

3.00 Introduction

America's cities are the strength of the nation – communities of neighborhoods where people live, work, learn, and play. When this principle is supported at the local, state, and federal levels, we can preserve the qualities that make each city unique and share better futures for all people.

It is imperative that the federal government immediately reinvest in America's cities – our infrastructure, our communities, and our people. The federal funding must be consistent, stable, and reliable. With sufficient federal funds leveraging new investment, cities can show a significant return on that investment that has been proven in the short-term and for the future of our nation.

The Administration and Congress must also continue to work with city officials on reversing or minimizing the negative effects of federal policies and programs on municipalities and while developing and implementing constructive federal-municipal partnerships.

Through policy recommendations and legislative action, the federal government must:

- Address community development needs that improve social conditions and economic opportunities that a community affords its residents;
- Encourage the active participation of the financial industry, since private financial institutions play a critical role in community development;
- Maintain and enhance the Community Development Block Grant (CDBG) and other federal programs and streamline the federal application process to help local jurisdictions access federal assistance and maintain local control;
- Assist communities in all regions of the country in pursuing economic development and vitality;
- Commit to developing sound international and national trade policies balanced with effective local autonomy;
- Support diverse housing opportunities in suitable living environments;
- Assure that legislation that affects land use is anchored by the principles of responsible federal stewardship, social responsibility, growth management and sustainable development, and respect for local authority; and
- Create an environment in which cities can provide needed community recreational services and facilities.

3.01 Community Development

A. Principles

Community development is most successful when people working together take ownership to revitalize and strengthen their community's quality of life and when communities grow in a planned, organized fashion, which they determine.

B. Goals

The goal of community development is to conserve and improve the physical, economic, cultural and social conditions and opportunities a community affords its residents. NLC urges the federal government to work with state and local governments as full partners to achieve this goal. Federal involvement in the development of local communities must:

- Strengthen municipal efforts to provide comprehensive community development;
- Provide a coordinated national approach that allows flexibility for local communities and economic regions to determine their own priorities;
- Encourage regional collaborations across municipal boundaries;
- Encourage efficient land use management that conserves limited resources and promotes sustainable development; and
- Support partnerships among the public, private, and non-profit sectors.

C. Recommended Federal Action

1. *Comprehensive Community Investment*

NLC supports federal policies that include a comprehensive community investment program that strengthens the quality of life for all and fosters social and economic growth. This investment must include, among other things, sufficient attention to improved community and economic development, transportation needs, physical infrastructure, housing, family needs, social development, job training, educational and workforce development, and employment conditions for all residents.

2. *Coordinated Approach*

NLC urges the federal government to pursue a coordinated approach to policy and program development. The direct and indirect effects of federal policies and programs must complement and encourage local community development efforts. For too long, federal programs and policies have created a conflicting patchwork that has hindered community development.

3. *Regional Approach*

NLC encourages federal policies that encourage and support a regional approach to comprehensive development, including:

- Collaborations within and among communities and regions;
- Cooperation between state and local governments;
- Promotion of regional community investment opportunities by neighboring states working together; and
- Proactive, collaborative, interstate and international partnerships pursued by metropolitan areas that cross boundaries.

NLC urges the federal government to appropriate funds for regional pilot programs. The costs and benefits of community development transcend jurisdictional boundaries that are no longer defined easily by political and geographic borders. Interlocking relationships exist among inner cities, suburbs, edge cities, and contiguous rural areas.

NLC is opposed to federal policies that inadvertently promote competition or pit cities against each other. These types of policies limit the development of comprehensive community development strategies and achievement of successful community development across the country. (*See also CED Section 3.04(C)(1)(b), Economic Development, No Inter-jurisdictional Battles*)

4. *Sustainable Development*

NLC supports federal policies that encourage efficient land use management and sensitivity to the environment and neighborhoods. The nation's finite physical and financial resources demand that the concept of sustainability guide community development initiatives to prevent exhausting limited resources.

For more details on sustainable development, see CED Section 3.07(C)(4)(c), Land Use, Promoting Sustainable Communities).

5. *Strengthening Overburdened Communities*

NLC encourages federal policies that ensure equity in program implementation and help strengthen the economic base of overburdened communities. The federal government must carefully consider program design effects on the different levels of need and fiscal capacity and constraints that exist in our large and diverse country.

6. *Public, Private, and Intergovernmental Partnerships*

NLC supports federal policies that encourage intergovernmental cooperation between the federal government, state agencies, counties, and municipalities as partners in community development efforts.

NLC also supports federal funding that encourages collaboration between local governments and community-based nonprofit organizations, community development corporations, and the business community, including:

- Cooperative partnerships with community-based nonprofit organizations to revitalize communities, reduce poverty, and provide critical social services;
- Collaborations with community development corporations to stimulate job creation, entrepreneurship, and community service; and
- Improved relationships with the private sector, because all levels of government must forge a commitment from the private sector to invest its resources in the maintenance and rehabilitation of the nation's local economic regions.

7. *Community Development Research*

The federal government should establish and fund a program of applied research and development regarding community development, housing, and economic development, which would assist local officials and practitioners to better understand and develop solutions to complex public policies and service delivery systems. Given the dynamic and complex nature of these communities, federal funding of this kind of research would represent a crucial investment that could improve local government decision-making and operations, which would secure the long-term success of economic and community development.

3.02 Financial Institutions

A. Principles

The federal government must remain an active player, through regulation and oversight, to influence the direction of the financial industry. This federal involvement must include all financial institutions, including commercial banks, mortgage lenders, savings and loans, mutual savings banks, credit unions, and industrial banks.

Playing a critical role in the development of our communities, financial institutions strongly influence future and current capital investments and economic development throughout local economic regions.

B. Goals

NLC supports actions by the federal government to:

- Strengthen and strongly enforce the Community Reinvestment Act, so that financial institutions better serve low-and moderate-income communities;
- Curb the practice of predatory lending, while still allowing subprime lenders to satisfy the home loan needs of high-risk consumers;
- Study and take appropriate action against insurance companies that are "redlining" certain communities; and

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- Re-assess its regulation and oversight of the financial industry due to the removal of firewalls between banking, mortgage lending, insurance, and securities services.

C. Recommended Federal Actions

1. Community Reinvestment Act

The federal government must remain committed to the intent and application of the Community Reinvestment Act (CRA). NLC supports vigorous enforcement of the CRA and other related laws and regulations that encourage productive investments in cities and prohibit credit “redlining.” NLC opposes any federal efforts to weaken or eliminate the CRA, or to create safe harbors for financial institutions.

a. CRA Data Availability

NLC urges federal regulatory agencies to broadly disseminate all CRA and CRA-related information, ratings, and related data using the most efficient and effective means.

b. Performance Over Process in CRA Examinations

NLC endorses comprehensive CRA rating examinations by federal regulators that emphasize the lending, investment, and service performance by financial and related institutions in meeting a community’s CRA market needs rather than emphasizing compliance with administrative processes.

c. Uniform Evaluation Procedures

The federal government must include local branches and subsidiaries in CRA examinations and ratings, conduct CRA reviews on a community basis, and apply and standardize uniform CRA evaluation ratings and procedures to all lending and other financial institutions, including credit unions. NLC opposes exceptions or loopholes that allow financial institutions to “opt-out” of complying with the comprehensive three-part evaluation of the CRA. Focusing on the institution’s service to help under-served communities and peoples, the federal government must ensure that financial institutions collect sufficient information, make it publicly available, and strive to present it in a concise and understandable format.

Federal regulators must consider the following range of information when assessing a financial institution’s CRA performance in lending, investment, and service:

- Economic and demographic characteristics of an assessment area(s), with emphasis on the needs of lower-income, minority, and other under-served populations located in the lenders’ target area and the lenders’ specific plans to address those needs;
- Lending, investment, and services opportunities in the assessment area(s), with attention to measurable lending support for community-based counseling

services and loans to community-based development agencies;

- The institution’s product offerings and business strategy;
- The institution’s capacities and constraints, including consideration of the comparative market capture ratios that the lender maintains in minority and non-minority communities; and
- The institution’s prior performance and its performance against comparable institutions.

d. CRA Enforcement

The federal government must carefully consider the unique circumstances and needs of the community when evaluating CRA compliance by lending institutions, because each community is distinctive. Federal regulatory agencies must ensure that stakeholders provide CRA plans tailored to the specific goals, needs, and assets of the community.

e. Unsatisfactory CRA Ratings

Federal bank regulatory agencies should deny applications submitted by lenders who receive unsatisfactory CRA ratings. Such lenders should be assigned a special examiner and a CRA specialist to assist them in their efforts to develop a meaningful and comprehensive CRA strategy.

f. Municipal Oversight

NLC urges rigorous federal application of the law, including developing incentives for local governments that encourage close working partnerships with local lending institutions to ensure compliant CRA outcomes.

g. Foreign-Owned Depositories

The federal government must ensure through legislation, regulation, or international agreement that foreign-owned banks operating and taking deposits from citizens in the United States also abide by the CRA.

2. Predatory Lending

In addition to enforcing the CRA, the federal government must require prime and sub-prime lenders to serve low-income populations honestly and without using predatory practices.

NLC strongly opposes the practice of “predatory lending,” whereby lenders take advantage of unsuspecting borrowers by marketing mortgage loans with excessively high interest terms and/or hidden fees, engaging in deception, or taking unfair advantage of a borrower’s lack of understanding. NLC supports legislation and regulatory action that curbs the practice of predatory lending, while still allowing sub-prime lenders to satisfy the home loan needs of high-risk consumers. NLC recognizes that not all sub-prime lending necessarily constitutes predatory lending and advises the federal government to clarify the distinction.

a. Strengthen and enforce current law

To ensure a coordinated attack on predatory practices, the federal government must:

- Strengthen the Homeownership and Equity Protection Act of 1994 (HOEPA) and expand the reach of current legislation to better regulate sub-prime lenders;
- Broaden, strengthen, and modernize other federal laws designed to protect consumers of mortgage loans, including the Truth in Lending Act (TILA), the Real Estate Settlement Procedures Act (RESPA), the Community Reinvestment Act (CRA), and the Home Mortgage Disclosures Act (HMDA);
- Allocate resources for enforcement and, where federal banking or fraud laws are violated, provide strong enforcement and stiff penalties against such predatory lenders, specifically those who target specific populations, such as the elderly, low-income families, and minorities; and
- Coordinate with states and localities to identify predatory practices and develop appropriate regulations.

b. Enact new laws to curb abusive practices and loan terms

Where appropriate, Congress must enact new legislation to restrict or prohibit such predatory practices as mandatory Single Credit Premium Insurance, unnecessarily high fees, loan flipping, balloon payments, prepayment penalties, home improvement scams, and property flipping.

