited equity cooperative is formed, keeping the building affordable by restricting the resale price of units, tenants may be able to purchase the building at a more favorable rate. A tenant-led or directed organization is tasked with managing membership shares and maintaining the building.

According to Washington, D.C.'s Department of Housing and Community Development site, more than 1,000 units have been preserved as affordable housing under TOPA since 2002. The success of TOPA in has prompted similar measures to be proposed across the country in cities including Oakland, Los Angeles and the Twin Cities.

COMMUNITY LAND TRUSTS

Community Land Trusts (CLTs) are one way of establishing permanently affordable housing under community control. Community Land Trusts separate the governance and ownership of buildings from the land on which they sit. The land is typically owned and governed by a tri-partite board comprised of community residents, residents of the land itself, and other community stakeholders. The board determines its permissible uses, granting leases to individual homeowners or tenants that often impose affordability and resale restrictions.[5]

Lack of funding for CLTs has inhibited their development, but in some cities legislators are earmarking funds for these projects. In New York City, where concerns about affordability have long existed, a source of revenue to encourage the development of CLTs is outlined in the city's FY2020 budget.[6] The budget includes $870,000 for the technical assistance, educational outreach, and organizing needed to establish CLTs in rapidly gentrifying communities, including Chinatown, South Bronx and East New York. Over the past several years, the model has gotten additional momentum in New York due to two bank settlements with the Attorney General's office totaling 11.5M to be put towards the establishment of CLTs, and an additional 1.65M from the city's Department of Housing Preservation and Development towards fostering CLTs.

Tenant protections and rental subsidies

Maintaining affordability through renter protections. Protecting renters through eviction moratorium, rent regulation and other protections has become an even more pressing policy and public health need in the wake of COVID-19. Prior to the pandemic, survey participants noted that several states implemented sweeping legislation to protect tenants and to stabilize and control rental prices, particularly in cities with rapidly increasing housing prices. The Tenant Protection Act of 2019 in California, for instance, implemented statewide rent control and renter protections, which include making it illegal for landlords to raise rental prices beyond five percent plus the local inflation rate, or 10 percent, depending on which is lower, in a year, and requiring landlords to show "just cause," such as failure to pay rent, when terminating a lease (see Appendix). The law aims to provide relief to renters across the state of California where many struggle to find affordable housing due to housing shortages and stagnant wages. Similarly, sweeping tenant protection and rent control reform was introduced in New York in the form of the Housing Stability and Tenant Protection Act of 2019. The bill expanded and introduced several tenant protections across the state, including extending existing rent regulation laws and making them permanent, and establishing stronger tenant protections statewide by placing restrictions on landlord's ability to evict tenants.

Rental supplement and voucher programs. Several jurisdictions cited the introduction of voucher programs to help families earning low wages secure affordable housing. In the case of LIVE Denver, short for Lower Income Voucher Equity, the city of Denver partnered with public and private partners, including LISC and LISC's affiliate National Equity Fund, to connect vacant rental units to working families and individuals. The program is part of a five-year housing plan and is funded through the city's budget. The program, which relies on owners submitting their vacant units, is geared towards renters earning between 40 and 80 percent AMI. Those renters pay rent based on income, and the LIVE Denver Fund pays the balance. Despite the promise of the innovative program, critics have noted the program's very slow roll-out is hindering its ability to solve Denver's affordability issues.[7]

In Washington, D.C., the Local Rent Supplement Program, passed in 2007, (LRSP) provides ongoing rental subsidies to help families earning well below 30 percent AMI secure decent housing (see Appendix). The program does so by providing monthly rental subsidies that cover the difference between the rent that the individual or family can afford and the cost of the unit. In 2016, LSRP was expanded and now serves approximately 3,300 families and individuals.

Many respondents also noted examples of their state or local jurisdiction adapting federal voucher programs to fit local needs. The Minneapolis Public Housing Authority's Section 8 Housing Choice Voucher Program, provides rental assistance to eligible individuals and families based on income (see Appendix). The Minneapolis Public Housing Authority's Mobility Voucher Program, meanwhile, requires participating families to move to communities of greater opportunity within Minneapolis and the Seven-County Metro Area. As part of the program, families must meet with the Mobility Community Services Coordinator who provide case management services, referrals to community resources and employment and educational opportunities, as well as act as the liaison between the tenant family and the property owner.

