

CHAPTER 6

NEW STRATEGIES FOR A METROPOLITAN AMERICA: EXTENDING HUD'S URBAN AND REGIONAL MISSION

Retooling HUD
for a Catalytic Federal Government:
A Report to Secretary Shaun Donovan

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EXECUTIVE SUMMARY

The United States is a metropolitan nation. Over 80 percent of the nation's population lives in metropolitan areas. Many of our national objectives require regional responses that take into account our metropolitan character. Yet we are not organized either at the metropolitan or the federal level to effectively pursue these objectives. The need for better regional governance within metropolitan areas has increased, but in most metropolitan areas the response has been inadequate. Federal programs and activities affecting metropolitan areas and the local governments within them are scattered among a large number of federal agencies and departments. No department has primary responsibility for the challenges and opportunities of our metropolitan regions.

The U.S. Department of Housing and Urban Development (HUD) should seize the opportunity and put itself in the forefront of a regional policy effort. HUD should explicitly re-focus its mission to encompass one of the prime goals Congress originally envisioned for it – shaping the future of our urban and metropolitan regions. HUD's programs and activities should be reshaped to reflect this goal.

The basic strategies and specific recommendations we make are set forth below.

Recommendation 1: HUD should actively and publicly embrace and affirm an urban and regional mission in addition to its housing mission.

Recommendation 1.1: HUD should revise its mission statement so that it includes the statement, “to foster decent homes and livable communities in economically strong and environmentally sustainable metropolitan regions.”

Recommendation 1.2: The HUD Secretary should request that each Assistant Secretary submit to him a report with recommendations and options for how programs and policies in his or her area could support HUD's urban and regional mission. These reports should form the basis for a HUD task force which will allow the Assistant Secretaries to collaborate about how best their programs can support the regional mission.

Recommendation 1.3: The HUD Secretary should communicate the re-framing of HUD's mission to HUD's constituencies and should consult with them to determine the most effective ways to implement the broadened mission.

Recommendation 1.4: HUD should change the title of the Assistant Secretary for Community Development to the “Assistant Secretary for Urban, Regional and Community Development” and authorize the Assistant Secretary to coordinate HUD programs that encourage regional activities and effective regional governance, including those we recommend in this report.

Recommendation 1.5: HUD should contract with a respected independent and objective non-governmental organization such as the National Research Council (NRC) of the National Academy of Sciences to prepare and publish a biennial “Report on Urban and Metropolitan Areas.”

Recommendation 2: HUD programs should support, through incentives and other means, regional activity that helps to build stronger communities and is consistent with and advances important national objectives. HUD should structure its programs, where appropriate, to pursue those objectives.

Recommendation 2.1: HUD should propose new legislation that would create a “Regional Challenge Grant,” a multi-year competitive grant program for proposals designed to have a regionally significant impact.

Recommendation 2.2: HUD should propose legislation that would modify Community Development Block Grant CDBG (and possibly the Home Investment Partnerships Program [HOME]) to provide incentives for regional activity and, at the same time, to encourage and strengthen regional governance processes. We recommend that one-third of any increase in CDBG funds should be set aside for activity devoted to regional purposes.

Recommendation 3: HUD should engage in activities to encourage and enhance effective regional governance in metropolitan areas.

Recommendation 3.1: HUD should submit legislation to provide general operating funds (“glue money”) for a designated multi-purpose planning agency in metropolitan areas.

Recommendation 3.2: HUD should provide funds for the designated regional organization to produce, or contract for the production of a periodic “State of the Region Report.”

Recommendation 4: HUD should play the lead role in efforts to develop linkages among programmatic silos that, at both the federal and regional levels, impede effective responses to the needs of metropolitan areas.

1. At the federal level

Our recommendations assume the creation of a new White House Office of Urban and Metropolitan Policy (WHOUMP or the White House Office), one of whose primary objectives will be to place the power of the Presidency behind achieving greater coordination among the urban- and regional-related programs dispersed among many federal agencies. Assuming the existence of WHOUMP, we recommend that

Recommendation 4.1: HUD, as the federal department with the most explicit urban and regional mission, should be the lead federal agency in working with WHOUMP to achieve greater coordination among these programmatic silos, including detailing staff to assist in this endeavor.

Recommendation 4.2: HUD should work with the White House Office of Urban and Metropolitan Affairs to set up an inter-agency task force to explore ways in which the urban and regional functions of the various federal agencies and departments can be more effectively coordinated.

Recommendation 4.3: In a Regional Challenge Grant program such as the one recommended above, HUD (or HUD, in conjunction with WHOUMP) should take a lead coordinating role in proposals that request resources from federal agencies in addition to HUD.

Recommendation 4.4: HUD should compile and update an inventory, for the use of both federal and state and local governments, of programs affecting urban areas throughout the federal government and how these programs relate or could relate to each other.

2. At the regional level

Recommendation 4.5: HUD should require that its Consolidated Plan be coordinated with, and, if possible prepared by, the same regional agency that produces the region’s Transportation Improvement Program (TIP).

Recommendation 4.6: HUD should work with the new White House Office and with other federal agencies to require that federal regional planning programs (such as those of the Department of Transportation [DOT], Economic Development Administration [EDA], Environmental Protection Agency [EPA], and Department of Labor [DOL], etc.) be funded through and be the responsibility of a common organization at

the regional level, i.e., the organization designated above as the multi-purpose planning agency in each metropolitan area receiving the federal “glue money” discussed above.

