

REVIEW OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

HEARING BEFORE THE SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY OF THE COMMITTEE ON FINANCIAL SERVICES U.S. HOUSE OF REPRESENTATIVES ONE HUNDRED SEVENTH CONGRESS SECOND SESSION

—————
MARCH 14, 2002
—————

Printed for the use of the Committee on Financial Services

Serial No. 107-61



U.S. GOVERNMENT PRINTING OFFICE

78-400 PS

WASHINGTON : 2002

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

HOUSE COMMITTEE ON FINANCIAL SERVICES

MICHAEL G. OXLEY, Ohio, *Chairman*

JAMES A. LEACH, Iowa	JOHN J. LaFALCE, New York
MARGE ROUKEMA, New Jersey, <i>Vice Chair</i>	BARNEY FRANK, Massachusetts
DOUG BEREUTER, Nebraska	PAUL E. KANJORSKI, Pennsylvania
RICHARD H. BAKER, Louisiana	MAXINE WATERS, California
SPENCER BACHUS, Alabama	CAROLYN B. MALONEY, New York
MICHAEL N. CASTLE, Delaware	LUIS V. GUTIERREZ, Illinois
PETER T. KING, New York	NYDIA M. VELÁZQUEZ, New York
EDWARD R. ROYCE, California	MELVIN L. WATT, North Carolina
FRANK D. LUCAS, Oklahoma	GARY L. ACKERMAN, New York
ROBERT W. NEY, Ohio	KEN BENTSEN, Texas
BOB BARR, Georgia	JAMES H. MALONEY, Connecticut
SUE W. KELLY, New York	DARLENE HOOLEY, Oregon
RON PAUL, Texas	JULIA CARSON, Indiana
PAUL E. GILLMOR, Ohio	BRAD SHERMAN, California
CHRISTOPHER COX, California	MAX SANDLIN, Texas
DAVE WELDON, Florida	GREGORY W. MEEKS, New York
JIM RYUN, Kansas	BARBARA LEE, California
BOB RILEY, Alabama	FRANK MASCARA, Pennsylvania
STEVEN C. LaTOURETTE, Ohio	JAY INSLEE, Washington
DONALD A. MANZULLO, Illinois	JANICE D. SCHAKOWSKY, Illinois
WALTER B. JONES, North Carolina	DENNIS MOORE, Kansas
DOUG OSE, California	CHARLES A. GONZALEZ, Texas
JUDY BIGGERT, Illinois	STEPHANIE TUBBS JONES, Ohio
MARK GREEN, Wisconsin	MICHAEL E. CAPUANO, Massachusetts
PATRICK J. TOOMEY, Pennsylvania	HAROLD E. FORD Jr., Tennessee
CHRISTOPHER SHAYS, Connecticut	RUBEN HINOJOSA, Texas
JOHN B. SHADEGG, Arizona	KEN LUCAS, Kentucky
VITO FOSSELLA, New York	RONNIE SHOWS, Mississippi
GARY G. MILLER, California	JOSEPH CROWLEY, New York
ERIC CANTOR, Virginia	WILLIAM LACY CLAY, Missouri
FELIX J. GRUCCI, Jr., New York	STEVE ISRAEL, New York
MELISSA A. HART, Pennsylvania	MIKE ROSS, Arizona
SHELLEY MOORE CAPITO, West Virginia	
MIKE FERGUSON, New Jersey	BERNARD SANDERS, Vermont
MIKE ROGERS, Michigan	
PATRICK J. TIBERI, Ohio	

