

September 17, 2013

Regulations Division  
Office of General Counsel  
Department of Housing and Urban Development  
Room 10276  
451 7<sup>th</sup> Street, SW  
Washington, DC 20410-0500

RE: Docket No. FR-5173-P-01, Affirmatively Furthering Fair Housing

To Whom It May Concern:

The High-cost Cities Housing Forum (HCHF) and our partners appreciate the opportunity to submit comments on the Affirmatively Furthering Fair Housing (AFFH) proposed rule. We commend HUD for seeking input and taking these steps to update and strengthen fair housing regulations.

HCHF is a peer-to-peer group of housing directors and commissioners for the large cities of Boston, Chicago, Los Angeles, New York City, San Francisco, and Seattle. The forum serves as a venue for these commissioners to discuss policy, offer program ideas and exchange best practices. Our cities share many unifying characteristics, including expensive real estate, robust population and economic growth, and a housing stock characterized by more multifamily than single family housing.

We appreciate the conversation that Deputy Secretary Maurice Jones, the Office of Policy Development and Research (PD&R) and the Office of Fair Housing and Equal Opportunity (FHEO) had with HCHF upon the release of the proposed rule to respond to questions and concerns on July 30, 2013. HCHF requested another call with HUD to include the Office of Community Planning and Development (CPD) to ensure that CPD has an equal role with FHEO in approving the AFFHs. A second conversation took place on September 9, 2013 which included Deputy Secretary Maurice Jones, Patrick Pontius, staff from CPD, FHEO, and the Office of Public and Indian Housing (PIH). The conversation included a discussion about HUD's coordinated efforts between the relevant offices as well as the review and approval authorities. We are grateful for FHEO's commitment to coordinate technical assistance efforts with CPD and look forward to a rule with explicit language on CPD's formal integration into the process. Members of HCHF also participated and presented on PolicyLink's Affirmatively Furthering Fair Housing webinar held on August 21, 2013. The importance of a balanced AFFH rule was expressed in both the webinar and on phone calls.

Due to the significance and far-reaching implications of this rule, HCHF has joined with other cities on this letter to voice our concerns and recommendations for improvement. These signatories include the cities of Baltimore, Denver, Houston, New Orleans, and San Jose. Together, we represent nearly 22 million people and over 2,300 square miles. Our annual Consolidated Plan funds total more than \$650 million, or 14.3 percent of all HUD block grant funds for housing and community development. Nine of these eleven cities—Baltimore, Boston, Chicago, Houston, Los Angeles, New Orleans, New York, San Francisco, and San Jose—are majority minority.

The cities represented on this letter and many others across the country have a balanced policy approach to fair housing that acknowledges the importance of investing in both high and low income areas. The proposed AFFH rule is missing this balance and does not allow room for local equity strategies.

We strongly support HUD's objective to reform and advance the important goal of ensuring access to decent, affordable housing in thriving communities for all people. However, we have substantial issues with the rule as currently written, and strongly recommend that HUD take these and other comments into consideration, release a second proposed rule and allow for a second round of comments before finalizing the rule. Our primary recommendations are outlined below, and we welcome the opportunity to discuss these further with HUD.

- 1. Explicitly acknowledge that efforts to reinvest in and revitalize areas of concentrated poverty *and* efforts to promote mobility and access to housing and resources in high opportunity neighborhoods are equally endorsed strategies by HUD, as both strategies affirmatively further fair housing.**

Our cities are firmly committed to equity and fair housing, and we fully embrace both reinvestment and mobility strategies. In our experience as leading practitioners in the field of housing and community development, we have seen first-hand that both strategies must be employed. Unfortunately, the language in the initial proposed rule favors mobility and does not appear to support reinvestment and preservation as robustly. We greatly appreciate the assurances we have gotten from HUD throughout the comment period regarding their commitment to both approaches, but we need clearly stated language in the second proposed rule.

Our cities and others across the country have made concerted efforts in recent years to invest public funds in communities that have experienced disinvestment and neglect. These areas often

include minority racial concentrations and have disproportionately high poverty rates. Targeted investments are a critical tool to improve housing options and quality of life for the low- and moderate-income households in these communities.

We ask that the rule acknowledge that investments in low-income communities are consistent with both HUD program goals as well as fair housing goals. The initial proposed rule's intense emphasis on promoting integration and ending patterns of segregation could overtake other worthwhile programs to further that purpose. The initial rule seems to imply that the makeup of certain communities indicates distress. Racial and ethnic concentrations should not necessarily be indicators of dysfunction. Low-income neighborhoods can be thriving hubs for commerce, recreation, and families. Areas of minority concentration can be strong, successful, and ethnically identified communities. In cities that are majority minority, like Los Angeles, New York, or New Orleans, this is particularly true. However, even in Seattle—which is not majority minority—the city works to support the highly functional and ethnically diverse neighborhoods that have developed in the city as receiving sites for immigrant and refugee communities. These neighborhoods provide critical economic mobility opportunities for these communities transitioning into U.S. society and bolster the regional economy. Many of our cities also work to prevent displacement due to gentrification, and to ensure that families that do relocate are provided ample support as they settle into new routines. These activities should be affirmed in the rule.

**2. Address local and regional capacity concerns and provide the necessary supports to jurisdictions in transitioning and implementing this new system.**

The initial proposed rule presents numerous new tasks and requirements, which will take considerable staff time and energy. The overall logistics of the AFH will clearly be substantial, particularly if we attempt to submit regional plans; however, it is difficult to estimate resources that will be required without greater specificity in the rule. We request the next draft rule provide additional detail on timelines, record keeping, and community engagement requirements. In crafting these details, HUD should consider that the laudable AFFH goal of overcoming historic patterns of segregation and disinvestment has already been undermined by a crushing reduction of federal resources. There are no additional funds associated with implementing the AFH system, and we are concerned that the AFH will create an enormous burden placed on cities in return for receiving HUD funds.

The proposed regulation appears to suggest that the Assessment of Fair Housing (AFH) will significantly shape the Consolidated Plan and all the activities within it. We are concerned about the logistics and capacity requirements associated with this intersection. For instance, the Fair

Housing Advisory Councils and citizen participation plan appear to be duplicative, and we are concerned about local citizens becoming weary of multiple requests for input and response to community plans. Additionally, the initial proposed rule seeks a 270-day advance submittal of the AFH to HUD before jurisdictions can incorporate fair housing strategies in the Consolidated Plan. There are numerous challenges associated with this timeline. We urge HUD to reduce the redundancy between the contents of the AFH and the Consolidated Plan by fully incorporating the AFH into the Consolidated Plan. To fully integrate all planning processes, the AFH must be part of the Consolidated Plan process to more directly and effectively incorporate fair housing planning into the comprehensive housing and community development planning that grantees undertake through the Consolidated Plan. Aligning the two processes will streamline the process and ensure that analysis of need and strategies are discussed in sync. In addition, the incorporation of the two plans will save time and resources. The combined AFH and Con Plan should be reviewed by staff from CPD, PIH, and other HUD offices whose programs are under scrutiny in the review process.

Finally, HUD funding alone is insufficient to address market and political forces that lead to inequitable communities, like gentrification or NIMBY-ism. As HUD considers technical assistance needs regarding the implementation of this rule, we recommend that HUD work to increase capacity at the local level for implementing sophisticated strategies that involve concepts such as value capture (which allows cities to recover some of the value that public infrastructure or private development generates for landowners), JPAs, zoning and planning tools, regional partnerships, and other best practices. These are just a few examples, and we are confident there are many more across the country that would be useful for HUD to learn about, become leaders in, and assist localities in adopting these cutting edge practices.

The delivery of fair housing through community development requires that HUD TA is provided by those that possess both fair housing expertise and *actual experience* in the delivery of housing and community development in neighborhoods. In conversations with HUD officials regarding the initial proposed rule, we have heard that FHEO plans to coordinate review and technical assistance efforts with CPD, PIH, and other divisions. We greatly appreciate this commitment and hope to see written documentation of this intended collaboration in the second proposed rule.

### **3. Clarify the anticipated evaluation, monitoring, and enforcement process.**

#### *Interdepartmental Review*

In the initial proposed rule, there are numerous instances that refer to HUD generally or the Secretary, and we request that the second proposed rule identify which office is actually being referenced or will have authority or discretion. We understand that many parts of the process are

expected to be collaborative, but we still request clarification on specifically which offices will be involved in the work and to what degree.

Different offices within HUD have expertise about the programs they administer and monitor. Given the direct impact of the AFH on the Consolidated Plan and the Public Housing funds, CPD and PIH should have at least equal authority with FHEO to review and approve each AFH.

#### *Evaluation Criteria*

HUD needs to clearly outline the measures it will use to evaluate an AFH. We also ask for clarification as to how HUD will monitor and evaluate the implementation of the plan after the AFH has been accepted.

Under the initial proposed rule, we are concerned that certain development constraints—related to the availability or costs of land, for example—will set some localities up to fail. We recognize that HUD is not intentionally setting up this situation, but the rule must be modified to recognize that grantees must not be held accountable for insurmountable barriers. Current economic problems already pose challenges for jurisdictions to meet the needs of low-income, unemployed, homeless, and other at-risk populations, and the threat of losing any resources from HUD sanctions or funding delays is distressing.

The evaluation criteria should also take into consideration the goals and limitations of federal, state and local initiatives that contribute to the achievement of HUD's stated goals. For instance, it is often infeasible to use Low-Income Housing Tax Credits in mixed-income developments or upper-income neighborhoods. We ask that the AFFH rule specify that HUD will hold local grantees harmless for adhering to rules and guidelines of HUD programs and other critical affordable housing and community development programs.

At a minimum, the rule should state that:

- HUD will produce an initial draft of any evaluation tools and checklists and allow for public input before finalizing AFH evaluation tools.
- In reviewing the AFH, HUD will provide at least two written correspondences to the jurisdiction if any issues arise—an initial response to gather information followed by a formal response, if necessary.
- HUD's initial response to an AFH will be in the spirit of inquiry rather than judgment. This initial response will allow jurisdictions to justify their AFH data and recommendations.
- The AFH and implementation of the AFH will be reviewed holistically. A single concern or violation will not justify a blanket negative determination.

### *Consequences*

We ask that the second proposed rule specify the repercussions associated with failure to meet expectations with regard to the AFH. The proposed regulation is unclear about the consequences of a rejected AFH (with the exception of incomplete analyses) and the potential for HUD to withhold funds from a grantee due to a deficient AFH is a significant and paralyzing danger. We suggest the rule state:

- HUD may only withhold funds in cases where there is a *consistent and sustained* pattern of fair housing violations, rather than merely reporting concerns. There must be a problem in AFH implementation as well as with the AFH plan. In other words, an unsatisfactory AFH will not be the sole cause for suspension of funds.
- HUD will only suspend payment on the funding streams directly involved in the fair housing violation. For instance, ESG funds would remain unaffected if a jurisdiction is misusing HOME funds alone. It would be counter-productive to impact homeless shelters due to a problem with the location of affordable housing developments. Further, the proposed regulation should make clear that jurisdictions receiving only CPD funds are not responsible for PHA actions (or the converse).
- In cases where HUD determines that a jurisdiction's AFH or investment choices are unacceptable under federal fair housing law, HUD will offer an appeals process to that jurisdiction.

