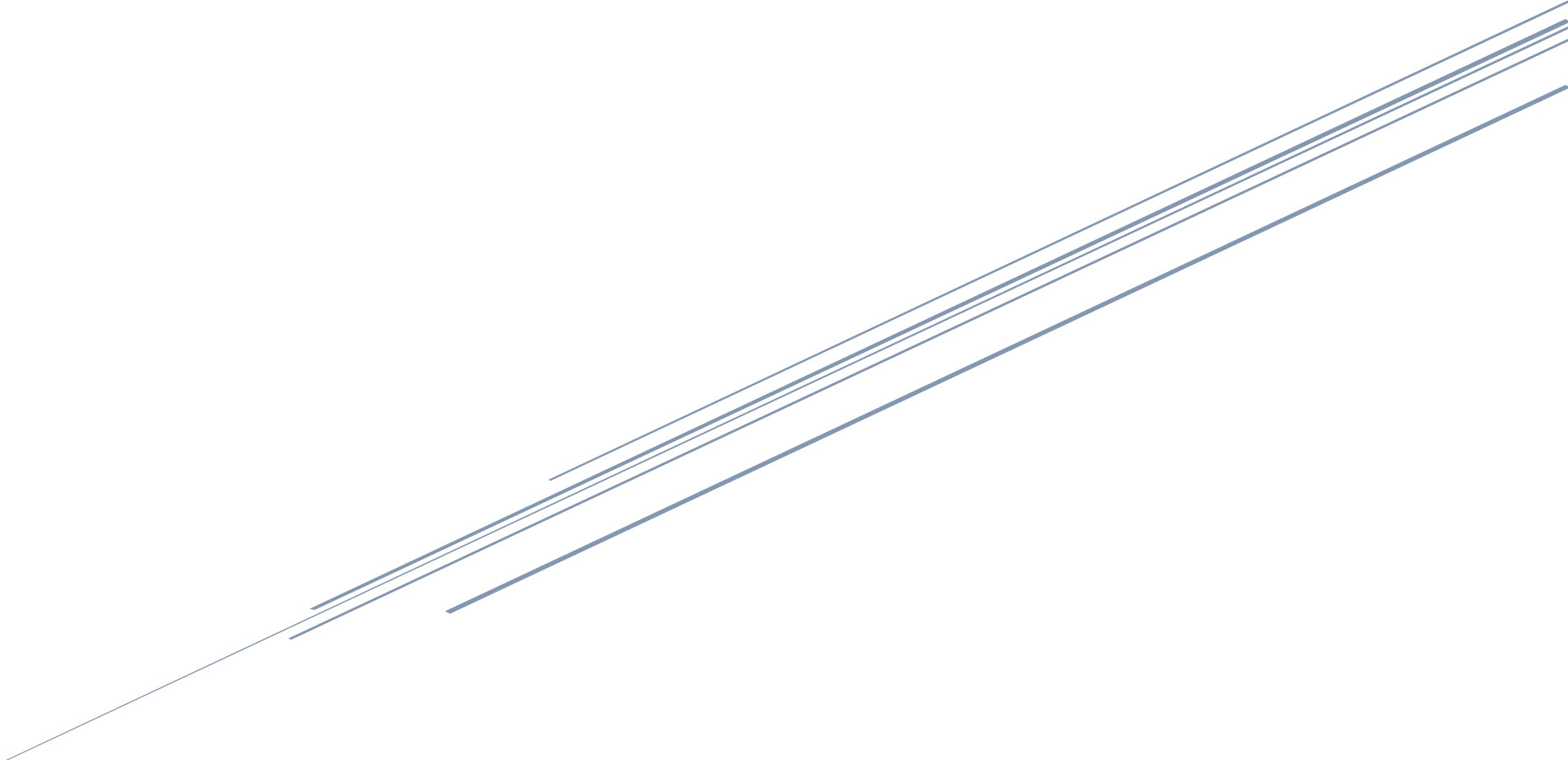


# Community Development Block Grants and Equitable Development in Detroit

Leveraging and Encouraging Equity-Centered Community Development with Community Development Block Grants

January 2022



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### INTRODUCTION

Equitable community development is a novel approach to community development and urban planning to revitalize disinvested and overburdened communities and ensure that all residents in these places participate in shaping redevelopment plans and benefits from economic growth towards more equitable results. This paper is based on review of public documents about the current Community Development Block Grant (CDBG) programs in Cleveland, Pittsburgh, and Milwaukee, with a comparison to Detroit.

The CDBG programs in three cities were selected from eleven candidates based on our preliminary research. This overall list was put together through a cursory use of the CDBG allocation formula and other similar characteristics, such as population size of the city proper and SMSA, as Detroit. Primarily, the list was composed of cities from the Midwest, Northeast, and Mid-Atlantic states.

After consulting with the CDAD Policy Committee and Joint CDBG Workgroup, the inquiry was designed to uncover innovations in affordable housing production, particularly, single family homeownership and innovative financing strategies, as well as any home repair programs. The research also sought to uncover useful knowledge about how local CDBG officials cities related to the community stakeholders, through formal/informal partnerships, citizen participation plans, and other quasi-public bodies and commissions. The research also focused on learning about how CDBG funds were used to leverage broader redevelopment efforts; whether they help or create more challenges for lower income people. Finally, the research attempted to look at how the 108 Loan Program was utilized in each City.

To the extent possible, the research sought to uncover information about the various approaches used to support public services. Lastly, and in a bigger picture way, we wanted to explore any possible lessons about efforts in these cities that would inform local endeavors to create a more equitable community development delivery system in Detroit.

Below is a summary of these factors in the four cities.

