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MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

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SUBJECT: Developing Effective Place-Based Policies for the FY 2011 Budget

This guidance memorandum outlines policy principles meant to advance the Administration's domestic and fiscal priorities and to increase the impact of government dollars by leveraging place-conscious planning and place-based programming.

The guidance outlined here is preliminary. It supports an important interagency process focused on investing in what works by evaluating existing place-based policies and identifying potential reforms and areas for interagency coordination. Our immediate objective is to develop proposals for the FY2011 Budget that advance this Administration's policy priorities in the most effective ways whether by improving place-based strategies already operating or by adopting such strategies where there is significant potential for impact on a problem(s).

Place-based policies leverage investments by focusing resources in targeted places and drawing on the compounding effect of well-coordinated action. Effective place-based policies can influence how rural and metropolitan areas develop, how well they function as places to live, work, operate a business, preserve heritage, and more. Such policies can also streamline otherwise redundant and disconnected programs.

1. The Need for Review and Reform

In the last 30 years, America's population has grown almost 40 percent, placing new stresses on old programs and policies, infrastructures, and strategies. These years have been marked by the evolution of interdependent and interconnected regions and ecosystems. Yet, the Federal government only once has examined the best use of its policy as a lever for regional development. A systematic review of how a wide range of Federal policies affect the development of urban, suburban, and rural America is long overdue.

This is a major opportunity to modernize the federal government's place-based policies and programs. There is also an unprecedented opportunity. Between now and 2050, the expected population growth – of nearly 140 million people – will require, among other things, the construction of more than 200 billion square feet of new housing, business space, and retail

development and major new investments in all forms of physical infrastructure. The new construction will constitute an estimated two thirds of all development on the ground in 2050. This provides an unprecedented opportunity to create more sustainable communities for generations to come. It will require a broad-based strategy to deal with the energy, environmental, and health repercussions of development, as well as workforce and business development demands.

The Nation's cities and surrounding metropolitan regions already house more than 80 percent of the population and account for nearly 90 percent of GDP and 75 percent of carbon emissions. These areas will drive much of the success at accommodating a growing population in ways that are sustainable for generations to come.

The Nation's rural communities will require a different place-policy approach. Nearly 64 percent of the counties across the country are rural. These communities will continue to be integral to the Nation's food security while also serving as an engine of renewable energy production. In addition, the special needs and potential of Indian Country must be addressed. Already, rural and Indian Country communities have to overcome issues that are taken for granted in urban areas (clean drinking water, affordable and flexible transportation choices, widely available broadband, and education infrastructure are examples). Addressing these shortcomings while planning smartly for sustainable progress is a key balance for sustainable place-policy.

Reviewing the Federal government's place-based strategy allows the Administration to retool existing policies and programs for a changed context. It also offers an opportunity to design a proactive strategy to promote economic and environmental sustainability.

It is important to note the urgency of this effort. The prosperity, equity, sustainability, and livability of neighborhoods, cities and towns, and larger regions depend on the ability of the Federal government to enable locally-driven, integrated, and place-conscious solutions guided by meaningful measures, not disparate or redundant programs which neglect their impact on regional development.

The Vice President and his staff are already working to put these principles to work in the implementation of the Recovery Act. In an effort to replace traditional activity silos, the Vice President has initiated a Community Impact program, bringing together agencies, White House Offices, stakeholder groups, and communities to integrate human and capital resources, to identify effective place-based policies, and to consider the place impact of each investment. The Federal partners meet weekly to assess progress and consider next steps in spurring community progress.

For instance, Community Impact is focused on Kansas City's Green Impact Zone, a 150-block area in the city's urban core. A network of public and private groups is working to enhance the area's sustainability, public safety, stabilization, housing conditions, access to jobs and services, and economic vitality. Kansas City is pursuing a multi-faceted strategy, by leveraging stimulus funding opportunities in various programs such as the surface transportation program, justice assistance program, and weatherization assistance program.

The purpose of this guidance is to extend this approach and these principles to the FY 2011 Budget. The White House Office of Urban Affairs, Domestic Policy Council, the National Economic Council, and other White House offices will work with OMB to support agencies in this effort. This document accompanies interagency discussions, already underway, about how to apply this guidance to agency work, both before and after budget submissions to OMB.

2. Defining Place (or Place-Based) Policy

Place policies target the prosperity, equity, sustainability and livability of places -- how well or how poorly they function as places and how they change over time. Place policy leverages investments by focusing resources in targeted places and drawing on the compounding effect of cooperative arrangements.

By definition, all domestic policies affect people who live or work in particular places. But many domestic policies are not place-based or place-driven. This is not to say that place-based approaches are always the most effective way to achieve particular policy goals. However, the Administration's work should be guided by a clear understanding of the useful role that place-based policy can play and how to make it most effective.

