December 16, 2022

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Washington, D.C. 20220

Small Business Administration (SBA)
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Department of Commerce (Commerce)
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Department of Transportation (DOT)
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Washington, D.C. 20590

Department of Housing & Urban Development (HUD)
451 7th Street, SW
Washington, D.C. 20410

Department of Agriculture (USDA)
1400 Independence Avenue, SW
Washington, D.C. 20250

Re: Community Investment Request for Information Comments - Opportunities and Challenges in Federal Community Investment Programs. TREAS-DO-2022-0020-0001

Dear Jessica Milano and members of the Interagency Community Investment Committee,

This letter is in response to the October 4 Request for Information (RFI) by the Interagency Community Investment Committee (ICIC). We appreciate the opportunity to share ideas on the ways Federal agencies can develop regulations and share data to create more inclusive policies. Our hope is that the suggestions included in this submission will help support a more equitable, transparent, and accountable government, and deliver on the Biden-Harris Administration's commitment to advancing equity for underserved communities.

NALCAB, the National Association for Latino Community Asset Builders, is a US Treasury-certified Community Development Financial Institution (CDFI) that represents and serves over 200 diverse nonprofit community development and asset-building organizations across the country. Over half of our members are lenders, more than 50 of which are certified CDFIs. These organizations uplift Latino communities by strengthening access to quality affordable housing, safe financial products and services and the ability to start and grow successful businesses. Many of the people served by the NALCAB Network are low- to moderate-income individuals who are first- or second-generation immigrants.

In recent years with the passage of the American Rescue Plan Act of 2021 (P.L. 117-2), the Infrastructure Investments and Jobs Act (P.L. 117-58), the Inflation Reduction Act (P.L.117-169) as well as other initiatives, the Federal Government - across multiple agencies - is deploying trillions of dollars in program funds to invest in communities. This is a historic investment. That said, it is more critical than ever that there is a collaborative effort to enhance the flow of federal dollars into underserved communities, including communities of color, to help address long-standing economic disparities. We applaud the Administration for recognizing the decades of disinvestment and unfair public policies that have stifled economic growth in underserved communities.

We offer the following responses to questions in the RFI:

Please describe examples of best practices and lessons learned from community investment projects that have layered a mix of public, private, and/or philanthropic capital. How could these projects have been more impactful or more cost effective to implement?

Community investment projects could be more impactful by allowing consortiums to apply for funding opportunities. Intentionally or not, often local nonprofits are pitted against one another in funding opportunities. We understand that resources are limited so there will be aspects of competition but encouraging and rewarding collaboration in the scoring of federal opportunities should be a priority. Increasing consortiums in the execution of federal program dollars can leverage the various capacities that the local organizations can bring for collective impact.

Additionally, at times, there are conflicting outcomes in federal opportunities. For example, a program such as the Greenhouse Gas Reduction Fund (GHGRF) aims to reduce carbon emissions and prioritize investment in low to moderate income (LMI) communities. The organizations, including Community Development Financial Institutions (CDFIs) that have deep roots and are embedded in LMI communities may not have the capacity or technical expertise needed to reduce carbon emissions that the private sector has. However, the private sector does not have the connections to the communities that are disproportionally impacted by environmental injustices. According to a report by the League of United Latin American Citizens (LULAC) nearly 2 million Latinos live in areas where the air pollution exceeds the Environmental Protection Agency's (EPA) level of concern.[1] To meaningfully invest in disadvantaged communities, the organizations with a track record of successfully serving them must be given resources for increasing capacity and technical assistance. A high level of coordination and stakeholder engagement is necessary for meaningful program execution, this must be accounted for so that organizations are able to manage this process.

It is also important to ensure community centered investments are benefiting the end beneficiaries as much as possible. Public dollars are intended to attract private dollars which brings more investment to communities that need it. However, it is the voices of the private market that influence the local deployment of the funds (that were intended to be community focused). One of the most powerful things that the private market can bring is access to data. A mechanism to entice private sector partners to share data they may have that can enhance a project and/or better show the impact of the project would be beneficial and is encouraged.

From the examples provided in response to question 1, what specific changes could agencies consider to facilitate the layering of federal funds to attract greater private follow-on funding, as they implement new community investment programs and contemplate modifications to others?

We recommend requiring an impact assessment from private market investors that invest over a determined amount of leveraged funds. This will bring public awareness to how the new/leveraged money will impact the project and mitigate unintentional negative impacts of public/private investments (displacement, loss of culture and community, etc.). We also recommend that the analysis be done by a local public entity

[1] https://lulac.org/blog/The_Fight_for_Clean_Air/

(university, community college, nonprofit, etc.) and that it be required to develop analyses that are as comprehensive and transparent as possible.

Also, allow for a portion of private leveraged funds to be used for the capacity building of the public entities involved in the project. This could require that additional funds be invested by the private sector as we do not want to dilute the funds invested. For example, if a private investor is going to receive a tax exemption for investing in a project, or a fee waiver of some kind, or a reduced interest rate, the investor must also commit to an additional 15%-20% for investing in the capacity of the public entities involved in the project.

Provide direct resources (or allow for in the budget) to facilitate coordination between local nonprofits and government entities. These engagements are often done via top-down as the government agency is the funder, which creates a power dynamic. Allow for funds to be used by the local nonprofits to pay for peer learning and engagement, through meetings, site visits and facilitated sessions by third parties. This could lead to increased trust, neutralized power dynamics and ultimately more coordination between partnering entities. It can also help with planning fatigue where already stretched thin local nonprofits are asked for input and engagement in strategy and planning activities. Local organizations should be appropriately compensated for that time.

