

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

June 24, 2014

Secretary Shaun Donovan
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, D.C. 20410

Dear Secretary Donovan:

I am deeply concerned that the Administration's current placed-based, neighborhood revitalization initiatives are not reaching many of the highest need, hardest hit communities across our country. Two main programs available to revitalize our nation's severely distressed public and assisted housing, the Promise Zones (PZ) and Choice Neighborhoods (CNI) initiatives, have application structures that impede many of our highest need communities from successfully receiving the federal support these neighborhoods so desperately need. These application structures are reflective of an Administration strategy to focus resources for revitalization efforts only in higher-resource communities as a way to guarantee a certain level of success. As a result of this policy, however, the federal government is effectively leaving behind many of our hardest-hit neighborhoods. This consequence is not only unacceptable, but also unsustainable, as many of our country's communities fall deeper into blight. Of particular concern to me right now, and the main subject of this letter, is the proposed second round urban application for the Promise Zone initiative.

As currently proposed, the second round urban criteria for the Promise Zones initiative is skewed towards neighborhoods that already have resources and strong partnerships in place, leaving little to no chance for many of our country's highest need communities to successfully compete.

The Administration has made clear through the proposed second round application criteria, supporting materials, and external communications that they are looking for high capacity, "tipping point" neighborhoods that are currently engaged in comprehensive revitalization efforts. The proposed second round application criteria prioritizes an applicant's capacity and current resources over the needs of the community. This decision to prioritize capacity over need is evident throughout the application, including in the point distribution and in the requirements for existing partnerships. As a result, I am deeply concerned that the Promise Zones initiative will not even come close to reaching many of the "hardest hit" neighborhoods that President Obama referred to in his 2013 State of the Union speech when announcing this new initiative.

Many high-needs, high-poverty neighborhoods have little to no resources available to improve and strengthen their capacities. The first round of Promise Zones designations went to cities that previously received major federal grant support, thus saturating federal resources into specific neighborhoods and leaving many, many more neighborhoods without. It is unclear to me why HUD would choose to provide technical assistance and preference priority for federal grants to cities that have already demonstrated high capacity by already receiving major federal

grant support, rather than to cities that could use the benefits from a Promise Zones designation as a catalyst for revitalization efforts.

In order for Promise Zones to truly address the needs of all of our hardest hit neighborhoods across the country, the Administration must consider substantial revisions to the program's current structure so higher-needs, lower-capacity neighborhoods are prioritized and have the ability to successfully compete for the federal government support they so desperately need. A more inclusive and refocused Promise Zones initiative would begin to more fully meet the needs of our nation's truly hardest hit communities. Helping to alleviate the deepest pockets of poverty in our country should be a top priority of HUD's and reflected in the Department's key neighborhood revitalization programs. I have outlined my recommendations below, with additional comments in the subsequent table.

- 1. The Administration should expand and reprioritize Promise Zones to focus on communities where capacity building is needed and where a PZ designation could serve as a catalyst for revitalization. These "Promising Zones" neighborhoods should receive robust technical assistance from the federal government and preference priority for the Administration's place-based initiatives.**

Currently, the core benefit of Promise Zones is robust technical assistance, including on-the-ground intensive federal government support to carry out revitalization plans and to, according to the application, "smooth the way for problem solving among siloed federal programs, identify ways to use existing funding allocations more efficiently, and expedite consideration of waivers of federal provisions." Again, it is unclear to me why this type of a program is focused on supporting communities that have already demonstrated high capacity and also have rather substantial federal government support. *Rather, a program of this design should be focused on motivated, high-needs communities that want to work hard to increase their capacities and improve their neighborhoods.*

The Administration should expand and refocus the current Promise Zones initiative to prioritize higher-need "Promising Zones" communities that need extra support from the federal government to improve their capacities and strengthen their revitalization plans. Promising Zones designees should receive similar intensive federal partnership and national service support as current Promise Zone designees, as well as preference points for federal grants to help with revitalization planning efforts, such as CNI Planning Grants. *Applicants who applied for but did not receive federal grants through Choice Neighborhoods and other similar place-based programs should be given priority consideration.*

The current allotment of twenty Promise Zones designations is too few, especially when the application criteria make it nearly impossible for the truly hardest hit neighborhoods across the country to successfully compete. With reportedly over 1,000 participants on a recent national call to discuss the second round urban application, there is certainly not a lack of interest or need from a wide variety of communities across the country. *The Administration should find ways to increase the total number of Promise Zone designations in order to reach a broader number of communities.*