The implementation of the Housing Choice Voucher program in Washington, D.C., referred to as the Housing Choice Voucher Tenant-Based Program, allows for greater flexibility in where individuals and families can choose to live. Unlike many rental assistance voucher programs, which stipulate where families can live, the program allows eligible participants to find their own housing anywhere in the city as long it meets program requirements. The program also allocates $7,200 a year to each family, via a program-specific bank account, which allows participants to make their own budget decisions and connects them with banking and credit

Source of Income Protections. Source of income (SOI) protections may be one solution to the long-standing and oft-repeated "No Section 8" statement, which refers to the refusal by some landlords to rent to otherwise eligible applicants. These are valuable protections, as SOI discrimination undermines the use of vouchers and is tied to the development of racially-segregated communities and concentrated poverty.[8] The ordinances protect those who have been awarded vouchers and other forms of housing subsidy from discrimination in the private housing market through legislation at the local and state level. Studies have found that SOI laws can make a substantial difference in the rate of voucher utilization and an increase in movement to areas of higher opportunity.[9] For jurisdictions and community organizations looking to implement these protections, the Poverty and Race Research Action Council compiled a list that captures localities and states with SOI protections as of 2020.[10] The Center on Budget and Policy Priorities provides recommendations on strengthening existing voucher non-discrimination laws and building support for new ones, which focuses on ensuring that adequate resources are dedicated to preparing and enforcing the ordinance, and engaging with landlords.[11]

Special funds and financing tools

In order to fund programs that preserve and build affordable housing, many jurisdictions have created special-purpose funds drawn from distinct revenue sources, as well as general tax levies to support programs described above.

HOUSING TRUST FUNDS

Respondents across the country noted the importance of Housing Production Trust Funds in meeting the needs of local affordable housing projects, and expressed concern if their city lacked a fund.

In Washington, D.C., the Housing Production Trust Fund (HPTF) was established in 1988, and is an essential tool for the production and preservation of affordable housing in the District. The HPTF includes stipulations on income targets for the fund, including that at least 50 percent of annual spending from the HPTF serve households below 30 percent AMI (see Appendix). HTPF provides loans and grants to develop affordable housing projects and provide housing-related services, especially around homelessness prevention. The fund also provides gap financing to housing developers to produce units that are affordable to low and moderate-income residents.

The D.C. HPTF, which is funded through 15 percent of revenue from deed recordation transfer taxes, and through the District's general fund, is now $116 million a year due to an additional financial commitment from the Mayor's office, and is transforming the city's affordable housing landscape. The Fund is also a critical resource pool for renters wishing to exercise their TOPA Rights, and has helped many renters stay in their homes.[12]

In 2016, the city of Denver created the Dedicated Affordable Housing Fund. The pool is funded through property tax revenue and one-time fee on new commercial and residential development (see Appendix). The fund is designed to generate $150 million over a period of 10 years to finance the city's affordable housing projects. While the money will be used primarily to support the production of supportive units that will house formerly homeless individuals, workforce rental housing and for-sale housing, a portion of the funds will also be used to serve currently homeless individuals.

Florida's affordable housing trust fund, The Sadowski Fund, provides a dedicated funding source for affordable housing in Florida, using money collected from a doc-stamp tax on all state real-estate transactions. The trust started out with a 10-cent tax on every $100 of real estate sold (see Appendix) and doubled to 20 cents in 1995. The Sadowski Fund directs resources into two vital programs in the state: the State Housing Initiatives Partnership (SHIP) and State Apartment Incentive Loan (SAIL). SHIP provides families with down payment assistance for a new home, while SAIL makes low-interest loans to developers who promise to build housing that is affordable.

Bond issuances. Cities and other jurisdictions also issue bonds to support affordable housing. In 2016, Los Angeles voters passed Proposition HHH through a ballot initiative. The $1.2 billion measure is funded through city-issued general obligation bonds, and provides funding for up to 10,000 permanent supportive housing units that serve formerly homeless individuals and families, as well as facilities to increase access to necessary services and treatment programs. Although well-intentioned, critics note that the program, which is paid for through increased property taxes, comes at a very high cost to new property owners in the state.

