MEMORANDUM FOR: The Secretary of the Treasury
The Secretary of Defense
The Secretary of the Interior
The Secretary of Commerce
The Secretary of Labor
The Secretary of Health and Human Services
The Secretary of Housing and Urban Development
The Secretary of Transportation
The Secretary of Energy
The Secretary of Education
The Administrator of the Environmental Protection Agency
The Administrator of the Small Business Administration
The Chairman of the Board of Governors of the Federal Reserve
The Director of the Consumer Financial Protection Bureau
The Administrator of the General Services Administration
The Federal Co-Chairman of the Appalachian Regional Commission
The Chairman of the National Endowment for the Arts
The Chairman of the National Credit Union Administration
The Chairman of the Federal Deposit Insurance Corporation
The Federal Co-Chairman of the Delta Regional Authority
The Director of the Federal Housing Finance Agency
The Federal Co-Chairman of the Southeast Crescent Regional Commission
The Federal Co-Chairman of the Southwest Border Regional Commission
The Comptroller of the Currency

FROM: Susan Rice
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Domestic Policy Council

SUBJECT: Guidance for Federal Departments and Agencies on Advancing Equitable Community and Economic Development in American Cities and Urban Communities
Urban community and economic development projects—such as investments in housing, small businesses, climate and disaster resilience, and transportation infrastructure—have great potential to build community wealth and strong local economies, redress racial and ethnic discrimination and inequities, and support long-time residents and businesses. But federal investments and subsidies in underserved urban communities have historically fallen short of achieving these goals. In many cases, areas of persistent poverty have lacked economic mobility and inter-generational wealth accumulation for decades, compounded by ongoing private sector disinvestment and unfair access to capital. When private sector investment does occur, it too often creates displacement pressures that price existing residents out of the neighborhoods they call home, particularly in cities and regions where affordable housing production and preservation does not keep pace with demand. And at the local government level, communities continue to limit opportunity through exclusionary zoning and development practices. Given these enduring challenges, it is critical to ensure that the benefits of federally-funded community and economic development projects in urban areas are equitably distributed—particularly now, as the Biden-Harris Administration provides unprecedented resources to communities through the American Rescue Plan, Bipartisan Infrastructure Law, Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act, Inflation Reduction Act, and annual appropriations.

The Biden-Harris Administration has worked to embed equity across federal programs and policy, beginning with Executive Order 13985 signed on January 20, 2021, and prioritize investment in underserved communities in partnership with state and local governments and the private sector. To build on these efforts, President Biden issued Executive Order 14091 on February 16, 2023 (Further Advancing Racial Equity and Support for Underserved Communities Through the Federal Government), which directs agencies to strengthen urban equitable development policies and practices, to the extent consistent with applicable law, by improving community engagement, curbing the negative consequences of investment, incentivizing the public good, and lowering the cost of entry into previously underserved markets. This includes supporting local economies through investments in civic infrastructure, small businesses, climate and disaster resilience, transportation infrastructure, and housing; creating local, livable-wage jobs and economic opportunity; mitigating economic displacement as a result of investment in infrastructure and community development; facilitating flows of private capital to underserved communities; and incorporating outcome-based metrics focused on equitable development in the design and deployment of federal programs and policies.

To support these goals, the President directed the Assistant to the President for Domestic Policy to issue a policy memorandum outlining actions federal agencies can take to advance urban equitable development, so that their processes, policies, and programs better meet the needs of all communities and community members, consistent with Executive Order 14091, with a particular focus on underserved communities and populations.