**CDBG/HOME PROGRAM  
Scan Summary**

Entitlement City	Budget	Demographics/Data	Community Engagement	Leverage Additional Development (Section 108 Loan Guarantees, etc.)	Affordable Housing	Home Repair	Local Contacts	Local Comments
Cleveland	CDBG: \$21,569,725 HOME: \$4,893,451 Program Income: \$700,000	Population: 396,815 Households: 185,738 Medium Income: 27,761 52% (206,396 persons) Black or African American; 35% (137,335 persons) White; 10% (39,000 persons) Hispanic 3% (12,000) other – Poverty 33%	Hosted 4 public hearings: Com. Dev. Staff meet monthly with neighborhood-based, CDCs; Mayor holds Community Dialogue meetings; The Housing Advisory Board (HAB) meets with CD staff throughout the year. HAB members represent non-profit and for-profit developers, lenders, real estate brokers, the public housing authority, and interested residents.	A section 108 loan guarantee supported a mixed-use development that included a new 40,000 square foot Meijer Grocery Store, approximately 150,778 square feet of residential space including 90 market rate one-bedroom units, 90 micro+ units, 6 standard micro-units, 10 two-bedroom units, 200 parking garage spaces, and 125 surface-level spaces for the grocery store. The project is expected to create 40 new full-	Housing Trust-\$2,998,254. CDC Activity provides general operating support Grant Program - \$1,121,932 (17 CDCs).  Homeownership Program - \$2,408,064  <u>CDBG Float Loans</u> --CDBG grantees have a line of credit that covers the amount of CDBG funds available for the grantee to expend.	Homeowners Rehabilitation Assist-\$2,721,500  Admin-\$900,000. CHDO-\$668,515.  <u>A Revolving Loan Fund</u> is established for carrying out specific activities, which, in turn, generate payments to the fund for use in carrying out the same activities.  Program income from housing loans returned \$700,000 to support affordable housing development.	Cleveland Housing Network, Kevin Nowak  Neighborhood Progress Inc., Edward Stockhausen, VP of Advocacy & Public Policy	In December, the U.S. Department of Housing and Urban Development announced a \$9 million loan guarantee to the City of Cleveland for the development of a mixed-used site that includes nearly 200 housing units and a 40,000 square foot grocery store.  CDC Activity Fund is allocated by city council ward. CDCs use the funds to support Cleveland Neighborhood Progress (CNP) as CDC intermediary, supports small start-up CDCs. This is viewed as good and bad: good because it is reliable support; bad because the funds come with strings and restrictions. Also, the

				time-equivalent jobs.				funds are disbursed on a cost reimbursement basis. New incoming administration is promising to examine how to remove barriers to CDBG funds flow to CDCs, creating an opportunity to take a look at dollars are deployed and how resources are delivered. A former CDC ED has been hired to oversee this effort.
Detroit	<p>CDBG: \$35,529,518 HOME: \$7,33,8204 Program Income: \$357,963 Unspent Funds \$1,161,582</p>	<p>Population: 639,111 Households: 263,000 Medium Income: \$30,394 Black 77% - White 14% - Hispanic 7% - other 2% - Poverty Rate 35%</p>	<p>Citizen Engagement Outreach: CDBG/NOF Virtual Workshop 1 - 79 participants. CDBG/NOF Virtual Workshop 2 – 52 participants. Annual Action Plan Public Meeting #1 – 3 participants. 30-day public comment period – respondents not specified. Public Hearing – Detroit City Council Committee (Approval) – participants not specified.</p>	<p>Section 108 Repayment - \$7,223,069 Non-Housing Community Development (assisted 15 businesses). Zero dollars is the amount of proceeds expected from repayments for 108 loan guarantees. It is guess-timated that about 20% of Detroit’s annual allocations ais used to repay</p>	<p>Homeownership Program – Down payment Assist. \$2,408,064 (NSRAs)  Affordable Housing Loan Fund</p>	<p>Rehab Existing Units– \$5,000,000 (CDBG) (Rehab Existing rental Units–\$1,000,000 (CDBG) Rehab Existing Owner-Occupied Units - \$4,000,000).  Zero Percent Interest Home Repair Loan Program with CDBG funds, provides loans up to \$25,000 for Detroit homeowners with Home Repair needs. Any info on results of the 0% program? UM, I believe, published a</p>	<p>Yolanda Jackson, CDAD policy Team  Newspaper Articles about HUD monitoring reports</p>	<p>A report from the U.S. Department of Housing and Urban Development found that the city had 28 issues, including insufficient oversight, conflicts of interest and inaccurate documentation, in its administration of CDBG funds.  A federal review has turned up insufficient oversight, conflicts of interest and inaccurate documentation in the city's administration of federal grants, and Detroit, Mich., has until</p>