Establish opportunities for the federal agencies responsible for drafting Requests for Proposals (RFP) and deploying funds to make direct connections with the local organizations and communities that implemented the projects. Create a program where federal agency staff can engage in peer learning and exchange with local partners. Include required site visits, facilitated working group sessions, training for federal agency staff on cultural competency, changing demographics, etc., and pay for the time of the engagement of the local nonprofits.

Promote consistency and clarity among federal agencies regarding definitions across federal programs. For example, rural definitions and the prioritization and assessment of racial equity across federal programs vary. As recent as during the public comment period for the GHGRF we saw variability around the definition for low-income and disadvantaged communities that range from the New Market Tax Credit, State Small Business Credit Initiative, CDFI Fund Target Market Definitions, among others. Having greater consistency while allowing for flexibility helps align project outcomes and heighten impact.

Increase oversight of State and Local agencies. Community investment programs have been designed with the goal of increasing equity and investment in low-income communities. However, there must be greater oversight and accountability on the local level to ensure that once funding reaches the hands of local officials it is not unnecessarily delayed in reaching the target communities or worse, never reaches them at all.

Community financial institutions play a critical role in providing safe, affordable capital and financial services to historically underserved communities. How can federal agency coordination help build the capacity of these organizations to serve their communities?

Support minority serving organizations. CDFIs that are led by, accountable to, and anchored in communities of color play an outsized role in closing opportunity gaps. However, a 2020 study by the HOPE Policy Institute found that over 14 years, among CDFI Fund awardees, white-led CDFIs had a median asset size 2.5 times larger than minority-led CDFIs.[2] This asset and capital gap gains gap persists, and minority-led CDFIs face more challenges in gaining access to philanthropic and bank funding than their white counterparts. These minority serving CDFIs are on the front lines of meeting the financial needs of people that are disproportionately underserved by traditional financial institutions and must be supported. The CDFI Fund must be fully resourced with a $1 billion dollar budget request. CDFIs will put these resources to work by providing financial services to underserved markets that have been hit hardest by economic consequences of the pandemic. High rates of unemployment and small business failures are largely concentrated in the communities CDFIs serve. We also support 40% of future CDFI Fund awards going to CDFIs with strong reach into communities of color.

Additionally, as stated in question one increasing technical assistance dollars for organizations including CDFIs will allow them to better meet the needs of the communities.

Please describe best-in-class examples of how federal technical assistance has been best implemented through public-private partnerships.

The U.S. Department of Housing and Urban Development's (HUD) Community Compass Technical Assistance (TA) program. The Community Compass TA program is designed to help HUD's customers navigate complex housing and community development challenges by equipping them with the knowledge, skills, tools, capacity, and systems to implement HUD programs and policies successfully and sustainably and provide effective administrative and managerial oversight of HUD funding.

While this is a best-in-class example there is room for improvement. A way to improve the program is to encourage more requests from the field. For example, it is currently primarily structured as a demand response system, however allowed, HUD should encourage more requests from the field that could greatly benefit from a 3rd party. We also suggest allowing for a portion of TA funds to be used as grant funds to support the engagement of local nonprofits who are often stretched thin, at capacity and have limited time to truly and deeply engage in the assessment, planning, implementation and evaluation of a local project. This is where the influence of the private market tends to outweigh the voices of the local nonprofits and/or the end beneficiaries of the projects. The private partners have a financial motive, and in turn the time, to stay deeply engaged.

Our suggestion is to focus on large scale projects that are intentionally leveraging public-private partnerships. This could also help with mitigating the negative impacts of large-scale public investments, which are mostly driven with good intentions. However, we have seen time and time again that these public-private partnerships have been the initial catalyst of driving neighborhood change as the equity lens and assessment is not considered from the beginning as the long capital neglected community greatly needs the investment. The equity lens should be at the forefront of the public-private project/partnership, not reactions to the negative byproducts after the investments are planned and implemented.

What data should the Agencies consider collecting to better understand and report the impact of community investments in reducing racial, gender, and geographic, or other economic disparities?

[2] [2] Kiyadh Burt, "Hope Policy Institute," Hope Policy Institute, November 5, 2020, http://hopepolicy.org/manage/wp-content/uploads/CDFI-Fund-Time-Series-Analysis-brief-edited.pdf.

How can the Agencies incentivize or structure data collection and reporting to promote the increased private sector and philanthropic investment in community financial institutions (CFI)?

We encourage any data collection to use both aggregate categories as well as disaggregated subcategories, including the disaggregated subcategories with respect to Latino and Asian Americans, Native Hawaiian, and Pacific Islander populations. Disaggregating the data in that way has proven to be extremely valuable to uncover disparities within the broader groupings. We also recommend collecting gender, geography and income. Data is a key component of assessing the impact and reach of a program and its collection should be required. As stated in question one - one of the most powerful things that the private market can bring is access to data. A mechanism to entice private sector partners to share data they may have that can enhance a project and/or better show the impact of the project would be beneficial and is encouraged.

In conclusion, NALCAB appreciates the opportunity to provide insight on ways interagency collaboration can further equity in underserved communities. The Federal Government is a key partner in strengthening LMI neighborhoods and spurring economic growth by helping to boost the economic trajectory of Latinos.

We look forward to our continued partnership.

Sincerely,

Clarinda Landeros

Clarinda Landeros
Director of Public Policy