Recommendation 5: HUD should enhance urban and regional data collection, research, evaluation, and analysis capacity both at HUD and at the metropolitan level.

Recommendation 5.1: HUD, in conjunction with the new White House Office of Urban and Metropolitan Policy, should accept the primary role in identifying and providing the data required for understanding important urban and regional processes, challenges, and opportunities and the policies addressed to them, and for measuring and reporting progress in achieving regional performance goals.

Recommendation 5.2: HUD should identify critical gaps and shortcomings in data for urban and regional analysis and, again in conjunction with the new White House Office, establish inter-agency data standards and encourage the relevant federal agencies to collect and provide such data.

Recommendation 5.3: HUD should enhance and expand the capacity of the Office of the Assistant Secretary of Policy Development and Research for urban and regional data collection, policy analysis, performance reporting, evaluation, and research.

Recommendation 5.4: HUD should focus its research both on basic processes related to urban and regional systems and on policy concerns and policy approaches to attain national objectives. In particular, it should promote research on regional development processes and on the effects of policies designed to produce sustainable development within America’s metropolitan areas.

Recommendation 5.5: As one of only a few explicitly spatial departments in the federal government, HUD should become a central agent for the development and use of spatial statistics in order to support both its own research needs and its ability to interface with its customers through easy-to-use mapping systems.

Recommendation 5.6: HUD should become a “customer friendly” provider of data for a variety of purposes and a variety of customers.

Recommendation 5.7: HUD should make available funding for urban and regional data collection and research to the regional entity that receives federal planning “glue money” in major metropolitan areas.

INTRODUCTION AND BACKGROUND

The United States is a metropolitan nation. Over 80 percent of the nation's population lives in metropolitan areas. Metropolitan areas produced more than 90 percent of our economic output in 2005. Success in the global economy requires well-functioning regional economies. Housing and labor markets are region-wide. Transportation systems serve entire regions; pollution and environmental concerns spill widely beyond the boundaries of local jurisdictions. The American value of equal opportunity requires regions that give everyone the choice to live in affordable housing in quality communities that connect them to economic opportunities. Smart regional development that coordinates land use, transportation, and other functions is necessary to reduce greenhouse gases and protect the environment.

Many of our national objectives require regional responses that take into account our metropolitan character.

National economic competitiveness and economic recovery must be built on strong and competitive *regional* economies. Indeed, national economic growth is a composite of growth in the nation's regional economies. Since metropolitan economies are regional in nature, beggar-thy-neighbor competition among local governments within a region is a waste of resources for building a strong regional economy. And regional economic growth is a prerequisite for healthy cities and suburbs within the region.

National affordable housing objectives also require regional action to assure that "workforce housing" is available throughout the region for workers who wish to live close to their jobs. National employment objectives also require regional action. Problems of "spatial mismatch" between the location of workers and the location of jobs require effective regional transportation systems, particularly to make jobs in the suburbs accessible to lower-income workers living in core cities.

Furthermore, critical national sustainability objectives—such as reducing energy consumption, imported petroleum, and greenhouse gases—can only be accomplished by reducing vehicle-miles traveled. Accomplishing this objective requires action at the regional level, such as efforts to match jobs and housing, increase transit use through transit-oriented development, and decrease the need for automobile trips through mixed-use development.

Yet we are not organized either at the metropolitan level or at the federal level to be able to effectively pursue these objectives. The typical American metropolitan area is governed by large numbers of general-purpose local governments and special-purpose authorities (governmental fragmentation). Regional multi-purpose government institutions are notably lacking in all but a few metropolitan areas. More importantly, most metropolitan areas lack adequate regional governance capacity. "Regional governance," as distinct from "regional government," is comprised of formal and informal agreements among individual units of local government in the region as well as collaboration among the private, non-profit and foundation sectors that engage in activity with regional consequences. The need for better regional governance to supplement the existing set of local government institutions within metropolitan areas has increased, but in most metropolitan areas the response has been insufficient.

At the federal level, departments and agencies are organized by function rather than by place. Programs and activities affecting metropolitan areas and the local governments within them are scattered among a large number of federal agencies and departments. No department has primary responsibility for the challenges and opportunities of our metropolitan regions.

HUD should seize the opportunity and put itself in the forefront of a regional policy effort. Although "urban" is part of the title of the Department of Housing and Urban Development, its primary concern has historically been housing. Housing, of course, is a critical urban concern and, beyond that, HUD has been responsible for important urban programs such as the Community Development Block Grant (CDBG), the Urban Development Block Grant (UDAG), Empowerment Zones, and Model Cities. However, over most of its history HUD's urban activities have been focused on relatively small scale urban and community development, particularly housing and land development, funded through, and implemented within a single local jurisdiction. A concern for metropolitan areas and regions has been almost completely missing, despite the fact that the act that established the Department declared:

The Congress hereby declares that the general welfare and security of the nation and the health and living standards of our people require, as a matter of national purpose, sound development of the nation's communities and metropolitan areas in which the vast majority of people live and work.

