



Hartford Foundation

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**Effective Place-based Policies can help facilitate Equitable Economic Prosperity for both Urban and Rural Regions.**

Testimony of

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Chairman Himes and Ranking member Steil, thank you both along with the members of the Select Committee for the opportunity to testify today. My testimony is informed by over 20 years of practical experience in economically distressed communities. As the former Mayor of Youngstown, OH, I helped craft a vision for a city that experienced amongst the most prolonged and significant economic upheaval of any American city. My experience also encompasses my tenure as the former Director of the U.S. Office of Recovery for Auto Communities and Workers and later the Assistant Secretary of Commerce for Economic Development, during which I led the U.S. Economic Development Administration. And finally, my current role as President and CEO of the Hartford Foundation for Public Giving.

I have traveled extensively across this county, spending considerable time on the ground in both urban and rural regions engaging directly with a diverse array of stakeholders on the issue of economic recovery and resilience. A common thread that connects all these areas is the recognition that while federal policy cannot be individually tailored to each community, federal policy works best when it provides an appropriate amount of flexibility for communities to leverage the assets and opportunities that are unique to the economic development challenges they are seeking to overcome. I acknowledge the importance of communities being accountable stewards of taxpayer resources. Yet, responsible stewardship of those resources paired with the ability of communities to utilize those resources in flexible and innovative ways, do not have to be mutually exclusive approaches.

For example, the Community Development Block Grant Program which has existed for several decades, continues to be one of the most flexible and impact means through which the federal government can facilitate economic growth in underserved areas. More recently, the American Rescue Plan Act (ARPA) provided a wider aperture through which communities were able to use federal resources to recover from the COVID-19 induced economic decline, while also positioning themselves for future, more equitable, economic resilience.

### **Integrated Investment of Federal Economic Development Funds**

Also proven effective, are investment tools and approaches which fall under the purview of the U.S. Economic Development Administration, which I led for almost three years. There are other federal agencies with similar tools, which have proven equally effective in spurring more equitable private investment in both rural and urban communities.

During my tenure as Asst. Secretary, EDA and OMB crafted a vision for the effective integration of federal economic development resources and the institutionalization of the Administration's successful and impactful place-based initiatives – which is the very issue this Select Committee has convened around. The premise of this idea was, the federal government spends over \$20 billion every year in economic development programming for identified needs across the US. Several departments and agencies are responsible for this funding, including Commerce (DOC), Treasury, Housing and Urban Development (HUD), Small Business Administration (SBA), Environmental Protection Agency (EPA), Labor (DOL), Agriculture (USDA), Transportation (DOT), Defense (DOD), Appalachian Regional Commission (ARC), and Delta Regional Authority (DRA).

While each agency's funding and programs address community needs per the agency's subject matter expertise, mission focus, and statutory authorities, this too often results in "stove-piped" program

execution. As such, federal funding and programs are not integrated with each other or with a community's overall comprehensive economic development strategy.

Federal funding related to economic development from across agencies could be integrated and tied to common and standardized regional comprehensive economic development strategies. A version of EDA's Comprehensive Economic Development Strategy plan, with private sector input and modifications to encompass areas not under economic distress, could serve as the anchor for integrating federal economic development investments.

EDA possesses broad and deep experience across multiple programs and special initiatives which can be used to create an administrative infrastructure that effectively supports integration of cross-agency resources for transformative economic development and growth in economically challenged regions. By reducing the costs of accessing and administering project funds, more projects can be funded, with better outcomes for each dollar invested because the funds can address multiple community needs in one transaction.

### **Partnering with Philanthropy to Increase Equitable Economic Opportunity**

The Hartford Foundation for Public Giving – serving the 29-town Greater Hartford region in Connecticut– is one of the oldest and largest community foundations in the country. The Foundation has been actively learning what role our organization can play in creating more inclusive economic growth and opportunity, with a focus on addressing systemic inequities most acutely impacting residents of the City of Hartford who are people of color.

Equitable development requires communities to be an active part of creating solutions, it requires direct, targeted subsidy as well as long-term strategic programming designed to build wealth in low-income communities, it requires policies that facilitate choice, including in where to live

In 2020, the Foundation completed a landscape scan 2020 that focused on strategy development to address the racial/ethnic wealth-gap. The project featured literature review, an inventory of our more recent investments, and a qualitative landscape scan. We found that strategies must have a racial equity lens and contribute both to immediate and direct emergency relief (e.g., COVID stimulus, rental assistance), while also supporting longer-term wealth-building strategies (e.g., pathways to home ownership and a combination of coaching, technical assistance, and access to capital to encourage stability and growth of small businesses).