### *Respecting Local Discretion*

Local jurisdictions like ours are using grant funds as permitted under their respective regulations to address needs as we see fit, and we want the AFFH rule to be very clear that we will retain this authority. We understand, from discussions with the department, that it is not HUD's intent to interfere with local control, local discretion, or local choice. However, the initial proposed rule could project blanket assumptions about what is best for certain demographic groups, regardless of other contextual information. Particularly in larger, denser cities, there are multiple racial and economic disparities, and local jurisdictions are trying to thoughtfully utilize resources to maximize the impact of both policy and financial strategies. We request that the HUD rule state unambiguously that local discretion provided by the Consolidated Plan programs will be preserved with the new rule.

#### **4. Revise definitions to reflect the true intent of promoting fair housing.**

HUD provided numerous definitions in the initial proposed rule, and we appreciate this effort to ensure that all stakeholders are using the same language. However, we suggest the following changes to key definitions in the rule:

- Affirmatively Furthering Fair Housing (AFFH). This definition should be revised to read: “Affirmatively furthering fair housing means taking proactive steps *including* combating discrimination to foster more inclusive communities and access to community assets for all persons. More specifically, it means taking steps to proactively foster and maintain compliance with civil rights and fair housing laws. For participants subject to this subpart, these ends will be accomplished primarily by making investments with federal and other resources, instituting strategies, or taking actions that address or mitigate fair housing issues identified in an assessment of fair housing (AFH) and promoting fair housing choice for all consistent with the Fair Housing Act.”
- Disproportionate Housing Needs. The proposed definition implies that affordable housing projects should only house families in protected classes with disproportionate housing needs and exclude other low-income individuals who qualify for such housing. We do not believe that HUD intended to dedicate federal funds exclusively to helping those in a protected class. We recommend that the definition reflect that members of a protected class are at least *20 percent* higher than the percentage of persons in the category as a whole, rather than the 10 percent included within the definition.
- Fair Housing Choice. We believe this definition should be revised to state: “...For persons with disabilities, fair housing choice *is the ability to live where they choose*, including disability-related services that an individual needs to live in such housing.”
- Fair Housing Issue. We believe this definition should simply read: “Fair housing issue means *unequal housing opportunities for persons in a protected class under federal law* and evidence of illegal discrimination or violation of existing civil rights law, regulations, or guidance, as well as any other condition that impedes or fails to advance fair housing choice.”
- Integration. We believe the reference to “...Metropolitan Statistical Area as a whole” should be removed in the definition of integration. MSAs cover broad areas that a single jurisdiction cannot influence, as multiple jurisdictions are often captured in a single MSA.
- Segregation. We believe the definition should not include the phrase: “...in a particular housing development.” Adhering to this definition could lead to an individual building denying eligible applicants housing if they do not meet the characteristics needed to create integrated housing on a project by project basis. For example, in neighborhoods in Los Angeles, many affordable housing projects are occupied almost entirely by African-Americans, but we would not want to deny an eligible African-American from renting an open unit until the development is integrated by the percentage of race, ethnicity, age, familial status, according to the jurisdiction statistics. We also recommend removing the phrase “...or other causes,” from the section stating “...resulting from fair housing

determinants or other causes.” Finally, to ensure that persons with disabilities face more than one form of obstacle to integration, the definition should state: “For persons with disabilities, segregation *may* include the failure to provide housing in the most integrated setting possible.”

**5. Release additional information about the data and tools and maximize the utility of the information provided by HUD.**

The nationally uniform data that HUD will make available represents an impressive and welcome provision in the rule. We also appreciate that the initial proposed rule allows and even encourages jurisdictions to supplement the HUD-provided data with local or regional indicators to allow for finer and more nuanced analyses. However, we are concerned about both the indices and thresholds that HUD has included in the initial proposed rule.

*Respecting Qualitative Information and Local Expertise*

The initial proposed rule appears to emphasize a data-driven focus in terms of analyzing fair housing issues and needs. Data and quantitative analysis is essential; however, the initial proposed rule should clarify the importance of qualitative analysis as well. Data points that are easily measured are not always the most important, and some indicators that are critical are not as easily measured. Fair housing analyses should always account and allow for local nuance, culture, and character that may not register in a quantitative analysis but captures a more complete assessment of the true circumstances. The rule should also clarify that local programs will not be expected to use indices to drive investment decisions, as many investment considerations are unrepresented in these data.

We would appreciate greater clarity around how HUD will use and evaluate any supplemental local data. Localities should have the opportunity to explain how the data should be properly interpreted and would welcome a dialogue with HUD regarding this data. We recommend that HUD explicitly offer this level of transparency and suggest this type of exchange. At a minimum, the second proposed rule should clarify that when localities submit supplemental data that is more accurate or telling, HUD will rely on that local source in place of the standard indices.

*Standard Indices and Tools*

The initial proposed rule requires an assessment of racially or ethnically concentrated areas of poverty but does not require assessment of poverty concentration based on any other listed protected class (e.g., national origin, religion, color, gender, familial status, or disability). In addition, HUD has identified six kinds of community assets but will not provide data reflecting



access to parks, libraries, recreational resources, community centers, elder service centers, health care facilities, law enforcement facilities, fire stations and food or drug retailers. We recommend exploring the possibility of conducting a multi-year data pilot so jurisdictions could have an opportunity to utilize the HUD data and evaluate its effectiveness and accuracy.

We are also concerned that the mapping portal does not currently include tabular data, and the data cannot be downloaded or manipulated. It is important for jurisdictions to be able to interface with the data during a comment period in order to provide practical, constructive feedback. We would greatly appreciate any information on when this data will become available so we can provide detailed comments on the accuracy and appropriateness of the data.

#### *Expectations of Supplementary Analysis*

The rule should better clarify what HUD's expectations are in terms of the level of analysis it seeks from local jurisdictions. For instance, HUD does not specify the type of information or data to be utilized in assessing whether local laws, policies or practices limit fair housing choice. Staff capacity will vary widely from neighborhood to neighborhood and state to state, as will the range of sophistication and breadth of data analysis experience. Some will be able to perform far more sophisticated analyses than others, or supplement with additional data, while others may struggle to utilize what is provided.

#### **6. Ensure that existing projects and programs that actively contribute to affirmatively furthering fair housing goals are fully supported under the new rule.**

We have provided a number of case studies which highlight the work in which we are engaged, all of which has the ultimate goal of increasing access to decent, affordable housing in thriving communities and which affirmatively furthers fair housing. (*See appendix.*)

We are making these types of investments today and will continue to do so in the future, which is why these procedural clarifications related to the AFFH rule are so critical. Based on our reading of the initial proposed rule, we are concerned that many of these investments would not be defined as affirmatively furthering fair housing. A second proposed rule should clearly endorse these strategies and confirm that HUD recognizes them as affirmatively furthering fair housing.

The case studies elucidate the thoughtful, innovative ways we are using and leveraging HUD funds. These investments target low-income individuals and families, often within neighborhoods that are low-income and have minority concentrations.

The case studies also provide details on how we have coordinated the planning and execution of these projects with many other stakeholders and agencies. We strongly support the

Administration's commitment to holistic community development, recognizing that equal access and opportunity must incorporate far more than just housing. We have diligently worked with representatives from the transportation, education, health, and economic sectors, and want to continue this level of collaboration in the future.

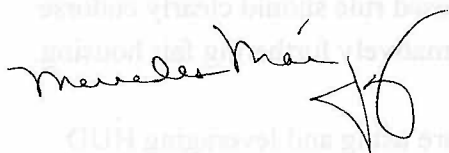
*Conclusion*

We have endeavored to identify the most significant elements of the initial proposed rule that are unclear or disconcerting, and whenever possible, have offered recommendations on how to address these uncertainties.

We strongly believe that HUD should revise the initial proposed rule in accordance with the aforementioned comments and recommendations, then release a second proposed rule with a new comment period. We must also emphasize that localities must retain final jurisdiction over formula funds, and should only be held accountable for what can be accomplished with HUD resources, not other funding streams (like transportation or education funds, for example). We especially reiterate the importance of local autonomy over investment strategies—equally valid strategies must go beyond mobility and desegregation and allowable approaches must include preservation and enhancement of existing community assets in impoverished neighborhoods. The AFH should be fully integrated with the Consolidated Plan and offices within HUD with the expertise and appropriate perspective—like CPD over CDBG funds or PIH over public housing plans—should evaluate the AFH. The consequences of any violations of fair housing should be limited to the relevant funding source.

Again, we appreciate the time and energy that HUD has spent crafting this initial proposed rule, and support the aspirations embedded in it. However, we believe that a second, revised proposed rule is necessary before judiciously moving forward. We appreciate your consideration of our commentary, and we are eager to engage in further discussions with HUD. We also welcome any requests for additional information. Thank you for your commitment to this important endeavor.


Sincerely,



Mercedes Marquez  
General Manager  
Los Angeles Housing + Community Investment Department  
HCHF Chair



Sheila Dillon  
Chief and Director  
Boston Department of Neighborhood Development



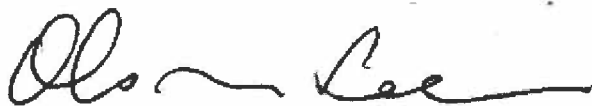
Lawrence Grisham  
Managing Deputy Commissioner  
Chicago Department of Housing and Economic Development



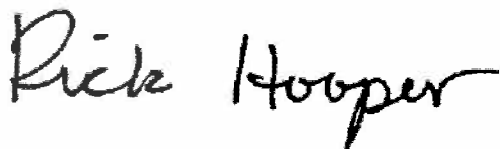
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## **APPENDIX**

### **Case Studies – Existing Projects and Programs that Actively Contribute to Affirmatively Furthering Fair Housing Goals**

1. Boston: Woodledge/Morrant Bay Choice Neighborhoods Project
2. Los Angeles: Boyle Heights
3. New York City: Macedonia
4. San Francisco: Hunters Point Shipyard
5. Seattle: Rainier Valley

## **1. Boston, Massachusetts**

Boston's Choice Neighborhoods project involves the redevelopment of the severely-distressed scattered-site, 129-unit Woodledge/Morrant Bay HUD-assisted multi-family housing development along with additional housing, supportive service, public safety and Critical Community Improvements in the Quincy Corridor neighborhood. The redeveloped project, to be renamed Quincy Heights, will remain as a 129-unit, scattered-site HUD subsidized development.