To carry out such purpose... the Congress finds the establishment of an executive department is desirable... to assist the President in achieving maximum coordination of the various federal activities which have a major impact upon community, suburban, or metropolitan development; to encourage the solution of problems of housing, urban development, and mass transportation through State, county, town, village and private action, including promotion of interstate, regional, and metropolitan cooperation.

We recommend that HUD explicitly refocus its mission to encompass the important goal that Congress originally envisioned for it - shaping the future of our urban and metropolitan regions. HUD's programs and activities should be reshaped to reflect this goal. HUD should be focused on helping regions and the various local jurisdictions within them to take advantage of and build upon their opportunities and assets. Indeed, HUD's current efforts, particularly in housing but in other programs as well, will become more effective if placed in a regional context. The need for a regional approach is increasingly recognized – and was an explicit and consistent part of President Obama's campaign. HUD is perfectly positioned to fulfill this campaign promise and to increase the efficacy of federal support for urban and metropolitan economic growth.

More broadly, HUD should focus on building healthy communities throughout metropolitan regions. A place-building orientation challenges the silo-driven approach and highlights the need for a concern for metropolitan areas and regions. Healthy places require not just decent affordable housing but also access to jobs (economic development, job training, transportation), good schools (local school districts, private and parochial schools, higher education), convenient transportation (regional transportation authority), safe and secure neighborhoods (regional crime detection and threat-abatement security), and recreational opportunities (municipal, county, and regional parks departments). HUD's new mission of promoting healthy regions will give it a central role in coordinating efforts across governmental functions. By shifting its focus to building places, HUD will also broaden its focus from one concerned primarily with problems (housing affordability, poverty, etc.) to opportunities and assets. Our metropolitan regions are filled with underutilized assets; genuine economic recovery requires that we invest wisely in people and places in order to create wealth and inclusive prosperity.

STRATEGIC PREMISES

HUD is the logical federal agency to take the initiative in addressing urban and metropolitan areas in a holistic manner. The strategic premises that underlie our objectives and recommendations for HUD as it expands its mission are as follows.

- Metropolitan regions are the key spatial units of the American economic and social system. The national economy is comprised almost completely of metropolitan area economies.
- Important national objectives related to economic growth, housing, jobs, transportation, environment, energy, and climate control cannot be accomplished without effective action at the regional level.
- Within metropolitan areas, more effective regional governance is necessary to address the most important economic and social challenges facing these areas and to take advantage of assets and opportunities that exist within the region.
- The core cities of metropolitan areas have been the centers of innovation, opportunity, and productivity that have driven national economic competitiveness and growth. The people who live in these cities represent enormous real and potential human capital assets. And the core cities of our metropolitan areas remain critical for our national economic success. Yet, many of the challenges now facing these cities can only be met within a regional context. There are very few examples of strong, well-functioning cities in economically weak metropolitan areas. A regional approach does not mean abandoning concern for cities; instead, it means addressing city concerns more effectively through regional action.
- Furthermore, significant problems exist outside central cities. In inner-ring suburbs governmental capacity is frequently not adequate to address the challenges facing them. Likewise, sprawl at the outer margins and uncoordinated development throughout metro areas have produced land-use patterns that exacerbate problems, such as traffic congestion and air pollution.

- The current institutional structure in most metropolitan areas is inadequate to allow the local governments within the area to effectively address problems that affect them but transcend their borders. Regional governance mechanisms must be strengthened in order to empower local governments to act in their interests at the regional level.
- While the local government structure of metropolitan areas is a state government concern, the federal government – and HUD in particular – should encourage regional approaches by providing incentives and resources for regional planning and capacity building and by organizing federal programs so that stove-pipes are broken down (or bridges built to connect them) at both the federal and local levels.
- The objective of federal strategy is not to build a regional government to replace local governments or to design a model system of regional planning or governance. The objective is to help to facilitate improved systems of regional governance within metropolitan areas so that state government, local government, foundations, and private and non-profit actors working together at the regional level will be able to take advantage of metropolitan area assets and opportunities.
- HUD’s mission gives it the lead role among federal departments in urban and metropolitan concerns. However, as one department among many departments and agencies, HUD cannot, acting on its own, play an effective role as the lead department without White House support.
- Therefore, our recommendations assume that there will be a White House Office of Urban and Metropolitan Policy that will play the lead role, with HUD’s assistance, in organizing policies at the federal level that affect urban and metropolitan areas.

A. Recommended Objectives and Strategy Summary

Recommendation 1: HUD should actively and publicly embrace and affirm an urban and regional mission in addition to its housing mission.

Recommendation 2: HUD programs should support, through incentives and other means, regional activity that helps to build stronger communities and is consistent with and advances important national objectives. It should structure its programs, where appropriate, to pursue those objectives.

Recommendation 3: HUD should help to bring about effective regional governance in metropolitan areas.

Recommendation 4: HUD should play the lead role in efforts to break down (or provide bridges across) programmatic silos that, at both the federal and regional levels, impede effective responses to metropolitan area needs.

Recommendation 5: HUD should enhance urban and regional data collection, research, evaluation, and analysis capacity both at HUD and at the metropolitan level.

B. Specific Recommendations:

Recommendation 1: HUD should actively and publicly embrace and affirm an urban and metropolitan mission in addition to its housing mission.

