

To: Marion M. McFadden, Principal Deputy Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development

From: Erin Barnes, President and CEO, Main Street America

Re: Docket 2024-00039

Date: March 11, 2024

Main Street America (MSA) appreciates the opportunity to comment on the Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program and the proposed rule offered on January 9, 2024. MSA offers highly favorable comments in response to specific questions and proposed changes. We appreciate HUD and the Department of Community Planning and Development's commitment to low- and moderate-income communities and find that the proposed changes will enable increased economic development opportunities for Main Street downtown and neighborhood districts.

About Main Street America and Network

Main Street America (MSA) leads a collaborative movement with partners and grassroots leaders that advances shared prosperity, creates resilient economies, and improves quality of life through place-based economic development in downtowns and neighborhood commercial districts across the country. Our network of commercial district redevelopment entities includes 46 Coordinating Programs at the state, county, or metro city level, with 1,287 neighborhood and downtown affiliates committed to a place-based economic development methodology. Most of these organizations are in communities with fewer than 50,000 residents.

Uses of CDBG in Main Street Districts

CDBG is one of the most useful tools to fund and support the redevelopment of Main Street districts. From adding housing on upper floors of existing buildings through adaptive use of existing spaces to entrepreneurial development efforts and technical assistance, Main Street communities utilize CDBG to enhance economic and social outcomes. In MSA's work with state and local entities, we experience a variety of different use cases through both entitlement and non-entitlement entities. Communities can leverage CDBG funds in a place-specific way to support revitalization of their unique downtown and neighborhood Main Street districts. The program is especially valuable in the wide range of uses it offers, from public space activation to facade improvements, to stormwater management, to streetscape infrastructure changes. These include examples such as:

- In Boston, 20 neighborhood business districts use CDBG funds for a variety of revitalization activities resulting in an estimated 2500 business supported and 500 jobs created or retained annually.
- In Indiana, rural communities are rehabilitating downtown facades and creating community programming through the PreseVING Main Street grant program. This program establishes

new opportunities for storefront businesses and creates cohesive strategies for reinvestment in downtown areas.

- In Iowa, small towns like Ottumwa leverage CDBG support to add sustainable water management infrastructure, renovate historic building facades, add upper-story housing units, offer public space improvements

Our network is committed to ensuring that existing funding sources such as CDBG are utilized successfully for downtown and neighborhood revitalization.

Specific Comments in Response to HUD's Proposed Rule

The impact of CDBG in Main Street districts indicates that this consistent funding is an essential source of potential impact for businesses, buildings, and people. Through feedback from our network leaders and staff, we offer the following comments about HUD's proposed changes:

Low- and Moderate-Income (LMI) Criteria—Creating or Retaining Jobs

HUD asked about the potential impacts of changes to the criteria for measuring the creation or retention of jobs including standardizing the presumptive poverty rate, requiring use of the American Community Survey, and removing the higher poverty rate for central business districts. We agree these changes will ease the process for CDBG recipients and small businesses and increase the utilization of CDBG dollars to support economic development in LMI communities. During the pandemic, relaxed documentation requirements increased the utility of funds for microenterprise support. That example indicates that these changes will prove successful in reaching more entrepreneurs with CDBG funding.

That said, we believe the proposed change removing the higher poverty rate for central business districts could accelerate displacement in communities primed for quick gentrification, rather than those areas that are seeking initial investment. This change may create an incentive that, rather than supporting small businesses, will accelerate their demise. We recommend that this change be accompanied by direct support for small business owners in advance of the change to support them with commercial property ownership, a key strategy to prevent business displacement. Main Street America supports the recommendations of the Small Business Anti-Displacement Network, and we urge HUD to consider them, especially requiring resident decision-making authority in the distribution of CDBG funds and identification of projects within recipient jurisdictions.

Network members also note that there are other barriers to using CDBG funds for economic development. Current restrictions and risks often mean that CDBG is the last resort for small businesses. For example, if a business utilizing CDBG funds fails, the business would need to pay back CDBG funds. Other state or local funding opportunities may pose less financial risk to the entrepreneur and therefore are utilized more than CDBG funds.

Prevention or Elimination of Slums or Blight

HUD proposes to change the activities related to slums and blight to allow a recipient to determine with objectively verifiable data whether an area is experiencing slums or blight. We support allowing recipients to use objectively verifiable data that demonstrates that the area is experiencing physical or economic distress as this change as less restriction would encourage recipients to carry

out activities allowable under CDBG. That said, we encourage HUD to educate CDBG recipients and disseminate resources around best practices for determining what objectively verifiable data exist and how they are applied in different community contexts. For example, in some communities, areas that could be deemed blighted may hold specific cultural significance. Historically, a subjective designation of blight has been utilized to accelerate development expediency without input from residents or consideration of the important cultural significance or environmental opportunity of buildings. Thus, we encourage HUD to consider how it will mitigate the unintended consequence of destroying properties that are culturally valuable and environmentally sustainable in the redevelopment of existing sites and properties.

Special Economic Development Activities

We appreciate HUD's inclusion of specific uses of CDBG funds for special economic development activities. In Main Street districts, development projects often require the braiding of several funding sources to develop a capital stack. Additional funding specifically in pre-development and gap financing phases are critically important to Main Street projects. We anticipate this change will engender further success with existing federal incentives. For example, in 1200 Main Street districts, over 1800 Historic Tax Credit and almost 800 New Markets Tax Credit projects have helped to revitalize existing buildings. Yet, 45% of small-scale developers working in Main Street areas cite pre-development and acquisition capital as major impediments to projects. Creating clearer guidance with more ease of use of CDBG funds for these purposes will support more successful adaptive reuse and redevelopment projects.

Mixed-use Projects and Definition

The inclusion of a specific definition of "mixed-use" will support increased utility of CDBG funds in Main Street redevelopment projects. In an average commercial corridor, 50% or more of the existing buildings may be utilized for more than one use. Mixed-use infill development is also essential to maintaining the character and function of a commercial corridor. Yet, no definition currently exists to shed light on what qualifies as mixed-use buildings and development. Clarity via this definition will help communities create thriving Main Streets and support a community's civic infrastructure broadly.

Main Street leaders have found, though, that existing programs that are not clear on how funds can be applied to mixed-use buildings create confusion and are underutilized. A developer of a mixed-use project may be unable to divide the buildings' physical systems – electrical, water, envelope – into discreet funding sources. Thus, we suggest that HUD offer clarity and flexibility related to how CDBG funds can be applied in these circumstances. We appreciate that HUD has specifically called out the ability of new housing development in mixed-use properties as allowable under CDBG.

Period of Performance

We support the inclusion of a period of performance. The currently utilized timelines often create unrealistic planning and implementation expectations for economic development projects. A six-year timeline supports best practices in this area. We encourage HUD to monitor the implementation of this period of performance to determine whether a six-year timeline offers a

sufficient period for communities to determine the economic- and social-related impacts of their CDBG-supported interventions.

In conclusion, we broadly support HUD's proposed changes, and we want to specifically highlight the importance of community engagement in both HUD's revised rule and as an essential element underlying our comments above. We believe all efforts to increase community participation in the CDBG program can increase the use of funds for essential economic development functions for LMI communities. Community engagement and awareness of processes is vital to ensuring that Consolidated Plans and other planning documents reflect community vision and need. We are enthusiastic about the changes proposed, and we believe that these changes will usher in the next 50 years of essential federal investment in communities across the country.

Thank you for the chance to comment on these critical changes. Please direct any questions to Kelly Humrichouser at khumrichouser@mainstreet.org in regard to this submission.