Any new predatory lending legislation should include requirements for full disclosure of fees, points, and terms, and it should include strong enforcement mechanisms. Disclosure of loan terms is important, but insufficient. Congress must prohibit some outright predatory practices, such as the inclusion of single credit premium insurance or mandatory arbitration clauses.

c. Make home loan counseling more accessible and available

The federal government should allocate resources to local governments and qualified community-based organizations to provide increased counseling on the topic of home ownership and financing.

Federal law should require creditors to inform all loan applicants of available homeownership counseling programs prior to closing, to recommend that applicants seek such counseling, and to provide the prospective borrower with a list of certified counselors in the area. Once home loan counseling is available and accessible throughout the country, home loan counseling should be mandatory for certain kinds of sub-prime loans.

3. Insurance Redlining

NLC opposes insurance “redlining,” where individuals and businesses have difficulty obtaining insurance at a

rate they can afford when they provide services or manufacture products in a high-crime or impoverished areas. This pattern can be a major factor in the depression of community and economic development in certain portions of our cities and towns. To reduce insurance “redlining,” the federal government must:

- Conduct studies to determine if pricing and underwriting requirements for insurance serve as a disincentive to businesses;
- Adopt appropriate remedial measures in the form of federal insurance or guarantees if inequities are found to exist; and
- Develop insurance application reporting systems similar to that of HMDA’s mortgage lending processes.

4. Regulation of Evolving Financial Institutions

The basics of banking and finance are being transformed by institutional consolidations and technological advances that are changing the way financial institutions perform their primary functions. Future capital investments and economic development are more likely to be influenced by these changes than by direct federal assistance.

In light of these changes, the federal government should:

- Encourage cooperative partnerships between local governments, financial and finance-related institutions, community groups, citizens, and the private sector that will help shape current and future social and economic needs of the community;
- Carefully review its role regarding safety, investment, and equity as the line separating banking, investment, and services industries disappears, as fire walls are eliminated between commercial banks, securities, like brokerage firms and mortgage companies, and insurance entities; and
- Encourage the banking, investment, and services industries to explore new ways to provide service and credit to help revitalize communities, with emphasis on affordable housing, small business loans, and consumer mortgages and lines of credit.

3.03 Community Development Block Grant

A. Principles

Because it provides funding directly to cities and allows local autonomy and flexibility, the Community Development Block Grant (CDBG) is the most effective form of federal assistance currently available to local governments. CDBG successfully mobilizes resources and addresses housing, community and economic development, and physical infrastructure needs. It is the most successful federal block grant and the model against which all future federal programs must be measured. It is critical to the quality of life for our communities.

B. Goals

The federal government must fully fund CDBG as a direct allocation to cities, with the broad objective of helping low- and moderate-income people.

C. Recommended Federal Actions

1. Full Funding

As an investment in the future of America's communities, it is critical that Congress fully fund CDBG at an amount sufficient to ensure direct allocations to local governments are large enough to attract and create public/private partnerships, and to make lasting impacts on neighborhoods in need of revitalization. CDBG provides cities and counties with annual predictable levels of funding to address their unique low- and moderate-income neighborhood revitalization needs.

2. CDBG as a Separate Federal Program

CDBG, the HOME program, and federal homeless programs should be separate and distinct block grant programs. This will ensure that the communities receiving CDBG monies are able to continue to focus on their identified physical improvements, infrastructure repair and creation, neighborhood and community revitalization, social services, and economic development.

The importance of the community development aspect of the CDBG program must not be forgotten. Successful community development, including neighborhood revitalization, infrastructure, and housing, is imperative to achieving long-term economic development goals. The CDBG program provides the impetus and funding for local communities to build, maintain, and revitalize their neighborhoods unlike any other federal program.

NLC recognizes the responsibility of the federal government to review, and when necessary, improve performance measures and accountability standards for programs like CDBG in order to demonstrate meaningful and successful programmatic achievements to the public. However, the CDBG program is among the best manifestations of the partnership between federal, state and local governments. Congress and the Administration should always closely consult with municipal officials and NLC whenever legislative or regulatory reforms are proposed to the CDBG program. Moreover, any proposal that would significantly affect the distribution formula of CDBG grants to cities and towns should include hold harmless provisions that afford affected cities and towns a reasonable period of transition to adjust to the formula change.

3. Direct Funding to Cities

NLC supports direct CDBG allocations to cities. Neither the federal government nor state government should

distribute CDBG funds directly to non-profit groups without approval by a city government.

NLC supports the current HUD distribution of 70% of CDBG funds directly to entitlement communities and 30% of CDBG funds to state governments to distribute to non-entitlement local governments. States must continue to allocate funds only to non-entitlement communities, based on strict guidelines enacted by Congress and controlled by HUD, with adequate input and consultation from small cities. NLC opposes any further expansion of the state role in the CDBG program.

NLC understands the difficulty in determining standards for poverty and community need. NLC supports efforts by Congress and the Administration to update the CDBG formula allocations in a cautious, timely, and methodical fashion, to include the recipients of CDBG funding in the process. In this way, CDBG funds can continue to be distributed in a way that takes into account poverty and community need effectively, based upon the law's original intent.

4. Targeted to Low and Moderate-Income People

The primary purpose of the CDBG program is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. NLC supports the current objective of CDBG to target benefits to low- and moderate-income people. Additional burdensome targeting rules are not necessary.

5. Flexibility

NLC supports the federal government's efforts to simplify the grant process, provide more local flexibility in setting priorities and implement programs, and encourage greater local accountability.

NLC urges Congress to maintain the broad flexibility given to local governments to use CDBG funds in their communities, because flexibility and local autonomy are the cornerstones of CDBG's effectiveness and continued success. NLC opposes the implementation of restrictive regulations without regard to diverse local and regional conditions, including any new federal restrictions on eligible uses of CDBG funds or any federal requirements that cities target all their CDBG funds to one particular neighborhood (often called "neighborhood targeting").

NLC also urges Congress to limit or oppose the use of set-asides to fund new community development programs, and instead create new eligible uses of CDBG funds if an issue is significantly important to warrant consideration of a new program. Set-asides reduce the overall flexibility of the CDBG program.

Lastly, NLC supports federal financial and technical assistance to help cities target CDBG funds and leverage public and private funds in support of particular revitalization projects.

6. *Enforcement Procedures*

NLC supports adequate review, monitoring, and enforcement procedures. NLC also supports timely programming of funds.

7. *Lower Administrative Costs*

To lower administrative costs of local communities in complying with CDBG, the federal government must provide a streamlined process for administration of CDBG funds. This process should include use of compatible, affordable, and appropriate technology that will maximize efficiency in cities and towns and provide reasonable accountability for the federal government.

8. *CDBG Programs and Services*

The federal government must make federally-mandated caps on spending for social services informal and must administer them with flexibility to allow local governments to pursue a continuum of services.

NLC supports the Section 108 loan guarantee program, with improvements such as lengthening the payback period, extending eligibility to cities with multi-year grants, and allowing new single-family and multi-family unit construction.

NLC also supports permitting lump sum drawdowns of CDBG allocations for rehabilitation programs.

3.04 Economic Development

A. Principles

Successful economic development is achieved by investment in the economic, human, and physical infrastructure in a local economic region. At its core, economic development must invigorate the capacities of local economies to thrive and support municipal services. In developing its national economic policy, the federal government must work with local governments to balance the needs of local economic regions and the overall U.S. “common market.”

The federal government must recognize that unfunded mandates are detrimental to successful economic development and viability of communities throughout the nation.

All federal involvement must assure locally-driven decision-making. Municipal governments must continue to have the primary public sector responsibility to shape regional economic development. To fulfill that role, municipalities need appropriate authority, flexibility, and resources from federal, state, and county governments.

B. Goals

To support economic development throughout our cities, the federal government must:

- Fully fund direct economic development assistance programs to help local communities generally;
- Use federal tools to help distressed communities with long-term economic stagnation, persistent unemployment, chronic shortages of private investment capital, and poverty;
- Enact appropriate tax benefits to stimulate private investment in all local communities, especially distressed communities;
- Strengthen and grow the U.S. economy by helping small businesses; supporting companies conducting technology, research and development; and encouraging businesses to maintain operations domestically;
- Use statistical tools to measure conditions and make assessments;
- Involve and support local governments in decisions about procuring, siting, maintaining, and rehabilitating federal infrastructure throughout our cities; and
- Work closely with local governments when converting a military base to private uses and aid the community in its adjustment to the closure.

C. Recommended Federal Actions

1. Overarching Themes Regarding Economic Development

a. Encourage Innovation

To stimulate and sustain the “engine of innovation,” the federal government must re-assess current policies, laws, regulations, and programs and eliminate those that unduly discourage reasonable and comprehensive economic development. Innovation by the private and public sector is essential for comprehensive economic development to thrive.

The federal government must stimulate innovation by:

- Designing policies to reward innovation;
- Eliminating rigid rules that block progress and allowing performance outcomes and regulatory flexibility through program changes and waivers;
- Correcting burdensome and/or duplicative regulations and laws that inhibit innovation;
- Conducting full studies of the economic effects of environmental laws, trade policies, and immigration and refugee policies;
- Undertaking a systematic effort to re-orient its policies such as taxation, transportation, regulation, facility siting, and procurement that have led to disinvestments in municipalities; and
- Establishing and maintaining an information clearinghouse of “best practices” in economic development projects.

b. No Inter-jurisdictional Battles

NLC opposes federal economic development assistance for recipients that intend to induce firms to move from one locality to another. The federal government must discourage such “smokestack chasing.”

Federal economic development assistance must neither promote nor degenerate into competition between cities and suburbs for the location of industry and business. Inter-jurisdictional and regional competitions have historically sparked economic development battles to poach businesses and capital. Among other things, this results in poor land use decisions, economic disparities among jurisdictions within a region and, in general, creates no new economic value for the overall economy.

Instead, NLC strongly supports federal efforts to encourage regional cooperation. (*See also CED Section 3.01(C), Community Development*)

2. *Federal Economic Development Programs and Tools*

NLC supports federal economic development tools as critical investments necessary for local and regional economic growth and increased employment. The strategy’s intended outcome is to create economic growth, income, and security for all.

The federal government must provide financial assistance to promote local economic development. It must facilitate, but not unilaterally initiate, successful economic development activities at the state, regional, or local levels. Federal programs to promote economic development must satisfy the following criteria:

- Federal funds must be distributed directly to cities in a reliable and timely manner and made available for a project’s reasonable duration;
- Local governments must be able to use the federal funds in a flexible manner, accommodating unique regional and local circumstances;
- Federal application and reporting procedures must not be burdensome to local governments. The federal government must streamline the process, harmonize conflicting rules, and standardize eligibility and application requirements across programs and agencies;
- Programs must focus on attracting, retaining, and growing local business; and
- Economic development tools must be carefully designed to ensure that they achieve productive results and are not mere windfalls.

