



Regulations Division  
Office of General Counsel  
Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW, Room 10276  
Washington, D.C. 20410-0500  
Re: Docket No. FR-6148-P-01

## **Submission for Community Development Block Grant Program, Consolidated Plans, and Indian Community Development Block Grant Program Changes**

The [Partners for Rural Transformation](#) (PRT) is a collective of 6 place-based organizations (the “Partners”) that address economic and community development needs in regions of persistent poverty. Our regions include Appalachia, Mississippi Delta, Native American Communities, the Deep South, the Rio Grande Valley and farming regions in the Rural West. It is essential to understand that these regions are persistently poor purposefully. These regions, most of which are communities of color, are survivors of extractive economies, slavery, structural racism, and political decisions made by those in power. PRT Partners and our national partners work diligently to repair the damage done by past and recent disinvestment into our regions.

Our Partners live in the regions they serve, giving them the necessary understanding of historical contexts, cultural nuances, gaps, and solutions to infuse capital into places that have historically been neglected by most funding streams. PRT also has multiple national partners that share a similar mission of eradicating persistent poverty in rural and/or Native communities. We are thankful for the opportunity to discuss solutions to maximize the impact of the Community Development Block Grant’s Section 108 Program in our regions.

At PRT, we recognize and appreciate the role of CDBG's programs as investment tools in our communities over previous decades. With our appreciation, we equally welcome critical updates to the Section 108 program, with hopes that these updates will also be included within the larger CDBG system and structure and other CDBG programs. We encourage decision makers to ask questions and gain understanding as to why our regions are not accessing or benefitting from CDBG's Section 108 Program, and if these proposed changes could help increase rural and Native accessibility and use of the program funding to better our communities.

When looking at 2021 data from the [American Community Survey](#), some the states with the highest percentage of Native American population include Alaska (20.7%), Wyoming (4.2%), North Dakota (7.1%), South Dakota (10.5%), and Montana (8.3%). All of these states, according to 2023 [CDBG Section 108 data](#), are the states that received the lowest funding from the Section 108 Loan Guarantee program. Alaska (\$2.7m), Wyoming (\$3.5), North Dakota (\$3.8m), South Dakota (\$5.8m), and Montana (\$6.5) are all part of the ten lowest-funded states. Texas received the most funding, with \$68.8m. Despite this, out of the state of Texas, only 3 Grantee's were Principal cities of areas with a population less than 50,000, all three totaling under \$1m.

CDBG funds have the potential to bring much-needed revitalization, support, and assistance to communities with a majority low-to-moderate income (LMI) population. Our Partner, [come dream. come build.](#) (cdcb), serving the Colonias long the U.S./Mexico border share their experience, stating that the Section 108 program is not being realized to its full potential; it is too restrictive, limiting accessibility. The application process is complex and requires significant administrative effort from local governments which can deter smaller local governments from applying, including smaller Principal Cities. The application process must be simplified to reach local governments with smaller capacity. Given the discriminatory past and present systems, our regions and communities are typically the communities that need this funding the most, and where the dollars would have the most impact. Larger governments have more staff that can dedicate time to their CDBG application, but smaller governments do not have this capacity. This, in conjunction with limited funding availability gives larger governments with more capacity an unfair advantage.

cdcb also states that there needs to be targeted outreach efforts towards low-moderate-income (LMI) and majority-minority communities, particularly those in rural, Native and disadvantaged areas. The CDBG Section 108 funds can be used for improvements in colonias, but the HUD definition is outdated and does not address the dynamic nature of colonias. The Federal Housing Finance Agency's [definition of "colonia"](#), which is now considered a "colonia census tract," is a census tract-based proxy for a "colonia." This definition allows for increased Fannie Mae and Freddie Mac activity in these colonia census tracts that have been underserved for decades. By adopting this "colonia census tract" definition, HUD can see increased CDBG Section 108 activity in colonias that are in dire need of assistance.

For [Communities Unlimited](#) (CU), our Partner serving the Deep South, the Section 108 Program is mostly inaccessible since many of their communities fall into the non-entitlement category. This often causes extra burden and hesitation for states to facilitate the process of pledging funds to secure loans. This is true for many of PRT's regions, as we are serving smaller, rural and/or Native geographies where the Principal City is far enough away that our communities do not feel the impact. Communities Unlimited also states that qualifications note that each state must pledge future CDBG funds to secure the loans. Out of CU's 7-state service area, only one (Alabama) currently has a process that will actively pledge funds in support of non-entitlement Section 108 loan applications. If CU's other six states (Texas, Oklahoma, Tennessee, Arkansas, Louisiana, and Mississippi) provided Section 108 loan guarantees for non-entitlement communities, they would open an additional \$758 million in guaranteed loans that would support community development, workforce development and housing.

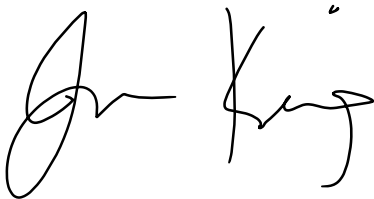
The CDBG Section 108 program would benefit from expanded eligibility criteria, not only by adopting new, broader, and more inclusive definitions, but also by expanding the criteria for eligible activities. This would be particularly useful for affordable housing developments. All affordable housing developments should be covered under CDBG Section 108 funds. Affordable housing developments provide more housing opportunities for LMI communities due to increased housing stock and lower rent prices for market rate housing. Single and multi-family affordable housing is the key to escaping poverty; it allows families to allocate household funds to other needs and is a steppingstone to homeownership.

Expanding the eligible activities regarding housing would allow smaller communities, or smaller Principal Cities, to address the affordable housing crisis in ways that work for their communities. All PRT Partners have a CDFI that they utilize to mobilize capital in their areas, all of which include unconventional loan products and programs that are directly responsive to the complexity of their community. Since our Partners have had to generate new products with a mission-lending framework, more eligibility in the activities allowed is critical to permit our Partners to continue their unique solutions that work for their communities. In each region of persistent poverty, the solutions look different.

This calls for increased flexibility in the use of CDBG capital, applications, eligible activities, and state-pledged funds.

Many of the solutions proposed are generally helpful, especially the clarifications and extension of the grant period to 6 years to provide more time to do the work and more clarity around what work can be done. Most of the proposed changes would benefit a potential applicant or grantee with moderate or higher capacity and capital needed to match funds or secure loans, which are items typically not synonymous with rural or Native areas. Our regions are not able to access this funding in an equitable and meaningful way yet. We believe that CDBG Section 108 Program regulations should focus on more-specific targeting of rural and Native persistently poor counties and increasing accessibility first, to even allow our communities to respond to programmatic changes as proposed.

On behalf of PRT,



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