Economic Development: Innovative and Inclusive Policies and Programs

Respondents provided insights and shared examples of inclusive economic development programs and policies, which include wealth-building, career development, entrepreneurship and micro-business initiatives, as well as neighborhood-focused programs that attempt to bolster local districts and increase local access to jobs.

Respondents also shared examples of programs to help close the racial wealth gap through policies aimed at supporting Black-owned businesses. The large gap in familial wealth, coupled with discrimination in lending, has historically made businesses owned by entrepreneurs of color more vulnerable to financial shocks. The wealth gap and disparate access to capital have been factors in the impact of the pandemic on communities of color, with Black-owned businesses twice more likely to shutter than others.[13] Some analysts project that more than half of Black-owned small businesses may not survive COVID-19[14] – making the urgency of equitable economic development and recovery programs even more apparent.

Bolstering the local business ecosystem

District improvement zones. Several respondents shared examples of tools that offer tax incentives to attract developers and new businesses to neighborhoods which require additional support.

In 2016, New York State launched the Downtown Revitalization Initiative, which provided $10 million in grants to fund projects in selected communities around the state. A coalition made up of a local planners, state agency staff and consultants undertook a community planning process to implement projects vetted through this process. The goal of the projects is to revitalize these urban districts to attract new residents and businesses, and stimulate the local economy by creating opportunities for the local workforce (see Appendix).

In Pennsylvania, the City Revitalization and Improvement Zone (CRIZ) program was established in 2013 to revive struggling commercial district zones in downtowns and create new jobs for residents. The program is funded by state taxes paid by businesses to the municipality and can be used for economic development projects. Bonds are also issued to support rehabilitating vacant or distressed commercial properties (see Appendix).

Investment incentives, however, can sometimes cause concern about gentrification. To mitigate the risk of gentrification and displacement due to increased investments, other respondents noted how states and local jurisdictions may pair incentives with affordable housing initiatives. When the federal Opportunity Zones program, which is designed to spur investment in designated communities by offering preferential tax treatment to investors, was passed as part of the Tax Cuts and Jobs Act in 2017, the city of Fresno, California created an anti-displacement task force to mitigate the potential negative impact of the incentive on speculative purchases surrounding the city's downtown (see Appendix).

Commercial and industrial real estate funds. Another strategy for bolstering districts involves state or municipal funds for commercial and industrial real estate funds, which respondents also identified as important for their work. Washington, D.C., for example, launched the Neighborhood Prosperity Fund to achieve a goal of growing economic output by 20 percent and reducing unemployment below 10 percent across all wards by the end of 2021. The

RIGHT: Recently renovated storefront in East New York, Brooklyn

program provides funding for commercial components of mixed-use projects in designated census tracts across the city, where unemployment is 10 percent or greater (see Appendix).

The New York Industrial Development Loan Fund, launched by the New York City Economic Development Corporation in 2017, is designed to create new jobs and opportunities in the industrial sector. The program does so by providing low-cost financing costs to projects which create affordable industrial spaces and job opportunities (see Appendix).

Wealth and income-building tools

Workforce development programs and financial coaching. Respondents also shared policies and programs that increase access to wealth-building opportunities, sometimes in conjunction with district-focused strategies. Some of these were recently analyzed in a report from LISC's Research and Evaluation team on how local workforce programs can develop ties to industrial and manufacturing firms.[15]

In Duluth, Minnesota, one respondent highlighted the Community Benefits Program, which expands access to construction jobs by requiring all city-sponsored construction work to generate skills and workforce development opportunities for eligible individuals. Launched through the Duluth Workforce Development department, the program aims to support individuals who might traditionally experience barriers to employment in the construction industry, including women, people of color, individuals earning low wages, and people with criminal backgrounds, among others (see Appendix).

Respondents also indicated that more investment in financial coaching and counseling would help promote economic inclusion. For example, the City of San Diego expanded the

LISC-supported Financial Opportunity Center at the International Rescue Committee by investing Community Development Block Grant (CDBG) funds.[16]

Historically, many jurisdictions utilize funding provided by their respective states, as well as federal funds from the Department of Housing and Urban Development, the Economic Development Agency (EDA), and the Small Business Administration (SBA), to provide resources to support MWBEs. In response to the pandemic, states and localities are utilizing the Coronavirus Relief Funding (CRF) and additional Community Development Block Grants (CDBG) provided through the CARES Act to establish new or expand partnerships with CDFIs and other community-based organizations to provide direct relief grants and technical assistance to vulnerable business owners, as described in the box below.