NLC supports long-term, direct federal funding to cities provided through various programs, such as:

- Community Development Block Grant;
- HOME Investment Partnerships Program;
- Workforce Investment Act (WIA);

- Transportation Equity Act of the 21st Century (TEA-21);
- Economic Development Initiative (EDI);
- Economic Development Administration (EDA) Public Works program; and
- Renewal Communities, Empowerment Zones and Enterprise Communities program (RZ/EZ/EC).

3. *Private Investment*

a. Private Investment Generally

The federal government must provide policy tools that both stimulate and reward the private sector to invest its substantial resources in local communities in a manner conducive to sound economic development and with appropriate accountability measures. (*See also CED Section 3.02(C)(1), Community Reinvestment Act*)

As one means of stimulating private investments in cities, NLC supports the continued responsible use of Industrial Revenue Bonds. The federal government should maintain its federal tax exemption for these bonds. (*See also FAIR Chapter*)

b. Private Investment in Distressed Communities

In particular, the federal government must undertake a substantial effort to encourage private investment in local regions experiencing severe long-term economic problems. These communities, often inner-city neighborhoods and low-income rural areas, have become “distressed” and are plagued by persistent problems, such as high unemployment and underemployment, insufficient affordable housing, shortages of services such as shopping centers, and, most importantly, by a chronic shortage of the private investment capital needed to stimulate and support community and economic development. Infusions of private investment would enable them to become healthy and vital local economies.

- The federal government must provide a coordinated package of focused, direct regional economic investment pilot programs that would strengthen the economic health of distressed areas. Such programs, including grants, loans, and loan guarantees for private sector and public sector entities, should be directed by a regional entity or local government consistent with local development goals.
- NLC also supports targeted incentives in the federal tax code for the location of productive enterprises in areas of long-term economic stagnation, chronic unemployment, and poverty. Using incentives, enterprises should be encouraged to train and employ unemployed, under-employed, and low- and moderate-income persons.

c. New Markets Initiative

NLC supports implementation of the New Markets Tax Credit in a timely fashion. We urge Congress to provide adequate funding for the Community Development

Financial Institutions Fund, which administers the tax credit, to continue its community reinvestment efforts.

Congress designed the New Markets Initiative to provide incentives to stimulate billions of new private capital investment in targeted areas. The investments can be made by banks, foundations, companies, or individuals by acquiring stock or other equity interests in selected community economic development entities whose primary mission is to serve distressed communities, particularly those with high poverty and low median income. The goal of this tax credit is to encourage private investors who may never have considered investing in high-risk areas to do so, thereby exploring new markets and improving the quality of life for the people of these areas. This tax credit could be an incentive for the type of investments specified in the Community Reinvestment Act.

d. Using Business Data to Attract Private Investment

Using a coordinated approach, the federal government should provide necessary information and data to local governments to help them strengthen their markets and bring their local economies back into the mainstream.

To make business data available to attract private investment in distressed communities, federal government agencies should undertake “data inventories” to identify the useful information they already maintain and make it available to businesses and cities. Working with business sector advisors, the federal government should take the lead in developing and disseminating this new market data, thereby enabling center cities to attract economic investment and become attractive places to live and work.

4. *Federal Role in Poverty Reduction*

Overall, NLC supports a comprehensive federal policy that includes local, state, private and non-profit entities and links economic development policies, priorities, and programs to poverty reduction.

a. Ability to meet job requirements

Economic development involves more than job development. Economic development cannot be sustained in areas where the supply of workers is unprepared to meet basic job requirements and consumer demand is limited by poverty. The federal government should encourage and support effective education systems, realistic job training programs, social services, transportation alternatives, and affordable housing to complement and encourage employment. (See also *CED Section 3.06(C), Promoting Homeownership and Providing Affordable Rental Units, and HD Section 4.03, Poverty and Income Support*)

b. Renewal Communities/Empowerment Zones/Enterprise Communities

NLC supports the federal Renewal Community/Empowerment Zone/Enterprise Community (RZ-EZ-EC) initiative, whose goal is job creation and retention, encouragement of local minority ownership, and participation in new businesses and joint ventures.

The EZ/EC designation can be a useful addition to complement existing community and economic development programs, but it must not affect funding and administration of programs that are not part of the EZ/EC initiative. In addition to designating a community under the EZ/EC title, the federal government must provide substantially more direct federal funding to that community, through programs and agencies like CDBG, the Workforce Investment Act, and the Economic Development Administration, to ensure the success of a designated community.

NLC urges Congress to support legislation directing HUD to produce a comprehensive strategic plan to identify and evaluate alternative assistance and incentive provisions. This legislation should contain tools to assist economic revitalization in federally designated communities or state enterprise zones, including:

- Tax incentives that are relevant to the needs of new businesses and foster expansion and retention of existing businesses.
- Additional incentives to increase the involvement of minority and women-owned businesses in designated communities in a variety of areas such as procurement and equity partnerships;
- Local flexibility to set performance measures and goals for employment. Those measures, designed in cooperation with designated community stakeholders, must not conflict with federal anti-discrimination laws, and must encourage businesses within the zone to hire low income, disadvantaged, or structurally-unemployed workers; and
- Streamlined federal regulations for a designated community to address problems of administrative complexity and burden.

5. *Increasing Computer Access and Eliminating the Digital Divide*

The availability, capability, and use of advances in technology can greatly enhance economic opportunity in the private, public, and non-profit sectors. Job training and education are critical to advancements in this area.

NLC supports federal programs that assist in providing access to the Internet and computer technology. As one means of advancing universal access, NLC encourages flexibility in the use of Community Development Block Grant funding to provide for the placement of computers and Internet access in public facilities, such as schools,

libraries, and community centers. (For a detailed list of recommended federal actions, see ITC Chapter)

Affordable access to the Internet is an essential economic development tool. Many people, primarily those of low income, do not have regular access to computers or to Internet services and, therefore, have less opportunity to take part in this country's new knowledge-based economy. Individual training and opportunities for personal advancement in essential computer literacy is directly tied to a community's ability for advancement, renewal, and economic growth. In addition, public facilities, such as hospitals, municipal government offices, and libraries located in these areas, are adversely affected and, as a result, the entire community suffers.

6. *Measuring Local Economic Conditions*

In addition to measuring national economic trends, the federal government should develop and implement improved statistical tools to measure local and regional economic conditions. The traditional measures of national economic health, such as the gross domestic product (GDP), unemployment or inflation, neither incorporate the importance nor measure the viability of local economies.

Specifically, the U.S. Office of Management and Budget (OMB) should coordinate the relevant federal agencies to assess the quality and availability of federal data necessary to develop indicators of local economies' capacity and performance. The Federal Reserve system should also develop more systematic reporting and analysis of local economic regions for its deliberations and assess the potential of more discriminating application of its monetary policy tools among local economic regions.

7. *U.S. Business and the Global Economy*

Because growth and retention of a strong employment base is essential to growth of the U.S. economy, the federal government must encourage companies to continue operations in local communities. The movement of U.S. jobs to locations abroad because of lower taxes, cheaper labor costs, and greater incentives concerns our cities.

NLC urges the federal government to increase incentives, opportunities, and support for the U.S. employment base by:

- Strengthening education and increasing training geared toward developing skills to support employability in a changing job environment (see also HD Section 4.02, *Children and Learning*, and Section 4.04, *Employment*);
- Providing tax benefits to companies that create a net increase in jobs in the United States;
- Providing incentives for U.S. businesses and educational institutions to conduct research and

development domestically, including tax incentives, direct grants, and/or transfers of federally-funded research for the purpose of maintaining and adding new jobs in the U.S. (see also CED Section 3.04(C)(8), *Technology, Research & Development*);

- Establishing criteria that any business that receives such federal R&D incentives must provide assurances to maintain operations in the U.S.;
- Expanding the Small Business Administration and Economic Development Administration programs that provide start-up capital and management training to U.S. companies;
- Providing additional funds to local communities to build and/or rebuild and maintain their physical infrastructure, including roads and mass transit systems, communications networks, electrical systems, and water and sewer systems (see also TIS, ITC, and EENR chapters);
- Supporting "business clusters" that already exist or developing and strengthening potential business clusters (see also CED Section 3.02(C)(8), *Technology, Research & Development*); and
- Focusing greater attention and resources to promote the export of U.S. goods and services through programs offered by the Departments of Agriculture, State, and Commerce as well as the Trade Development Administration, Export-Import Bank, and the Overseas Private Investment Corporation.

8. *Role of Technology, Research and Development in the U.S. Economy*

NLC urges cooperative efforts between federal, state, regional, and local governments to help craft national research and development (R&D) policies and strategies. Federal public policy attention to R&D, as an engine for economic development, should fuel partnerships, innovation, investment, and capacity building.

In particular, technology R&D is fundamental to the viability of many industry clusters, which drive local economies. Fostering R&D creates a ripple effect that strengthens those clusters, creates jobs and revenues, boosts local economic regions, and eventually grows our nation's economy.

a. *R&D – Partnerships*

It is imperative that the federal government include local governments as active partners in the public sector's economic development involvement with R&D. Traditionally, the states and federal government have led in this process. A rich vein of economic opportunity can be found in federal R&D facilities, research-related agencies, and the associated private sector, academic, and state organizations and activities located in many local economic regions. For some cities, this vein remains untapped.

b. R&D – Innovation

Research and development embodies the definition of innovation. NLC urges the federal government to:

- Maintain a commitment to speed the efficient transfer of technologies developed with federal assistance or by the federal government, while, at the same time, retain appropriate protections for national security and patent integrity;
- Support creative and efficient ways to encourage national lab spin-offs and incubator facilities to promote regional economic development; and
- Maintain a commitment to assist workers and local economies affected by military downsizing through programs like the Technology Reinvestment Program (TRP) that encourages R&D for products with both civilian and military uses (i.e., “dual-use technologies”).

c. R&D – Investment

All levels of government should demonstrate a commitment to technology R&D by providing sufficient seed capital for investments, particularly for critical investments in infrastructure. The federal government must:

- Allow local governments to use a portion of their CDBG allocations as seed capital for R&D investments;
- Ensure the timely transfer of federal equipment and property to local and state governments for R&D purposes; and
- Increase funding for the Small Business Innovation Research (SBIR) program (*see also CED Section 3.04(C)(9), Helping Small Businesses Grow*)

d. R&D – Capacity-Building

The federal government should promote the integration of technology R&D into a region’s economic development strategy, which can help build capacities, including the provision of workforce training, better transportation options, child care, and other social service supports.

