September 25, 2015

Valerie Piper  
Deputy Assistant Secretary for Economic Development  
U.S. Department of Housing and Urban Development  
451 Seventh Street, SW  
Room 7136  
Washington, DC 20410

Re: Promise Zones Initiative: Proposed Third Rounds Selection Process Solicitation of Comment [Docket No. 5774-N-03]

Deputy Assistant Secretary Piper:

Thank you for the opportunity to offer comments on the proposed third round selection process and application guide for the Promise Zones Initiative, as well as on the Community Development Marketplace and other aspects of the Promise Zones Initiative. The Local Initiatives Support Corporation (LISC) welcomes this opportunity to provide practical feedback as a means to strengthen and focus the collaborative efforts of the local constituencies and the public and private sectors in order to improve outcomes for communities with persistent economic and social challenges.

If you have any questions about our public comments on the Promise Zones Initiative, please contact Andrea Ponsor, Policy Director at (202) 739-9279 or aponsor@lisc.org. We hope that you find our suggestions and observations useful.

ABOUT LISC
Established in 1979, LISC is a national nonprofit with a Community Development Financial Institution (CDFI) designation, dedicated to helping community residents transform distressed neighborhoods into healthy places of choice and opportunity – good places to work, do business and raise children. LISC mobilizes corporate, government and philanthropic support to provide local community development organizations with loans, grants and equity investments; as well as technical and management assistance.

LISC has local offices in 30 cities and partners with more than 70 organizations serving rural communities throughout the country. We focus our activities across five strategic community revitalization goals:

- Expanding Investment in Housing and Other Real Estate
- Increasing Family Income and Wealth
- Stimulating Economic Development
• Improving Access to Quality Education, and
• Supporting Healthy Environments and Lifestyles.

For more than three decades, LISC has developed programs and raised investment capital to help local groups revive their neighborhoods.

There are Promise Zones in several of the communities where LISC works. For example, LISC Philadelphia has been an active partner in community development within and around the West Philadelphia Promise Zone. Rural LISC also has network partners working in the Kentucky Highland Promise Zone and the Pine Ridge Reservation Promise Zones.

RECOMMENDATIONS
The following feedback is rooted in our organization’s experience in collaborating with community groups to identify the priorities and challenges of their neighborhoods, and advising them how to deliver the most appropriate support to meet local needs. We first offer comments on the third round application and guide, followed by responses to some of the questions posed in the Solicitation of Comment, which are numbered to correspond to the Federal Register notice.

A. Application/Instructions

1. Application Section: Section II Eligibility Criteria/ Section IV.B Strategy - Promise Zone Plan
The Community Eligibility Criteria allow Promise Zones with populations as large as 200,000 people. It may be difficult and beyond the experience of many applicants to execute a plan that will create outcomes across a population this large. To ensure that applicants have the capacity and are poised for success, in addition to addressing the applicants’ capacity in Section 5, the Promise Zone Plan evaluation should include a rating factor for a clear rationale for how the Plan will impact a population and area the size of the proposed Promise Zone. Applications with the most potential for success will focus on areas where there is existing capacity to serve the population of the proposed Promise Zone, as well as a well thought out strategy for how to deliver impactful investment and services to the Promise Zone.
We believe that the proposed urban qualifying criteria of at least 10,000 but no more than 200,000 residents and the proposed rural qualifying criteria of no more than 200,000 residents provides some needed flexibility in the program, but at the upper end may be too large of a focal area to recognize significant outcomes related to the stated goals of increasing economic security, expanding educational opportunities, and increasing access to quality, affordable housing, and improving public safety. One of the great successes of the existing federal place-based programs (such as Promise Neighborhoods, Choice Neighborhoods, and the Byrne Criminal Justice Innovation Program) is their ability to focus intensive resources in very specific subsets of neighborhoods. In order for the resources in the zones to be effective, they too must be channeled and coordinated in discrete locations.

We have in the past suggested tiered boundaries with applicant sub-market focal points so that any new dedicated resources – like a PZ tax incentive – are easily applied to/included in an existing strategy. To the extent that HUD does not adopt tiered boundaries, we recommend that applicants be encouraged to carefully determine
population size and boundaries for a Promise Zone where they can have meaningful impact and that they be required to demonstrate a clear rationale for how they will impact a Promise Zone of the proposed sized and population.