Terry Haines, Chief Counsel and Staff Director

SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

MARGE ROUKEMA, New Jersey, *Chair*

MARK GREEN, Wisconsin, <i>Vice Chairman</i>	BARNEY FRANK, Massachusetts
DOUG BEREUTER, Nebraska	NYDIA M. VELÁZQUEZ, New York
SPENCER BACHUS, Alabama	JULIA CARSON, Indiana
PETER T. KING, New York	BARBARA LEE, California
ROBERT W. NEY, Ohio	JANICE D. SCHAKOWSKY, Illinois
BOB BARR, Georgia	STEPHANIE TUBBS JONES, Ohio
SUE W. KELLY, New York	MICHAEL E. CAPUANO, Massachusetts
BOB RILEY, Alabama	MAXINE WATERS, California
GARY G. MILLER, California	BERNARD SANDERS, Vermont
ERIC CANTOR, Virginia	MELVIN L. WATT, North Carolina
FELIX J. GRUCCI, Jr., New York	WILLIAM LACY CLAY, Missouri
MIKE ROGERS, Michigan	STEVE ISRAEL, New York
PATRICK J. TIBERI, Ohio	

CONTENTS

	Page
Hearing held on:	
March 14, 2002	1
Appendix:	
March 14, 2002	49

WITNESSES

THURSDAY, MARCH 14, 2002

Meek, Hon. Carrie P., a Member of Congress from the State of Florida	7
Ros-Lehtinen, Hon. Ileana, a Member of Congress from the State of Florida ...	10
Shays, Hon. Christopher, a Member of Congress from the State of Connecticut	6
Bernardi, Hon. Roy, Assistant Secretary for Community Planning and Development, U.S. Department of Housing and Urban Development	12
Cohen, Hon. David, Mayor, Newton, Massachusetts	36
Gonzalez, Yvonne, Chief Executive Officer, Rio Grande Valley Empowerment Zone Corporation, Mercedes, Texas	38
Gramlich, Ed, Research and Community Development Program Specialist, Center for Community Change, Washington, DC	40
Hoover, Greg, President, National Community Development Association; Manager, Housing and Neighborhood Development Department, City of Davenport, Iowa	42
McNeil, Josephine, Director, Citizens Affordable Housing Development Organization of Newton, Massachusetts	37
Oros, George, Minority Leader, Westchester County Board of Legislators, New York	34
Spano, Andrew J., County Executive, Westchester, New York	32

APPENDIX

Prepared statements:	
Kelly, Hon. Sue W.	57
Diaz-Balart, Hon. Lincoln	52
Grucci, Hon. Felix J. Jr.,	55
Meek, Hon. Carrie P.	59
Ros-Lehtinen, Hon. Ileana	63
Roukema, Hon. Marge	50
Shays, Hon. Christopher	65
Waxman, Hon. Henry	67
Bernardi, Hon. Roy A.	70
Cohen, David	81
Gonzalez, Yvonne	84
Gramlich, Ed	88
Hoover, Greg	105
McNeil, Josephine	111
Oros, George	115
Spano, Andrew J.	117

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

City of Palo Alto, CA, prepared statement	124
Community Letters of Support for HR 1191	126
Township of Lower Merion, PA letter March 13, 2002	150

REVIEW OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

THURSDAY, MARCH 14, 2002

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND COMMUNITY
OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to call, at 10:36 a.m., in room 2220, Rayburn House Office Building, Hon. Sue Kelly, [acting chairwoman of the subcommittee], presiding.

Present: Chairwoman Kelly; Representatives Miller, Grucci, Frank, Lee, Jones, Capuano Waters, Clay and Israel.

Chairwoman KELLY. The hearing will come to order. This hearing of the Subcommittee on Housing and Community Opportunity is on the Community Development Block Grant program. And we welcome our first panel of witnesses here today: the Honorable Christopher Shays, the Honorable Carrie Meek, and we understand the Honorable Ileana Ros-Lehtinen is on her way.

The Chairwoman has asked me to take the chair here. She is on her way to another hearing.

Ranking Member Frank, I want to thank you for agreeing to hold the hearing today to review this Community Development Block Grant program.

As we are all aware, the Administration has called for reforms of the Community Development Block Grant program in the budget submission. And we all need to give these proposals a close examination. CDBG grants distribute approximately \$4.3 billion to over 1,000 cities, urban counties and the States each year. These funds support various community development activities that are required to be directed primarily to low- and moderate-income persons.

In my home county of Westchester County, New York, these funds fill critical needs. Seniors, the disabled, low- and moderate-income working families are dependent on the services these funds provide. In addition, these funds help strengthen communities by assisting towns with the proper growth and redevelopment of their commercial and public areas.