The target neighborhood is comprised of four low-income Census Tracts, two of which would qualify as Racially Concentrated Areas Of Poverty (RCAPs) under the guidelines in the proposed AFFH rule. Although there are no public housing developments in the neighborhood, 38 percent of the housing stock is subsidized compared with about 20% citywide. Despite the existing concentration of subsidized housing, there is still a large unmet need for additional subsidized housing as indicated by the fact that 31% of the residents of Tract 902 and 41% of tract 903 are extremely low income or low income households with a severe housing cost burden (paying over 50% of their household income for housing).

This project will contribute to affirmatively furthering fair housing in several ways. First, the redeveloped housing development will increase the number of units that are accessible to persons with disabilities and increase the number of units that have more bedrooms to accommodate larger, families and reduce overcrowding. In addition, as part of the Choice Neighborhoods program, we have requested Housing Choice Vouchers for those residents who have indicated that they may want to leave the development. To improve access to amenities, we are funding the renovation and expansion of two school playgrounds in the target neighborhood and expanding free Wi-Fi to the entire neighborhood. We are expanding access to jobs by funding the redevelopment of a former meat processing factory into a shared-use kitchen facility for start-up food businesses and a small business incubator. To improve transportation access, an additional station has been added to the commuter rail line that runs through the neighborhood and the fare has been significantly reduced to make it affordable to neighborhood residents.

We feel that it is important that the initial proposed rule not prohibit grantees from continuing to fund and site additional affordable housing projects even in areas that are designated as RCAPs. As shown on the attached map and table, Boston's 12 RCAP census tracts still have significant unmet affordable housing needs. When done as part of a strategic revitalization plan, such investment certainly does affirmatively further fair housing and economic opportunity.

1A. RCAP Census Tract Data





1B. Boston RCAP Map

RCAP Census Tract	Total HH	ELI with Severe Housing Cost Burden	LI with Severe Housing Cost Burden	ELI or LI with Severe Housing Cost Burden	% ELI with Severe Housing Cost Burden	% LI with Severe Housing Cost Burden	% ELI or LI with Severe Housing Cost Burden
Census Tract 503	1,030	154	30	184	15%	3%	18%
Census Tract 607	645	120	0	120	19%	0%	19%
Census Tract 610	1,280	120	10	130	9%	1%	10%
Census Tract 611.01	995	200	10	210	20%	1%	21%
Census Tract 712.01	1,215	125	0	125	10%	0%	10%
Census Tract 804.01	1,155	330	35	365	29%	3%	32%
Census Tract 805	1,295	315	55	370	24%	4%	29%
Census Tract 808.01	935	175	0	175	19%	0%	19%
Census Tract 813	1,955	300	65	365	15%	3%	19%
Census Tract 902 *	705	220	20	240	31%	3%	34%
Census Tract 903 *	960	365	25	390	38%	3%	41%
Census Tract 909.01	1,580	235	115	350	15%	7%	22%





Source: 2011 5-Year ACS

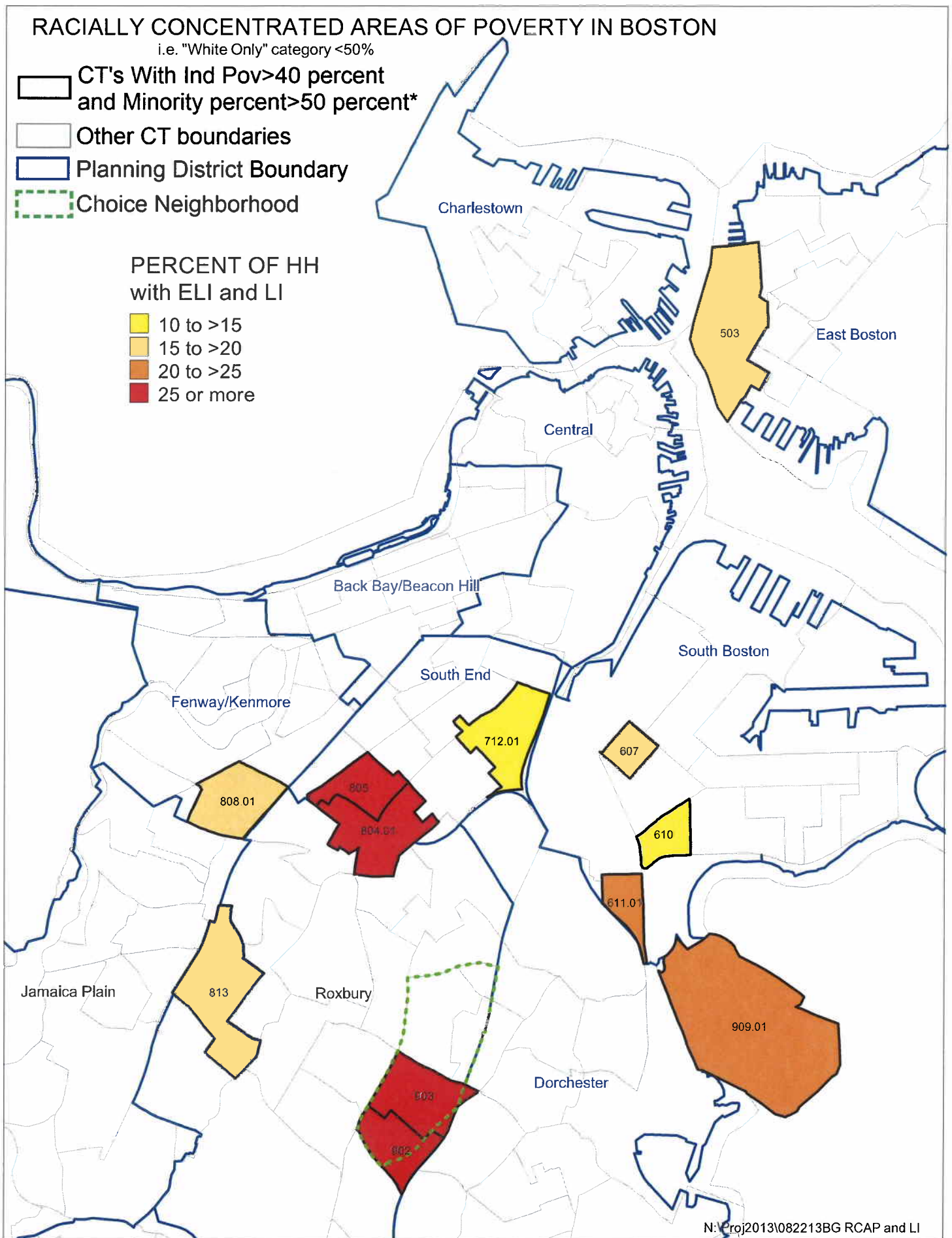
# RACIALLY CONCENTRATED AREAS OF POVERTY IN BOSTON

i.e. "White Only" category <50%

-  CT's With Ind Pov>40 percent and Minority percent>50 percent\*
-  Other CT boundaries
-  Planning District Boundary
-  Choice Neighborhood

## PERCENT OF HH with ELI and LI

-  10 to >15
-  15 to >20
-  20 to >25
-  25 or more





## 2. Los Angeles, California

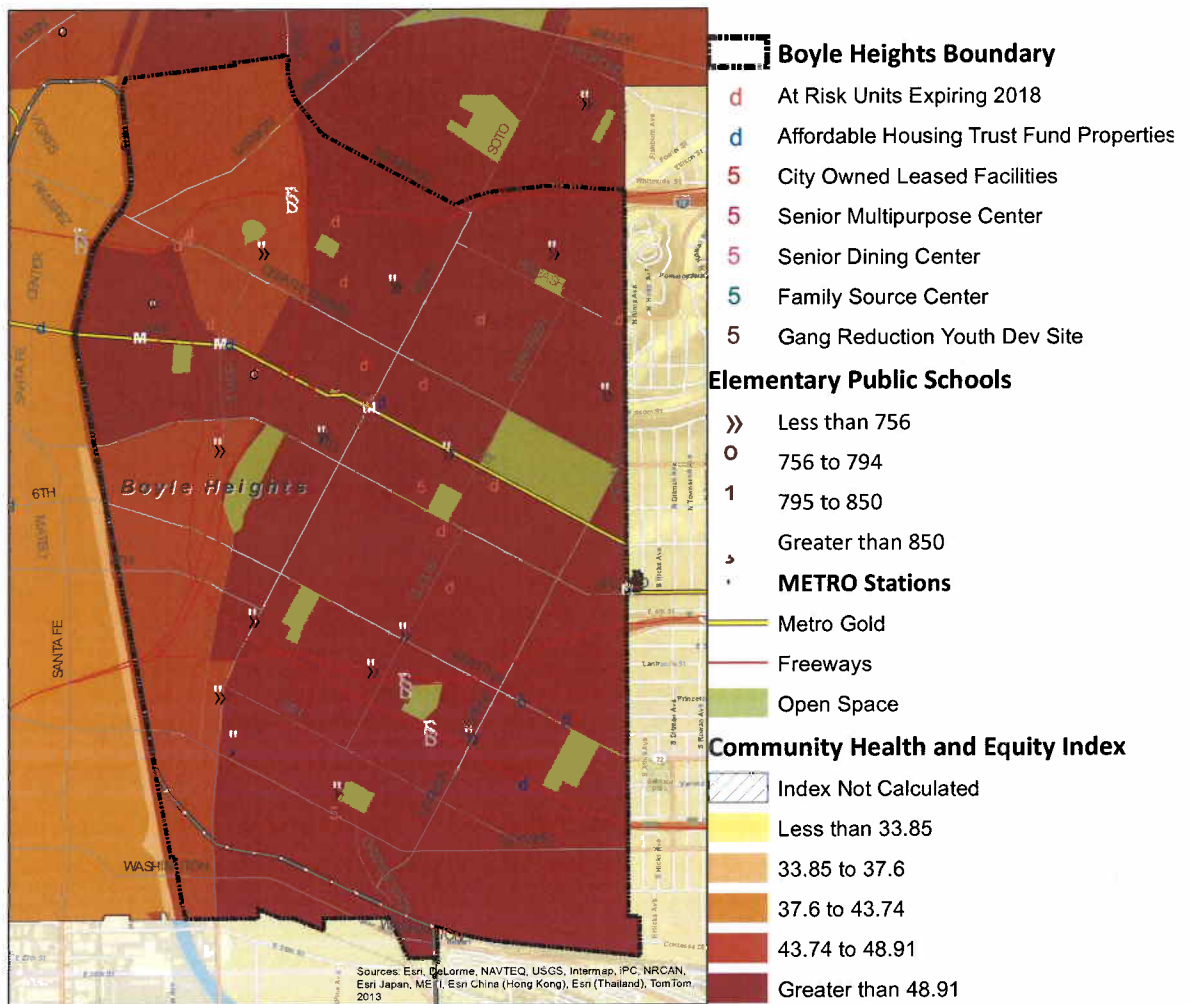
East of Los Angeles' Downtown is Boyle Heights, a neighborhood full of cultural vitality. Boyle Heights has been a landing pad for the City's Latino immigrants and a gateway neighborhood for low-income, first generation Americans. Latinos comprise 94% of the population in Boyle Heights; over 52% of the population is foreign-born. Known as an area of concentrated poverty, and under-performing schools – with many below the 800 statewide target score-- (see map below), for the past 20 years, the area has been a focal point for local investment by the City and the philanthropic communities of Los Angeles. Recent private sector investment in the neighborhood suggests things in Boyle Heights are beginning to change.