2. Application Sections: Section II Eligibility: Community Eligibility Criteria
Allow urban applicants the flexibility to apply the Rural applicant standard for poverty levels by focusing on areas with Overall Poverty or Extremely Low Income Rates that are at or above 20% that have at least one census tract with a Poverty Rate at or above 30%.
Even in a very small geography, having nearly one-third of residents that meet poverty and/or extremely low-income categorizations, as required in the urban Promise Zone criteria, is challenging. Meaningfully addressing issues associated with extreme levels of poverty is difficult, but especially for communities that lack access to economic revitalization resources. First round PZ designees that fit the 32.5% criteria had the benefit of being recipients of federal funding specifically focused on spurring economic investments or improving public safety, access to education or high quality affordable housing. Without an infusion of dedicated federal funds, third round designated zones that meet the 32.5% criteria will have a very difficult time moving the needle on any meaningful poverty-related indicators. Allowing applicants some flexibility in their overall poverty or extremely low income rate will make visible progress toward achieving their articulated outcomes and developing successful strategies more likely. The proposed flexibility would create consistency between the rural and urban zones.

3. Application Section: Section IV.B Strategy - Promise Zone Plan
Building the capacity of neighborhood residents and organizations should be a component of the strategy section in the proposed selection criteria and federal funding should be allocated to designees to support capacity building.
There is an inherent link between resident engagement, building the capacity of community organizations, and creating neighborhoods of choice and opportunity. Empowering people and organizations to improve their schools, make their neighborhoods safer, or to have a say in the types of businesses they would like to see in their commercial corridors creates and sustains a thriving social and economic environment. In addition to describing resident engagement, lead applicants should be required to articulate whether resident and community based organization capacity is an existing asset or a need in their areas of concentration. If the capacity of neighborhood resources is weak, applicants should be encouraged to identify how they intend to address and rectify that weakness. In the event that a lead applicant lacks the ability to provide this type of support, they should explain how their supporting and implementing partners are able to organize this effort. The role that residents will play in setting and sustaining the PZ goals should be clearly demonstrated.

4. Application Section: Section IV Strategy Part B and Section V Capacity and Local Commitment
Applicants should be invited to articulate a proposed role for the federal liaison in their plan in the Promise Zone Plan of the Strategy section.
Given that greater coordination of federal support is a major objective and priority for PZ sites, applicants should have a vision for how that coordination can help them reach their goals. We recommend that applicants be invited to explain which “systems barriers” they foresee a federal liaison helping them to tackle, such as conflicting policies between
sources of federal support that hinder leveraging or impede innovation. Applicants should also articulate how they will organize local agencies, political leaders and other stakeholders to work with the federal liaison to maximize the results from the support s/he can provide. Additional points should be awarded to applicants who are able to both articulate the need to remove particular barriers and be prescriptive about how the federal government can facilitate implementation of their strategic revitalization plan. Applicants should be encouraged to identify how the federal liaison may be a resource for collecting and communicating data in Section V Part D. As discussed in our comments below, case studies of successful roles for and partnerships with federal liaisons could be shared on the Promise Zone website.

B. Overarching Questions from Solicitation of Comment

1. Are the programs that provide preferential access for designated Promise Zones helpful? Are there policy areas or issues that you need to address that are not represented?
We assume that preferential access has been helpful to organizations working within Promise Zones, but note that tracking its impact has been difficult. While our partners working in the West Philadelphia Promise Zone have benefited from approximately $30 million in federal funding for their work within the Promise Zone, there has been no “but for” analysis of funding that quantifies the value of priority access to federal programs. We have observed that with priority access to funding, but no dedicated source of funding or even firm commitment that some amount of existing funding will be allocated to Promise Zones, communities struggle to leverage private capital. Philanthropic and conventional funders look for a commitment of government funds to the underserved neighborhoods often included in Promise Zones. Absent such a commitment, we are concerned that the private sector may be reluctant to invest, and that this will impact the sustainability of the program and related initiatives. The greatest policy need within the program is a clear source of funding, either through the Promise Zone tax credit or through a dedicated source of funding for Promise Zone and other NRI communities; preferably one that can be used by CDFIs as a tool to leverage private sector investments. While preferences for funding across a host of government programs can be helpful, the best way to drive investments to these communities is to dedicate funding for this specific purpose.

2. If your community is not designated, but you and your partners intend to continue community revitalization efforts, please explain what particular types of information, technical assistance, peer exchange, introductions or other non-competitive assistance would be helpful to you as you move your work forward?
Mapping tools such as the Promise Zone mapping tool are useful in understanding the demographics, resources and needs of communities and we and our partners would value continued access to these tools. It would be helpful if the map included an overlay showing other Neighborhood Revitalization Initiatives and any other place based programs.