On page 175 of the budget, the Administration calls for a redistribution of the CDBG grant funds. In an effort to ensure that these funds are truly targeted to poorer communities, the Administration calls for a 50 percent cut of these funds to communities whose per capita income is two times the national average.

On the list of the towns and cities who qualify for this proposed cut is one single county, one county and a number of other locations. But only one county has been chosen for this cut. That is Westchester County, New York.

Because of this, Westchester would be subject to a \$3.5 million cut, which makes up 35 percent of the expected revenues of the county. This proposal troubles me and my neighbors in Westchester County. The needs of the county will only grow larger in the future.

Poor families will still need clean, safe, affordable housing. Seniors and disabled residents will still need support services. In light of all these needs, this proposed cut is unacceptable for Westchester.

Secretary Martinez has assured me he is willing to work with us on this issue. And I have found him to be a good and reasonable man. It is my hope the testimony we hear today and the discussions we will have will give us all a better understanding of the issues involved.

I look forward to working with my colleagues on this subcommittee and along with HUD, County Executive Spano and County Legislator Oros as we seek to ensure that the Community Development Block Grants continue to be distributed fairly and equitably in this proposed cut and that the cut does not become a reality.

At this time, I would like to ask if any other Member has an opening statement.

[The prepared statement of Hon. Sue W. Kelly can be found on page xx in the appendix.]

Mr. Frank.

Mr. FRANK. Madam Chairwoman, I agree with much of what you have said. We have two separate proposals in the works here. One is a proposal, long advocated by the gentlewoman from Florida, who has been one of the most tenacious and forceful defenders of social justice to serve in the House and has used her position on the Appropriations Committee successfully to block some raids on the Community Development Block Grant program that would have tapped into funds regardless of any of the social requirements.

She has a piece of legislation. And I have been asking the subcommittee leadership for some time to have a hearing on it. And I appreciate the fact that they have accommodated us in this regard.

And the thrust of it, I think, is very important. I have some questions about the details and specifics.

But we have a program that is intended to benefit low- and moderate-income people. And I think it is reasonable to say that no Administration in the 22 years that I have been here, which encompasses both parties, has really enforced that.

And one of the things that we can do is to encourage HUD—a relatively new HUD, so they come to this with a clean slate—to enforce better than we have the requirement that low- and moderate-income people be the beneficiaries. And I hope we can move in that direction.

There is another proposal that the Chairwoman of the hearing just mentioned, which is an Administration proposal to take CDBG

funds away from about a dozen communities on the grounds that they are too wealthy. Now, these two are interconnected in my mind, because if we did a better job of enforcing the low- and moderate-income requirement, you would not have an argument that wealthy people were unduly benefiting.

That is, I do not think any of these communities has only rich people. Every one of the communities, as is virtually—remember, we are talking about communities of 50,000 or more. So we are not talking about an enclave of 3,000 people. And I do not know of any communities of 50,000 or more that do not have some low-income people.

So the remedy that you might, if you think there is a problem of this not going where it is supposed to, the remedy is perhaps to strengthen the requirement statutorily, as the gentlewoman from Florida is trying to do, and certainly to enforce them administratively. And I know, because I represent two of the communities that are on the—what we would technically refer to as the “hit list”—that have substantial low-income populations. And they are in the metropolitan area.

And as it will be shown, I think in testimony, they are both communities that work very hard to try and promote diversity. They are communities which, in the absence of Government action, local government action, would be more homogeneously wealthy than they are. And I do not want to see us take away from those communities one of the major tools that they use to promote diversity.

It seems to me, in fact, in Massachusetts there has been a lot of criticism of communities that are resisting low-income housing, resisting doing things to make the communities more diverse. Here, we have two communities that are at the top of the list in doing that. And I do not want to take the funds away that allow them to do that.

I am prepared to look at tighter requirements on the use of those funds, both statutorily and administratively. So I do not regard these two things necessarily as in conflict. I think that they can be harmonized.