9. *Helping Small Businesses Grow*

To strengthen the U.S. economy in all regions of the country, the federal government should support the growth of U.S. small businesses, which create the lion’s share of new jobs and innovations, by:

- Disbursing adequate federal assistance to new and existing small businesses according to their special needs, including credit availability, equity investment, and technical and management assistance, with a strong emphasis given to those programs that assist minority and economically-disadvantaged businesses (*see also HD Section 4.05, Equal Opportunity*);
- Passing federal tax legislation that would encourage the creation and use of venture capital through

flexible financing vehicles that enable business expansion;

- Eliminating governmental policies that make it counterproductive to issue flexible micro-business loan programs for entrepreneurial activity requiring less than \$10,000 in start up funds;
- Maintaining its commitment to stimulate more small businesses with more activities and programs like the Small Business Innovation Research (SBIR) program; and
- Increasing the capacity of the Small Business Administration (SBA) to assist companies wishing to access foreign markets.

10. *Federal Government and its Role in Local Economic Development*

NLC strongly urges the federal government to recognize the importance of local public facilities and supporting infrastructure to economic and community development.

The federal government should:

- Continue to provide assistance for local public works, particularly in deteriorated areas of cities;
- Give priority over new construction to the maintenance and rehabilitation of infrastructure, which is critical to support private economic development; and
- Target federal procurement to areas of high unemployment.

For more details about land use, see CED Section 3.07(C)(1), Federal Land Stewardship.

11. *Defense Industry*

The defense industry has become a vital element to the economic growth and stability of the nation’s cities and towns. Base closures, along with cancellation of defense contracts, have had a devastating impact on employment and economic development opportunities in our municipalities.

NLC understands that our U.S. military needs to maintain efficiency and update its inventories, but they must work with local governments when making such critical changes that impact our communities. When administering program funding for economic conversion, the federal government must:

- Assist public/private entities or consortiums in the economic conversion process with emphasis on dual-use technology applications and manufacturing extension;
- Increase assistance to dislocated military and civilian workers impacted by defense-related downsizing or base closures and realignments;
- Establish a national Economic Diversification Council, composed in part of municipal officials to serve as an advisory board to both the Congress and the White House on the most constructive means to

assist communities most severely impacted by base closures or reductions in defense-related contracts; and

- Provide DOD Office of Community Adjustment planning and redevelopment funds and technical assistance for a longer duration and with more flexibility in use when assisting communities adversely affected by defense-related cuts, including defense-related downsizing or base closures.

In general, to maximize the use of existing municipal resources, federal, state, and local governments must convert those industries that are no longer viable under their current practices into productive businesses. Several areas of concentration should be covered:

a. Base Closures

Military base closures have had significant, critical effects on the economic health of communities.

NLC urges the federal government to adopt the following policies to guide its activity related to military base closings:

- Cities should have a minimum of 30 days notice prior to official public announcements of base closures or military spending reductions or realignments. At a minimum, the federal government must keep local officials informed about the potential for closure and encourage more active participation in the closure process.
- Communities should have at least 12 months after a decision has been made to close a base before actual closure proceedings begin. During this time, the Department of Defense must continue to maintain the base adequately, making sure that the closing stages do not adversely affect the community and the subsequent transfer of property.
- The U.S. Department of Defense should provide an environmental assessment and economic impact analysis to affected communities that quantifies the impact of defense base closure plans to minimize local economic, health and safety impacts.
- The federal government should transfer ownership of closed military installations at no cost to municipalities that wish to redevelop these facilities for alternative uses. This no-cost conveyance should be transferred to the municipality for any use to be determined by the municipality with minimal restrictions.
- If affected municipalities decline to acquire closed military facilities, then affected counties or states should be allowed to acquire these facilities at no cost to the acquiring jurisdiction.
- When closed military facilities are acquired, the federal government should require acquiring entities to maintain these facilities in compliance with local ordinances.

- The federal government must make sufficient annual appropriations to pay all environmental cleanup costs associated with closed military bases prior to transfer of ownership to cities, counties, or states. If the local government would like to accept an earlier transfer, the federal government must assume perpetual responsibility for all environmental problems on these bases resulting from past military actions and operations. (*See also EENR Chapter*)
- If reuse plans are not prepared and implemented within ten years after the transfer of ownership, the properties could revert back to the federal government, only with approval of the local government. Alternatively, the federal government should take all appropriate steps to expedite the process, including fully funding appropriations to clean up and transfer the property and facilities.

b. Technology Reinvestment

NLC supports federal programs designed to assist communities, businesses, and individuals that are economically affected by defense-related cutbacks.

Given the challenges facing defense-related firms, NLC supports continued funding for the following programs:

- The Defense Conversion Adjustment Program (DCA), which provides retraining and readjustment assistance for workers affected by defense-related cutbacks;
- The Defense Diversification Program (DDP), which re-trains both military and civilian workers affected by defense-related downsizing;
- The Economic Adjustment Program in the Economic Development Administration (EDA), which helps states and local areas implement strategies for adjusting to situations that threaten serious economic dislocation - including defense downsizing; and
- Federal assistance to communities and regions to meet federal matching requirements in community development planning programs.

c. Business Development:

NLC supports federal programs that address diversification and reinvestment measures for defense firms to help them adapt to civilian markets. These measures are integral to the long term economic well being of communities.

Existing federal programs have made important strides in assisting defense firms seeking to diversify. Yet, by limiting support to funding of dual-use research and development, these initiatives do not offer remedies to the credit crunch that has severely impacted small and medium-sized defense firms.

NLC calls upon the federal government to support:

- A business development program that supports small business incubators and provides hands-on marketing and business planning assistance;
- Continued expansion of existing export promotion activities, with special emphasis on outreach to small and medium-sized businesses;
- The use of tax incentives to encourage partnerships between large and small defense firms and to encourage private initiatives which spur entrepreneurship;
- Creation of a Fund for Defense Conversion to enhance the availability of working capital for small and medium-sized defense firms;
- Continued action to enhance the availability of defense diversification projects;
- Creation of an advocacy position for small, minority, and women-owned businesses with the primary responsibility of furthering the interests of these groups in the economic conversion process; and
- Reduced regulatory, accounting, and procurement barriers to implement dual-use technologies.

12. Federal Assistance After a Disaster

After a natural or man-made disaster, the federal government must provide a streamlined, coordinated, and predictable economic assistance package to local communities to ensure long-term economic recovery and prosperity. The economic package should include federal grants, public loans, and public assisted private loans at favorable rates throughout the repayment cycle. The federal government must also provide technical assistance to assist local communities in accessing federal monetary assistance.

In providing this economic assistance, the federal government should follow these principles:

- This federal assistance must include direct grants to local government to replace city infrastructure, provide operating funds for continuance of government functions and key municipal-run services (e.g. water, police), as well as expedite economic recovery after damage to public buildings, business and manufacturing facilities, and other affected parties in local economies.
- It must minimize economic disruptions and losses from disasters through prompt reimbursement of all approved disaster recovery expenses.
- Local government authorities must be given decision-making authority and economic control in any unified redevelopment organization created by the federal government.
- Federal economic assistance must not promote and should strive to minimize competition between disaster struck cities and localities to attract business.

- The federal government must provide incentives to encourage the private sector to invest in sound recovery activities with some measure of accountability.
- The federal government must ensure that public and private funds are allocated to locally-based business as available, by maximizing the participation of local businesses and local residents in recovery projects, including the provision of training or re-training local residents as needed.
- The Small Business Administration should continue to play a critical role in recovery for small businesses after disasters.
- The federal government must restore homeowner investment equity levels for residents of disaster struck localities and promote future property investment in local communities.

3.05 International Trade and Municipalities

A. Principles

Municipal governments are key players in economic development locally, nationally, and internationally. Municipalities play a critical role in developing comprehensive economic development plans, helping local businesses, and educating citizens about regional economic assets that support new investment and promote trade.

NLC is committed to sound international and national trade policies and effective local economic development strategies. International trade and multilateral investment agreements, negotiated by the U.S. government with other countries or within the auspices of the World Trade Organization (WTO), must be in harmony with those local initiatives and must not preempt local governments' policies, laws, or regulations.

B. Goals

It is imperative that the federal government recognize the role of municipal governments as key players in developing and expanding the U.S. economy internationally, and it must work in partnership with municipalities to encourage and promote fair international trade opportunities, ensure open markets and protection of intellectual property rights, and vigorously enforce existing trade rules against dumping.

The federal government must consult with state and local officials before pursuing trade and investment agreements that affect local law-making authority and local government functions. Under certain trade and investment agreements in the areas of investment, subsidies, procurement, and services, certain local

policies may be adversely affected by global trade sanctions or federal preemption of local authority.

C. Recommended Federal Actions

1. General Concerns

a. Legal Standards

The U.S. must advocate for trade rules that contain legal standards consistent with the Constitution and applicable case law.

For example, international agreements that include standards such as “least trade restrictive” or “least burdensome” are inconsistent with the U.S. Constitution and may affect a municipality’s ability to implement effective economic development programs, environmental regulations, and zoning laws. According to U.S. Constitutional law, unless certain circumstances apply, the burden on local governments to defend their laws should be based on the standard “rationally related to a legitimate governmental interest.”

International agreements, such as the North American Free Trade Agreement (NAFTA), that define “expropriation of property” to include “indirect expropriation” or “tantamount to expropriation” are also inconsistent with U.S. Constitutional law. According to U.S. Constitutional law on takings, the term “expropriation” includes only direct expropriations.

b. Transparency in Claim Resolution

The United States and any international tribunal set up to hear challenges under these trade and investment agreements, must provide prompt notification to local governments when their local regulations or laws are being challenged. In addition, local governments must be allowed to participate fully in the international tribunal’s hearing and deliberation processes.

c. Disclosure Requirements

The United States should oppose any requirement that all national and sub-national governments disclose their subsidy programs, procurement programs, or other current or proposed local regulations and legislation to the WTO or any other international tribunal. If such a requirement were imposed, the federal government should provide a funding source to cover the administrative costs incurred by states and local governments when satisfying such disclosure requirements.

2. United States Trade Representative

NLC urges that the Office of the United States Trade Representative (USTR):

- Increase transparency, openness, and due process in trade policy and negotiations;
- Prior to negotiations, release texts of provisions currently under consideration for public and legislative analysis;
- Allow for a minimum 90 day period for review and comment by potentially affected communities;

- Provide more resources to local governments for technical assistance and education about the effect of international trade and bilateral investment agreements on their lawmaking, including regular and complete updates regarding all challenges to state and local laws brought under international agreements that could have implications for the local government’s ability to keep its own laws intact; and
- Seek NLC’s input by including NLC representatives on its Advisory Council, which NLC strongly recommends meet at least quarterly, and give reasonable weight to the input of the Advisory Council.