2. A community's need should be the main determinant in the application.

The Promise Zones application point structure gives only 10 points out of a total of 100 points for the Need of the geographic area proposed as a Promise Zone, while giving a total of 40 points for the Strategy section, and 50 points for the Capacity and Local Commitment section. This point distribution marginalizes the needs of a community, when it should undoubtedly be the most important factor in choosing designations. As a result, the scoring will inevitably weed out high-needs neighborhoods with lower capacities based on points alone. Scoring should be much more heavily weighted toward the need of the community than what was in the first round criteria and what is currently proposed. *The Need category should account for a minimum of 50 out of 100 overall points, with the remaining points equally divided between the Capacity and Local Commitment and Strategy categories.*

3. The application should not include a cap on population.

Many high-poverty, higher-needs neighborhoods are centered in urban cores, where population densities are high. Potential Promise Zones applicants could have jurisdiction over geographic regions that are well over the 200,000 population cap in the proposed second round application, including, for example, communities in the City and County of Los Angeles. The Administration has not given any reason for including a population cap, and there is no reason why a community should not be able to apply for a Promise Zones designation simply because of population size. *Neighborhoods with higher populations should not be disqualified based upon an arbitrary population cap, and the cap should be eliminated.*

4. The application should not include a geographic diversity preference.

Consistent with my previous recommendations, neighborhoods should be chosen upon need first and foremost, and merit. Attempting to fulfill geographic diversity in the program could potentially result in more qualified neighborhoods not receiving a Promise Zones designation. Qualifying neighborhoods in south Los Angeles, for example, stand little chance of receiving a designation if this preference is included in the final second round application, since central Los Angeles has already received a designation. *The geographic diversity component of the application criteria should be removed.*

5. The Promise Zones Initiative should prioritize our nation's most severe housing needs.

Housing serves as a platform for improving a person's quality of life, from education and health outcomes, to aging in place, to improving general family well-being. Every individual, family, and child deserves access to a safe, secure, habitable, and affordable home. It is the government's obligation to guarantee that everyone can exercise their right to live in safety and with dignity. This right must be provided to everyone, regardless of income or access to economic resources. The Housing First model has been tremendously successful in the homelessness community, demonstrating that solving one's housing problems first means that other life needs can be addressed, including health, economic stability, and education. Studies in Los Angeles show that placing someone in permanent supportive housing is 40 percent less costly than leaving them on the streets, where they utilize a variety of public resources. Housing serves as a way to achieve both positive life outcomes and economic savings, which is why it is

so important that the Promise Zones initiative maintain a sharp focus on affordable housing revitalization in its application structure and in its subsequent work with designee and grantee communities. *As a way to prioritize housing needs, the capital needs of any public and assisted housing within a proposed Promise Zone should be added to the Need category. Grantees who include a plan for preserving or creating affordable housing should receive additional points in their application.*

My recommendations call for a new kind of Promise Zones Initiative – a program that refocuses efforts on those hardest hit communities that need federal support the most. I understand that resources can be a barrier, but with a need as important as revitalizing our poorest communities, it is incumbent upon the federal government to find ways to overcome such barriers. With ten federal agencies involved and billions of dollars in budget authority, the Administration should find ways to reallocate resources to lift up all of our poorest, highest-need neighborhoods. The core mission of HUD is to alleviate poverty, and if we are not working towards that goal for our poorest, highest-need neighborhoods, then we are not adhering to our mission at the most basic level.

Thank you for your consideration. Please contact Theresa Dumais at (202) 225-4247 or theresa.dumais@mail.house.gov with any questions about this letter.

Sincerely,



MAXINE WATERS
Ranking Member

Table 1: Promise Zones Recommendations

Issue	Concern	Recommendation
<p>1. Guidance on evaluation and data points (p. 2)</p>	<p>I cannot fully evaluate the round two selection criteria without knowing how the Administration plans to construct the evaluation and data component.</p>	<p>Publish the guidance on evaluation and data points well before the publication of the Final PZ Second Round Application, and provide ample opportunity for comments.</p>
<p>2. A total of 20 Promise Zone designations will be made by the end of 2016 (p. 2)</p>	<p>Having only 20 designations under the programs current design will leave many high-needs, high-poverty neighborhoods behind that cannot successfully compete under the current application structure.</p>	<p>Expand and reprioritize the PZ program to focus on communities where capacity building is needed and where a PZ designation could serve as a revitalization catalyst. These “Promising Zones” neighborhoods should receive robust technical assistance and federal government support. (refer to #1 in letter).</p>
<p>3. Only one Promise Zone application may be submitted within the boundaries of a unit of general local government (UGLG) (p. 3)</p>	<p>Urban, populous UGLGs serving several communities that may qualify for a PZ designation are disadvantaged in the application process.</p>	<p>Allow large metropolitan UGLGs with populations of at least three million more than one application per round.</p>
<p>4. A lower ranked application may be selected over a higher ranked application for purposes of establishing geographic diversity (pp. 3-4)</p>	<p>Higher needs neighborhoods will likely be left out as a result of a geographic preference. Geographic diversity should not matter; neighborhoods should be chosen based utmost upon need, and merit.</p>	<p>Eliminate the geographic diversity preference (refer to #4 in letter).</p>
<p>5. Federal agencies may choose to name some applicants as “Promise Zone Finalists” (p. 4)</p>	<p>This designation is mostly about recognition and knowledge, rather than the technical assistance support that the neighborhoods really need.</p>	<p>Expand and reprioritize the PZ program to focus on communities where capacity building is needed and where a PZ designation could serve as a revitalization catalyst. These “Promising Zones” neighborhoods should receive robust technical assistance and federal government support. (refer to #1 in letter).</p>