From the 1930's to the 1950's, Boyle Heights flourished as one of the most ethnically-diverse, middle-class neighborhoods in Los Angeles; Russian Jews, Japanese and Mexican Immigrants, lived in the then racially-integrated suburb. In the 1950's, however, the Federal-Aid Highway Act funded the building of freeways that cut Boyle Heights into pieces, leaving it physically broken, economically isolated and battered by noise and fumes of a rapidly growing, auto-centered metropolis. Over time, economically mobile families moved out of the area, and Boyle Heights became fraught with disinvestment. By 2013, Boyle Heights was identified in the Community Health and Equity Index as one of the worst neighborhoods for health and equity-related burdens such as high morbidity, a compromised physical environment, dangerous pollution and rampant violent crime (see map below).

Today, Boyle Heights is in the midst of an economic transformation with unprecedented public and private investments in the area. The \$898 million investment in the Gold Line Light Rail runs through the heart of Boyle Heights and includes four stations. This infrastructure investment is raising property values and attracting middle-class, white-collar households throughout its corridor. In addition, the proximity to the regional job center that is Downtown, has the opportunity to completely shift lives in Boyle Heights, making it a prime target for gentrification.

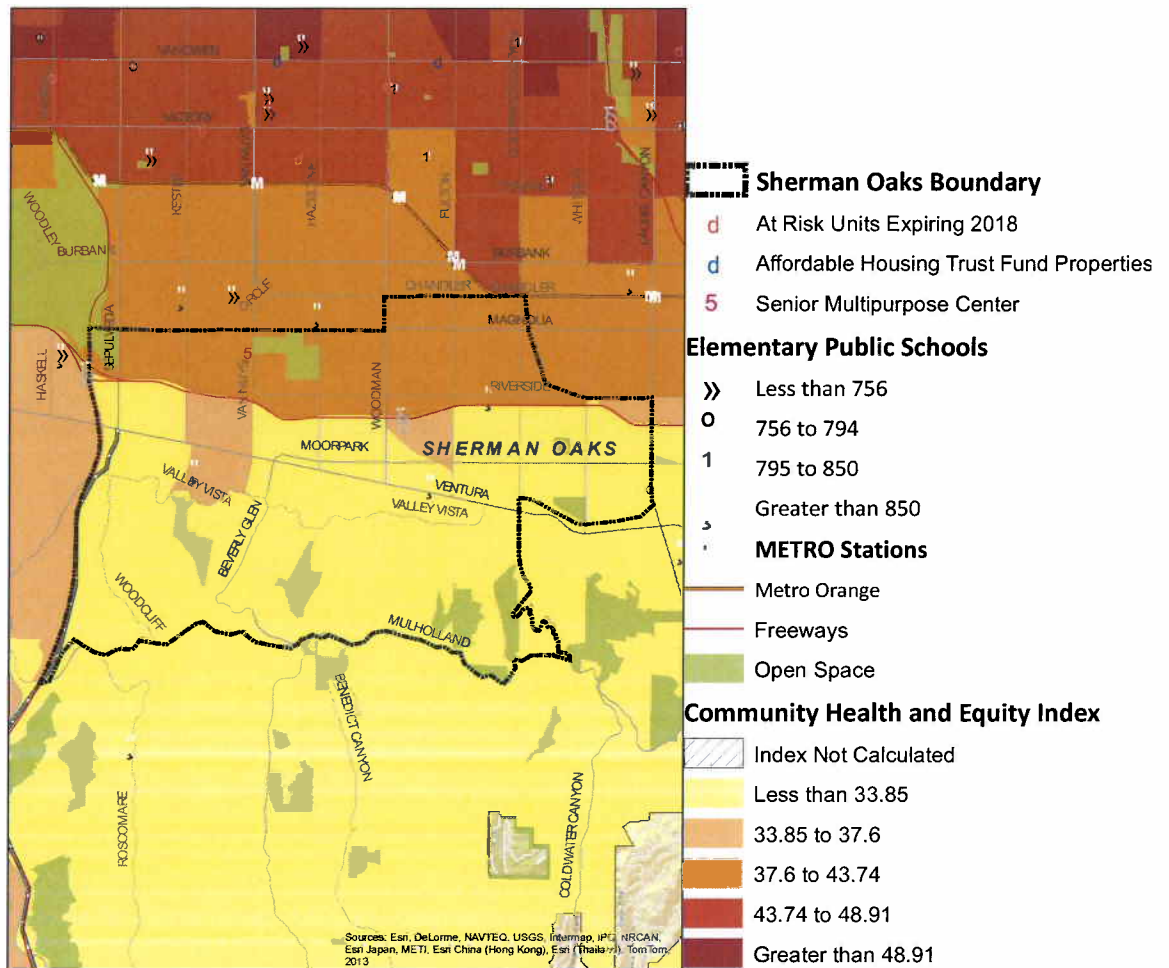
In a recent article on the imminent gentrification of Boyle Heights, the *New York Times* wrote that “For those moving back now, the idea that they are pushing others out is the source of much consternation.” Class divisions are surfacing. The rapidly gentrifying neighborhood threatens to shift housing out of rental use, and particularly out from under the purview of Los Angeles' Rent Stabilization Ordinance (RSO). Rent Stabilized units may be lost through condo-conversions.

Market forces are shifting such that low-income renters are increasingly unable to afford the market-rate rents in the area. A spike in evictions around the transit corridors in Boyle Heights is already occurring. Justifiably, long-term renters feel the threat of displacement; the City government is concerned about where low-income families will go to find affordable housing. These costs of community change cannot fall inappropriately hard on those least able to bear them. If development is equitable, residents of all incomes in Boyle Heights must share in the growth. Decision-makers in the public sector must take timely steps to mitigate potentially harmful effects.

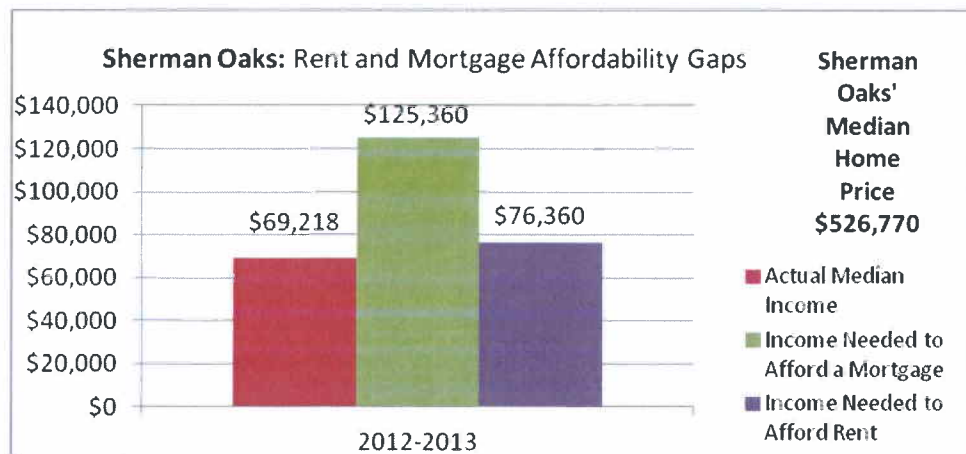


## Sherman Oaks

If we follow HUD’s proposed mandate, with a primary focus on desegregation and integration, it would be rational to invest in a place like Sherman Oaks; one of the few areas in Los Angeles without a minority concentration. It is an affluent, predominantly White (73%) neighborhood in the south valley region of the City with low crime rates and excellent schools (All Academic Performance Index (API) scores are greater than 850, the highest tier in the State of California). Sherman Oaks is a healthy community as ranked by the 2013 Community Health and Equity Index (see map below). Low-income households may benefit from an already established, high achieving school system and healthy environment.



Sherman Oaks is undoubtedly a “high opportunity area” with more options for achieving better life outcomes (economic, health educational, etc.) for its residents. The flip side of these facts is that both rents and homeownership are unaffordable for the median income earner. Although the area has large swaths of apartment buildings, most are not subject to the RSO’s annual cap on rent increases therefore rents are very expensive. The bar graph below shows that renting and purchasing are out of reach for Sherman Oaks’ residents earning \$69,218 a year. The median income earner in Los Angeles makes \$44,116 and cannot rent or buy a home in this community.



High land prices are cost-prohibitive in this affluent area. Land costs in Sherman Oaks (\$49/sq. ft.) are three to four times the cost of land in lower income areas such as Boyle Heights (\$14/sq ft.). Housing developers can expect to spend at least three times as much to build fewer units. In spite of the challenge, the City has made efforts to increase affordable housing access in high-cost areas through a proactive set of policies as implemented through its Affordable Housing Trust Fund; from 2006 to 2008 affordable housing projects received a points boost to encourage affordable housing construction in high-cost areas. The reality is that a limited amount and restricted use of Consolidated Plan (ConPlan) dollars translate into little opportunity for development in areas like Sherman Oaks. What's more, many foreign-born households do not want to live in integrated areas with potential language and economic barriers. HUD should not assume that long-term residents of Boyle Heights (or any other racially-concentrated, ethnic neighborhood, for that matter), have not consciously chosen to lay down roots in their neighborhoods.

### **Affirmatively Furthering Fair Housing**

In majority-minority cities like Los Angeles --where over 71% of the population belongs to a minority group -- it is imperative to allow a balanced policy approach whereby mobility, as well as revitalization of existing neighborhoods, are of equal value. With multiple needs and determinations to make for investing resources, localities must have options for implementing diverse strategies that include reinvestment and preservation, among so many priorities. The proposed rule promotes the belief that integration/desegregation is the best, and the only way to create economic opportunities for poor ethnic and racial minorities. We do not necessarily believe this is the only effective strategy.