COMMUNITY DEVELOPMENT BLOCK GRANTS

The Community Development Block Grant Program (CDBG), administered by the Department of Housing and Urban Development (HUD), is a critical source of funding for many inclusive economic development initiatives. As a block grant, funding is generally available for grantees to use at their discretion within the scope of broad guidelines and regulations to the benefit of low- and moderate-income (LMI) communities. States and local jurisdictions, in turn, determine how CDBG dollars are allocated.

Respondents indicated that utilizing CDBG to support aspiring LMI entrepreneurs, microenterprises, and small businesses provides an opportunity to equitably increase access to capital and business coaching. As a flexible source of funding, CDBG allows grantees to program the funds to meet local needs that can include establishing or expanding local grant or loan funds, providing business counseling and coaching, supporting business incubators, and corridor revitalization. Following the pandemic, many localities have expanded, or are earmarking, CDBG dollars for economic development programs for the first time to provide microenterprises and small businesses with critical financial support needed to keep their doors open.

We have seen the increased demand for programs such as these in communities across the LISC network. For example, the City of Charlotte partnered with LISC to deploy the Micro Business Relief Fund (MBRF). The MBRF is a $1,000,000 fund created to provide grants to support microenterprises financially impacted by COVID-19. The fund is providing grant capital of up to $10,000 to eligible entities to assist in meeting urgent needs and covering necessary operational costs such as payroll, vendors, and utilities.

Some programs aim to improve contract opportunities for MWBEs. Such contracts represent a great deal of spending by local governments and can be lucrative opportunities for businesses. In New York, a program aimed at increasing access to certification programs was established to support minority- and women-owned businesses. New York's MWBE Certification Campaign encourages BIPOC and women business owners to become certified, and connects business owners with state procurement opportunities, which account for billions of dollars in spending (see Appendix).

Individual Savings or Development Accounts. Savings are an important component of financial stability, providing an essential safety net to protect individuals and families in unexpected economic events. Respondents identified how some cities are launching programs that offer direct payments to savings accounts and encourage families to save. For example, the City of Boston launched the Boston Saves program, initially as a pilot in 2016 (see Appendix). The program connects all kindergartners enrolled in a Boston public school with a deposit in a savings account that can go toward college or career training. These accounts also can be easily linked to other savings accounts, such as a 529 plan, to encourage families to save money for future educational expenses.

Regulating Predatory Practices in Payday Lending. Payday lending is a largely predatory industry, targeting communities of color and individuals whose wages are not adequate to get by on, and trapping many in a cycle of debt. Payday lenders position themselves in neighborhoods that banks and traditional financial institutions have historically avoided, taking advantage of a lack of competition and financial safety nets. The high interest rates, usage fees, and lump sum repayment model are designed to be difficult for borrowers to pay off, allowing payday lenders to earn large profits on interest and fees and siphoning off $3.5 billion from household income nationwide.[17]

Many states and localities are taking action to regulate payday lending by passing their own legislation, which survey participants noted. These types of laws and their effectiveness have varied, but some have had success replicating the federal protections provided by the Military Lending Act. Extending these protections to all consumers enables states to safeguard consumers from predatory lending by capping interest rates. As of 2019, 16 states and the District of Columbia have adopted laws that cap the APR of short-term loans to 36 percent or below[18]. State and local legislation enforcing low rate caps reduces the prevalence of predatory lending significantly and provides consumers with important financial safeguards.

BELOW: Gathering to protest payday lending in Toledo

CURBING THE SPREAD OF PREDATORY LENDING IN TOLEDO

In Toledo, LISC spearheaded efforts to pass a local ordinance limiting the proliferation of predatory short-term lending.[19] The ordinance, which was passed into law in May 2017, greatly reduced the number of predatory lenders operating in low-income communities and communities of color, by placing a moratorium on new predatory lenders opening in the community (see Appendix). The effort to draft the legislation began in 2016 through a partnership with United Way of Greater Toledo to connect unbanked residents with resources, but eventually expanded to include the nonprofit regional law firm Advocates for Basic Legal Equality, Toledo's Financial Opportunity Center network and city and county agencies. The ordinance was unanimously adopted by the Council thanks in part to the championship of Toledo councilmember Dr. Cecelia Adams.