Section 1: The Need for Change

In a moment of historic investment in our country, we must ensure that the Federal Government promotes positive change and benefits for urban communities that have long faced discrimination and underinvestment, including barriers to access for federal funding. In past eras
of investment, public and private investors in low-income communities often did not engage long-time residents and business owners in decision-making processes, resulting in displacement and dispossession. This was particularly pronounced in communities of color, where government actions such as highway construction and lending policies such as redlining exacerbated and cemented racial inequities by disrupting vibrant neighborhoods, displacing homes and businesses, and limiting opportunities to build wealth and access capital. With unprecedented resources flowing through the American Rescue Plan, Bipartisan Infrastructure Law, CHIPS and Science Act, Inflation Reduction Act, and annual appropriations, the Biden-Harris Administration is working to ensure that these investments result in equitable development.

Beyond lack of engagement, development patterns in underserved communities have often been harmful—intentionally and unintentionally resulting in gentrification, undermining civil rights requirements, diminishing community culture, and driving out local businesses and minority-owned financial institutions through unfair and discriminatory lending practices. Given this history of public policies and private actions that displaced long-term residents and businesses and damaged trust with communities—particularly Black and brown communities—it is essential that governments at all levels, as well as private investors, mitigate negative consequences like displacement and dispossession through policies and clear metrics that promote shared economic prosperity among all residents.

Even absent physical displacement, the market impact of investment can result in higher demand for an area and increase prices and rents—especially in cities and regions where housing supply is constrained and affordable options are scarce—fueling economic displacement that puts these areas out of reach for many, including long-time residents. Thus, urban equitable development should assess both the potential positive and negative impacts of investment across a broad range of outcomes—including the economic and personal wellbeing of current and future residents, business owners, and local institutions—and aim to minimize the potentially negative impacts of investment, as well as monitor those impacts over time.

Policy alignment around key principles of equitable development will allow the Federal Government to more effectively deploy resources to cities to build community wealth, promote inclusive economic growth, and steer private sector investment—especially investment that benefits from an implicit or explicit government subsidy—to reflect and advance the needs and vision of underserved communities. The principles outlined in this memo seek to maximize economic and community benefits associated with new investment while achieving effective and efficient project delivery that facilitates growth and ensures communities access needed resources.

Section 2: Principles of Equitable Development

As defined in Executive Order 14091, the term “equitable development” refers to “a positive development approach that employs processes, policies, and programs that aim to meet the needs of all communities and community members, with a particular focus on underserved communities and populations.” The term “underserved communities” refers to “those populations as well as geographic communities that have been systematically denied the opportunity to participate fully in aspects of economic, social, and civic life, as defined in
Executive Orders 13985 and 14020.” This means investments should be informed by meaningful community engagement and data on community needs, and utilize design, planning, and implementation processes that enable all residents to shape and benefit from the development of their neighborhoods. Inclusive community engagement promotes a shared understanding across government and communities about what equitable development means and how it can be centered in programs and policies.

The Biden-Harris Administration developed six core principles to guide federal agencies as they carry out the President’s directive to advance urban equitable development, consistent with applicable law. These principles are informed by the insights of local and national practitioners who have led efforts to advance equitable development, and scholars who have documented and helped to shape these efforts. While developed to guide agency implementation of Executive Order 14091, these principles are transferable and can also be used by the private sector, nonprofits and philanthropy, and state and local governments to guide their investments and policies:

- **Expand access to resources for underserved communities.** Strategically allocate public funding to address longstanding inequitable resource distributions, encourage equitable private sector investment, and support local organizations’ capacity to receive and steward public and private resources for community development and aligned services.

- **Build community wealth.** Prioritize development that generates and retains wealth in a community by investing in the needs of both current and future residents, businesses, and institutions; mitigating displacement pressures; and supporting the long-term economic mobility of people and vitality of places.

- **Invest in a community’s strengths.** Elevate a community’s assets, culture, and history as central to a comprehensive economic development strategy, invest in opportunities to support local capacity and civic infrastructure, and build on strengths rather than solely redress problems.

- **Empower community voice and vision.** Center community engagement, input, and goals throughout the phases of program or project design, delivery, and evaluation; ensure the inclusion of underserved community members in engagement efforts; and intentionally work to build trust among diverse stakeholders.