Although “Urban” is part of the name of the Department of Housing and Urban Development, and although it has been responsible for important urban programs (it played a role in assisting the development of regional planning and regional institutions during the 1960s and 1970s), it is fair to say that its primary focus throughout its history has been housing. The historic focus on housing is not surprising. HUD emerged from the Housing and Home Finance Agency (HHFA). If one looks at its website, HUD’s mission as currently stated is “to increase homeownership, support community development, and increase access to affordable housing free from discrimination.” If one inspects HUD’s organization chart, none of the major units or sub-units contains the words “urban,” “metropolitan,” or “regional.” The closest a major organizational box comes to any of these broad place-based terms is the “Assistant Secretary for Community Planning and Development.”

Obviously housing has been and, particularly now, remains a major national concern, and our recommendation that HUD extend its mission is not intended to detract from the centrality of housing as a component of HUD's mission. But a focus upon housing need not be set against a broader concern for the health of America's urban and metropolitan areas, particularly since there are no other units of the federal government (including Congress as well as the Executive Branch) where such a concern is located.

How can HUD take on a leading role in shaping America's cities and metropolitan areas? We urge that it explicitly signal its intention to do so and announce that it intends to become the institutional urban and metropolitan conscience for the nation. We recommend the following.

Recommendation 1.1: HUD should revise its mission statement so that it includes the statement, "to foster decent homes and livable communities in economically strong and environmentally sustainable metropolitan regions."

Recommendation 1.2: HUD should change the title of the Assistant Secretary for Community Development to the "Assistant Secretary for Urban, Regional and Community Development" and authorize the Assistant Secretary to play a role coordinating the HUD programs and activities that encourage regional activities and effective regional governance, including those we recommend in this report.

Recommendation 1.3: HUD should also be responsible for contracting with a respected independent and objective non-governmental organization such as the National Research Council (NRC) of the National Academy of Sciences to prepare and publish a biennial report on Urban and Metropolitan Areas. The report should set forth and assess conditions, trends, problems, and opportunities of both metropolitan areas and their core cities. It should be analytical and synthetic in nature and should identify key trends that will require HUD's attention in the future. HUD should request that the authors of this report provide feedback to it on the new data requirements and data enhancements for HUD that we recommend in Recommendation 5 of this report.

From 1970-2000 HUD took the lead in preparing the President's *National Urban Policy Report* and later the *State of the Cities Report*. While very useful, these reports were too often viewed as justifications and rationalizations for the incumbent administration's policies and actions or inactions, often reflecting the point of view of the political side of the White House. An independent report upon which HUD might be asked to provide comments about Administration policy would be more trusted and more useful.

Recommendation 1.4: The Secretary should request that each Assistant Secretary submit to him a report with recommendations and options regarding how programs and policies in his or her area could support HUD's urban and regional mission.

Recommendation 1.5: To assure that the Secretary's inclusion of an expanded urban and regional mission spreads throughout the organization and to promote continuing attention to the regional agenda, the Secretary should keep leadership at the Secretarial level by constituting a HUD regionalism working group, composed of relevant HUD appointees and staff, to assist the Secretary in further development and implementation of HUD's urban and regional agenda.

Recommendation 1.6: The HUD Secretary should, at the earliest possible moment, communicate the re-framing of HUD's mission to HUD's constituencies and should consult with them to determine the most effective ways to implement the broadened mission. He should conduct regular outreach, consultation, listening, and deliberation processes with key constituencies and potential constituencies for this regionalism agenda.

Recommendation 1.7: The HUD Secretary should, upon the creation of the new White House Office of Urban and Metropolitan Policy, announce that he considers WHOUMP an indication of the President's commitment to metropolitan areas and their local governments and that he will cooperate and work closely with that office to the maximum extent possible.

Recommendation 2: HUD programs should support, through incentives and other means, regional activity that helps to build stronger communities and is consistent with and advances important national objectives. It should structure its programs, where appropriate, to pursue those objectives.

Metropolitan regions are the units in which most people conduct their lives. People seek employment throughout the region. They search for housing throughout the region. They frequently commute to work from their home in one local government to their work in another. They shop throughout the region and engage in recreation, entertainment, and culture region-wide. Businesses search for locations throughout the region and employ workers who live throughout the region. Transportation systems must be planned and operated regionally in order to meet these needs. Pollution spills over from one community to others in the region. Criminals do not confine their activity to the jurisdictions in which they reside.

Yet, while many problems facing cities and suburbs are regional in nature, regional solutions are difficult to fashion because of a lack of regional governance mechanisms to facilitate them. The typical American metropolitan area is governed by large numbers of general- and special-purpose governments and authorities. The need for regional governance has increased as the population has moved to fragmented suburban settings, but there has been little institutional response. Instead local concerns, like increasing the local tax base and minimizing local burdens take precedence over regional concerns, such as job-housing mismatches, air quality, economic and racial segregation, and fiscal inequities. Coordination among local jurisdictions does exist, but it tends to be ad hoc and conducted through a variety of inter-local agreements. These are useful and certainly should be encouraged, but they are not sufficient. Meanwhile the recognition of the need for regional responses is growing and in many areas is being met by the growth of regional activity among private and non-profit groups, sometimes with the participation of local governments, and often funded partially or wholly by local foundations.

To encourage and increase action that addresses regional level problems and seizes regional opportunities, we recommend the following.