Peer exchange including case studies on how federal liaisons and similar resources may be useful in developing strategies for other communities. Information on funding sources and how they can most effectively be combined and leveraged would be valuable to LISC
and its partners as they continue their community revitalization work throughout the country.

3. Do you find the MAX SURVEY sufficiently easy to use compared to other federal application systems (e.g. Grants.Gov)?
LISC is not a primary applicant for a Promise Zone application, but based on our review of the application, we find MAX SURVEY reasonably easy to use compared to other federal applications systems.

4. Would you be willing to provide the type of information requested in the Goals And Activities template for purposes of potentially connecting you to federal and private partners/peers that could facilitate your community’s development work if it were not part of a competition for a federal designation?
We expect that our partners may be more inclined to provide the type of information requested in the Goals and Activities template if this information were available to other agencies and funders to document leverage and community strategy when applying for funding sources. To the extent that the information is only available for peer exchange without any preference for funding or efficiency in other application process, we and our partners would be less likely to assume the additional administrative burden of submitting this information.

C. Community Development Marketplace

5. What kind of potential user are you? HUD has heard from foundations, investors, communities, researchers and national intermediaries and stakeholder networks, but there may be others who can use this data.
LISC is a national housing and community development intermediary and Community Development Financial Institution. Our potential uses of Community Development Marketplace include researching community strategies, identifying organizations working on particular types of transactions and documenting proposed leverage of resources.

6. Does the Third Round template capture information that would be useful to you? (See MAX SURVEY at www.hud.gov/promisezones.) If yes, how is this information useful to you?
Where sufficient detail is provided, information on community goals and strategies and names of partners will be useful both for ensuring that our efforts in areas near Promise Zones are consistent with goals and inclusive of active partners. The information will also be valuable for peer exchanges in markets where we may not work. Information on financial sources may provide helpful background on leverage where we are considering making an investment.

The Promise Zone mapping tool is also useful in understanding the demographics of Promise Zone communities, however it would be helpful if the map included an overlay showing other Neighborhood Revitalization Initiatives and any other place based programs.

7. Are there additional pieces of information that would assist you in filtering and
searching for information you would like to have?
It would be helpful to have a filter for capacity building investments made in community based organizations in addition to the filter for resident capacity building. Filters by funding type and Neighborhood Revitalization Initiative type would also be useful for both peer exchange and funders seeking information on proposed deployment of resources.

It would also be helpful for applicants and their community partners developing and supporting the liaison relationship to have case studies of how federal liaisons have supported Promise Zone initiatives in different areas.

D. Promise Zone Web site

8. Is the Web site clear and easy to use? If not, what elements would be more helpful? (See www.hud.gov/promisezones and linked program information.)
We applaud HUD for maintaining an updated and easy to use website. As the Community Development Marketplace tool develops and becomes a more robust resource, we recommend having a separate section or more noticeable link to the database as it may attract users less familiar with the Promise Zone page.

9. Is the interagency program information presented on the Web site well-matched to your community’s needs? If not, what type of information would be helpful to add?
The link titled on Federal Partner Funding and Technical Assistance Opportunities on the Federal Resources for Rural and Tribal Communities page includes only links to webcasts and does not provide specific information. A rural and tribal focused spreadsheet or page would be helpful.

D. Communications and Stakeholder Engagement

11. How can HUD communicate more clearly/effectively with residents and community based organizations about the way that the Promise Zone Initiative operates and how it supports local work?
Based on our experiences to date, we recommend that HUD commit local personnel resources for resident engagement. While we applaud the work of the federal liaisons, additional community outreach is needed. By creating and filling a longer term position for resident engagement HUD can ensure that personnel is available to attend resident meetings, conduct outreach to the community and participate more actively with community based organizations. Creation of longer term positions or staffing assignments would also ensure the sustainability of the program during a period of transition to a new administration.

12. How can the Promise Zone Initiative better engage new Americans and immigrant stakeholders?
As described above, the federal liaison or other HUD staff designated to carry out community engagement could help community based organizations coordinate communications and resources for new Americans and immigrant stakeholders. Organizations working on one issue area may have the language or access to
communities that would be helpful in communicating other issues and the availability of other programs. HUD could work with the lead applicant to bridge these resources.

Thank you for the opportunity to submit public comments. We look forward to continuing to serve as a resource on this and other issues.

Sincerely,

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