3. International Agreements

a. Subsidies

Currently the WTO Agreement on Subsidies & Countervailing Measures (SCM) prohibits government programs designed to favor domestic entities, including any financial contribution (subsidies, direct monetary benefits, tax credits, contributions of goods or services and price supports). NLC is concerned that many local subsidy programs may ultimately be considered violations of SCM or other trade agreements.

NLC supports the addition of a provision that protects subsidies that provide for coverage of the following two categories:

- Aid to promote economic development in areas where the standard of living is abnormally low or where there is serious underemployment; and
- Aid to facilitate the development of certain economic activities or areas, where such aid does not adversely affect trading conditions.

b. Procurement

Currently the WTO Agreement on Government Procurement (GPA) requires national governments to purchase goods and services based only on price and performance criteria. NLC is concerned that many local government programs, small business preferences, environmental preferences, or women-owned & minority business preferences, may ultimately be considered violations of GPA or other trade agreements.

NLC discourages the expansion of the GPA to include coverage of local governments. Instead, NLC supports maintaining the current status where procurement agreements only apply to national governments.

c. Services

Currently, the WTO Agreement on Trade in Services (GATS) mandates that domestic regulations must have a legitimate objective and be “no more burdensome on businesses than necessary to ensure the quality of the service.” NLC is concerned that many local government regulations may ultimately be considered violations of GATS or other trade agreements.

NLC opposes the federal government expanding service disciplines in GATS or other agreements to include coverage of:

- Basic infrastructure services, such as roads, water, power, and energy utilities;
- Restrictions on access to commercial presence on land; or
- Government service sectors, such as land and resource management, hazardous waste management, education, health care, and prison management. At a minimum, the federal government should study the effect of the current restrictions on local government before including more sectors under GATS.

NLC supports the maintenance or expansion of current exceptions to the Agreement that allow federal, state or local governments to

- Protect public morals and order,
- Protect human, animal, and plant life; and
- Secure compliance with laws or regulations regarding fraud, privacy and safety.

d. Investment

NAFTA Chapter 11 mandates that national and sub-national laws must be “least trade restrictive” on a private investor who can bring a claim for financial damages against a country. NLC is concerned that many local land use regulations may ultimately be considered violations of NAFTA or other investment agreements. Thus, NLC urges the United States government to advocate for changes in the trade rules so they are consistent with the U.S. Constitution and applicable case law. Where the trade rules may adversely affect municipalities, the U.S. government should advocate for appropriate exceptions to the current trade rules.

4. *Promoting International Trade*

The federal government must work in partnership with municipalities to encourage and promote international trade opportunities.

a. Communications

The federal government must continue to collect and make accessible to municipalities the array of trade promotion and marketing services, trade data and trends, emerging market opportunities, and planned trade missions. Those services and information are not only essential to help local and regional governments grow their economies, but are also critical to help businesses compete globally.

b. Education

The federal government should continue to provide local officials with technical assistance and education about international trade and its opportunities. The Administration should provide this aid directly to local governments.

5. *Trade Impact Assistance*

The federal government must carefully measure the domestic impact of international trade agreements that further open global markets; and consider the impact of trade agreements on local, regional and state economies in addition to the national economy. Moreover, the federal government should be accountable to state and local governments when federal trade agreements negatively impact industries that support local jobs. Therefore, it is incumbent on the federal government to provide trade impact assistance to local communities.

Industries of all type, and the jobs they support, are constantly evolving in often unpredictable ways. For that reason, federal trade impact assistance programs such as the Trade Adjustment Assistance program should have a high degree of flexibility in terms of the types of jobs eligible for assistance when domestic workers are displaced as a result of global commerce.

Federal trade impact assistance should consist of both direct support for displaced workers and direct financial support to local governments that stand to lose significant tax revenue as a result of job losses created by trade agreements. Lastly, the federal government should increase support for education and retraining efforts in areas where unemployment significantly rises as a result of a federal decision to enter into an international trade agreement.

3.06 Housing

A. Principles

NLC strongly supports federal housing policies that encourage affordable homeownership, promote affordable rental housing, and provide special needs housing and transitional housing for the homeless. NLC urges the federal government to fully fund federal housing programs at current or increased levels.

Every American deserves a decent home in a suitable living environment with adequate financial stability to maintain it. The federal government must give priority, whether directly or through provisions in the federal tax code, to meeting the housing needs of people who cannot otherwise obtain decent, affordable housing.

There is an irreplaceable role for the federal government in addressing our nation’s housing needs. Affordable housing is critical to lower-income families throughout the nation. In addition, development of affordable housing contributes to the economic vitality of our communities and local economic regions as a vehicle for creating jobs and increasing municipal tax bases. Furthermore, the development of mixed-income communities with appropriate support services,

workforce development, and education is the most effective approach to addressing concentrated poverty.

B. Goals

So local communities may support affordable homeownership and affordable rental housing, NLC supports:

- A permanent dedicated revenue stream to produce and preserve affordable housing;
- Full funding for current affordable housing programs, such as the HOME Partnerships Investment Program, Section 8 vouchers, and public housing;
- Federal tax incentives that encourage private investors to build and rehabilitate affordable housing;
- Federal programs to promote homeownership; and
- A balance between national fair housing priorities and local zoning authority.

C. Recommended Federal Actions

1. Overarching Themes and Definitions

a. Definition of Affordable Housing

NLC urges the federal government to develop policies, goals, and programs that are consistent with a definition of “affordable housing” that is based on a personal income-to-average community income ratio. The definition must also allow sufficient flexibility to meet unique local needs and circumstances.

b. Relationship Between the Federal Government and Localities

HUD’s primary roles should be as funder, facilitator, and monitor of locally focused housing programs to ensure that performance objectives are met.

NLC urges regulatory flexibility and reform of administrative guidelines in all federal public, Section 8, and other affordable housing programs. These affordable housing programs provide a viable source of housing for low- and moderate-income individuals and families, and for special populations like the elderly, persons with disabilities, and individuals with AIDS. For example, NLC supports flexible federal regulations and policies that promote local and regional balances between housing production and conservation to meet local objectives, needs and conditions.

c. Federal Housing Reform

As Congress and HUD attempt to reform federal housing programs, they must evaluate the following:

- Program reform must be results-oriented, achieving equity while balancing its direct and indirect effects on different levels of need, fiscal capacity, and constraints.
- Existing programs like CDBG and HOME, which are efficient and effective in meeting national needs, must be the models for other programs.

- Municipal governments must be involved as a partner in any program reform efforts at the federal level. If the form of federal affordable housing programs changes, local governments must still retain a central role in their implementation and management.
- Reform must not impose disproportionate responsibilities on cities and towns by reducing or withdrawing federal involvement.
- Despite varying degrees of state involvement, the federal government should not generally transfer any of its roles in federal housing programs to states.
- Federal administrative policies must increase flexibility and minimize the administrative burdens and costs to local governments. In most cases, local governments need to layer subsidies to create a workable plan to construct or rehabilitate affordable housing stock. Some programs do not work well with others because of differing federal requirements, such as use or income requirements. Federal administrative reform should expedite this layering process.

d. Consolidated Housing Plan

NLC supports, in general, the federal Consolidated Plan (the “Consolidated Plan”) as a planning tool and as a means to assess performance for housing, Community Development Block Grant, and Emergency Shelter Grant (ESG) programs. NLC strongly encourages HUD to partner with local governments to help meet the goals outlined in their Consolidated Plans.

The Consolidated Plan planning process provides cities with the opportunity to make key decisions about the mix between new, rehabilitated, and existing housing that should be assisted; the type of housing to be constructed or utilized; and the location of assisted housing units. Within broad federal guidelines, these decisions must remain at the local level, except for over-riding reasons of national importance.

In addition, the federal government must streamline the application process and help with information gathering. The preparation of a Consolidated Plan is currently complex and time-intensive for local governments. Despite good faith efforts by local governments, achieving Consolidated Plan goals is extremely difficult, so the federal government should not turn too quickly to punitive measures.

e. Assisting Senior Citizens

The federal government must continue to ensure that senior citizens have adequate housing. Federally subsidized housing programs provide an indispensable form of security against homelessness, institutionalization and loss of community for a large segment of the nation’s poor senior citizens. NLC supports:

- HUD’s Section 202 program, which provides capital advances for construction and rehabilitation

supportive housing for very low-income elderly persons and rent subsidies for the projects to help make them affordable;

- Use of Section 8 vouchers and other rental assistance programs with particular consideration of seniors' needs; and
- Federal housing programs that include long-term supportive services for the elderly. (*See also HD Section 4.06, Social Security and Seniors*)

2. Funding Streams

a. Permanent Dedicated Revenue Stream

In addition to HOME and other housing programs, Congress must establish a permanent dedicated revenue stream directly to local governments to produce and preserve affordable rental housing. These programs must allow maximum authority to local governments in meeting the needs of these households. The federal government should facilitate the provision of Section 8 vouchers for use in these affordable rental units.

It is critical to increase the availability of affordable housing for low- and moderate-income households.

- Federal funding must continue to be based on demonstrated need and go directly to localities to allow them to determine the type of housing that best meets local needs.
- Establishment of a permanent funding stream must not come at the expense of other housing programs.

b. HOME Investment Partnerships Program

NLC strongly urges the federal government to maintain the HOME Investment Partnerships Program's flexibility and to increase its annual funding to allow local governments to increase the number of affordable housing units available in their communities. The HOME Program should not include set-asides.

HOME is the nation's first block grant primarily focused on affordable housing. It has produced dramatic results, giving many low-income, working American families a quality of life in decent, affordable housing and an opportunity to move toward self-sufficiency and establish a stake in their communities. The HOME Program works well because it allows local governments flexibility within their communities, making it one of the most effective resources for new and preserved affordable housing.

c. Other Housing Programs

Other housing programs, such as Public Housing and Section 8 Subsidies, are still important federal programs, even though they do not always provide funding to cities directly. NLC supports increased funding for these important federal housing programs. (*See also CED Section 3.06(C)(4) for more details on these programs*)

- NLC supports federal housing programs that streamline procedures and eliminate burdensome,

outdated federal regulations. In cooperation with local governments, the federal government should develop broad, performance-based guidelines that provide flexibility for local governments to solve locally-identified problems.