Recommendation 2.1: HUD should propose new legislation that would create a “Regional Challenge Grant Program,” a multi-year competitive grant program for proposals designed to have a regionally significant impact. Proposals could be for purposes that were directed towards any of a variety of important national objectives as they relate to metropolitan areas. Such objectives could include:

- Regional economic competitiveness
- Provision of affordable housing
- Sustainability and “smart growth” objectives
- Creation of mixed-use, mixed-income communities
- Improving housing, transportation, and land use links and housing-job mobility
- Environmental, climate change, and energy reduction objectives
- Equity objectives such as modifying fiscal disparities among local governments or fair housing.
- Other activities consistent with national objectives that have a regionally significant impact
- Some combination of the above

Proposals would not necessarily have to be across jurisdictional lines so long as they were designed to have a regionally significant impact. In order to provide fiscal benefits to local governments throughout the region for the fiscal return of the activity (and to make it possible to reach regional agreement), the proposal would have to include a plan for the local jurisdiction(s) in which the project would be located to place at least 25% of the additional tax revenues generated by the project in a region-wide tax sharing fund. An alternative option would be not to require such a plan, but for HUD to announce that it would give substantially higher priority to proposals that included the plan.

The Regional Challenge Grant (which could be seen as a “Regional Development Grant”) would encourage regional entities, jurisdictions within metropolitan areas, and/or state governments to collaborate in proposing activities tailored to the circumstances of their particular region. Proposals could come from any of these three entities or some combination of them, so long as the proposals were for activities that would have a regionally significant impact and were directed towards one or more of the objectives stated above. However, to be eligible, the actual proposal would have to be submitted to HUD through a regional entity and would have to reflect broad agreement among local elected officials, including the mayor(s) of the principle city (or cities) of the metropolitan regions, the county executive or council of the largest counties, and suburban officials. There could be additional provisions requiring

some level of participation by the private sector, non-profits, foundations, and community groups, but these would have to be structured so as not to provide a multiplicity of veto points and to avoid interminable negotiating. Funds would be available to winning proposals for a multi-year period.

This process could be characterized as a form of “reverse RFP.” Extra consideration could be given to applications that crossed functional areas – e.g., proposals that combined some combination of housing, transit, economic development, environment and pollution control, etc. or focused on “green,” sustainable, and/or equitable development.

While HUD would be the primary home of the program, it would require HUD – or, more likely, the new White House Office of Urban and Metropolitan Policy with HUD’s support – to act as a facilitator to help package activities, funds, and, if appropriate, waivers across the various federal departments and agencies responsible for the different policy areas. It is likely a program this complicated will require the new White House Office of Urban and Metropolitan Policy – an entity that can speak directly for the President – to coordinate this, bring the other departments on board, and ensure cooperation.

It is worth noting that towards the end of the Clinton Administration HUD proposed a “Regional Connections Initiative” that was similar in some respects to the Regional Challenge Grant that we recommend. Also both New York State, in its 21st Century Demonstration program, and the Commonwealth of Virginia through its Virginia Regional Competitiveness Act have programs designed to encourage regional activities.

Recommendation 2.2: HUD should modify CDBG (and possibly the Home Investment Partnership Program) to provide incentives for regional activity and, at the same time, to encourage and strengthen regional governance processes. The essential idea would be to provide additional funds for these programs that could be used only for regional purposes. In his campaign President Obama suggested that CDBG funds, whose real value has been reduced substantially over time, be increased. *We recommend that one-third of any increase in CDBG entitlement funds should be set aside for activity to accomplish regional purposes*, leaving the other portion for increases in formula allotment to entitlement communities and for the state non-entitlement program (thus providing local governments with desperately needed funds and reducing their immediate opposition to the regional set-aside). Only one proposal could be submitted per region so some regional entity would have to be empowered by local governments within the region to determine which proposal to submit.

There are two options for distributing the set-aside funds:

- Option 1: Competitive grant. The funds could be held in a separate pot by HUD and allocated as a competitive grant to regions that submitted the best proposals for CDBG activity to accomplish regional purposes. More favorable consideration or higher funding amounts could be given to applications that were addressed to particularly high priority national objectives such as transit-oriented development, compact development (or other “smart growth” objectives), or regional economic competitiveness. Applicants would have to be either a consortium of local governments or a regional entity, with proposals submitted by the latter given more favorable consideration. The funds would be usable only for CDBG eligible purposes that were regional in nature.
- Option 2: Formula-based distribution. The funds could be allocated to each metropolitan area in the same proportion as the funds currently being allocated to the entitlement communities within the area. Thus, if the total regional set-aside amounted to an increase of 15%, each metropolitan area would be allocated an additional amount equal to 15% of that going to the entitlement communities. However, the funds would be usable only for CDBG eligible purposes that accomplished regional objectives and were proposed by a regional entity. HUD would have to determine whether the proposal would accomplish regional purposes.

Alternatively, the set-aside funds could be split with the two resulting parts each being used to fund one of the options.

The rationale for the competitive grant option – the one that a substantial majority of the task force favored – is that it would be a productive investment of scarce federal resources which could result in activity with substantial benefits in those regions that had the capacity and proclivity to undertake it. It would provide an additional incentive for regions that already understand the importance of regional activity to take greater strides in that direction. The

successful use of federal funds for regional projects would further support the notion that regional activity is viable and that federal funds are well-spent when directed to such projects (rather than being seen as further evidence of federal monies being wasted on ill-conceived projects). The argument against is that it would not provide incentives for the regions that are most lacking in regional governance capacity – arguably the regions that need it the most.