Through a tremendous transit investment, the City of Los Angeles has the opportunity to help retain long-term, low-income tenants in places like Boyle Heights. The lack of clarity in HUD's AFFH rule threatens Los Angeles' ability to invest in affordable housing and community services in areas with a high minority concentration. Where both transit and poverty concentrations are juxtaposed, as is the case in many of Los Angeles' impoverished neighborhoods, the HUD directive is unclear. On the one hand, the rule appears to prohibit investing in areas with high poverty concentrations and favors investment in high income areas. Yet, HUD also encourages investment in transit-oriented areas. The goal of HUD's proposed rule is confusing. Los Angeles' strategy for investing in places like Boyle Heights is to support attracting a growing middle class in conjunction with the retention of low-wage workers so that both groups can co-exist equally, taking advantage of the region's transportation investment. Today is not the time to leave Boyle Heights. This is, in fact, an inclusive investment strategy for Los Angeles.

### 3. New York City, New York - Macedonia

The accompanying table details a new housing construction project currently underway in the City of New York, using HOME funds.

The City of New York Department of Housing Preservation and Development (HPD) conducted this inquiry to demonstrate the contrasting costs involved when locating new housing projects in areas of “higher opportunity,” in accordance with HUD’s initial proposed AFFH rule, instead of utilizing existing publicly owned land irrespective of location.

As a matter of City policy, HPD generally economizes in its new construction projects by using City-owned vacant land and privately owned sites. HPD develops where the economics work—and this is generally in areas of relatively higher racial/ethnic concentrations and lower-income households than can be found in areas of “higher opportunity.”

If HUD’s initial proposed rule is implemented as written, the City would have to acquire alternate sources of funding to cover the added costs of acquiring land: City-owned land in New York is unavailable in areas of generally higher-income households except under extraordinary circumstances. But it important to note that HPD projects using privately owned land are more affordable than the cost would be if our projects were sited in “high opportunity” areas.

The “Macedonia” is the name of the housing development detailed here. It is located in New York City’s Queens County, in the Flushing neighborhood. Flushing is income-diverse, yet also home mainly to Asian households.

The circumstances that allowed the City to acquire this parcel in a “higher opportunity” district for only \$1 are exceedingly rare and unlikely to happen often or ever again. The land is a portion of a City-owned parking lot. There was an agreement made by the New York City Department of Transportation and HPD to use a portion of the underutilized lot for the development of affordable housing. This transaction was further made possible by the usage of development rights contributed by the adjacent Macedonia AME Church, which is co-developer on the project.

For this one project alone, cost of land acquisition would have been \$12,799,999. The City chose to forgo the land cost to make the project financeable. Barring access to City-owned land in the future, completion of another such project would not be assured, since the City of New York could be unable to find additional local capital subsidy as supplement to make such a project viable.

It is highly doubtful that the City of New York will find sufficient suitable sites in “high opportunity” area. Even if finding such sites were possible, their cost would significantly reduce the amount of affordable housing we could produce.

The budget table states that the total subsidy would be \$148,000 per unit if the City had to absorb the \$12 million land cost as a compliance measure under HUD’s initial proposed AFFH rule.

\* \* \*

HPD has reviewed its Low-Income Rental Program pipeline for all FY '13 commitments for projects using HOME funding. HPD has 13 projects planned, the total subsidy of which (including HOME and City Capital funding) is about \$118 million for 2,058 units. The average subsidy is \$57,000 per unit.

Based on the above-referenced figures, if HUD implements its initial proposed AFFH rule as written, and assuming all of HPD's HOME-funded developments were sited in high-cost-market ("higher opportunity") areas, with land costs comparable to the "Macedonia" (assuming such sites could be found), then in FY '13 HPD's Low Income Rental Program budget would only yield the City about 40% of the dwelling units that HPD's development programs would normally yield.

The City of New York requests that HUD affirm that such a change in scenario is not the intended consequence of its initial proposed AFFH rule.

**Low-Income Rental Project Comparison**

CONSTRUCTION SOURCES	Macedonia: 143 Units			Macedonia - w/ Land Acquisition: 143 Units		
	Total	Per Unit	%	Total	Per Unit	%
HDC First Mortgage 1	\$26,380,000	\$184,476	53%	\$26,380,000	\$184,476	53%
HDC Second Mortgage	\$9,295,000	\$65,000	19%	\$9,295,000	\$65,000	19%
HPD 3rd Mortgage	\$4,846,608	\$33,892	10%	\$4,846,608	\$33,892	10%
HPD HOME Funds	\$1,996,174	\$13,959	4%	\$1,996,174	\$13,959	4%
Tax Credit Equity	\$1,864,950	\$13,042	4%	\$1,864,950	\$13,042	4%
Deferred Dev's Fee	\$5,400,000	\$37,762	11%	\$5,400,000	\$37,762	11%
Total	\$49,782,732	\$348,131	100%	\$49,782,732	\$348,131	100%
<b>PERMANENT SOURCES</b>						
	Total	Per Unit	%	Total	Per Unit	%
HDC First Mortgage	\$9,440,000	\$66,014	19%	\$9,440,000	\$66,014	19%
HDC Second Mortgage	\$9,295,000	\$65,000	19%	\$9,295,000	\$65,000	19%
HPD 3rd Mortgage	\$6,318,326	\$44,184	13%	\$6,318,326	\$44,184	13%
HPD HOME Funds	\$1,996,174	\$13,959	4%	\$1,996,174	\$13,959	4%
Tax Credit Equity	\$18,533,163	\$129,603	37%	\$18,533,163	\$129,603	37%
Deferred Dev's Fee (Note)	\$2,708,254	\$18,939	5%	\$2,708,254	\$18,939	5%
Deferred Dev's Fee (Cash Flow)	\$1,491,815	\$10,432	3%	\$1,491,815	\$10,432	3%
Total	\$49,782,732	\$348,131	100%	\$49,782,732	\$348,131	100%
<b>USES</b>						
	Total	Per Unit	%	Total	Per Unit	%
Acquisition-Related Cost	\$1	\$0	0%	\$12,800,000	\$89,510	20%
Construction Cost	\$34,819,055	\$243,490	70%	\$34,819,055	\$243,490	56%
Soft Cost	\$9,563,676	\$66,879	19%	\$9,563,676	\$66,879	15%
Developer's Fee	\$5,400,000	\$37,762	11%	\$5,400,000	\$37,762	9%
Total	\$49,782,732	\$348,131	100%	\$62,582,731	\$437,641	100%

<b>Construction Sources</b>	
<b>(\$12,799,999)</b>	<b>Shortfall</b>
<b>(\$89,510)</b>	<b>Per Unit</b>
<b>Permanent Sources</b>	
<b>(\$12,799,999)</b>	<b>Shortfall</b>
<b>(\$89,510)</b>	<b>Per Unit</b>

#### **4. San Francisco, California**

##### **The Hunters Point Shipyard: A Case Study Of Comprehensive Community Planning**

The Hunters Point Shipyard, a former naval base, was once the economic heart of Bayview/Hunters Point. The revival of The Shipyard signals the return as a vibrant connection to the community. The internationally recognized master-plan consists of the Hunters Point Shipyard which is a 495-acre, de-commissioned Navy base along San Francisco's Southeast waterfront PLUS Candlestick Point, immediately to the south of The Shipyard, which occupies 280 acres of San Francisco waterfront.

Redevelopment of this combined area, comprising approximately 775 acres, represents the largest remaining tract of developable land in San Francisco. The plan includes: entitlements for 12,000 homes; 326 acres of parks and open space; 3,150,000 square feet of R&D/office space; 885,000 square feet of retail; 100,000 square feet of community facilities and a 10,000 seat performance venue. The land plan, seamlessly integrates new housing, retail, commercial and parks into adjacent neighborhoods via a new street grid that ties into existing City streets.

In addition to the compact physical plan, Shipyard/Candlestick will be in the forefront of sustainable "green" development practices. The Shipyard will be seeking, at least, a LEED-ND Gold certification from the U.S. Green Building Council. A branch of the United Nation's Global Compact Center will be situated within The Shipyard's "green tech" R&D hub. The Center will focus on the emerging fields of clean technology and green energy that help combat global warming and dependence on fossil fuels.

From start to finish, the renaissance of The Shipyard has been guided by a commitment to meeting the needs of the community. Built on years of public input, the plan creates hundreds of jobs for local residents, generates millions of dollars in contracts for local businesses, drives long-term economic development in the community, and heals environmentally impacted lands

##### **Master Plan Features**

- 777 Developable Acres
- Compact Physical Plan
- Environmentally Progressive Design
- Served by transit with connections to Muni Light Rail, BART and CalTrans
- 12,000 Homes
- Local and Regional Shopping
- "Green-Tech" R&D Campus
- Site Of U.N Global Compact Center
- 9 Miles Of Shoreline
- Near Financial District And Airport

##### **Phase 1**

The redevelopment of the Shipyard/Candlestick community will happen in multiple phases over several years. Phase 1 is already underway and will include:

- 63 acres
- Up to 1,400 new homes



- 30% of new homes affordable to low income households
- 25 acres of parks, trails and open space featuring spectacular views of the bay and the city (3 regional parks, 16 pocket parks, and a network of walking paths)
- 10,000 square feet of retail and commercial space for local businesses
- Community benefit programs designed to provide job training, small business assistance and homeownership opportunities.

### **Alice Griffith**

Redeveloping the Alice Griffith public housing community will be one of the very first transformations that will occur at Phase 2. Alice Griffith has been nationally recognized as a model new community, recently winning a highly competitive \$30.5 million Choice Neighborhoods Implementation grant from HUD. The project will include:

- A completely rebuilt Alice Griffith community
- More than 10,000 new residential units
- More than 300 acres of new and improved parks and open space
- Vastly expanded transportation systems
- Extensive new retail and office space
- A research and development campus

Inclusion in this larger development will bring to Alice Griffith residents additional resources such as increased funding for the rebuilding of their homes, job training opportunities, and access to neighborhood amenities like parks and recreational space.