- The federal programs should also encourage local governments to develop housing policies that offer a comprehensive continuum of care for individuals. NLC supports federal incentives to encourage regional and area-wide partnerships among the public, nonprofit, and private sectors.
- Municipalities must be the primary providers or "entitlement entities." NLC opposes state control of federal housing monies, unless requested or authorized by the municipalities. Program and funding priorities must be set at the community level. NLC also opposes any efforts to include community-based organizations as entitlement entities.
- Block grants and other housing programs should not include set-asides.

See also CED Section 3.03 on policies related to Community Development Block Grants and Section 3.04(C) for recommendations related to federal economic development programs.

d. Tax Policies to Promote Affordable Housing

NLC supports a comprehensive, equitable national housing plan. It should include tax-incentive financing for affordable housing and other tax policies, including federal mortgage insurance, that provide incentives to public-private partnerships, help leverage federal assistance, and aid municipalities in their economic redevelopment efforts.

The federal government should allow revenues derived from changes in housing-related tax provisions and from housing expenditure programs to be used for production, rehabilitation and housing allowances for low-income households.

Until effective housing supply and financing mechanisms are put in place, the federal government should retain the present tax incentives for the production, rehabilitation, and maintenance of low-income housing. NLC strongly supports reauthorization of the Mortgage Revenue Bond and Low Income Housing Tax Credit (LIHTC) programs.

i. Low-Income Housing Tax Credit (LIHTC)

NLC supports Congress's affirmation of the success of the LIHTC programs by ensuring its permanent status in the federal tax code. Congress must continue to resist any efforts to weaken or eliminate it.

Providing states with millions of dollars in new credit authority annually, the LIHTC program remains one of the few successful federal rental housing production

tools available. It has sparked private investment in nearly one million units. Congress must continue to ensure that LIHTC is indexed for inflation.

Based on the following guidelines, NLC encourages prudent modifications that will make the LIHTC program more effective in meeting housing needs:

- The federal government must conduct a thorough review of the LIHTC program to assess the effectiveness of the tax credits and identify ways to ease their implementation. Considerations should include streamlining the administrative process, thus minimizing the substantial front-end costs in the form of syndicating and underwriting fees, legal expenses, and other administrative costs.
- The federal government must encourage increased flexibility to use the tax credits to build single-family units as well as multi-family units.
- The federal government should encourage greater local participation in the state allocation process.

ii. Tax Reform Act of 1986

The Tax Reform Act of 1986 reduced the incentives for creating and rehabilitating affordable housing, and it also disrupted a number of agreements for existing low-income housing. NLC supports:

- Repeal of all retroactive provisions pertaining to low income housing which have a negative impact on such housing; and
- Reestablishment of pre-1986 accelerated depreciation measures for low-income housing.

iii. Tax Incentives to Revitalize and Stabilize Older Communities and Center Cities

NLC supports federal tax policies to promote opportunities for revitalization and stabilization of older communities and center cities. Promoting residential activity in our cities and centrally located suburban communities is essential to avoid unsustainable patterns of unplanned growth.

Federal tax policies should provide more incentives, such as lower-cost mortgages and expansion of historic preservation tax credits, to single-family residences in center cities to strengthen cities' efforts to increase home ownership, attract new residents to the cities, and ensure a more stable residential base. NLC also supports tax policies and some limited approaches, such as tax-exempt bonds, which can be used in CDBG targeted areas, as encouragement for those with mid-level incomes to live in cities or to use existing housing that would otherwise be abandoned.

3. Promoting Homeownership

Everyone must have the option to pursue homeownership, a symbol of the American dream. NLC supports federal homeownership programs whose essential components include, but are not limited to:

- Low and stable mortgage interest rates;
- Reduced amount of down payment and closing costs;
- Accessible information about the availability of federal affordable housing programs for low and moderate-income people;
- Provisions for long-term supportive services for low and moderate-income occupants and associated supportive services to create and maintain a healthy physical and social neighborhood environment, including community-based homebuyer counseling programs to help families achieve and maintain homeownership;
- Innovative ownership options for interested renters;
- Increasing the maximum FHA mortgage guarantee and the VA program;
- Supporting the continuation of mortgage revenue bonds that target first-time buyers and low- and moderate-income households;
- Allowing first-time homebuyers to use Individual Retirement Account (IRA) funds and other self-funded bonds, without penalty, for down payments;
- Supporting employer-sponsored and assisted housing;
- Implementing programs that encourage homebuyers with diverse incomes, not necessarily first-time buyers, to relocate in lower-income areas with few owner-occupants, to help increase the number of stakeholders and increase the economic strength and diversity of neighborhoods;
- Providing financial support to low- and moderate-income persons to cover increasing homeownership costs as reinvestment occurs in their neighborhoods and they are potentially displaced by "gentrification;" and
- Encouraging increased use of Section 8 vouchers as mortgage supplements for low-income homeowners.

4. Homeowner Assistance and Avoiding Foreclosure

The economic and social impact of a home foreclosure can be devastating for both families and neighborhoods, and therefore should be treated as an option of last resort by those invested in non-performing mortgages. NLC urges Congress and the Administration to clarify and improve the federal foreclosure intervention strategy to ensure struggling homeowners have opportunity and resources to respond to notices to foreclose, including, but not limited to:

- Financial and housing counseling for new homeowners;
- Financial and housing counseling for homeowners at risk of foreclosure;
- Foreclosure intervention and mediation services;
- Federal programs that support the refinance and modification of non-performing mortgages when a refinance or modification would likely result in preventing foreclosure;

- Federal incentives for financial institutions that demonstrate avoidance or refusal to participate in federal programs aimed at preventing foreclosure or otherwise avoid or ignore families that have received a notice of foreclosure; and
- Rapid rehousing for families made homeless as a result of foreclosure.

For all mortgages judged to be abusive or especially onerous, NLC urges Congress to pass legislation that permits bankruptcy courts to treat the primary residence in the same manner as other property, and to grant bankruptcy courts the authority to modify the terms of home mortgages on primary residences as a last resort to preventing foreclosure.

Lastly, NLC urges Congress to continue investing in programs, such as the Neighborhood Stabilization Program, that provide grants to cities and towns to undertake activities that prevent neighborhood decline as a result of vacant and abandoned property caused by foreclosure.

5. *Providing Affordable Rental Units*

NLC advocates a comprehensive federal policy, which provides sufficient funding to state and local governments to create more affordable rental housing, focused on low-income families with children, the homeless, the elderly, and individuals with disabilities. These programs must allow maximum authority to local governments in meeting the needs of these households.

NLC supports “public housing” and privately owned, federally subsidized housing created with funds from HOME, the Low-Income Housing Tax Credit, and other HUD-financed programs to allow localities to maintain and preserve an adequate amount of rental housing stock. The federal investment in housing over the years has generated a valuable national housing portfolio that must be preserved through federal funding, since state and local resources can rarely cover all of the financial needs for rehabilitation and owner equity.

NLC urges the federal government to continue to provide cash subsidies, such as Section 8 vouchers, to low-income families to help them afford private market-rate rental housing. However, lack of enough vouchers, coupled with the dynamics of the real estate market, is often insufficient to house all families in need.

The federal government should allow localities to determine the future of their public and assisted housing based on past performance and local conditions. A tenant-based housing voucher system to help poor people afford decent housing may be a useful addition to, but not a substitute for, the existing menu of assisted housing programs. Rental assistance should be an integral part of housing production/preservation programs, including

cash subsidies, support services, and the expansion and strengthening of the Section 8 rental subsidies.

a. Section 8

NLC supports the Section 8 Housing Choice Voucher program. Congress must adequately fund Section 8 housing vouchers and associated administrative costs so that all families and individuals in need can be housed in a safe and suitable environment.

NLC opposes the replacement of housing vouchers with a dollar-based block grant that eliminates most federal protections for low-income families. Congress should instead consider a different method to make the annual appropriation for Section 8 more predictable. For example, NLC supports the “hybrid” voucher funding policy, which relies on a longer period of time for HUD to determine the dollar amount for each jurisdiction, adds adjustments and adequate reserves for communities experiencing different cost trends, provides local incentives for cost containment, and guarantees stable funding for vouchers for the elderly and disabled.

NLC supports congressional proposals to allow HUD to provide more local flexibility in administering the Section 8 program by local Public Housing Authorities (PHAs). This flexibility should allow PHAs to determine on a local basis if they want to maintain the requirement that families cannot pay more than 30 percent of their income for public housing. NLC also supports allowing local PHAs to impose time limits on voucher recipients, as long as it is not a requirement by the federal government.

Congress must also continue to support the Section 8 “project-based” program to help local communities with critical housing shortages to maintain their current level of affordable units. The project-based Section 8 program remains important for cities. HUD must determine fair market rents by using a local community’s housing data, not with area wide data currently used by HUD. Any change to the fair market rent standard should preserve a careful balance. It is our nation’s responsibility to protect those families in need; however, we must also preserve the supply of available housing units and encourage growth by ensuring that local property owners realize a reasonable economic return on their investment.

Since the purpose of the subsidy is to provide affordable housing, it is imperative that adjustments to the recipient’s level of assistance and the community’s payment standard be made annually. Assistance payments, on behalf of a tenant family, should be made directly to the landlord by the PHA.

To be successful, the Section 8 program should also require a “continuum of care” strategy including effective outreach, counseling, and fair housing support.

The federal government must provide incentives to maintain affordable rental housing supply as part of any “tenant-based” voucher system. NLC opposes the trend of converting “project-based” Section 8 certificates, with a term of fifteen-thirty years, into one-year “tenant-based” vouchers. NLC is concerned that a “tenant-based” system would discourage private landlords from maintaining housing units at affordable rents for low-income families. If this trend becomes permanent, then Congress should extend “tenant-based” vouchers for a full 15-year period.

b. Public Housing

NLC supports publicly owned subsidized housing, or “public housing,” and supports increased funding for the Public Housing Capital Fund and full funding for the Public Housing Operating Fund. Congress should also continue to fund the HOPE VI program at funding levels sufficient to eradicate the remaining public housing dwellings that are considered “severely distressed” and replace them with new or rehabilitated mixed-income units. Public housing is essential to providing decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities.

Well-run public housing authorities (PHAs) deserve full regulatory flexibility. The federal government should not convert public housing to a tenant-based voucher system nor alter it except where a change would create more efficiency and cost-effectiveness. Troubled PHAs should be put in the hands of receivers or taken over by HUD.