- **Respond to multiple areas of community need.** Ensure federal investments, including outreach, engagement, and capacity-building efforts, are coordinated across agencies to holistically advance equity and address concurrent barriers to economic mobility and opportunity.

- **Measure and expand upon what works.** Establish clear outcomes, metrics, and evaluation criteria, derived with input from local stakeholders, to track community goals, adjust investment strategies, build evidence for both the short- and long-term impacts of equitable development, and scale successful pilots and programs.
Section 3: Recommended Actions for Federal Agencies

This section highlights recommended actions for carrying out Section 6 of Executive Order 14091. In some instances, agencies may already be pursuing some of these actions; in others, agencies should consider, to the extent consistent with applicable law, whether policy, budgetary, programmatic, service delivery, procurement, data, grantmaking, public engagement, research and evaluation, civil rights compliance, and regulatory tools can be further utilized to advance equitable development outcomes aligned with the above principles, particularly in underserved urban communities. Although not every action will be applicable to every program or agency, these recommendations are particularly relevant when implementing and monitoring urban community and economic development programs or program elements, policies, or tax incentives related to housing, community facilities and amenities, transportation, climate adaptation and resilience, water and energy infrastructure, community finance and business development, and other community-facing investments. These actions are intended to both maximize economic and community benefits associated with new investment and ensure effective and efficient project delivery.

I. Identify and implement programs and policies that ensure benefits of investments accrue to underserved urban communities and mitigate economic displacement of people and businesses. Agencies should consider the potential negative byproducts of urban community and economic development investments, and leverage federal tools to encourage states, localities, and other federal funding recipients or designated communities to mitigate harmful impacts, which may include policies to:

- Increase housing affordability and homeownership—including through the preservation of existing affordable housing and innovative models to increase production of affordable units—so existing residents across a range of household types who choose to remain in their neighborhoods are able to transition from renters to homeowners, build wealth, and benefit from community investment.
- Expand transportation and mobility options, to increase access for underserved communities to areas where good jobs are concentrated and expand affordable, safe, and reliable transit, pedestrian, cycling, and other alternative transportation modes.
- Create local jobs, workforce development opportunities, and supportive services, including policies that increase representation of underserved communities in project development jobs, increase access to livable-wage employment and skills training, and invest in wrap-around, supportive services like childcare and housing assistance that meet worker and community needs.
- Support entrepreneurship, small business growth, and access to capital, including through enhanced participation and contracting targets for local projects and investments in institutions that deliver affordable lending to underserved communities and businesses, such as Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs).
- Support community land ownership structures such as community land trusts, cooperatively-owned housing and manufactured housing communities, land banks,
and neighborhood investment trusts that serve to preserve residential and commercial affordability and provide existing residents and small businesses with equity in the development of their neighborhoods.

- Encourage adoption of zoning and land use reforms to incentivize and lift exclusionary barriers to higher-density, mixed-income, and mixed-use development that results in construction of more housing units throughout a city and region, investment in civic infrastructure, and support for local businesses.
- Improve climate resilience to reduce vulnerability to natural disasters and ensure that underserved communities benefit from and participate in the clean energy economy, consistent with the administration’s Justice 40 initiative.
- Improve transparency, including requiring grantees to conduct equity impact analyses as part of a grant agreement; establishing clear equitable development goals, performance metrics, and public reporting; and providing grantees with the support and technical assistance to undertake these activities.

II. Prioritize early and meaningful community engagement to empower urban communities to shape and benefit from investment in their neighborhoods.