				delinquent 108 Loans.		report, comparing our home repair program to other cities.		<p>the end of January to turn over its plan to correct it.</p> <p>HUD made clear Detroit's latest issues undermine confidence in the city's handling of federal money.</p> <p>"The city's financial reporting loses its integrity when the cost support doesn't match the accounting entries," the HUD report warned.</p> <p>"Insufficient support leads to concerns over the proper use of the grant funds."</p>
Pittsburgh	<p>CDBG: \$14,055,782 Prog. Income: \$3,000,000 HOME Funds - \$2,301,686 HOME Program Income: \$400,000.00</p>	<p>Population: 299,718 people White: 67% - Black: 23% - Asian: 6% - Hispanic 1% - other: 3% Medium Income: \$48,711 Poverty Rate: 20%</p>	<p>Modes of outreach to engage residents included: Ads in Two local Newspapers; 4 Public Meetings; Facebook Live Streaming; Internet Outreach.</p> <ul style="list-style-type: none"> <li>• Extensive stakeholder consultation – March 2021 – May 2021</li> <li>• The Notice for the Needs Public Hearings Published in local papers – March 10,</li> </ul>	<p>The City has 6 section 108 loans guarantees in force, totaling \$25.5 million. All of the loan guarantees are mostly to subsidize private economic development, primarily in NRSAs.</p>	<ul style="list-style-type: none"> <li>• Homeownership Assistance—Down payment, closing cost, and ownership counseling.</li> <li>• New Housing— increase supply through new construction/rehab.</li> <li>• Rent Assistance— Financial assistance to l/m renters for rent, utilities, and deposits.</li> </ul>	<p>Owner-occupied Housing/Renter Rehabilitation Renter-occupied Housing Rehabilitation</p> <ul style="list-style-type: none"> <li>• Owner-occupied Housing Rehabilitation - Financial assistance to l/m homeowners to rehabilitate existing owner-occupied housing.</li> <li>• Renter-occupied Housing Rehabilitation - Provide financial</li> </ul>	<p>Rob Stephany, Heinz Endowment</p> <p>Presly Gillespie, Neighborhood Allies: A community development intermediary. They function as part funder, lender, connector, and consultant.</p> <p>Economic Justice Circle, City Budget</p>	<p>About half the city's entitlement is awarded to the Urban Redevelopment Authority (URA). The URA receives about 50% of the city's annual entitlement.</p>

			<p>2021, and March 11, 2021</p> <ul style="list-style-type: none"> <li>• Virtual Needs Hearing – March 24, 2021</li> <li>• Publish Final Annual Action Plan notice – April 7, 2021 and April 8, 2021</li> <li>• Final Public Hearing -- May 5, 2021</li> <li>• End of 30-day public comment period – May 10, 2021.</li> </ul>		<ul style="list-style-type: none"> <li>• Neighborhood Revitalization—strengthen housing stock throughout the city.</li> </ul>	<p>assistance to landlords.</p> <ul style="list-style-type: none"> <li>• Rental Assistance - Provide for utilities, deposits, and rental fees for low-income residents.</li> </ul>	<p>Watch Dog Advocacy Group</p>	
<p>Milwaukee</p>	<p>CDBG: \$15,000,000 HOME: \$5,200,000</p>	<p>Population: 577,222 White People: 44%. Black People: 37%Hispanic 19% Median Household Income: \$38,289 Poverty Rate: 25%</p>	<p>Citizen input was solicited in the following ways:</p> <ul style="list-style-type: none"> <li>• A public website (ConPlanMKE.org) where anyone could see upcoming public meetings and make a request for information.</li> <li>• Distribution of a community survey (both paper/in-person and electronic)</li> <li>• Hosting focus groups and community meetings in key Neighborhood Strategic Planning (NSP) areas</li> </ul>		<p>Affordable Housing Production includes:</p> <ul style="list-style-type: none"> <li>• Community Housing Development Organizations (CHDO),</li> <li>• Neighborhood Improvement Program (NIP)</li> <li>• Owner-Occupied Home Rehab Loan Program</li> <li>• Milwaukee Builds Program</li> <li>• Housing Accessibility Program</li> <li>• Youth Build</li> </ul>	<ul style="list-style-type: none"> <li>• Tenant-Based Rental Assistance</li> <li>• Homebuyer Counseling/Post Purchase Education</li> <li>• Housing Accessibility Program</li> </ul>	<p>Antonio Butts, Walnut Way , Inc.</p> <p>Kristi Luzar, Urban Economic Development Association</p> <p>Una Van Duvall, former city planner &amp; board member UEDA</p> <p>(UEDA is a 501(c)(3) membership association dedicated to facilitating effective, cross-sector collaboration, meaningful</p>	<p>Community Organizing \$893,000 – 18 nonprofit subrecipients Public Services \$700,000 – 29 nonprofit subrecipients Employment services \$400,000 – 10 nonprofit sub recipients. Economic Development \$510,000 – 10 nonprofit subrecipients. Planning \$200,000 – Three nonprofit subrecipients. Technical Assistance \$150,000 – UEDA Wisconsin Housing \$1,557,350 – 10 nonprofit subrecipients</p>

			<ul style="list-style-type: none"> <li>● Attendance at various small group and association meetings</li> <li>● Outreach/engagement at a number of neighborhood events in 2019.</li> </ul>		<ul style="list-style-type: none"> <li>● Housing Trust Fund</li> </ul>		connections, and strengthening individual and organizational capacity in Wisconsin's community and economic development sector)	Total Community Based Organizations \$7,078,350 (47% of total entitlement) City routinely funds a large cadre of CDCs and CBOs to do various economic and housing development activities and public services. Resident Leader: City funds the right organizations, but they treat them like legacy grants and there is not much room for newer organizations to be funded.
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### Challenges to Use of CDBG to Develop Equitable, Healthy, and Sustainable Communities

Low-income, BIPOC and other disinvested and overburdened communities in Detroit face a wide range of challenges. While these residents often have to disproportionately deal with the adverse costs of redevelopment, they historically have little access to decision-making. These disenfranchised community voices from across neighborhoods have stoked an interest in equity-centered community development approaches, and how CDBG can be used toward that end. One good result is that neighborhoods across the city have been cleared of blighted properties, repurposed unused vacant lots and are attracting new development. On the other hand, in these same neighborhoods, once revitalized, rising housing costs too often result in the involuntary dislocation of many long-time residents, and the continued neglect of homeownership and home repair needs for legacy Detroit residents

Community Development Block Grants are regulated under federal laws that seek to prevent the kinds of inequitable practices that disenfranchise many long-time residents in favor of revitalization. But HUD's rulemaking permits compliance waivers on key "primary benefit" markers. **The designation of Neighborhood Revitalization Strategy Areas is perhaps the biggest threat in that regard.** These waivers allow local program administrators significant flexibility in how benefit ratios are calculated, diminishing the protections of certain key safeguards.