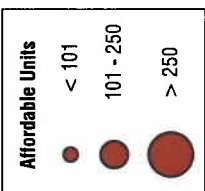
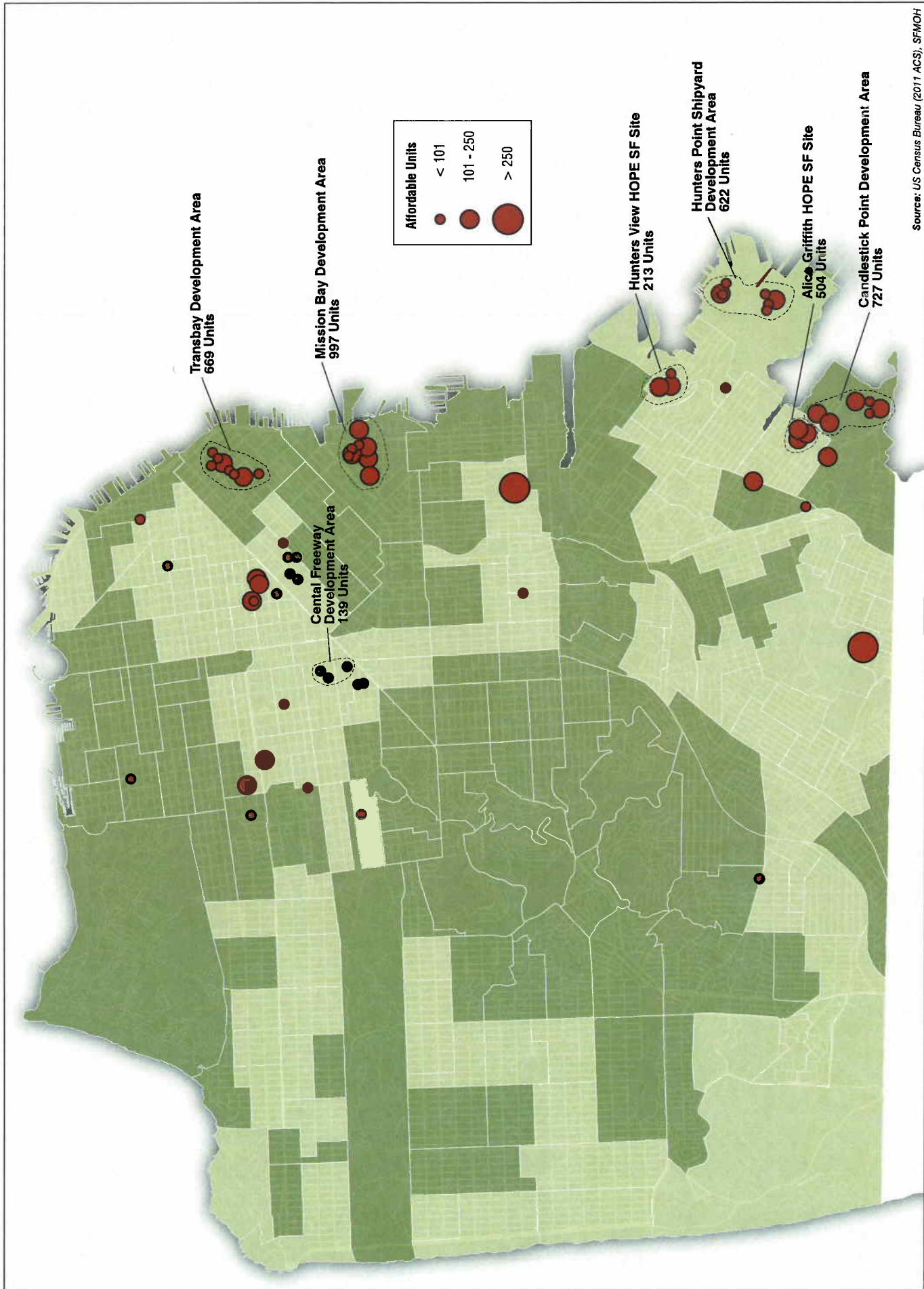
The specific plans for the Alice Griffith site will conform to HOPE SF principles, including one-for-one replacement of the 256 Alice Griffith units within a new mixed-income community that will include affordable rental, as well as below-market-rate “workforce” and market-rate homes.

### **Affirmatively Furthering Fair Housing**

As currently planned, the development of Hunters Point, Candlestick Point, and Alice Griffith into a mixed income community will further fair housing goals by providing thousands of new affordable rental and homeownership opportunities within a brand-new, highly desirable community with parks, retail, transportation, and job opportunities. Yet HUD’s initial proposed rule on Affirmatively Furthering Fair Housing threatens San Francisco’s ability to invest in affordable housing and community based organizations in the Hunters Point area. Today, these sparsely populated census tracts are home to many low-income families and people of color (see map). HUD’s initial proposed rule discourages affordable housing development in neighborhoods that already contain high concentrations of poverty. We urge HUD to reconsider their definition of Affirmatively Furthering Fair Housing to include projects such as this one, an exemplar of military base reuse and community investment. Investment in the Shipyard will reduce disparities in access to community assets based on race, color, religion, sex, familial status, national origin, and disability. We also ask that HUD’s rule reinforce the goals of its own CDBG and CNI programs. These two programs, amongst many other federal programs, recognize the obligation of local governments to support and uplift our low-income communities.

#### 4A. Maps

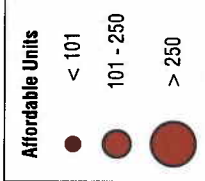
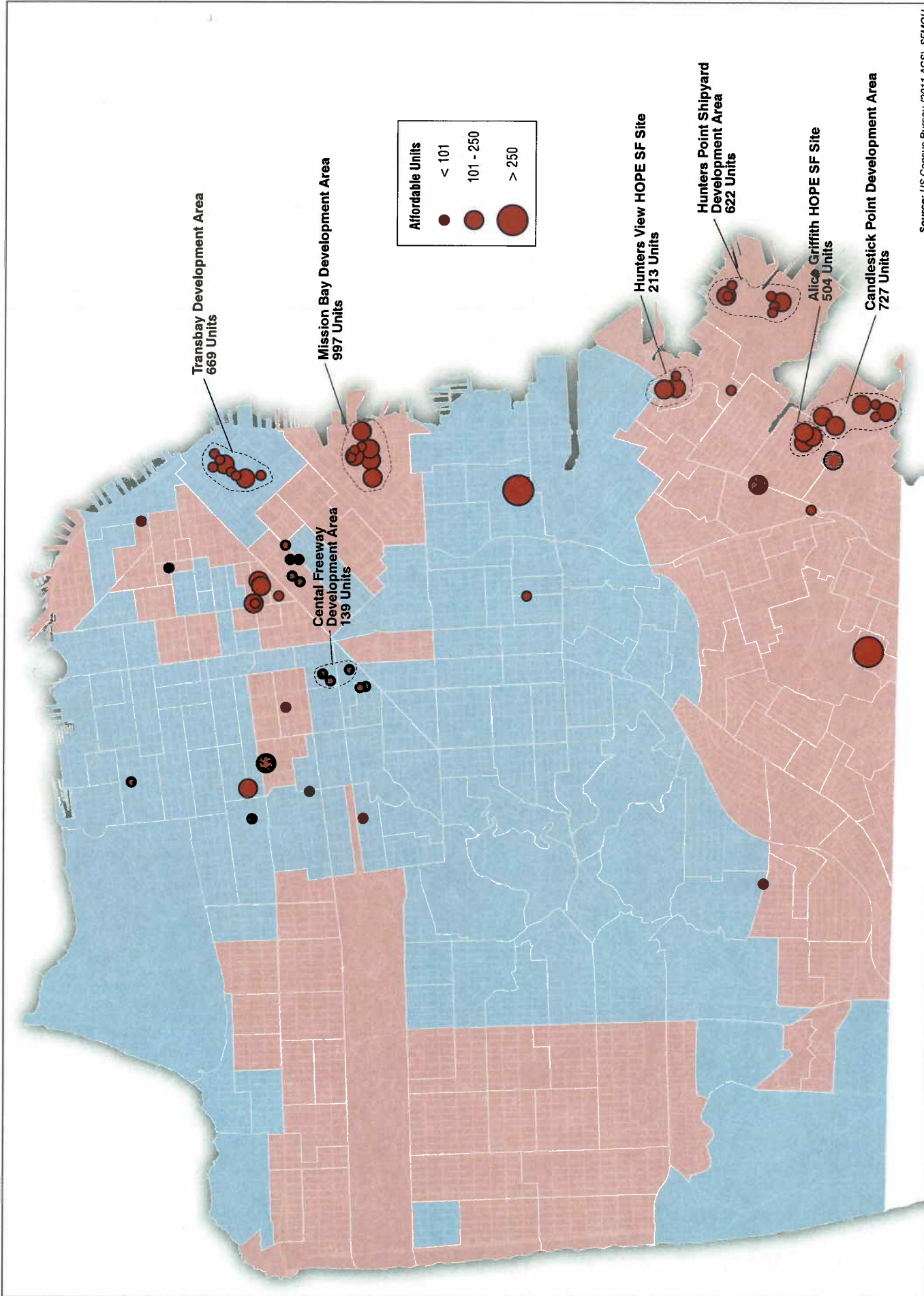
# Affordable Housing Pipeline Developments SAN FRANCISCO



- Census Tracts above 80% of San Francisco Household Median Income (\$81,280)
- Census Tracts below 80% of San Francisco Household Median Income (\$81,280)