Meaningful, proactive, and productive community engagement—i.e., where residents are brought in early in the planning process, have significant opportunities to participate, see their input reflected in the project, and have insight and influence over decision-making—can build community support and deliver higher-quality projects with reduced litigation risk for project sponsors. Robust engagement allows government, non-profit, and private investors to more productively interact with and support existing residents, businesses, and community structures in ways that increase efficiency, build long-term local capacity, and tailor projects to balance the needs of a neighborhood with those of the local, regional, and national economy. That includes ensuring that engagement is a process that incorporates community feedback to improve development decisions, not a mechanism to block projects and prevent investment in critical needs such as affordable housing and multimodal transportation infrastructure. Including local voices in the planning process can also help establish measurable outcomes and improve data collection and methodologies, allowing for a more nuanced understanding of the impact of investments. Research shows that meaningfully involving community members in decision-making builds social and civic well-being, contributing to improved outcomes for health (e.g., reductions in infant mortality), safety (e.g., lower violent crime), and housing (e.g., increased housing stability). These processes also serve as an important foundation for strengthening the relationship between government and community stakeholders.

Public engagement requirements can vary greatly across grant programs and project types. Agencies should strengthen requirements where appropriate and support grantees in leading “inclusive community engagement,” which refers to “a process that seeks the representation of underserved populations in meaningful public engagement and is responsive to their feedback and needs.” This may mean providing clarity on the use and
eligibility of federal funds to support community engagement, coordinating across agencies in outreach and engagement activities to reduce time burdens on communities, and incentivizing inclusive engagement through the use of discretionary grant requirements, grant evaluation criteria, and technical assistance to communities during and after funding applications. Features of inclusive community engagement include:

- Improving awareness and discovery of opportunities for engagement and removing barriers to participation, including strategies that reach underserved communities, non-English speakers, immigrant communities regardless of status, and people with disabilities, and are sensitive to issues of plain language use, translation, transportation, digital and non-digital access, culture, time of day, and availability of childcare and other supportive services.
- Understanding and representing the demographics of community residents and businesses in the public engagement process, and recognizing that communities can hold diverse preferences despite sharing demographic characteristics.
- Building relationships with and proactively including community members and leaders representative of the diversity of the community—and of those most directly impacted—throughout a project’s lifecycle.
- Implementing means of ongoing community involvement and leadership in projects and other investments, such as through community advisory boards and community benefit agreements.
- Demonstrating how community input concretely informs and impacts the evolution of projects, programs, or plans.

III. Expand opportunities for underserved urban communities and community-based organizations to compete for and administer federal grants. Small and low-capacity localities, community-based organizations, and businesses often receive federal funds through intermediary organizations. Meeting federal funding, reporting, and auditing requirements can also be a challenge for those that are direct grantees. To address these barriers, agencies can:

- Coordinate technical assistance to underserved urban communities and grantees to help them build the capacity needed to access and benefit from funding opportunities. In addition to direct technical assistance from federal agencies, this could include developing peer learning networks and partnerships with external entities like Historically Black Colleges and Universities, Tribal Colleges and Universities, and Minority-Serving Institutions to provide technical assistance.
- Improve awareness and discovery of grant opportunities, through both in-person and digital outreach, including regularly updating calendars of upcoming funding opportunities.
- Simplify and streamline federal grant application processes, such as reducing the number of steps to submission and length of funding notices, particularly for small
organizations and first-time applicants, and provide post-award feedback on both successful and unsuccessful applications.

- Create federal funding opportunities for early-stage planning and grants with lower minimum cost thresholds for communities and organizations with limited prior experience administering federal funds, including making funding available to hire staff or consultants and build administrative capacity.
- Enable community-based organizations and institutions to participate in federal grantmaking as eligible applicants where appropriate, including by allowing consortia or coalitions of community-based organizations to apply for funding to demonstrate collective capacity, and simplify or provide waivers to federal requirements consistent with applicable law.

IV. Develop metrics for success and disclose information about the beneficiaries of public investments to create accountability on goals and outcomes. Building public trust requires improving transparency. Where appropriate and consistent with applicable law, agencies should collect and publish information on urban economic development programs such as the location of the investment, names of funding recipients, intended beneficiaries, whether the investment can or will leverage private capital, and other relevant baseline data. This should include monitoring investments to determine which underserved urban geographies and demographics are being adequately served and which remain underserved. Agencies should also identify clear outcomes for success early in program implementation, metrics that align with those outcomes, and report publicly on those metrics. This includes providing training and guidance to help the public—particularly impacted community members—understand how to track outcomes through clear and accessible data. In addition, agencies should seek opportunities to develop data collection and reporting processes that do not place additional reporting burden on the communities they seek to serve, especially underserved communities.