For instance, if 51% of a designated area is lower income, all the activities done in that area (no matter the income) count as 100% benefit. Subsequently, lower income residents are put at risk of suffering many adverse effects that can come from unbridled publicly-incentivized market-oriented development, not the least of which, includes involuntary displacement and extraordinary levels of poverty and neighborhood neglect.

## Strategies that Link Racial and Economic Justice, Smart Growth, and Equitable in Local Community Development Block Grant Programs

A myriad of CDBG-related strategies and approaches can be used to link smart growth, racial and economic justice, and equitable community development that respond to the challenges that overburdened communities face. They can also promote growth that is equitable and environmentally sustainable and lay the foundation for economic self-sufficiency.

For this paper, the information is grouped under five key factors or shared goals and principles that connect racial and economic justice, smart growth, and equitable development. In this context, the fundamental connection between these concepts is around how CDBG funds are used and can leverage the kind of development in neighborhoods that address racial injustice, health and economic disparities and provide access to more opportunities for low-income, BIPOC and other marginalized residents. Therefore, all the approaches described relate to land use and community design, affordable housing, citizen engagement and access to essential services and supports.

Following is a brief description of these strategies and their potential to support equitable and sustainable development, along with examples of how the jurisdictions we studied used these strategies. Each section also includes description of a local experience highlighting how they relate to the key factors.

### Factor #1: Facilitating Meaningful Community Engagement in CDBG and Land Use Decisions by Partnering with Key Community Stakeholders.

Meaningful community participation and leadership in community development planning and land use decision-making help ensure that revitalization is a community-based process that builds on local priorities, values, and assets. Every strategy referenced here from Milwaukee and Cleveland supported early and consistent stakeholder engagement. Inclusive community engagement resulted in planning and development decisions that included a variety of perspectives, have authentic support from a broad range of constituents, and are more enduring and better for the community as a whole.

According to public documents, CDBG staff claim to maintain an open relationship with the public throughout the planning process. According to Consolidated Annual Performance and Evaluation Reports (CAPER) results and impact varied. An important initial step in the places that showed considerable success was to identify all affected stakeholders, from residents to local business owners to representatives of community institutions that had a stake in particular neighborhood outcomes. These constituencies were given early opportunities to provide input so diverse needs and visions for the community could be incorporated before the overall action plan had been shaped. They were active participants in collecting information, identifying challenges and opportunities, and setting goals.

The reviewed information from these two cities suggests that to be effective, community members and organizations often didn't rely on the official process to recognize their input, but instead, **created their own strategies to engage residents and collect information about needs and presented the community's own narrative to decisionmakers.**



Three promising community engagement strategies seemed particularly applicable to equitable planning and land use decision-making: **multilingual outreach, community mapping and community-driven planning, combined with visioning workshops**. These activities were led by community groups, or partnerships between multiple groups. For example, in one community a planning agency held multilingual public workshops to collect ideas for a neighborhood plan; to prepare for these workshops, a neighborhood-based nonprofit organization conducted visioning workshops for residents, particularly those residents that were new to the planning process.

**The City of Cleveland Department of Community Development** utilized various outreach methods. The Department of Community Development is also active throughout the year, consulting with the community development corporations, nonprofit organizations, and public agencies to gain input and feedback on citywide and neighborhood issues, along with departmental programs, resulting in the development of an “Annual Action Plan” to ensure that each component of the annual action plan principally served the needs of the low- and moderate-income and BIPOC population in the City. **Development of the city’s Annual Action Plan included many ways for citizens to participate, including: a vibrant and inclusive citizen participation process; ongoing community consultation; and the development of the annual action plan.**

**The total amount of CDBG funds allocated by the city of Milwaukee to support community-based development projects amounted to about 47% (\$7,078,350) of the city’s total entitlement (\$15,000,000).** Of the amount allocated to support community-based community development, 30% (nearly \$2,000,000) supported non-profit provided public services, and another \$890,000 supported neighborhood-based community organizing activities.

**The Urban Economic Development Association of Wisconsin (UEDA)**, a 501 © (3) membership organization that advocates for investing in what they call sustainable homeownership, partnered with the City of **Milwaukee Community Development Grant Administration (CDGA)** to engage a wide array of residents, community-based organizations, local businesses, city departments and others to provide input into the Milwaukee HUD Consolidated plan. The UEDA team utilized a variety of engagement tools to invite residents and stakeholders to participate. This included both traditional and new outreach methods:

- Creation of a public website ( ConPlanMKE.org ) to host basic information about the Consolidated Plan, survey tools, promote public meetings, and provide a tool for the public to request information.
- Distribution of a community survey (both paper/in-person and electronic) through various organizational networks.
- Use of social media, listservs, newsletters, and the City’s E-Notify system to promote the survey and public meetings.
- Established a Task Force of stakeholders and community leaders representative of key constituencies to provide guidance and assist with outreach.
- Hosted focus groups and community meetings I n key Neighborhood Strategic Planning (NSP) areas.
- Attendance at neighborhood events/festivals, small group, and association meetings.
- One-on-one communication, interviews and outreach to individual stakeholders and task force members connected to key constituencies. formation and other neighborhood issues.