Drugs and crime in public housing have reached epidemic proportions and require drastic actions. NLC supports:

- Prohibiting those evicted from public housing for criminal offenses from receiving new assistance in the form of public housing or Section 8 vouchers;
- Allowing PHAs to develop administrative grievance procedures for eviction of tenants engaged in criminal activities;
- Broadening the rights and legal authority PHAs have in fighting drugs and crime in public housing;
- Allowing leases to explicitly order evictions for criminal offenses;
- Allowing PHAs full access to national criminal history databases; and
- Increasing funds for security improvements, drug education, outreach and other preventive measures.

c. Addressing the Potential Loss of Current Affordable Housing Stock

NLC strongly advocates federal policies on and intervention in the potential critical shortage of safe, sanitary, and affordable rental housing.

d. Housing Related Supportive Services

Rental assistance, such as financial management, basic housing maintenance, and counseling to enable individuals and families to obtain self-sufficiency, should occur concurrently with federally-funded support services.

e. Lead-Based Paint and Mold Concerns

NLC supports federal legislation, regulatory alterations, or other actions to ensure adequate financing for training, clearance testing, and lab analysis and removal of lead-based paints for Section 8 and public housing landlords. Federal lead-based paint regulations have resulted in substantial outlays that seriously increase per unit housing costs for HUD-funded programs. The increased costs have resulted in fewer units that can be rehabilitated. The regulations discourage existing rental property owners from participating in the Section 8 Housing Assistance Payments Program, thus reducing housing choices for program clients.

Toxic mold growing in federally-funded affordable housing units is a danger to families living there. To reduce current and future health risks, the federal government must:

- Educate owners and tenants on how to reduce the risk of mold contamination;
- Support local health department programs that address indoor air quality;
- Establish standards of performance in mold prevention and remediation to ensure the long-term health of residents; and
- Investigate the possible establishment of a federally-guaranteed insurance pool to cover residents as well as contractors and their technicians who remediate mold.

6. *Rehabilitation & Abandoned Properties*

a. Rehabilitation

NLC urges flexibility in federal regulations to allow local governments to make decisions regarding housing rehabilitation. Local flexibility is essential because demolition and new construction often provide quicker and more cost-effective benefits than rehabilitation. The federal government must also strengthen and supplement existing rehabilitation programs, to include social services, homeownership, and home-maintenance counseling.

b. Abandoned Properties

NLC urges the federal government to update and streamline its rules and procedures governing the purchase and remediation of federally owned and abandoned commercial, industrial, and residential properties. This action would encourage local governments, non-profit organizations, tenant groups, and the private sector to buy and recycle those properties. It will also foster comprehensive local

community revitalization, economic development, and “homesteading” efforts.

7. *Providing Transitional Housing and Comprehensive Services for the Homeless*

NLC urges the federal government to acknowledge its responsibility and continue to provide assistance to local communities to address the needs of all persons affected by homelessness. Such assistance should include funding and technical assistance for emergency shelters, transitional housing, and supportive services to homeless families and individuals. The federal government should:

- Provide federal funding and incentives for the operation of homeless shelter facilities;
- Intensify efforts to identify and make available surplus federal property and equipment for emergency shelter use;
- Ensure the availability of liability insurance for emergency shelters and service providers; and
- Provide funding and support for transitional shelter to assist individuals and families moving from shelter to permanent housing.

See also HD Section 4.03(C)(6), Poverty and Income Support, Preventing Homelessness.

8. *Housing and Welfare Policy*

NLC strongly encourages cooperation between HUD, the Department of Health and Human Services, and the Department of Labor to integrate housing and welfare policies, ensuring that welfare recipients receive the housing services to meet their particular needs.

NLC opposes efforts to “cash-out” housing programs for welfare, without the addition of a vast new amount of monies to the welfare system. Such changes would have a negative effect on the effort to provide decent housing for everyone.

NLC supports the following measures:

- Continuation and expansion of HUD’s Project Self-Sufficiency;
- Extended use of Section 8 certificates or “second tier” welfare shelter allowances on a project basis;
- Expanded support for family development programs and federally assisted housing, particularly public housing;
- More transitional housing and permanent affordable housing for welfare families, including more access to housing in the private market;
- Coordination of family, elderly and disabled services in federally assisted housing;
- Allowing state and local governments to test alternative approaches that will provide for the more efficient coordination of welfare and housing assistance resources at the state and local level and encourage upgrading of housing for families receiving TANF assistance; and

- Expansion of federally-funded research on the differences between welfare and housing assistance.

9. *Fair Housing and Local Zoning Authority*

a. *NLC Opposes Housing Discrimination*

NLC supports vigorous enforcement of comprehensive federal laws and policies that will ensure and require a wide range of housing opportunities for all persons in the community of their choice. NLC supports and encourages the uniform enforcement of the Fair Housing Act and its Amendments (“FHAA”) to eliminate housing discrimination based on race, color, sex, religion, family status, national origin, and disability. It is essential that Congress make adequate federal funding available to meet these Fair Housing goals.

b. *Communities Must Maintain Local Authority*

NLC supports the FHAA and also supports local authority to enact and administer local land use laws that are “non-discriminatory” – providing for uniform application and “reasonable accommodation” to uphold a compelling public interest.

Equal housing opportunities and land use authority for local governments are not incompatible policies. Communities must be able to provide adequate facilities and services to meet the demands of proposed development. The federal government must not restrict or withhold its funds due to zoning issues unless a court has ruled, at the conclusion of a litigated case, that a zoning law enacted was in violation of anti-discrimination laws.

c. *A Regional Approach to “Fair Share” Housing – Building and Zoning Codes*

NLC urges the federal government to encourage comprehensive planning, regional cooperation, and timely implementation of innovative strategies that expand housing opportunities for everyone.

NLC encourages the federal government to provide financial incentives for implementing “fair share” arrangements across a region. NLC recognizes the responsibility of communities to provide their “fair share” of housing opportunities for low and moderate-income people.

The social and economic challenges to building adequate and sufficient housing for everyone may be met more efficiently and effectively when approached regionally, rather than competing across jurisdictions.

d. *President’s Fair Housing Council*

NLC supports the work and policies of the 1994 President’s Fair Housing Council. The Council is charged with reviewing federal policies for conformity, eliminating any impediments to fair housing, and facilitating consultation and coordination of federal efforts to promote fair housing.

NLC encourages the Council to position itself as a facilitator available to help interested parties in resolving the challenges they face in the provision and oversight of group home services.

e. Federal Administration and Litigation

The federal government must respect the legal rights of municipalities and local housing agencies and:

- Refrain from investigating or filing a housing discrimination suit against a municipality if the complaining party knowingly violates local zoning ordinances and provisions, or fails to demonstrate a good-faith effort to seek a “reasonable accommodation” to such ordinances and provisions through appropriate legal processes;
- Require that, before initiating its own investigation, HUD must refer a housing discrimination complaint to the appropriate state or local public agency for action, unless certain limited circumstances apply; and
- Administer all federal programs and activities related to housing in a manner that advances fair housing practices and objectives outlined in federal law, including preparation of an annual report on federal efforts to advance fair housing.

f. Federal Contract Standards for Group Homes

The federal government must utilize preference points for local community-based group home providers in its contract standards when contracts are let for group home services in a particular community.

g. Concerns Regarding Group Care Facilities

So cities can maintain their local zoning authority in the face of legal challenges by group care facilities, Congress must amend the FHAA to eliminate ambiguities that have exposed cities to costly, avoidable and time-consuming litigation and have even led to uneven and often perplexing judicial rulings. Communities must have local influence over the siting, proximity, and density of group care facilities to avoid over-concentration of such facilities in primarily minority, low- and moderate-income neighborhoods, and continued down-grading of those areas as more group care facilities enter.

NLC supports changes in the FHAA that would:

- Strengthen the protections in the FHAA against intimidation, harassment, and retaliation;
- Protect the First Amendment rights of residents and local officials who communicate about the siting of a group care facility;
- Require fair housing complaints to be filed in enough detail to clarify any allegation so that a local authority can prepare an informed response;
- Require a group care facility operator to comply with appropriate non-discriminatory local zoning and land use requirements, allowing a municipality

to work toward a “reasonable accommodation” before a formal FHAA complaint is filed;

- Narrow the definition of “familial status” to exclude individuals convicted of felony level crimes from protections under the FHAA;
- Permit local governments to reasonably limit the density and over-concentration of group care facilities in neighborhoods, without completely limiting housing for children in foster care and without zoning out FHAA-protected group care facilities entirely (except when conviction for felony level crime is a factor);
- Allow cities to regulate the number of recovering drug addicts and alcoholics residing in a group care facility established in a residential neighborhood;
- Allow cities to regulate group homes for individuals with disabilities who have also been convicted of a felony level crime (both adults and juveniles); and
- Increase federal funding for adequate licensing and oversight of group homes to ensure that residents are adequately supervised and cared for, and to ensure their health and safety and that of their neighbors.

NLC supports practical and long-term means to resolve these important issues regarding the scope of city authority relating to the siting and operation of group homes. Current HUD and Department of Justice regulations regarding disabled residents and children do not address how local governments can determine if residents in group homes are a threat to public safety and provide no guidance on how a municipality can respond to threats to public safety until an actual incident occurs.

3.07 Land Use

A. Principles

Local communities must be able to control land use and zoning issues, and the federal government must respect these local code and land use plans.

However, NLC acknowledges that some legitimate national policy interests may override local interests in land use matters. These factors include protecting land with natural and renewable resources, enforcing federal fair housing laws, mitigating for natural disasters, and coordinating transportation needs with land use decisions to minimize air quality concerns. Under those circumstances, the federal government must:

- Work closely with local governments to achieve that balance; and
- Provide financial incentives, technical assistance, and information to aid local communities in satisfying these national interests.

B. Goals

Land and its uses are powerful issues for many people. The different levels of government must carefully balance individual property rights with responsible land

stewardship. NLC's land use policies are anchored by the following vision:

- NLC supports federal construction and procurement policies that promote the goals of comprehensive land use planning and minimize the harm on local communities.
- The federal government must encourage local land use that is well-planned, utilizing a regional approach that protects the environment and that supports historic preservation.
- Federal policies must encourage local planning that creates and preserves sustainable communities and a strong quality of life, safeguards economic health, and fairly assigns costs and responsibilities.
- Federal policies must respect local authority and land use decisions. NLC opposes any federal, state, county or any other non-municipal government unilaterally making local land use decisions. Local government should have the opportunity to develop responsible land use plans and policies by themselves within the context of general federal, state, and regional goals.
- Because land use is related to many of today's pressing public policy issues, any federal policy addressing land use should include economic development, transportation, affordable housing, "brownfields" reclamation, wetlands preservation, infrastructure improvements, regional cooperation, historic preservation and revitalization, in addition to zoning and planning.

C. Recommended Federal Actions

1. Federal Land Stewardship

a. Direct Federal Actions – Building and Procurement
Federal construction, consolidation, and relocation policies can either aid in revitalizing an area or hasten its decline.