V. Apply principles in this memo to federal policies and programs and in support of urban communities. The Domestic Policy Council will convene an Interagency Policy Committee (IPC) to guide implementation of this memo across relevant federal policies and programs. In addition, the Domestic Policy Council and the IPC will partner with a set of urban communities receiving federal investment, with the goal of applying equitable development principles and accelerating fulfillment of community-driven priorities and projects. To the maximum extent possible, the work of the IPC will seek to align with and be informed by ongoing interagency efforts, including the Interagency Community Investment Committee and the Thriving Communities Network.

The Domestic Policy Council will periodically convene IPC agency deputies and principals to assess progress towards, and obstacles to, implementation of this memo and aligned partnerships with urban communities. IPC agencies will be expected to:
• Identify urban community and economic development programs or program elements, policies, or tax incentives related to housing, community facilities and amenities, transportation, climate adaptation and resilience, water and energy infrastructure, community finance, industrial and business development, small businesses, and other community-facing investments.

• Describe the desired outcomes of these programs or program elements, policies, or tax incentives, including how they advance urban equitable development, and describe how the agency will evaluate the impact of these programs on underserved communities.

• Use data to assess whether the program or program elements, policies, or tax incentives, are advancing the desired outcomes, and identify administrative and/or statutory barriers to achieving those outcomes.

• Highlight best practices and/or promising practices for how the agency has advanced urban equitable development principles through its administrative and policy processes, and for how recipients of agency investments have advanced urban equitable development principles in their implementation of those resources.

• Detail the steps that the agency will take to further incentivize and establish best practices through its policy, budgetary, programmatic, service delivery, procurement, data, grantmaking, public engagement, research and evaluation, civil rights compliance, and regulatory tools.

Section 4: Definitions

Equity, as defined in Executive Order 14091, is the consistent and systematic treatment of all individuals in a fair, just, and impartial manner, including individuals who belong to communities that often have been denied such treatment, such as Black, Latino, Indigenous and Native American, Asian American, Native Hawaiian, and Pacific Islander persons and other persons of color; members of religious minorities; women and girls; lesbian, gay, bisexual, transgender, queer, and intersex (LGBTQI+) persons; persons with disabilities; persons who live in rural areas; persons who live in U.S. territories; persons otherwise adversely affected by persistent poverty or inequality; and individuals who belong to multiple such communities.

Underserved communities, as defined in Executive Order 14091, refers to those populations as well as geographic communities that have been systematically denied the opportunity to participate fully in aspects of economic, social, and civic life, as defined in Executive Orders 13985 and 14020.

Equitable development, as defined in Executive Order 14091, is a positive development approach that employs processes, policies, and programs that aim to meet the needs of all communities and community members, with a particular focus on underserved communities and populations.

Inclusive community engagement is a process that seeks the representation of underserved populations in meaningful public engagement and is responsive to their feedback and needs.
Community wealth building, as defined in Executive Order 14091, refers to an approach to economic development that strengthens the capacities of underserved communities by ensuring institutions and local economies have ownership models with greater community participation and control. This results in upgrading skills, growing entrepreneurs, increasing incomes, expanding net asset ownership, and fostering social well-being.

Civic infrastructure refers to the assets, services, and amenities that support a community’s social, economic, and civic well-being, including but not limited to: health centers, libraries, community and recreation centers, arts and cultural venues, retail space for small businesses, community-serving financial institutions, job training centers, business incubators, community marketplaces, parks, trails, urban agriculture and community gardens, main streets, and public squares.