**The City of Pittsburgh has a good performance record with HUD.** The City regularly meets the performance standards established by HUD, according to the CAPER report. The City held five (5) community meetings (Needs Public Hearings) in the East, West, Central, South, and North sections of the City. These five (5) community meetings (Needs Public

Hearings) provided the residents, agencies, and organizations with the opportunity to discuss the City's CDBG, HOME, ESG, and HOPWA Programs and to provide suggestions for future CDBG, HOME, ESG, and HOPWA Programs priorities and activities. The City as part of the Central Community Meeting/Needs Public Hearing had the meeting stream live on "Facebook Live."

## **Factor #2: Using CDBG Funds to Stabilize Conditions for Long-Time Current Residents and Mitigate Potentially Adverse Impacts of Market-Leveraged Community Development**

**In the city of Pittsburgh, Larimer/East Liberty** is a neighborhood adjacent to the CDBG leveraged revitalized and thriving East Liberty Business District and stands in direct contrast to the hustle and bustle next door. Scarred by the vestiges of Urban Renewal, Larimer/East Liberty is comprised of large-scale subsidized housing complexes, disconnected superblocks, a divisive 4-lane arterial road (East Liberty Blvd), and a deteriorating and disintegrating single family housing stock. Despite these obstacles to positive change, residents, businesses, and community organizations all came together to influence how the neighborhood would be revitalized. Together these stakeholders created a \$401 million Transformation Plan, called the Vision-to-Action Plan, which has a goal of a "21<sup>st</sup> Century Green Neighborhood that Works" and involves a comprehensive effort to address the neighborhood, housing, and resident needs of the disinvested and impoverished community.

The **housing strategies** target two eligible Housing Projects: the Hamilton-Larimer (HL) public housing complex and East Liberty Gardens (ELG), both of which are obsolete and deteriorating complexes with 100% very low-income residents. **The strategies replace all 155 units, one-for-one, within the neighborhood as part of a 334-unit high-quality, well-managed, mixed-income community.**

Finally, the "people development" needs are addressed through a **comprehensive case management system** that will create pathways to social and economic mobility for residents including increased access to healthcare services, proven employment and training programs, and an extensive series of educational development programs. The Larimer/East Liberty Choice neighborhoods comprehensive case management system intends to create pathways to social and economic mobility for residents including access to healthcare services, employment and training programs, and an extensive series of educational programs.

**Pittsburgh's Code Enforcement Inspectors/Targeted Enforcement Program supports efforts to address designated blighted areas, including enhanced special enforcement activity and property owner training. The program includes an intern component that provides Milwaukee residents with on-the-job experience and classroom training to increase their ability to attain full time employment as code enforcement inspectors.**

**Demolition of City owned tax foreclosed blighted properties for future redevelopment Code Enforcement Housing.** This is a collaborative project with community-based agencies receiving grant funding for housing programs. DNS staff conduct required inspections for code violations, screen applications, prepare work and scope estimates, and sign off on completed housing rehabilitation work. This is a mandatory activity that must be conducted to ensure that groups using grant funds for housing projects are following grant requirements

### Factor #3: Leveraging CDBG funds to Expand the Availability of Quality Affordable Housing Choices for Current Long-Time Residents

Affordable, healthy, high-quality housing is one of the basic elements of a sustainable community. It is important to provide decent homes in safe neighborhoods, convenient to jobs, good schools, and daily necessities for people of all income levels, family sizes, and stages of life in these neighborhoods. Establishing a market structure where existing residents have real opportunities to remain in the neighborhood, buttressed by a variety of housing price points and types, including rental apartments, townhouses, and large and small single-family homes, ensures that everyone—from a young person living on his/her own for the first time, to a working family, to a retired couple—can find an affordable place to live. Achieving this range of choices will include affordable housing preservation and/or new construction, two broad strategies that are described and used by local program administrators. Developers, local governments, and community development corporations partnered in these strategies.

**The City of Pittsburgh promised to assist low- and moderate-income households who wish to become homeowners by providing down payment assistance, closing cost assistance, and requiring housing counseling training.** The Center for Housing Opportunities' (CHO) Down Payment and Closing Cost Assistance Program (DPCCAP) provided financing to first-time homebuyers. DPCCAP is designed to help stimulate housing investment in the City by providing financial assistance to first-time homebuyers who are interested in purchasing an existing or newly constructed residential unit. In FY 2019, the City of Pittsburgh provided CDBG, HOME, ESG, HOPWA, program income, and other funds that were used to develop or rehabilitate housing in the City.

Through a partnership with Urban Redevelopment Authority (URA), the city leverages private land-use and economic development projects with subsidies and supports that seem to consume about 50% of the annual CDBG budget. According to a local community development intermediary, the city does a poor job of monitoring and tracking benefits and compliance of funded projects. Even though public documents indicate the city has made 6 section 108 loan guarantees, the interviewee was not aware of any public accounting of how section 108 loan guarantees are monitored and/or accounted for. Also, the interviewee lamented a frustrating dilemma that while the city's track record funding established CDC's is credible, little CDBG funding is available for the local version of BECDD/CDAD's "Grassroots Resident Organizations". Also cited is the burdens put on CDC's (and other non-profits) with the "reimbursement" clause imposed on subgrantees.

Each year the City prepares its Consolidated Annual Performance Evaluation Report (CAPER), and it is routinely submitted within ninety (90) days after the start of the new program year. Copies of the CAPER are available for review at the City of Pittsburgh's Community Development Division in the Office of Management and Budget. The HOME program is also being administered in a timely manner and in accordance with applicable activity limitations and match requirements. The City of Pittsburgh met its HOME Match requirements for the FY 2018 Program. The City of Pittsburgh has an excess of matching funds in the amount of \$9,258,078.99 for the HOME Program.