Addressing inequities and their impact on health

LISC's community partners are engaged in work that reflects the connection between health, economic development and housing. This comprehensive approach to community development takes into consideration how different factors, including access to educational opportunities, economic stability, housing and healthy food, contribute to the overall health and well-being of communities and residents. The reality that a lack of access in communities of color to good jobs, stable housing and quality healthcare might be responsible for shorter life expectancy is prompting local jurisdictions and states to embed a racial equity lens into cross-cutting initiatives that tackle health, housing and economic needs in tandem. In Houston, the One Houston Together initiative was launched to educate potential funders, local residents and practitioners through trainings and other resources about how systemic racism and inequity affects individuals and their ability to prosper (see Appendix).

Direct funding for health programs. The Health Equity Zones (HEZ) Initiative in Rhode Island provides resources to residents and community partners, and empowers them to develop and carry out plans to create more healthy spaces within their communities. The program, which pulls funding from different several different sources, directs more than $10.4 million in public health funding towards the community-led Health Equity Zones (see Appendix). The Zones take a grassroots approach to decision-making by encouraging communities to consider the factors, including education, economic opportunity and housing, that impact health, and how best to improve outcomes.

In order to fund local health initiatives, states are rolling out innovate financing mechanisms to meet local healthcare needs for some of the most vulnerable populations in their state, and to implement strategies to improve housing, economic stability and education to address some of the underlying causes of poor health. To help support their work to mitigate health hazards, in 2018 the Rhode Island State Legislature authorized a bond to be used for the remediation of health hazards, such as lead, asbestos, or mold abatement in homes across the state (see Appendix). As jurisdictions were often limited to federal funds to support this work, the bond has expanded the types of approved remediation.

Childcare and early education. Investments in childcare and early learning programs are a critical component of healthy development and are a strong indicator of future earning potential.[20] Nevertheless, approximately 51 percent of Americans live in childcare deserts, without access to licensed, quality, affordable care for their children. Given the importance of addressing and mitigating health risks as early as possible, local government and their partners are increasingly focused on launching initiatives to increase access to childcare and early education.

Texas Head Start, for example, supports language, literacy, and social and emotional development for very young children in order to better prepare them for school (see Appendix). All families that are low-income, according to the Poverty Guidelines, are eligible for Head Start and Early Head Start services.

Addressing the digital divide. In order to address the digital divide, practitioners and policymakers are introducing legislation and programs to promote digital literacy, and increase access to broadband and technology. Despite its importance, as recently as 2014, approximately 35 million Americans were still without broadband access, with a particularly stark divide in rural America, where only 67 percent of residents had access to broadband. To help close this divide, members of Congress introduced The Digital Equity Act of Act of 2019, which, if passed, would authorize over $1 billion in federal grants over a five year period to support digital inclusion programs throughout the United States. The Federal Communications Commission (FCC) has also committed over $1 billion annually over the next ten years to increase rural broadband access as part of their Rural Digital Opportunity Fund.

Locally, jurisdictions are utilizing federal programs and introducing funds and bills aimed at closing the digital divide. For example, this year, the City of San Antonio's Office of Innovation proposed a digital inclusion strategy[21], which builds off a 2019 assessment that gauged the available digital inclusion resources in communities throughout the city. As part of their recommendations, the committee proposed the creation of Connected beyond the Classroom to ensure that K-12 students and colleges students in the 50 most vulnerable neighborhoods have access to broadband internet through their respective school's network. The project is funded through San Antonio's CARES Act allocation.

BELOW: One of the goals of Rhode Island's Health Equity Zones is improving access to affordable, healthy food in historically under-served communities across the state.

PHOTO CREDIT: RUPERT WHITELEY

Federal policy landscape

While the survey focused on state and local policies, we also received examples of federal programs being used by city agencies and community groups to support better outcomes for local residents. An extensive system of federal funding supports community and economic development programs that are administered by varying departments and agencies across the federal government, but the fragmented nature of federal subsidies has both positive and negative implications.[22] While support for community and economic development remains a small part of the overall federal budget, it is often the core funding necessary to make programs work at the local level. As such, it is important to address long-standing programmatic and policy barriers to the inclusive and effective use of funds.