The rationale for the formula distribution option is that it would build regional governance capacity in many more places. The benefit in this approach would be captured through the additional regional governance capacity as well as through the actual regional activity undertaken. Also, distribution of funds to a larger number of recipients would serve to build a stronger political constituency for HUD regional programs. The argument against this approach is that spreading limited federal resources across a large number of places would likely yield a lower return on total investment. Also, the requirement that HUD review each proposal for *bona fide* regional grantees and purposes could exceed existing HUD capacity.

Regardless of which option is chosen, existing CDBG legislation would have to be altered in significant ways.

Recommendation 3: HUD should help to bring about effective regional governance in metropolitan areas.

The fundamental challenge in fashioning and implementing effective policy at the regional level is the current weakness and scattered nature of regional governance mechanisms through which bargaining, negotiating, consensus-building, decision-making, and, ultimately, implementation can take place. The typical metropolitan area consists of a large number of independent general purpose local governments – cities, suburbs, counties, and, in some cases, townships. While there are frequently single-purpose special districts at the regional level, particularly for infrastructure-related concerns, there generally is no multi-purpose regional governance institution. The collaboration and cooperation that does exist occurs through large numbers of individually negotiated ad hoc agreements among the independent units of local government, frequently on a bi-lateral basis.

Virtually all metropolitan areas *do* have regional planning agencies, usually funded at least partially through federal programs. The only regional planning agencies that plan across functional lines to some degree are the Regional Councils of Government (COGs). However, COGs generally have little or no strong, reliable source of funding for this purpose; in effect, they follow the money and play a regional role for those policy areas for which federal and/or state functional money is available. Because of their voluntary structure, councils of government serve on most issues largely as venues for discussion among local government leaders in the region, a very valuable function in its own right but not always sufficiently empowered to achieve needed solutions to urgent problems. Metropolitan Planning Organizations (MPOs), many of which are COGs, are probably the strongest regional organizations, both because some federal transportation money runs through them and because they have a limited mandate to crosscut silos linking environmental and land-use concerns to transportation.

Historically HUD played a key role in the development of regional planning agencies. In the 1960s and 1970s, HUD was a leader in facilitating the nationwide spread of regional planning. HUD's Sec. 701 planning grants provided important "glue money" to support multiple-purpose metropolitan planning organizations (usually COGs) throughout the United States. By the end of the 1970s, virtually all metropolitan areas had such organizations – and most areas still have them today.

But this multi-function coordinative focus was lost in the 1980s. HUD lost the last portion of its Sec. 701 program (the regional portion) in 1980. This action by Congress and the President removed much of the "glue money" that was beginning to institutionalize capable regional analysis and collaboration among staffs and policy forums that reached across single-function programs. This was, moreover, not the only loss; at the same time, many other regionally oriented federal-aid programs also were cancelled. Since transportation and economic development programs cannot survive without population and land-use projections, the main ones that did survive – DOT's metropolitan planning program and EDA's regional economic development program – had to individually recreate and fund the demographic analysis, land-use planning, and area-wide housing strategies that had begun to be provided using HUD's 701 program.

Given the present weaknesses and stove-piped nature of these regional governance institutions, it is appropriate and vital that the federal government help strengthen regional governance as a means of producing effective regional action. The logic for this extends back to the language in HUD's original mission. The importance of regional

governance relates not only to metropolitan economies, which are the backbone of the American economy. The capability to coordinate will also become increasingly essential as the nation tackles the challenges of energy efficiency, stronger utilization of alternative sources of energy, CO2 reductions, and climate change. The demand for coordination is far outstripping the ability of current metropolitan institutions to provide it.

The recognition of the increased importance of regional approaches as a means of meeting challenges and taking advantage of opportunities suggests that *HUD should take the lead in new efforts to strengthen regional governance mechanisms at the metropolitan level.*

There are a variety of ways this could be accomplished. We have already recommended that the CDBG add-on and the Regional Challenge grant proposals come from a regional entity. In addition, we recommend that:

Recommendation 3.1: HUD submit legislation to provide general operating funds (“glue money”) for a designated multi-purpose planning agency in metropolitan areas. The funds would be available, by application, to only one organization in each metropolitan area. The organization would be designated by the region in its application and could be an existing organization or a new one. The recipient agency should be required to establish links with the other regional planning bodies in its jurisdiction, produce a regional land-use and growth management plan suitable as the foundation for other single-function planning, and help to coordinate the tracking of progress toward achieving performance goals and targets established by regional plans. The legislation should also provide additional funding if this agency were also the locus for other regional planning functions such as transportation, pollution control, infrastructure, energy management, environmental conservation and climate change, the sustainability of national defense installations, and jobs-housing balance. In addition it should require any HUD regional planning activity, such as those related to its Consolidated Plans, to be the responsibility of this agency.

Recommendation 3.2: HUD should seek new legislation (or it could be a part of the legislation for operating funds for a designated regional planning agency) for the recipient regional agency to produce or contract for production of a periodic “State of the Region Report.” In regions where a regional organization already produces a “State of the Region Report,” the recipient regional agency should work cooperatively with the producer of the pre-existing report to prevent duplicative efforts.