And the final thing I would say is this. We are told “Well, after all, we want to give more money to the lower income communities so we have got to take the money away from the top communities.”

I congratulate anyone who advances that with a straight face. If you look at the total amount of money that these relatively small communities get, it would amount to very, very, very little if it was spread around.

I do think we should be spending more money on the lower income people. But my own view is that the people in the lower income areas are, at this point, in far graver danger from a number of social and other kinds of ills than they are of being hit by a missile from North Korea.

So if we are looking for a source of funds better to support these important community services, I have other places to look than communities that are trying hard to promote diversity within themselves.

Thank you, Madam Chairwoman.

Chairwoman KELLY. Thank you, Mr. Frank.

Mr. Miller.

Mr. MILLER. Thank you, Madam Chairwoman. I would like to associate my comments with yours, Mr. Frank and the Chairwoman. You have hit on issues that are very concerning for me.

I was a former Mayor of the city of Diamond Bar. And it was a new city. And from the outside, it might appear to be a fairly prosperous community, but it is a low tax community too, because it is a newer one. So the revenues to that city were very low compared to some of the cities that might seem less affluent, because they are older cities and they receive a higher tax generation.

Yet, I look at what Diamond Bar does with their funds on Meals for Wheels and childcare through the YMCAs and other functions that really benefit people who are in need. And I am concerned if we throw the baby out with the bath water here by just taking a generic look from the outside—this community needs it; this one does not—yet not looking inwardly at the funds the cities actually have and what they do with those funds, especially to benefit CDBG funds to those communities and people who need people, whether it be seniors, children or just people who are struggling to get by.

So I am interested in having this hearing, listening to the testimony and hearing what your proposal might be.

I yield back the balance of my time.

Chairwoman KELLY. Thank you, Mr. Miller.

Mrs. Jones.

Mrs. JONES. I am just coming from one hearing to another. I am just glad to be here. I am looking forward to the testimony. The Community Development Block Grants are very important to my community in the development of opportunities for affordable housing.

Thank you very much.

Chairwoman KELLY. Thank you.

Mr. Grucci.

Mr. GRUCCI. Thank you, Madam Chairwoman. I have a prepared statement that I will asked to be submitted into the record. Allow me to associate myself with the remarks that are being made here today.

I was a town supervisor. And for those who do not understand what that is, it was tantamount to being the mayor of a small city. My town was 450,000 people strong.

And while it may have an appearance of being an affluent area, there are many pockets of poverty throughout the town who benefited from the Community Development Block Grant program. And in fact, every time the Federal Government would cut it back and less money would come into those areas, the less we could do.

I always looked at this program as the conscience of Government, where we were able to do those things for people who really and truly needed the help—whether it was youth programs, youth interventions, whether it was to help the elderly with Meals on Wheels, whether it was to do things to improve the quality of life in communities that had been forgotten for many a year, whether that was to improve a park or put a pool into an area that allowed people to enjoy a quality of life. Everyone in America should be able to enjoy the riches and the beauty of this country and be able to know that their Government is there to help and support them.

I support the concept of taking money and putting it where it can do the most good. I am a little apprehensive about how this program is going to be implemented. I see that the Chairwoman's district is one of those districts that have been targeted. I am fearful that the county I represent may be another one, because it does have the pockets of affluence in it that could have a detrimental effect on the computations of whether or not it should or should not receive the funds.

I can assure you that, without the Community Development Block Grant funds, many people will not have the help that Government ought to provide for those who are less fortunate.

And so, Madam Chairwoman, I appreciate the opportunity to be here at this hearing. And I am eager to hear the testimony of the esteemed panel. Thank you.

Chairwoman KELLY. Thank you very much, Mr. Grucci.

Mr. Clay.

Mr. CLAY. Thank you, Madam Chairwoman. I too am eager to hear from this esteemed panel. I am really interested in the proposed legislation that Ms. Meek is proposing because, representing the city of St. Louis, I know of projects that have gone to higher income neighborhoods, to light bridges.