Overwhelmingly, responses about federal programs indicated that the provision of flexible funding is the most useful, while programs with substantial administrative burdens were less effective. Respondents described the benefits of flexible, categorical funding that allow communities to support a wide range of activities in line with local need, such as the HOME Investment Partnerships Program (see Appendix). Prior to COVID-19, many respondents stated that their work is routinely undermined by a lack of comprehensive, well-timed resources, and that, once available, funding and federal resources are often tied to stringent requirements and tedious administrative tasks. These existing obstacles have likely been exacerbated by the pandemic, and action is needed to address long-standing issues. As we work to streamline and improve access to these programs, we must also safeguard federal guidelines that ensure equitable allocations of resources.

Particularly now, as COVID-19 continues to threaten communities, states and localities must be empowered with the resources needed to effectively respond. Increased flexibility, reduced administrative burdens, and broader discretion should be provided to local jurisdictions and states to allow them to meet local needs. The need for greater flexibility is a recurring theme in respondents' views of federal funding, with appreciation for federal, state, and local entities who are pursuing innovation and critiques of those tied to outdated practices. LISC Policy recently outlined steps to ease the administration of Community Development Block Grants (CDBG) to remove administrative burdens that hinder housing and economic development, such as allowing for CDBG to be awarded directly to affordable housing projects and pooling microenterprise activities.[23] While we continue to advocate for flexible federal resources and regulations there are a number of steps localities and states can take to creating comprehensive, community informed policies within existing structures. The responses summarized in this brief provided further insights on best practices on leveraging federal programs and maximizing community benefits.

Conclusion

According to a report from Brookings, local governments expend $2.9 trillion annually, and two-thirds of all federal budget expenditures are transferred to state and local governments—an indication of the size and transformative potential of state and local spending, and the imperative of good, community-benefitting policy to guide that spending.[24] This report has provided some illustrations of the critical importance of state and local policy. In addition to resources available for community development, which can shape outcomes, respondents identified some important themes about how local practitioners view more effective policies.

As demonstrated in the examples above, local policies can be tailored to regional housing challenges and economic trends, making them better positioned to meet the needs of residents. In cities experiencing rapidly increasing housing costs, for example, legislators are passing policies aimed at increasing the supply of affordable housing and preserving the existing stock, while policies designed to address vacant and blighted properties and their impact are being implemented in more rural and disinvested communities.

Local programs can also fill gaps that are unmet by existing federal policy. As the economic impact of COVID threatens to drive up the number of evictions, local jurisdictions are layering additional protections for tenants onto renter protections passed through the CARES Act by passing eviction moratoriums. Many states, including Connecticut, Massachusetts and Washington, placed measures well past the expiration of existing protections through the CARES Act, while others have stipulated that the protections will last through the declared state of emergency.

Community-based organizations are well-positioned to advocate for the programs and policies that will have positive outcomes for residents in their neighborhoods Our hope is that the examples included in this brief serve as an overview of some of the policies and programs that are being successfully implemented to improve the lives of residents, while also making readers aware of their limitations.

Appendix

Local-level Programs

Housing

- Atlanta Zoning Ordinance, Atlanta, Georgia: **https://www.atlantaga.gov/government/departments/city-planning/zoning-reform**
- Inclusionary Zoning for Affordable Housing, Newark, New Jersey: **https://newark.legistar.com/LegislationDetail.aspx?ID=3114782&GUID=A589FC09-949F-459C-86C3-8DD51C0E0BF5**
- Affordable Dwelling Unit Program, Loudoun County, Virginia: **https://www.loudoun.gov/1813/Affordable-Dwelling-Unit-Program**
- Santa Fe, NM Inclusionary Zoning menu of options **https://santafehousingaction.org/wp-content/uploads/2019/10/Summary_InclusionaryZoning_10.09.pdf**
- Mobility Voucher Program, Minneapolis, Minnesota: **https://mphaonline.org/section-8/applicants/about-our-program**
- Dedicated Affordable Housing Fund, Denver, Colorado: **https://www.denvergov.org/content/denvergov/en/housing-information/partner-resources/build-or-preserve-affordable-housing/denver-dedicated-housing-fund.html**
- Los Angeles CA Proposition HHH: **https://www.lamayor.org/HomelessnessTrackingHHH**