Source: US Census Bureau (2011 ACS), SFMOH

2 Miles



Transbay Development Area  
669 Units

Mission Bay Development Area  
997 Units

Central Freeway  
Development Area  
139 Units

Hunters View HOPE SF Site  
213 Units

Hunters Point Shipyard  
Development Area  
622 Units

Alice Griffith HOPE SF Site  
504 Units

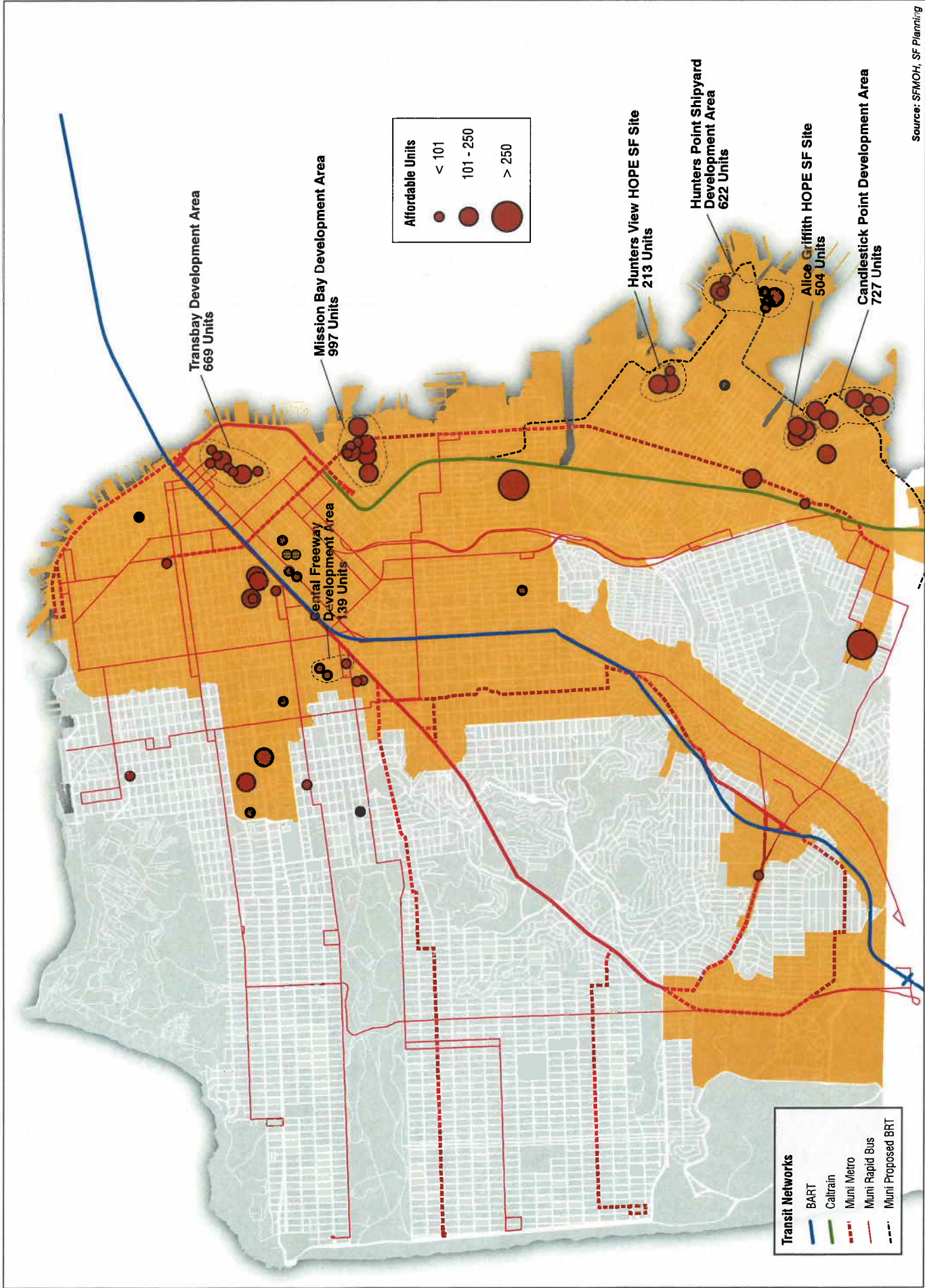
Candlestick Point Development Area  
727 Units

Census Tracts > 50% Reporting Non-White  
 Census Tracts < 50% Reporting Non-White

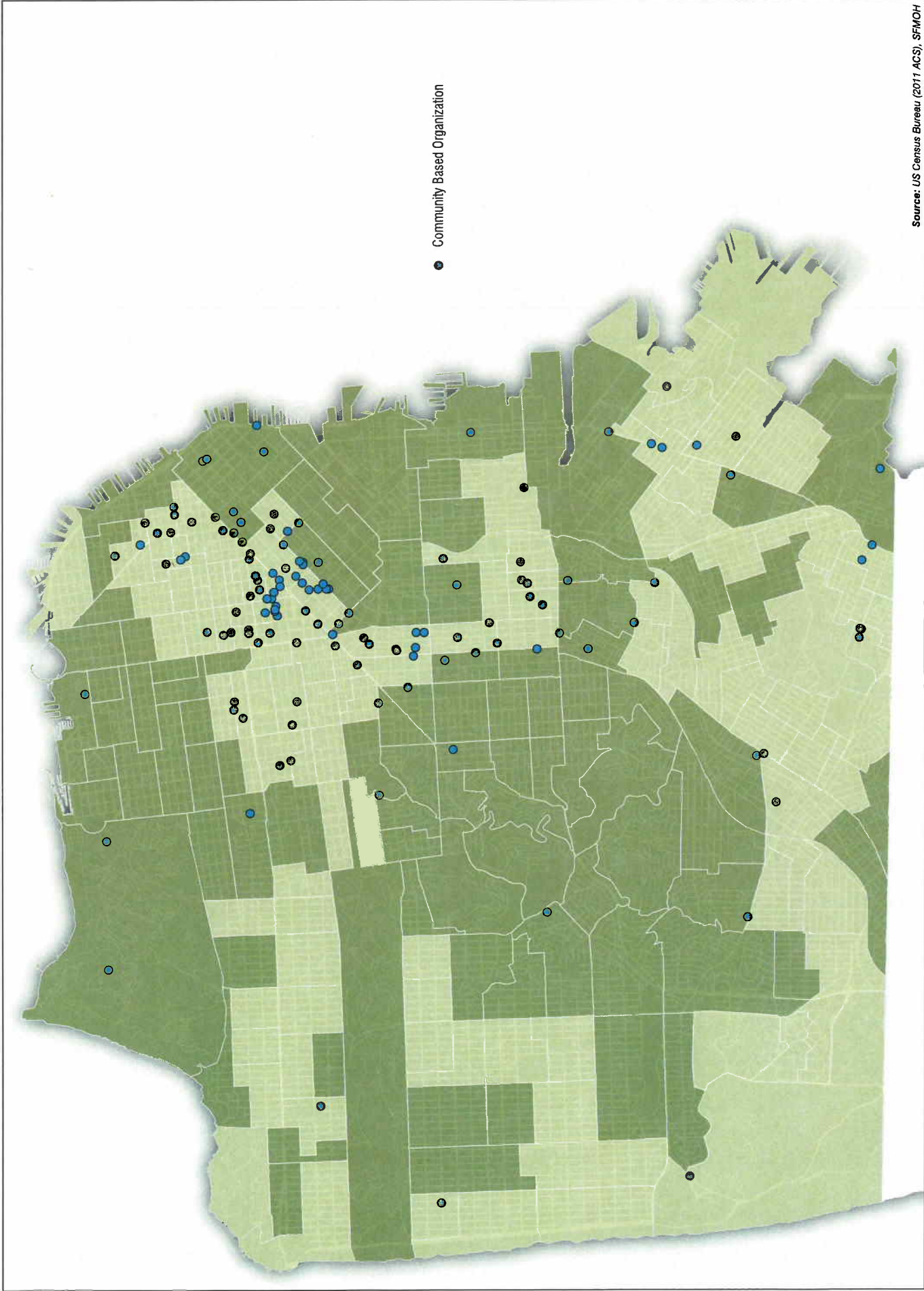
Source: US Census Bureau (2011 ACS), SFMOH

2 Miles

**Affordable Housing Pipeline Developments  
SAN FRANCISCO**



Affordable Housing Pipeline Developments with Priority Development Areas and Transit SAN FRANCISCO

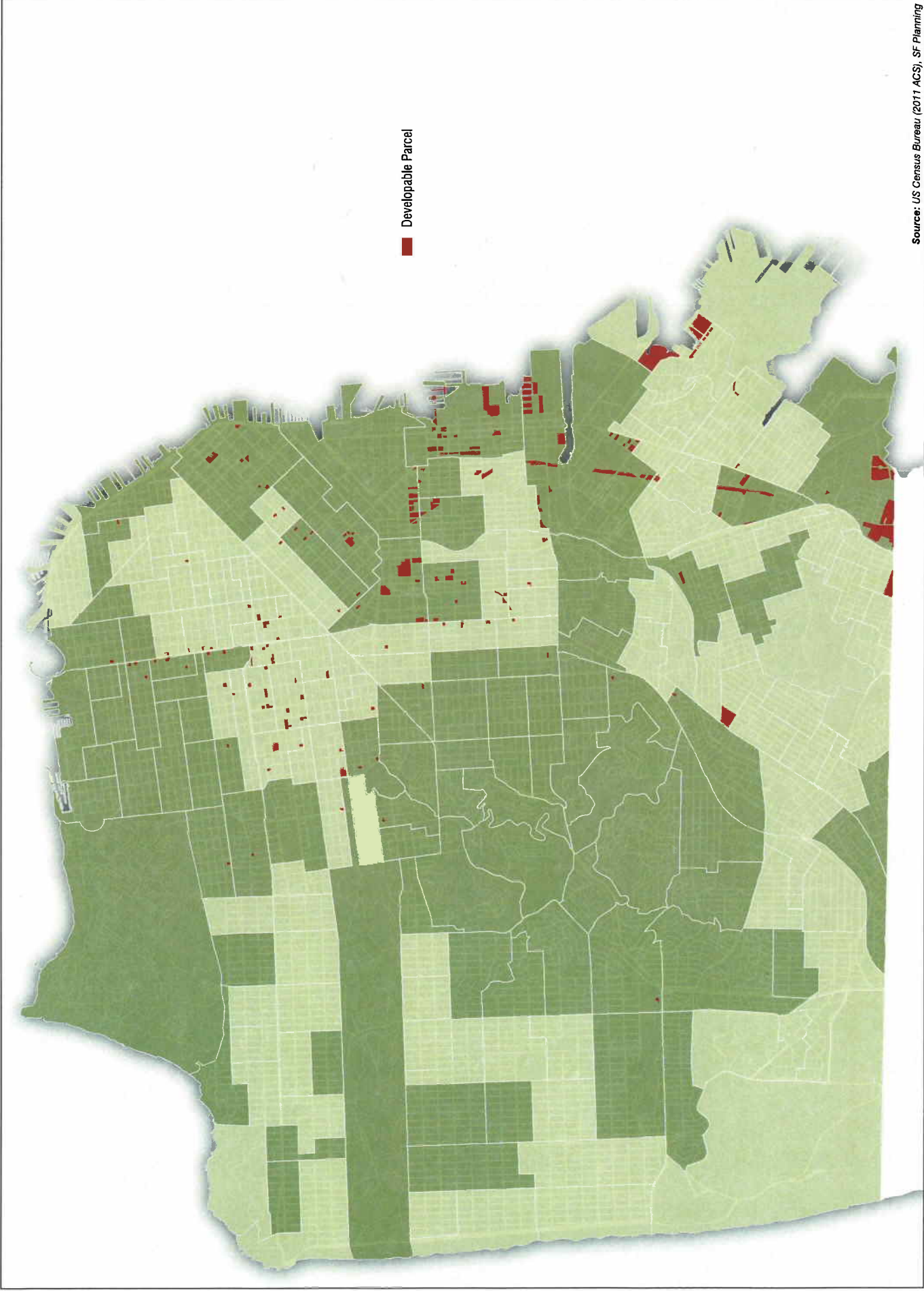


**Community Based Organizations  
SAN FRANCISCO**

Census Tracts above 80% of San Francisco Household Median Income (\$81,280)  
 Census Tracts below 80% of San Francisco Household Median Income (\$81,280)

2 Miles

Source: US Census Bureau (2011 ACS), SFMOH



■ Developable Parcel

Source: US Census Bureau (2011 ACS), SF Planning

■ Census Tracts above 80% of San Francisco Household Median Income (\$81,280)  
■ Census Tracts below 80% of San Francisco Household Median Income (\$81,280)

2 Miles

### Developable Parcels SAN FRANCISCO



Source: San Francisco Redevelopment Agency Hunters Point Shipyard Design for Development 2010