Recommendation 4: HUD should play the lead role in efforts to break down (or provide crosswalks to connect) programmatic silos that, at both the federal and regional levels, impede effective responses to metropolitan area needs.

1. At the federal level

At the federal level no department has primary responsibility for the challenges and opportunities of our metropolitan regions, despite the fact that HUD’s original mission in 1965 explicitly assigned this responsibility to it. The failure of federal government agencies to coordinate policies harms metropolitan areas in myriad ways. For example, at the same time that CDBG is trying to revive distressed urban neighborhoods, federal transportation policies build highways that promote suburban flight.

The Executive Branch of the American federal government is based primarily on function rather than place. The consequence of this is that policy is seldom directed in a comprehensive and holistic way across functions and jurisdictions to urban and metropolitan areas, areas that comprise the functional economies and social systems of most of the United States.

The legislation creating HUD stated, *inter alia*, that “the Congress finds the establishment of an executive department is desirable... to assist the President in achieving maximum coordination of the various federal activities which have a major impact upon community, suburban, or metropolitan development.” We urge that HUD embrace that purpose.

At present, programs related to cities and metropolitan areas reside in many federal agencies and departments, including, in addition to HUD, the Department of Transportation, the EPA, the EDA of the Department of Commerce, the Department of Labor, the Department of Health and Human Services, and many others. Each of these departments is naturally concerned with fulfilling its own missions and protecting its own interests and

constituencies. HUD, as one of these departments among equals, is unlikely to be able to play the lead role in breaking down these “silos.”

The inability to bring the resources of the federal government to bear upon urban and metropolitan area concerns in a coherent fashion was a major reason why, during the presidential campaign, candidate Obama suggested the creation of a White House Office of Urban and Metropolitan Policy (WHOUMP). Our recommendations assume the creation of this new office, one of whose primary objectives will be to place the power of the Presidency behind achieving greater coordination among the urban and regional related programs dispersed among many federal agencies. Assuming the existence of WHOUMP, we recommend that:

Recommendation 4.1: HUD, as the federal department with the most explicit urban and regional mission, should be the lead federal agency in working with WHOUMP to achieve greater coordination among these programmatic silos, including detailing staff to assist in this endeavor.

Recommendation 4.2: In particular, HUD should work with the White House Office to set up an inter-agency task force to explore ways in which the urban and regional functions of the various federal agencies and departments can be more effectively coordinated.

Recommendation 4.3: In conjunction with the WHOUMP, HUD should play a lead role in bringing together resources across various federal agencies for a specific program. For example, in a Regional Challenge Grant program such as the one recommended above, HUD (or HUD, in conjunction with the new White House Office) should take a lead coordinating role in proposals that request resources from federal agencies in addition to HUD.

Recommendation 4.4: In addition, as the lead urban and metropolitan agency, HUD should compile and update an inventory, for the use of both federal and state and local governments, of programs affecting urban areas throughout the federal government and how these programs relate or could relate to each other.

2. At the regional level

At the local and regional level the same functional stove-pipes exist. Within the region itself local jurisdictions – the basic governmental units with which HUD interacts – are unable to successfully address on their own those concerns that are regional or extend beyond their boundaries. Metropolitan areas are stove-piped in two ways. First, individual local governments operate in a legally independent manner from each other. Coordination among local jurisdictions does exist, but it tends to be ad hoc and through a variety of inter-local agreements. These are useful and certainly should be encouraged, but they are not sufficient. The second set of stove-pipes are the individual service areas – housing, transportation, land use, environment, energy, education, economic development, workforce development, and others. Each of these individual areas is usually managed through functionally separate departments both within individual local jurisdictions and, more importantly, at the regional level where, if there is regional planning or activity at all for one or more of these functions, it is performed through a regional special purpose district.

These stove-pipes limit the potential for meeting challenges and taking advantage of opportunities at the regional level. For example, transit investments create higher land values, but without supportive housing and land-use policies, the full benefits of transit-oriented development (TOD) will not be realized. Suburban zoning regulations prevent many core city households from following the jobs out to the suburbs, creating job-housing mismatches that public transit systems are ill-suited to address and that have the added effect of significantly increasing the costs of housing construction as developers have to contend with a wide array of different planning systems. As dozens of studies have shown, the resulting concentrated poverty makes it almost impossible for many urban and inner suburban school districts to succeed.

HUD can encourage breaking down these stove-pipes at the local and regional levels.

Recommendation 4.5: HUD should require that its Consolidated Plan be coordinated with, and, if possible, prepared by the same agency that produces the region’s Transportation Improvement Program (TIP).

Recommendation 4.6: HUD should work with the new White House Office of Urban and Metropolitan Policy and with other federal agencies to require (or encourage through incentives) that other federal regional planning programs (such as those of the Department of Transportation, Economic Development Administration, Environmental Protection Agency, and Department of Labor, etc.) be funded through and be the responsibility of a common organization at the regional level, i.e., the organization designated above as receiving the “glue money.” HUD should encourage and participate in inter-agency task forces charged with coordinating their planning and action programs, developing and adopting relevant performance measures for use across agencies, and sharing data and best practices.