**Cleveland used a section 108 loan guarantee** of \$9 million to support the mixed-use development a new 40,000 square foot Meijer Grocery Store, approximately 150,778 square feet of residential space including 90 market rate one-bedroom units, 90 micro+ units, 6 standard micro-units, 10 two-bedroom units, 200 parking garage spaces, and 125 surface-level spaces for the grocery store. The project is expected to create 40 new full-time-equivalent jobs. "This is a tremendous opportunity for Cleveland to expand access to affordable housing while increasing access to healthy food for residents and growing sustainable, transit-oriented development," said **Arthur Jemison, Principal Deputy**

**Assistant Secretary, Office of Community Planning and Development.** “Cleveland’s mixed-use development will demonstrate how HUD programs and resources, such as the Section 108 Loan Guarantee Program, can create innovative solutions and help build strong, vibrant communities.”

**ELDI NMTC Homeownership Development:** The URA provided a \$1,715,000 (non-CDBG/HOME funded) loan and a \$150,000 (non-CDBG/HOME funded) grant for the East Laramie Development Initiative NMTC Homeownership Development. The development consists of the new construction of 8 homes and the rehabilitation of 18 homes in highly distressed census tracts. Of the 26 total homes, 18 were sold to low-income families. The project uses a mixed income approach to create affordable homeownership opportunities in these neighborhoods. The project meets the home ownership goals of the community plans for East Liberty, Larimer, and Garfield. This development also advances critical goals of the East Liberty/Larimer HUD Choice Neighborhoods Implementation Grant in the sum of \$30 million.

**Detroit’s AHLF** is described by the City of Detroit as a partnership between Detroit LISC, the City of Detroit Housing & Revitalization Department (HRD), and the Michigan State Housing Development Authority (MSHDA) to provide affordable housing developers and owners with streamlined access to financial tools that are specifically designed to address housing challenges in Detroit neighborhoods, focused on rental housing. With projected funding of up to \$250 million the fund espouses an intention to preserve 10,000 units of existing affordable LIHTC rental housing and develop 2,000 units of new affordable LIHTC rental housing.

AHLFs program literature indicates that for-sale and single-family homeownership projects may also be considered although there are currently no articulated plans for doing so. If AHLF’s vision is to be an instrument for inspiring investment in homeownership and rental housing that is affordable to households at or below 50% Area Median Income is realized, it could be a replicable model for expanding the supply of truly affordable housing. Recognizing that housing cost burdens are a particularly acute challenge for Detroit residents at the lower end of the income spectrum, is to acknowledge the real need. **A revamped AHLF could become an investment tool that help expand homeownership opportunities for households with incomes closer to 50% of AMI**, if like in other cities, there is enough community pressure urging the key partners to do so.

**According to a study of the city’s housing repair programs by Poverty Solutions of the University of Michigan**, the repair needs in Detroit are significant, and our analysis of data from the American Housing Survey and Detroit’s home repair ecosystem suggests current resources devoted to home repair don’t come close to meeting the need. The City of Detroit and a network of community partners can surely make necessary reforms to help stretch the impact of available dollars and provide a more seamless experience for those with home repair needs. But in order to make a real and lasting impact on the quality of Detroit homes, more philanthropic and federal resources are required. The study further concludes that the home repair problem in Detroit cannot be solved by the city government alone or by organizations working in silos. While additional home repair funds are needed, organizations should leverage resources and existing expertise. More strategic collaboration is needed among community-based organizations, hospitals, the City of Detroit, and private organizations including banks and real estate firms to tackle inadequate housing. Using funds in flexible, innovative ways could reach more residents and expand the capacity of partnerships with community organizations already doing home repair. The Status of Home Repair in Detroit work in Detroit neighborhoods. For example, the Green and Healthy Homes Initiative, a national nonprofit, successfully brought together community stakeholders to assess how dollars could better align for maximum impact and how healthcare savings could be realized through home repair.

According to interviewees, the **City of Milwaukee has a unique approach to strictly monitoring the use of CDBG, Tax Increment Financing, and other forms of public support for economic development** to ensure that the city's participation is absolutely necessary to move the projects forward. The city comptroller is designated to review and sign off on those public subsidies before the city can participate in the project. The City then closely monitors the funded projects to ensure that benefit thresholds are met, and loans are repaid. The financing functions are carried out by a city sponsored CDFI-like intermediary referred to as the city's Economic Development Corporation is charged with administering those subsidies, and the loans are repatriated into a revolving loan fund. To the knowledge of the interviewees, section 108 loan guarantees are rarely used.

#### **Factor #4: Deploying CDBG Resources to Retain Features that Make BIPOC Neighborhoods and Communities Healthy and Vibrant Places to Live.**

Authentic CDBG supported community planning and revitalization is anchored in the existing physical and cultural assets that make a place unique. As decision-makers and community stakeholders implemented the types of equitable development policies and strategies cited in Pittsburgh and Milwaukee, they often built on the existing characteristics of neighborhoods. This means preserving and strengthening the features that make places special retains what existing residents value about their homes, attracts new residents and visitors, and spurs the kind of economic and community development that is grounded in those communities' identity.