Policies developed for specific communities should be informed by those most impacted in the development of the design and implementation phase of that work. Programs could require and fund the use of resident advisory councils. For example, the Foundation in collaboration with two other Connecticut community foundations, are supporting the Baby Bonds Parent Advisory Council to inform the implementation of a baby bonds program for Connecticut children is covered by the state's Medicaid program.

The Foundation's work in housing and neighborhood development is two-fold, aligning and leveraging investments to increase opportunities in Hartford neighborhoods, and ensuring that Hartford residents who choose to live in communities outside of the city, have the agency and opportunity to do so.

Hartford neighborhoods, like other post-industrial small cities in the Northeast, have suffered the long-term effects of disinvestment and a high concentration of poverty (39 percent of Hartford's housing stock is deed restricted to low/moderate income residents.) Hartford's weak housing market and history of disinvestment limits property owners' ability to invest in necessary improvements, as the cost of those improvements frequently exceeds what can be supported by the homes' appraised value. Given what we call the "appraisal gap," it is understandable that some homeowners and business owners hesitate to invest in improvements, further depressing property values and perpetuating a vicious cycle. Hartford's ongoing struggles with blight and a stagnant housing market are key issues that require targeted intervention and investment to reverse.

In our cities, we must adopt revitalization strategies that provide Black and Latinx residents meaningful ownership opportunities so that they can be the benefactors of neighborhood growth and vitality. However, in cities like Hartford where this "appraisal gap" exists, ownership does not always lead to wealth building. Federal programs and subsidies to support increased homeownership and revitalization of small mixed use and single and multi-family development is critical.

Federal tools such as the low-income housing tax credit and the new markets tax credit are generally reserved for large projects, but our neighborhoods need smaller and nimbler tools to reverse the cycle of disinvestment. The Hartford Foundation had been funding this type of subsidy on a pilot basis, but we and other philanthropic investors do not have the vast array of resources to make more meaningful impact. The Foundation most recently provided a housing advocacy grant to the Hartford Land Bank which resulted in the Connecticut General Assembly's approval of \$20 million for a new homeownership subsidy in qualified census tracts in collaboration with local Community Development Financial Institutions. While this state funding is a start, passage of the federal Neighborhood Homes Reinvestment Act would address some of the appraisal gap issues that homeowners in low-income neighborhoods face.

To do this work, it is necessary to understand all relevant barriers to community revitalization – including inequitable access to digital technology needed by residents and small businesses. In 2020, the Foundation partnered with the City of Hartford, and the Dalio Education Foundation to provide free Wi-Fi access to residents and businesses in underserved neighborhoods in Hartford.

Unfortunately, some federal policies such as Opportunity Zones are designed to benefit outside, wealthy, investors more than the residents of disinvested communities. In Hartford neighborhoods, returns on investments are low, thus developments in Opportunity Zones have not seen interest from investors who are focused on more lucrative markets with greater opportunities for growth.

In addition to investing in our cities we must address the systemic policies that have led to this concentration of poverty and lack of mobility for urban residents. The Foundation has been investing in resident education, organizing and advocacy in our suburban and rural areas to better understand the history of inequitable housing policy, redlining, and exclusionary zoning and how it has created the extreme racial segregation we see today. While we hope that by educating residents, town planners, planning and zoning officials and others, we will see change, we know that to truly address this issue intervention at the state and federal level is needed.

Federal programs that could aid in mobility and equitable zoning include continuing to expand and reformulate the Housing Voucher Program to target assistance to families with young children, provide

property owner incentives to unrestricted access to high performing schools, and ensure that voucher values reflect localized rents. As we have advocated for equitable zoning in Connecticut, federal initiatives that could further support these efforts including incentives/rewards for jurisdictions that plan and zone for their fair portion of the regional need for affordable housing and investment in sewer and infrastructure expansion that promotes density and affordability.

The federal government has a vital role in facilitating the economic transformation of our underserved urban and rural communities. Jobs are not created by politicians or government agencies. However, federal policies do play a critical role in helping to shape the economic environment. The public sector also plays a crucial role in investing in infrastructure, promoting innovation, and encouraging regional cooperation, which likewise boosts private sector job creation. In an environment of scarce resources, it becomes ever more important that federal placed-based policies spur investment that is equitable, strategic, and catalytic.

As former Demos president and author Heather McGhee said in her book *The Sum of Us*, “Poverty is a policy choice. The more families we have with enough economic security, and by that, I mean simply cash in the bank to be able to meet their needs and invest in their dreams, the better off we’ll all be.” We know that racism shapes opportunities for black and brown residents, and we know that the opportunities available to people of color today remain deeply impacted by inequitable policies rooted in the past. New policies and new strategies need to dismantle the barriers and burdens imposed by this legacy.