Issue	Concern	Recommendation
<p>6. Lead applicant eligibility: describe how the PZ designation would accelerate and strengthen existing efforts at comprehensive neighborhood revitalization (p. 6)</p>	<p>This requirement does not allow PZ to be a catalyst in some higher needs neighborhoods that may not be far along in their revitalization efforts.</p>	<p>Expand and reprioritize the PZ program to focus on communities where capacity building is needed and where a PZ designation could serve as a revitalization catalyst. These “Promising Zones” neighborhoods should receive robust technical assistance and federal government support. (refer to #1 in letter).</p>
<p>7. Qualifying criteria: contiguous geography requirement (p. 7)</p>	<p>Geographic communities adjacent to moderate income areas would be ineligible to apply.</p>	<p>Allow noncontiguous communities to apply for Promise Zones.</p>
<p>8. Qualifying criteria: point distribution (pp. 9-20)</p>	<p>When the Needs category only counts for 10 points as compared with 50 points for Capacity and Local Commitment and 40 points for Strategy, it is very likely that higher needs neighborhoods will lose out to neighborhoods with more capacity.</p>	<p>A community’s need should be the main determinant in the application (refer to #2). The Need category should account for 50 out of 100 overall points, with both the Capacity and Local Commitment and Strategy categories each accounting for 25 points.</p>
<p>9. Qualifying criteria: PZ boundaries must encompass a population of at least 10k but no more than 200k residents (p. 7)</p>	<p>Many high-poverty, high-needs neighborhoods (including communities in Los Angeles, for example) have populations well over 200,000, and should not be disqualified based upon an arbitrary population cap.</p>	<p>The application should not include a cap on population (refer to #3 in letter).</p>
<p>10. Need category: Indicators (p. 9)</p>	<p>While these are good indicators, the Need category should also include the current estimated capital needs of public and assisted housing.</p>	<p>Include account the current estimated capital needs of public and assisted housing (refer to #5 in letter). Grantees who include a plan for preserving or creating affordable housing should receive additional points in their application.</p>

Issue	Concern	Recommendation
<p>11. Strategy category: Strength of the applicant's plan for revitalizing the PZ and addressing the PZ initiative's goals (p. 12)</p>	<p>It is unclear how strength will be measured, and against what benchmark.</p>	<p>Success in the PZ program should be measured by how much a community can achieve toward its own goals, and not benchmarked against other communities that are further along in revitalization efforts. Final application should clarify this point.</p>
<p>12. Strategy category: sustainability and financial feasibility of the PZ plan (p. 14)</p>	<p>Concern that only neighborhoods with current (or nearly guaranteed) resources in place will score well with this requirement. This emphasis ignores the fact that a PZ designation could spur new partners and financial possibilities.</p>	<p>Administration should expand and reprioritize the PZ program to focus on communities where capacity building is needed and where a PZ designation could serve as a catalyst for revitalization. These "Promising Zones" neighborhoods should receive robust technical assistance and federal government support (refer to #1 in letter).</p>
<p>13. Capacity and local commitment category: strength/extent of partnership commitments not contingent upon receipt of PZ designation, including anchor institution commitment (preliminary MOUs required) (p. 19)</p>	<p>Requiring that partnerships are already in place and not contingent upon a PZ commitment will likely exclude neighborhoods that could use PZ as a catalyst for revitalization. Additionally, requiring preliminary MOU agreements with partners, such as anchor institutions, can be a time consuming endeavor, and an activity that a PZ designation could help to achieve in neighborhoods where strong partnerships are not yet in place.</p>	<p>Lessen the emphasis on partnerships, including requiring firmly established partnerships and preliminary MOU agreements. This recommendation is coupled with the recommendation to decrease the total number of points for the Capacity and Local Commitment category to 25 and increasing the Need category to 50 points (refer to #2 in letter).</p>
<p>14. Capacity and local commitment category: total points for partnership structure, capacity, and commitment (pp. 15-20)</p>	<p>Total points for partnership structure, capacity, and capacity (26 total) far exceed the total points for the Need category (10 total). This point distribution puts much more emphasis on partnerships within the PZ plan than the actual needs of a community.</p>	<p>The Need category should account for a minimum of 50 out of 100 overall points, with the remaining points equally divided between the Capacity and Local Commitment and Strategy categories (refer to #2 in letter).</p>