The City of Pittsburgh's **Model Block Initiative** provides a source of public investment capital to remove blight and preserve neighborhood buildings in focused areas. The program has two key provisions:

- **Occupied Residential Property Exterior Work:** A matching grant for occupied neighborhood residential property to support exterior repairs that address blighted conditions that could result in code violations.
- **Vacant Property Acquisition and Stabilization:** A grant to assist with purchase and stabilization of vacant properties planned for rehabilitation. After a property is selected, **funding will pay for clean out, roof and wall repair, and bringing it into full compliance with a vacant property standard modelled after the Hamilton County Land Bank's Historic Structure Stabilization program and vacant building maintenance license (VBML) standard.** Properties will be made secure and weathertight but will still require significant additional renovation for an end user. This process essentially "mothballs" the building, preventing further decay until the end use is finalized and development is fully funded.

The City of **Milwaukee Builds** is a program that provides new on-site housing construction and rehabilitation training and work experience, off-site academic classes, and supportive services for at risk youth and adults. The program provides young people with education, employment skills and career direction leading to economic self-sufficiency while also creating affordable housing opportunities in the community.

**The feature that helps ensure equity is embedded is that Nonprofit community-based agencies are funded to undertake this program.** Just like in many other similar cities, one of the driving market conditions in the City of Milwaukee is that median household income in the City has fallen over recent years. In real dollars, Milwaukee households earn \$6,000/year less than they did in 2000, and the economic impacts of COVID-19 on low-income residents in particular cannot be overstated. **Reducing racial disparities in**

**terms of median household income housing cost burdens, and homeownership rates are a major focus for much of the economic and community development work planned and currently underway in the City.**

These initiatives amount to more support for housing counseling organizations that prepare first time homebuyers; help leverage the work of programs such as **Strong Neighborhoods** and **Take Root Milwaukee** to broadly promote homeownership resources; work with community-based organizations to expand access to financial management and credit-building programs; and produce new units of single-family houses and development in overburdened neighborhoods.

**Milwaukee also uses CDBG funds to support Community Organizing/Crime Prevention/NSP** – Programs in a coordinated, initiative-taking approach to neighborhood stability combining organizing efforts with public health and safety efforts (DNS, Health , Police and City Attorney) as a tool in dealing with crime, neighborhood clean ups, nuisance properties, block club

### **Factor #5: Using CDBG Program Income – especially from Section 108 Loans – to Recycle Those Funds to Support Additional Eligible Activities**

Local governments face challenges in addressing their community and economic development needs. The annual CDBG allocation alone is not sufficient enough to conduct crucial large-scale community and economic development strategies that communities desperately need. As a result, communities across the those surveyed often turned to the use of Section 108 loan guarantees and other policy innovations as to leverage capital for these crucial projects.

Currently, Section 108 is supporting outstanding loans in across all the surveyed places. **Section 108 CDBG grantees help leverage large projects in ways that it could not do otherwise, but they run the risk of encumbering future CDBG allocations.** Yes, grantees can leverage financing for projects that generate jobs and wealth creating activities, e.g., economic development and new affordable housing development, with a guaranteed loan, but failure to repay the loan can result in a loss of CDBG funds to cover the guarantees.

**The CDBG activity types that can be financed through Section 108 can account for up to 70-75 percent of the total CDBG expenditures, often with less scrutiny than other uses of funds.** Enhanced economic development data for consolidated planning, made possible through the recent **Consolidated Plan improvements, helps CDBG administrators understand how they might use this financing even more.** As a reminder, the primary objective of the CDBG Program is to develop viable urban and rural communities, by expanding economic opportunities and improving the quality of life, principally for persons of low- and moderate-income. To achieve this objective, at least 70 percent of CDBG funds, including Section 108 loans, must be utilized to benefit low- and moderate-income persons (low/moderate income).

Each year the City prepares its Consolidated Annual Performance Evaluation Report (CAPER), and it is routinely submitted within ninety (90) days after the start of the new program year. Copies of the CAPER are available for review at the City of Pittsburgh's Community Development Division in the Office of Management and Budget. The HOME program is also being administered in a timely manner and in accordance with applicable activity limitations and match requirements. The City of Pittsburgh met its HOME Match requirements for the FY 2018 Program. The City of Pittsburgh has an excess of matching funds in the amount of \$9,258,078.99 for the HOME Program.

## Rethinking CDBG's Purpose: Lessons and Action Recommendations

Can CDBG revitalize overburdened communities without causing harm to those residents its mandated to serve? Should the dominant local community development narrative continue to be “market-incentivized,” a model that disperses and subsidizes most new development, primarily to lure middle- and upper-income people back into Detroit?

As the 47<sup>th</sup> anniversary of the federal Community Development Block Grant (CDBG) program approaches, a healthy re-analysis that looks at these questions is warranted in Detroit. There is a need to assess how the local program can be revamped based on how well it has performed in the past; but also, to re-look at how Detroit's CDBG Program promotes equity.

Below are eight recommendations, based on the scan of the three cities (Cleveland, Milwaukee, and Pittsburgh) and a comparative analysis with Detroit.

### Recommendation #1: The City of Detroit Should Expand the use of CDBG Funds to Facilitate Meaningful Community Engagement in CDBG

Examples from Cleveland and Milwaukee:

- The City of Cleveland Department of Community Development utilized various outreach methods and the Department of Community Development is active throughout the year, **consulting with the community development corporations, nonprofit organizations, and public agencies to gain input and feedback on citywide and neighborhood issues**, along with departmental programs.
- **The Urban Economic Development Association of Wisconsin (UEDA) is a 501 © (3) membership organization** that advocates for investing in what they call sustainable homeownership partnered with the City of Milwaukee Community Development Grant Administration (CDGA) to engage a wide array of residents, community-based organizations, local businesses, city departments and others to provide input into the Consolidated plan

### Recommendation #2: The City of Detroit Should use CDBG Resources to Stabilize Conditions for Long-Time Current Residents and Mitigate Potentially Adverse Impacts of Market-Leveraged Community Development