Recommendation 5: HUD should enhance urban and regional data collection, research, evaluation, and analysis capacity both at HUD and at the metropolitan level.

The ability to collect and analyze data and engage in research related to urban and regional areas is critical for understanding and responding to the challenges and opportunities facing these areas and their communities. Data and research are needed on the economic, social, environmental, and physical processes affecting these areas, on how policies affect these processes, and on the monitoring and evaluation of public programs and policies addressed to them.

At the regional level, the ability to collect and analyze regional data is essential for better regional policies and governance processes. Regional data can highlight trends that are problematic and help policy makers identify opportunities for investing public dollars. For example, in the recent foreclosure crisis, the availability of data on subprime lending was crucial to identify areas that needed foreclosure prevention counseling. Metropolitan areas are using sophisticated data to identify “transitional” communities where Neighborhood Stabilization Program funds could be targeted to prevent the area from sliding into contagious abandonment. Above all, data are needed to evaluate regional initiatives. We must create regional indicators to monitor progress on such issues as vehicle-miles traveled, job-housing mismatches, and energy consumption. Only this way, can regional initiatives be held accountable for results.

At present the capacity to engage in these activities is insufficient at both the federal and regional levels.

Recommendation 5.1: HUD, in conjunction with the new White House Office of Urban and Metropolitan Policy, should accept the primary role for identifying and providing the data required for understanding important urban and regional processes, challenges, and opportunities and the policies addressed to them.

HUD’s State of the City Data system is an excellent start on this and should be expanded. One useful expansion would be to create an on-line companion guide to the location of such data.

Recommendation 5.2: HUD should also identify critical gaps and shortcomings in data for urban and regional analysis and, again in conjunction with the new White House Office, establish interagency data standards, and prod appropriate federal agencies to collect and provide such data. For example, data on geographic disparities by income and tax base, the extent of land consumption due to urban sprawl, and the emergence of regional economic clusters will all require some rethinking of current categories and reworking of collection processes. However, such data would be exceptionally useful in conducting better planning for metropolitan competitiveness, sustainability, and inclusion.

Recommendation 5.3: HUD should enhance and expand the capacity of the Office of the Assistant Secretary of Policy Development and Research for urban and regional data collection, policy analysis, performance reporting, evaluation, and research. The unit should be responsible for collecting a broad range of data on metropolitan areas and their cities rather than simply data related explicitly to HUD programs. The organization contracted with to produce the biennial “Report on Urban and Metropolitan Areas” (such as the NRC) should establish an advisory committee on appropriate urban and regional indicators that HUD’s Office of Policy Development and Research would be responsible for collecting.

The research capacity that existed at HUD during the Clinton Administration has been severely diminished. HUD, as the federal agency that is in charge of urban and regional policy must establish a ‘world class’ research and analytical capacity. This can be done in a variety of ways – direct hiring, university or think-tank contracting, visiting scholar programs, support for the existing and an expanded journal; commissioning high-level national and international

conferences. In the absence of this kind of focus, we will limit our capacity for effective action both at the federal and at the state and local levels.

Recommendation 5.4: HUD should focus its research both on basic processes related to urban and regional systems and on policy concerns and policy approaches to attain national objectives. In particular, it should promote research on regional development processes and on the effects of policies designed to produce sustainable development within America’s metropolitan areas.

Recommendation 5.5: As one of only a few explicitly spatial departments in the federal government, HUD should become a central agent for the development and use of spatial statistics in order to support both its own research needs and its ability to interface with its customers through easy-to-use mapping systems. Such systems are increasingly common commercially and can be adapted by HUD through fairly straightforward customizations.

Recommendation 5.6: HUD should become a “customer friendly” provider of data for a variety of purposes and a variety of customers. An example of facilitating relationships with customers might be automating CDBG applications and linking them with standard data sources so that data could be used to evaluate progress over time based on an actual reporting of what was accomplished. The data collection, research, performance reporting, evaluation, and policy analysis functions are also missing or underdeveloped at the metropolitan level. Many metropolitan areas do not have an institution responsible for collecting, organizing, and analyzing data on economic, social, environmental, and physical conditions within the area.

In general, HUD should provide and/or utilize data:

- to promote better customer understanding and use of market trends and dynamics in order to make a case for the use of federal dollars;
- to communicate with customers through customized data-rich programs that will minimize the costs of the present system that is time-consuming and uneven;
- as a basis for distributing HUD funds and targeting federal assistance;
- as a way to report the performance of its own programs,
- as a way to evaluate program efficacy over time;
- as a way to build reports on regional and urban trends; and
- as a repository and resource for researchers.

Recommendation 5.7: HUD should make available funding for urban and regional data collection, reporting, and research to the regional entity that receives federal planning “glue money” in major metropolitan areas. The recipient would not necessarily be required to do the data collection, reporting, research, and analysis itself, but could contract with a regional institution, university, or research institute in the region (or more than one) to conduct the work. However, the funding should require a minimum core set of data that all recipients would have to collect and present in a common way to permit comparison across regions.

C. Immediate Policy Actions Related to the Economic Recovery Program or the 2010 Budget.

Recommendation 6: In the absence of the to-be-created White House Office of Urban and Metropolitan Policy, HUD should take the lead in assuring the regional entities are eligible to receive funding under the various relevant elements of the forthcoming economic recovery bill or the 2010 budget.