The federal government should collaborate with state and local governments to:

- Involve local officials in its siting and building planning at the earliest possible point;
- Build or adapt structures in developed areas with existing transportation and infrastructure systems rather than moving to the fringe of an urban area;
- Locate facilities in accordance with municipal development plans, zoning and building codes;
- Prepare environmental impact statements for federal facilities that include social and economic ramifications;
- Encourage leasing rather than federal ownership, to avoid reductions of the local property tax base;
- If federal properties are not leased, provide payments in lieu of taxes for facilities, such as those paid by PHAs;
- Incorporate the most current design and building technologies to help mitigate potential structural damage from natural and man-made disasters; and

- If the federal government closes or moves major facilities, make available those existing facilities to cities for their economic development efforts, with appropriate financial and reuse assistance to facilitate the shift.

b. Federal Post Offices

The U.S. Postal Service (USPS) and other quasi-governmental agencies should follow all of the above recommendations. In addition, the USPS should consider the effect of facility closures on towns and cities.

To preserve the downtowns of this nation's communities, Congress must require the USPS to cooperate with local governments when planning to restore, replace, close, or relocate a postal facility, including dialogue and cooperative efforts between the USPS and local communities before any actions are undertaken. NLC supports federal legislation that would allow communities the opportunity to offer alternatives to Postal Service plans to restore, replace, close, or relocate facilities. The USPS should evaluate and discuss its options with the local community in the least disruptive manner.

c. Implicit Federal Land Use Policies

Although not labeled as "land use" programs, many federal actions, such as federal tax and regulatory policies, and federal grant and categorical programs, have substantial land use effects on regions and communities.

- At a minimum, the federal government should establish reliable methods to identify negative effects and avoid or stop specific federal actions that contribute to them. Local jurisdictions with actual or potential adverse effects must be party to these procedures.
- The Executive Branch and Congress should regularly review existing and proposed federal programs and policies for their indirect impacts and make changes to minimize any negative land use outcomes.
- The federal government should work directly with local government to eliminate or change federal policies and regulations that contribute to or encourage unplanned growth, such as provisions contained in the federal tax code or in housing, transportation or environmental protection rules.
- Federally-owned or controlled lands and facilities must be compatible with land use plans and goals of jurisdictions in which they are located and must contribute to the revitalization and/or stabilization of center cities.
- Federal and state governments should provide compensation to local jurisdictions suffering revenue losses and other adverse effects from land use or land use-related decisions that are imposed by

federal or state government and do not conform to regional and local plans.

d. Federal Surplus Property

The federal government holds title to many unused and underused land parcels and properties across the nation. Legal authority exists to allow the federal government to dispose of properties that exceed federal agencies' needs and make them available to local governments at reasonable cost or no cost.

NLC urges vigorous and sensitive use of this authority. Federal agencies should regularly reassess their needs for unused or under-used properties, especially those located in communities with shortages of land. Listing and transfer of any available properties should fall under the General Services Administration's jurisdiction, who should offer the properties to local governments at reasonable or no costs and provide development assistance. (*See also FAIR Chapter*)

e. Federally Owned Public Lands

When federally owned public lands are not designated as protected or national refuge lands, NLC supports the federal government's release of those public lands to units of local government, if the unit of local government chooses to accept it. Transfer of these lands to local government control can be a critical component to economic development activities of communities dominated by public lands. Federal agencies with jurisdiction over these public lands must guarantee clean up of any contamination on or from the federal land that occurred prior to the transfer or contemporaneously with the transfer. (*See also EENR Chapter*)

2. Social Responsibility

a. Regional and Comprehensive Land Use Planning

NLC supports federal programs that provide financial and technical assistance to local governments for land use planning and coordination of planning with related activities, especially those mandated by the federal government (e.g., economic development, environmental protection, transportation) and those including energy conservation and natural disaster mitigation dimensions to this coordinated planning.

NLC also supports federal programs that provide incentives for local officials to cooperate with regional and sub-regional planning organizations. (*See also FAIR Chapter*)

b. Metropolitan Environmental Design

The federal government, in cooperation with local officials, should encourage improved metropolitan environmental design by:

- Ensuring sufficient federal funds for design management activities in communities;

- Requesting that federal agencies involved in physical development in cities evaluate the social, economic, and cultural effects of completed projects in metropolitan areas;
- Promoting more federally-funded research into the effects that well-designed and locally-designed development can have on the metropolitan community;
- Increasing the local government's role in the planning and siting of federal construction projects to promote design excellence and good design practices; and
- Discouraging federal subsidies that enable large commercial developments to locate on the fringes of metropolitan areas, thus contributing to sprawl.

3. Historic Preservation

a. Encourage Rehabilitation

NLC supports federal efforts to encourage the rehabilitation of older properties and the preservation, restoration, or adaptive re-use of significant historic, cultural, landscape, and architectural landmarks and properties. Historic preservation is a vehicle for stimulating neighborhood and downtown revitalization, economic development, job development, energy conservation, and tourism.

b. Streamlined Federal Regulations

NLC encourages federal efforts to improve effectiveness and efficiency through streamlined historic preservation regulations and elimination of inefficient administrative requirements for historic preservation planning and projects.

While NLC supports active roles for federal and state governments in providing programs for the protection of historic properties, local governments must have lead responsibility for decisions on properties considered for National Register of Historic Places designations, and protection of historic properties should be balanced with other important objectives and policies critical to community viability and quality of life.

Within this context, NLC supports stronger participation in the federal preservation program by local government.

c. Federal Tax Incentives

NLC supports existing federal tax incentives that encourage rehabilitation of older properties, and the preservation, restoration or adaptive re-use of historic, cultural, landscape, and architectural properties. NLC urges the federal government to consider expanding historic preservation tax credits to residential properties if the direct and indirect budgetary, economic, and social policy benefits exceed the projected costs to taxpayers.

d. Federal Appropriations

NLC supports continued appropriation of adequate and reliable federal financial assistance to aid in the administration of state and local preservation programs.

e. Role in Affordable Housing:

NLC urges federal, state, and local governments and all other stakeholders to work cooperatively to harmonize national historic preservation goals with the special economic and social needs associated with affordable housing, infill development, and related economic development activities.

- Financial Assistance – Historic preservation policy and projects must be flexible to avoid “backdoor evictions” of residents who do not have the financial resources to comply with federal rehabilitation standards and requirements. The federal government should support adequate and consistent funding to low- and moderate-income homeowners whose homes are either located in historic districts or are designated as historical as part of the funding appropriated for redevelopment projects.
- Programmatic Approaches – The federal government should encourage state, county, and local governments to develop programmatic agreements to streamline the Section 106 review of federally-assisted projects, particularly redevelopment projects, including the adoption of “treatment and design protocols” for rehabilitation of affordable housing and infill new construction.

4. Land Use and Growth Management

a. Local Decision Making about Growth

The federal government must support local determinations of livability policies and must not implement policies that hamper a local government’s ability to control growth and land use. Growth is inevitable in many communities. Local governments face challenges to cultivate a planned growth process that preserves a strong quality of life, safeguards economic health, and fairly assigns costs and responsibilities. The tough, practical issues revolve around choices, costs, and unintended consequences of unplanned growth, commonly referred to as sprawl.

b. Encouraging Planned Growth

The federal government should, however, encourage local governments to use planned growth strategies, through technical assistance and training, as well as financial incentives. NLC supports planned growth, including housing development and/or regional land use planning, for the purpose of sustaining and improving the vitality and quality of life in our nation’s communities. Likewise, NLC opposes unplanned growth and further disinvestment in center city areas that undercuts the vitality of existing developed places. Such policies lead to unnecessary consumption of valuable open space, agricultural land, and government resources.

c. Promoting Sustainable Communities

In cooperation with state and local governments, the federal government must promote the concept of sustainability to guide local community development activities and prevent draining limited energy and natural resources to meet today’s needs at the expense of future generations. Unplanned growth could result in loss of environmentally sensitive areas like wetlands, wildlife habitats, flood plains, unique geological formations, coastal zones, and renewable resource lands, as well as prime agricultural lands, steep slopes, forest and grazing lands, energy sources, watersheds and aquifers. (*See also EENR Chapter*)

To meet national sustainable goals, the federal government must:

- Promote land development that permits appropriate integration of living, working, shopping, recreation, transportation, communications, education, and natural resources;
- Provide continued funding to revitalize distressed areas, including federal tax incentives to encourage housing and business development in those areas;
- Encourage “in-fill” redevelopment of neglected urban/suburban areas to discourage unplanned growth;
- Identify financial tools and technical resources that help broaden the development choices available to communities;
- Provide relevant information for communities to support their efforts to grow in ways that ensure a high quality of life and strong, sustainable economic and physical growth;
- Provide incentives for communities to work together to meet the challenges and embrace the opportunities presented by growth;
- Eliminate or modify federal policies and regulations that encourage unplanned growth;
- Maintain a strong appreciation for sustainability in community and economic development and housing policies and program implementation (*see also EENR Chapter*); and
- Encourage thorough coordination of transportation policy with land use and economic development, as with “transit-oriented development.” Transportation and infrastructure are critical influences on land use. (*See also TIS Chapter*)

5. Federal Support Regarding Natural Disasters

Critical to the recovery of cities and towns affected by natural disasters, the federal government must provide economic support by:

- Reducing the high cost of natural disasters to local government through federal funding, such as tax incentives, of appropriate local pre- and post-disaster mitigation activities, such as retrofitting

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- existing structures and locating new construction outside of high-risk areas; and
 - Providing clarification by the Federal Emergency Management Agency (FEMA) of its definition of a high-risk area, taking into account changes in new and existing construction.

See also PSCP Chapter and CED Section 3.04(C)(12), Federal Assistance After a Disaster.

3.08 Recreation

A. Principles

Recreation opportunities are an essential aspect of the quality of life and must be available, affordable and accessible to all citizens.

B. Goals

A broad range of recreation opportunities, including physical, artistic, and cultural, should meet the needs of people where they live – in the nation’s municipalities, large and small. There is a particular urgency to provide public open space and recreational facilities in inner city neighborhoods.

C. Recommended Federal Actions

1. Urban Recreation

In addition to existing federal recreation programs, Congress must establish a program specifically geared toward urban recreation. The program should include adequate funding directly to municipalities and counties to acquire land, construct quality facilities, and provide competent staff.

2. Unilateral Federal or State Action

When unilateral federal or state action decreases the recreation land or facilities available to citizens, the federal government should provide funds to the affected local government to improve existing facilities or to purchase and develop additional land to replace the land or facility taken.