Hunters Point Shipyard and  
Candlestick Point Development Areas  
SAN FRANCISCO

2 Miles

## 5. Seattle, Washington

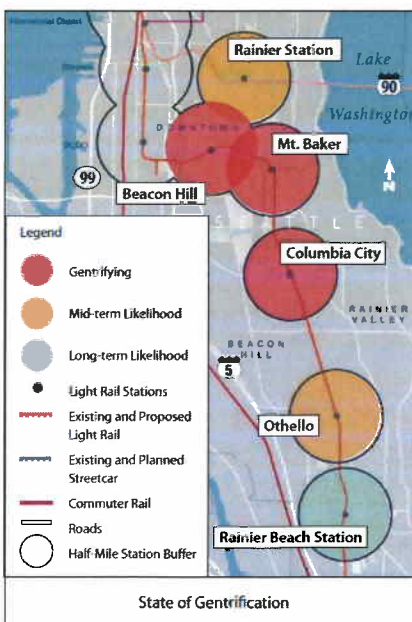
*Seattle is a high cost city with strong job growth. It contains several low-income neighborhoods with relatively high concentrations of minority populations. In recent years, minority neighborhoods closest to downtown have experienced revitalization and gentrification, resulting in higher incomes and rents, increase in White population and movement of minority populations outside the city. Development is now proceeding south to the Rainier Valley, particularly since light rail service is now operating. The City's goal is to ensure that affordable housing opportunities are available for the current low-income residents, so they can benefit from access to jobs, education and services created by light rail. The opportunity for existing low-income residents to prosper in place is an essential element of our fair housing policies and a priority for our affordable housing investments. HUD funds are critical to addressing the needs of this diverse neighborhood as it transitions from one with fewer identifiable community assets to one with rich amenities that attract wealthier households.*

### **Investment in Affordable Housing Development in Rainier Valley**

The Rainier Valley is the most culturally and economically diverse area in the Pacific Northwest. It is home to many small minority-owned businesses and provides an important role, especially for immigrants, in acculturation, integration, and economic mobility for low-income residents. Though some Census tracts are defined as racially concentrated poverty and have experienced disinvestment over the last four decades, the area increasingly provides opportunities for upward mobility. Redevelopment of two HOPE VI public housing projects, introduction of the region's first light rail service, and revitalization of a major historic business district have generated a new demand for the area resulting in gentrification and involuntary displacement of the existing residents and businesses.

### **Cultural and Economic Integration is at Risk**

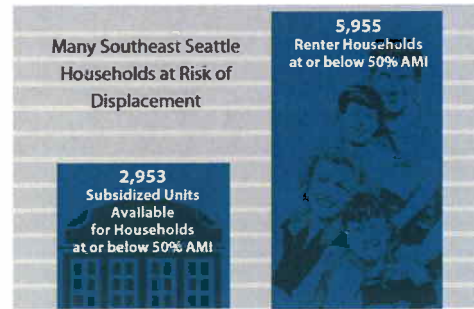
The Rainier Valley is home to over 70 languages spoken, 57% of households speak a language other than English at home, less than 21% of residents are White, and the area has not had an ethnic majority since 1980. The Rainier Valley is also home to Seattle's lowest income households. The average per capita income is \$18,638, less than half the metro area average of \$40,228; 23% of households are at or below the federal poverty level. A Brookings Institute analysis of refugee resettlement shows the Seattle metro area receiving the fifth most refugees in the nation since 1983 (49,000 total), part of trend increasing Seattle's share of the nation's annual refugee settlement from 2.6% in the 1980s to 4% in the 2000's, surpassing Chicago and Washington D.C. Refugee settlement agencies report a majority have settled in the Rainier Valley.



The Rainier Valley, which has seen little private market development for 40 years, is beginning to show signs of gentrification now that the light rail stations are completed (see map left). Rents increased 6% between May 2012 and May 2013. In March 2011 the first



unsubsidized multi-family residential project since 1974 opened at the Othello light rail station. The project is achieving the first multi-family apartment of over 100% AMI in recent history at this station. Another market rate apartment building opened in 2012 Columbia City station and leased up in three months rents at 120% of area median income (AMI), higher projected in the original proforma. A Puget Sound Regional Council analysis of land values near one showed a 513% increase in land value since the announcement of light rail, making it unlikely that new development will provide affordable residential and commercial rents.



rents  
at the  
with  
than  
station

There are 5,955 renter households with incomes at or below 50 percent area median income (\$40,000 annual income for a family of three); however there are only 2,953 subsidized affordable units for these households. This leaves approximately 3,000 low-income households—those who rent market-rate units—at risk of displacement as rents rise in the older stock of multifamily buildings whether or not they are rehabilitated.

Investor speculation is currently occurring in the market for existing older apartment buildings in station areas and the broader Southeast market<sup>1</sup>. Over the last 18 months few properties have sold for new development, but many local investors are now purchasing existing older apartment buildings to rehabilitate. Prices have escalated from approximately \$60,000 per unit to between \$90,000 to \$100,000 per unit in two years. In one Columbia City example, an investor rehabilitated a 1950s building and increased rents for a one bedroom unit from \$750 to \$1,000 per month.

The area’s small businesses have also seen rents rise dramatically. A 2008 survey of local businesses, 87% of which are independently-owned, showed that a majority had seen their rents rise by over 50% in the prior three years. A recent survey of commercial lease rates showed older commercial spaces leasing for \$12-\$15/square foot while newly developed space leases for \$26-\$30/square foot. A 2010 survey of the businesses in the Othello station area business district found 42% were paying 30-50% of their revenue for rent.

Income and demographic change indicators suggest that elements of gentrification associated with displacement –including rising incomes, reduction in non-white and foreign-born populations, and increasing levels of educational attainment – are already occurring around the northernmost station areas. In contrast with the region and City, which experienced an increase in non-white residents between 2000 and 2005-2009, all Rainier Valley station areas lost non-white residents in that time. Given that Rainier Valley is also home to a larger share of households without cars, many households are at risk of losing their primary mode of transportation if forced to relocate to areas with fewer transit choices.

<sup>1</sup> “Rail Lines Bring Housing Clashes: Cities Take Steps to Try to Promote Affordable Housing While Rents Rise Near New Transit”, Wall Street Journal. June 11<sup>th</sup>, 2013

These gentrification pressures weaken the economic and social infrastructure needed to for a viable community where existing residents and businesses can sustain themselves in the broader culture and economy during this period of change.

### **Recent Planning Targets More Growth in Rainier Valley**

Rainier Valley is targeted for residential and employment growth by our regional Metropolitan Planning Organization sustainability plan, Vision 2040. Vision 2040 is a long-range, integrated, environmental, land use, economic development, and transportation strategy for the four county region that encourages compact and equitable development in regional growth centers and around regional transit stations, such as those in the Rainier Valley. Vision 2040 guides the development of Seattle's Comprehensive Plan, a planning framework mandated by the Washington Growth Management Act to absorb 20 year housing and job growth targets. The Comprehensive Plan states that 3,380 new housing units are needed by 2024 to accommodate growth in Rainier Valley. Of those the Comprehensive Plan sets a goal for approximately 1,250 units for households below 80% AMI.

Seattle's station area planning efforts resulted in zoning changes needed to realize the area's TOD potential. Recently City planners have worked with the community to remove regulatory barriers to attract private investment. They optimized zoning and development standards to promote sustainable mixed-use mixed-income development, and developed urban design and streetscape standards for each area to improve pedestrian access to new transit service.

The City of Seattle led an innovative outreach effort for this planning, using both innovative and time tested tools, from hands-on workshops to smaller scale interactive meetings with community-based organizations, as well as on-line updates and surveys and engaging over 1,500 residents, which resulted in vision, goals, and community-preferred strategies to achieve equitable TOD in each area. The outreach model won the 2010 Governor's Smart Communities Award for its use of 13 Public Outreach Liaisons from communities of color, people with disabilities, youth, and seniors sub-contracted to engage their communities in the neighborhood planning process. Fully 1,200 of the 1,500 residents (80%) engaged in the planning were from these communities.

### **Affordable Housing Ensures New Transit Investments Benefit All**

The introduction of transit into a community creates immediate and long-term value. Transit-oriented development (TOD) is a pattern of growth that maximizes transit's value. *Equitable* transit-oriented development ensures transit's value benefits people of all incomes, races, and ethnic backgrounds. Opened in 2009, light rail currently runs from the SeaTac Airport northward through the Rainier Valley to downtown Seattle, the regional employment and retail center. The next rail section, scheduled to open in 2016, will link downtown Seattle with the University of Washington and then to Northgate, a commercial and services hub. Once Seattle's north/south line is complete, light rail will link residents to over a million jobs region-wide as well as community colleges and universities, medical facilities, retail opportunities, and recreation.

Development and preservation of affordable housing at transit stations is essential to achieve equitable TOD. Locating affordable housing near high capacity transit allows household to lower their combined housing and transportation costs, leaving more resources to be spent on essential items like healthy food and healthcare. Currently in the Rainier Valley 65% of housing is renter occupied and 50% of renters spend more than 30% of their income on housing costs. Without an adequate supply of affordable housing existing residents will either be displaced to lower-rent markets or carry a higher housing cost burden.

To address the housing needs detailed above the City of Seattle and Seattle Housing Authority have been investing in community revitalization strategies in Southeast Seattle, beginning with the \$82 million dollar HUD investment in two HOPE VI mixed-income projects, New Holly and Rainier Vista, each at a new light rail station. These provide affordable market rate homeownership opportunities and rental housing for very low-income households. More recent affordable housing investments at light rail stations have filled in missing affordable housing options along the affordability spectrum for families and individuals in the 30-80% AMI range. A recent Mercy Housing project included 52 units affordable at 40%, 50%, and 60% AMI. This project leased up in one month and 50% of new residents were from Southeast Seattle; an additional 20% were from South King County. These types of anti-displacement and reverse-sprawl outcomes are critical to meeting the City's goals.

HUD is supporting our equitable transit oriented development work through a Sustainable Communities Challenge Grant. Seattle was awarded a \$3 million Challenge Grant in 2011 to work on priorities identified in the Rainier Valley neighborhood plans. Grant funds are being matched by \$5.9 million in public and private funds. The Community Cornerstones program was launched to oversee this effort. The program is creating affordable residential, commercial, and community space, in order for support existing residents and businesses and welcome new ones.

Community Cornerstones is overseen by a broad coalition of public, private, and community partners who administer integrated community stabilization and growth strategies. These include a land acquisition loan program, a business technical assistance program, feasibility planning for a shared multi-cultural community center, and capacity building for community leaders and grass roots organizations committed to equitable outcomes. These HUD funded strategies align with Seattle's fair housing policies to ensure all people have opportunities to live in amenity rich neighborhoods.