YES: Place-based policy	NO: Not a place-based policy
A program to foster successful networks or clusters of businesses at the local or regional level	A Federal program to make credit available to small businesses <i>generally</i> .
A Federal program to foster homeownership through a neighborhood-based approach to financing, redevelopment, and financial literacy development	A program to make mortgage credit available to qualified borrowers <i>generally</i> .
A Federal program that targets local workforce development organizations (which help supply skilled labor) and connects them to efforts to generate jobs (local demand for labor)	A program to provide unemployment insurance to the unemployed <i>as a category</i> .

Though the boundaries blur in some cases -- for example, tax deductions to promote homeownership appear to benefit the households that receive them as well as their neighbors, thanks to spillover effects -- the place-based distinction applies in education, health, and other domains not in the list above.

Furthermore, various Federal programs can function more effectively if they include well-focused, place-based strategies. Evaluations of Federal programs commonly underscore the importance of encouraging local networks of referral, support, and coordination -- whether to make disparate Federal programs more effective in generating employment and other benefits at

the local level, that tax benefits get to the economically disadvantaged families who need them, or that other important policy objectives are advanced.

3. Specific Actions Requested

As part of your agency budget submission to OMB, please identify the top three to five programs or initiatives that you believe show special promise for achieving better outcomes, whether a place-based approach is well established or is newly proposed. For each, indicate the following:

- Outcomes: What are the measurable outcomes to be achieved? What are the barriers to achieving them now?
- Indicators: What are available or proposed indicators for measuring successful outcomes? Are these standardized and independently verifiable, or will data quality vary considerably across places and across time?
- Options for improving coordination and effectiveness: What options should be considered to improve the coordination of Federal efforts across programs, whether within or between agencies? These could include:
 - Coordinated grant application requirements and joint solicitations;
 - Standardizing performance measures and data collection, and identifying opportunities to improve the accessibility and use of data;
 - Promoting use of waivers from program or regulatory requirements that impede effective coordination with State, local, or tribal partners; and
 - Incentive grants to demonstrate how to use multiple funding streams -- from Federal, State, local, and tribal sources -- to support more effective approaches to achieving outcomes.
- Knowledge-building strategies: What are the key gaps in knowledge that must be addressed? How might programmatic efforts be integrated with evaluation or other research to enhance the Federal government's capacity to assess and then implement effective strategies?

Agencies are encouraged to work with their OMB branch as well as their policy council contacts to identify candidate programs and address the questions above. OMB will weigh these questions throughout the process of policy development for the President's 2011 Budget.

4. Principles for Place Policy

Consistent with this Administration's overall approach to policy making and commitment to investing in what works, three principles should serve as a guide to agencies as they review

their place-based policies or review their programs for opportunities to implement place-based policy:

- *Clear, measurable and carefully evaluated goals should guide investment and regulation.* As agencies consider which policies and programs to integrate into place-based focus, these should incorporate clear measures of success and concrete measures by which the comprehensive effectiveness of Federal action can be evaluated over time. Goals and results should be transparent and widely and effectively shared:
 - *Economic Competitiveness.* Policy should reflect the comparative advantages and needs of distinct economies across the Nation, both in mature and more emergent economic sectors that operate in rural and urban areas. Agencies should study which communities have attained an economic advantage, what policies underlie community successes, and what non-policy factors contribute to those successes.
 - *Environmental Sustainability.* Policy ought to be oriented toward protection of a community's environment, conservation of natural resources, and reduction of pollution and greenhouse gas emissions – the “carbon footprint” of urban and rural communities.
 - *Community Health and Access to Opportunity.* Policy should promote improved access to care and quality of care through coordinated local and regional approaches, expansion of access to healthy food, and the support of environmental health -- including clean air, water, and soil -- and healthy homes. Policy must also work to generate opportunity for all and reduce discrimination and other barriers to opportunity, for example through equitable development within towns, cities, and regions.
 - *Safety and Security.* Policy ought to protect communities from external threats and reduce insecurity, violence, and crime within communities, particularly in disadvantaged areas.
- *Change comes from the community level and often through partnership; complex problems require flexible, integrated solutions.* The Administration must break down Federal “silos” and invest in such a way that encourages similar coordination at the local level. To make the Federal government a more effective and nimble partner, agencies also should pursue opportunities to engage State, local, and tribal governments, faith institutions, nonprofit organizations, businesses, and community members at-large as collaborators. Effective collaboration rests on developing shared agendas for action, strategies that are smart, success measures that make sense, and implementation focused on results.
- *Many important challenges demand a regional approach.* The Nation is increasingly a conglomeration of regional economies and ecosystems that should be approached as such. Federal investments should promote planning and collaboration across

jurisdictional boundaries. Given the forces reshaping smaller communities, it is particularly important that rural development programs be coordinated with broader regional initiatives. Programs in neighboring zones and within larger regions -- some of which connect rural communities to metropolitan regions -- should complement each other. Federal programs should reflect better the Nation's economic and social diversity, both in rural and metropolitan areas. To the extent possible, programs should allow for communities to identify distinct needs and address them in appropriate, strategic ways.