Examples from Pittsburgh:

- The Housing Authority of the City of Pittsburgh (HACP) and the City of Pittsburgh jointly applied for \$30 Million Choice Neighborhood Initiative to **leverage the Larimer/East Liberty NRSA comprehensive revitalization plan**. The application was subsequently approved and awarded.
- Pittsburgh's **Larimer/East Liberty is a neighborhood adjacent to the CDBG leveraged revitalized and thriving East Liberty Business District** and stands in direct contrast to the hustle and bustle next door. Scarred by the vestiges of Urban Renewal, Larimer/East Liberty is comprised of large-scale subsidized housing complexes, disconnected superblocks, a divisive 4-lane arterial road (East Liberty Blvd), and a deteriorating and disintegrating single family housing stock. Despite these obstacles to positive change, residents, businesses, and community organizations all came together to influence how the neighborhood would be revitalized.



### Recommendation #3: The City of Detroit Should use its CDBG funds to Expand the Availability of Quality Affordable Housing Choices for Current Residents

Homeownership Strategy example is cited from Pittsburgh.

- In Pittsburgh, **The Center for Housing Opportunities' (CHO)** Down Payment and Closing Cost Assistance Program (DPCCAP) provided financing to first-time homebuyers. DPCCAP is designed to help stimulate housing investment in the City by providing financial assistance to first-time homebuyers who are interested in purchasing an existing or newly constructed residential unit.

### Recommendation #4: The City of Detroit Should Use CDBG Funds to Preserve and Build on Features that Make Neighborhoods and Communities Sustainable

Milwaukee and Pittsburgh examples are below:

- The City of Pittsburgh's **Model Block Initiative** provides a source of public investment capital to remove blight and preserve neighborhood buildings in focused areas - Occupied Residential Property Exterior Work - A matching grant for occupied neighborhood residential property to support exterior repairs that address blighted conditions that could result in code violations.
- **Milwaukee Builds** - This program provides new on-site housing construction and rehabilitation training and work experience, off site academic classes and supportive services for at risk youth and adults. The program provides young people with education, employment skills and career direction leading to economic self-sufficiency while also creating affordable housing opportunities in the community.
- These initiatives amount to more support for housing counseling organizations that prepare first time homebuyers; help leverage the work of programs such as **Strong Neighborhoods and Take Root Milwaukee to broadly promote homeownership resources**; work with community-based organizations to expand access to financial management and credit-building programs; and produce new units of single-family houses and development in overburdened neighborhoods.
- **Pittsburgh's Community Organizing/Crime Prevention/NSP** – Programs are a coordinated, initiative-taking approach to neighborhood stability combining organizing efforts with public enforcement efforts (DNS, Health , Police and City Attorney) as a tool in dealing with crime, neighborhood clean ups, nuisance properties, block club

### Recommendation #5: The City of Detroit Should Use CDBG Program Income – Especially from HUD 108 Loan Repayments - to Expand Additional CDBG-Eligible Activities

Section 108 CDBG loan recipients can help leverage large projects that generate jobs and wealth creating activities, but failure to repay the loan can result in a loss of CDBG funds to cover the loan when the developer fails to repay. The CDBG activity types that can be financed through Section 108 can account for up to 70-75 percent of the total CDBG expenditures, often with less scrutiny than other uses of funds. To achieve the statutory benefit objective, at least 70 percent of CDBG funds, including Section 108 loans, must be utilized to benefit low- and moderate-income persons (low/moderate income).



### Recommendation #6: The City of Detroit Should Institute NRSA Controls

CDBG funds are essential to augment local equitable community development, yet the program's inherent flexibility with NRSA waivers, and over-reliance on incentivizing market-ready development approaches, raises concerns that local funds are not adequately focused to meet the needs of low-income people. The intense focusing of **capital and investments into NRSA's, absent controls and policies that reduce inequities in community development, too often lead to adverse consequences for current low-income residents.**

### Recommendation #7: The City of Detroit Should Use CDBG Funds to Expand AHLF to add financing of truly affordable home ownership strategies

**Detroit's AHLF** is described by the City of Detroit as a partnership between Detroit LISC, the City of Detroit Housing & Revitalization Department (HRD), and the Michigan State Housing Development Authority (MSHDA) to provide affordable rental housing developers and owners with streamlined access to financial tools that are specifically designed to address rental housing challenges in Detroit neighborhoods focused on LIHTC rental housing. With projected available funding of up to \$250 million the fund espouses an intention to preserve the affordability of 10,000 units of existing affordable LIHTC rental housing about to expire and develop 2,000 units of new affordable rental LIHTC housing.

Even though the City's description of AHLF includes "consideration" of the use of the funds for homeownership strategies, to date this has not been how the dollars are being used. The city should use the lessons from the other cities studied here, to expand AHLF to include financing for truly affordable homeownership strategies.

### Recommendation #8: Stakeholders Should Institute Community-Based Monitoring of CDBG Budgeting and Spending

CDAD should consider the potential of Community-Based Monitoring as a way of helping community-based groups and collaboratives study and learn about the major CDBG strategies and policy issues which they then may want to address through combining data and collective action.

As the Detroit community development ecosystem is being reshaped, the **time is ripe for private philanthropy and government to solidly embrace and back this important approach to increasing the accountability and effectiveness of CDBG**, and private sector projects that receive these public subsidies.

There ought to be a local push for stronger benefit monitoring to stymie efforts that **allow benefits that accrue to wealthier residents to be counted 100% toward the final benefit calculation.** This practice should be confronted and lessened at the local level.