Economic Development

- Downtown Revitalization Initiative, New York City, New York: **https://www.ny.gov/sites/ny.gov/files/atoms/files/DRI_Four_Guidebook.pdf**
- Anti-Displacement Task Force, Fresno, California: **https://www.fresnobee.com/news/local/article222458970.html**
- Community Benefits Program, Duluth, Minnesota: **https://duluthmn.gov/media/7999/community-benefits-program-specifications-52419.pdf**
- Boston Saves Program, Boston, Massachusetts: **https://www.boston.gov/departments/schools/boston-saves**
- Industrial Development Loan Fund, New York, New York: **https://edc.nyc/program/nyc-industrial-developer-loan-fund**

Health

- One Houston Together, Houston, Texas: **https://www.houston.org/news/one-houston-together-understanding-racism**

State-level Programs

Housing

- Comprehensive Permit Statute (Chapter 40B), Massachusetts: **https://www.mass.gov/chapter-40-b-planning-and-information**
- Disposition of District Land for Affordable Housing Amendment Act of 2014, Washington, D.C.: **https://code.dccouncil.us/dc/council/laws/20-193.html**
- Proposition 13, California: **https://www.loudoun.gov/1813/Affordable-Dwelling-Unit-Program**
- Expiring Use Preservation Law (Section 40T), Massachusetts: **https://malegislature.gov/laws/generallaws/parti/titlevii/chapter40t**
- Tenant Opportunity to Purchase Act, Washington, D.C.: **https://dhcd.dc.gov/service/tenant-opportunity-purchase-assistance**
- Tenant Protection Act of 2019, California: **https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1482**
- Housing Stability and Tenant Protection Act of 2019, New York: **https://www.nysenate.gov/legislation/bills/2019/s6458**
- Local Rent Supplement Program, Washington, D.C.: **https://www.dcfpi.org/wp-content/uploads/2016/04/16-04-LRSP-Brief.pdf**
- LIVE Denver: https://livedenver.org/
- Local Rent Supplement Program, Washington, D.C.: **https://www.dcfpi.org/wp-content/uploads/2016/04/16-04-LRSP-Brief.pdf**
- Housing Choice Voucher Tenant-Based Program, Washington, D.C.: **https://www.dchousing.org/topic.aspx?topid=2**
- Housing Production Trust Fund, Washington, D.C.: **https://dhcd.dc.gov/page/housing-production-trust-fund**
- Housing Affordability and Rehabilitation Enhancement Fund Act, Pennsylvania: **https://www.phfa.org/legislation/act105.aspx#:~**:
- Sadowski Affordable Housing Act, Florida: **https://www.floridahousing.org/FH-ImageWebDocs/AboutUS/SadowskiAct_Outline.pdf**

Economic Development

- Downtown Revitalization Initiative, New York: h**ttps://www.ny.gov/programs/downtown-revitalization-initiative**
- City Revitalization and Improvement Zone, Pennsylvania: **https://www.revenue.pa.gov/GeneralTaxInformation/IncentivesCreditsPrograms/CRIZ/Pages/default.aspx**
- Minority and Women-Owned Business Enterprises Certification Campaign, New York: **https://www.ny.gov/programs/minority-and-women-owned-business-enterprises-certification-campaign**
- Neighborhood Prosperity Fund, Washington, D.C.: **https://dmped.dc.gov/page/neighborhood-prosperity-fund-npf**
- Toledo Municipal Code Amendment (regarding short-term lender facilities), Toledo, OH: **https://toledo.legistar.com/LegislationDetail.aspx?ID=3029173&GUID=475E80BE-65AE-408A-962C-8DD9336B0A70**.

Health

- Health Equity Zones Initiative, Rhode Island: **https://health.ri.gov/programs/detail.php?pgm_id=1108**

Federal Programs

Housing

- Community Development Block Grant: **https://www.hudexchange.info/programs/cdbg/**
- Emergency Solutions Grants Program: **https://www.hudexchange.info/programs/esg/**
- HOME Investment Partnerships Program:**https://www.hud.gov/program_offices/comm_planning/affordablehousing/programs/home/**

Health

- Head Start: **https://www.acf.hhs.gov/ohs**
- The Digital Equity Act of Act of 2019: **https://www.digitalequityact.org/**

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