And I do not think that was the original intent of the CDBG programs and would like to tighten the rules and regulations. And hopefully, that is what her bill proposes to do.

I am also interested in hearing from Mr. Shays in coming up with another way to reward those communities that spend funds in accordance with the letter of the law. So I will stop there and look forward to this panel's testimony.

Chairwoman KELLY. Thank you very much, Mr. Clay.

Ms. Lee.

Ms. LEE. Thank you very much, Madam Chairwoman. I look forward to hearing the testimony from the panel. I think it is very important, at least for some of us, to look to be sure that Community Development Block Grants are really benefiting those that I thought it was intended to help, and that is low- and moderate-income communities.

It is a pot of money. It is an instrument that we use very aggressively to ensure not only housing, but economic development, which creates jobs for those who need these types of jobs. So I just look forward to the testimony.

Thank you very much for the hearing.

Chairwoman KELLY. Thank you very much.

I appreciate the statements from the panel members. I also would like unanimous consent to insert into the record the statement of Chairwoman Marge Roukema, Congressman Henry Waxman, Congressman Lincoln Diaz-Balart, the city of Palo Alto, California and 22 other community letters that we have received on this issue.

Mr. FRANK. Madam Chairwoman.

Chairwoman KELLY. Yes?

Mr. FRANK. May I also get unanimous consent? I know our colleague, Mr. Waxman of California, has a statement. And there is a statement submitted through Mr. Hoeffel of Pennsylvania for

Lower Merion, Pennsylvania. So I would ask unanimous consent that those and other statements on this be also part of the record.

Chairwoman KELLY. Yes, thank you. I had included Mr. Waxman. But I am glad we did it twice.

[Laughter.]

With that being said, we turn now to our first panel. We have Honorable Christopher Shays from Connecticut, the Honorable Carrie Meek from Florida and the Honorable Ileana Ros-Lehtinen from Florida. We welcome the three of you.

We begin with Mr. Shays.

STATEMENT OF HON. CHRISTOPHER SHAYS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. SHAYS. Thank you, Chairwoman Kelly and Ranking Member Frank. And thank you, other Members of this subcommittee. I am impressed that you have such a large number of Members participating and appreciate it a great deal.

I am here to ask that you evaluate the CDBG based on how communities spend their funds and to encourage you to reconsider the Administration's proposal to cut 50 percent of the CDBG funds from the top one percent of the eligible communities. CDBG is the largest source of Federal community development assistance to State and local governments, as you know.

Frankly, I would add a third request that you increase the amount from \$4.3 billion and let it at least go up with the cost of living. It is a very valuable program.

It is one of the most flexible and most successful programs the Federal Government administers. And I would say to you that Mr. Frank knows this in particular. My predecessor, Stewart McKinney, was a strong believer in this program, a strong architect of it. And I think we have seen tremendous good happen from it.

The Administration's proposal includes, obviously, the recommendation to reduce the size of the grants for communities with income two times the national average. But it begs the question: many of those communities have three or four times the cost of living.

As a Congress, we are committed to helping those in need and those who are not in a position to help themselves. And I think the message of this proposal is that those in need in communities of wealth should not get the kinds of attention they need. For instance, in one community impacted in my district, Greenwich, Connecticut, bordering your district, Ms. Lowey—excuse me, Ms. Kelly; Ms. Lowey as well touches that district.

Greenwich has used this money for homeless shelters, for a food bank, for drug liberation programs and for two youth homes. And also, it has used this money for neighboring communities.

Chairwoman KELLY. Excuse me, Congressman Shays.

Mr. SHAYS. Sorry.

Chairwoman KELLY. Could you pull the microphone closer? We are having a hard time hearing you up here.

Mr. SHAYS. Thank you very much. I am at a conclusion here.

[Laughter.]

Let me then just be as wise as I can be and say I thought your statement, Ms. Kelly, was awesome. I thought your statement, Mr. Frank, was awesome. I totally concur with it.

And would just ask ultimately that we design a program based on the merit of how the money is spent. And I can just tell you, a wealthy community in my district, which gets some of these funds—Greenwich—is spending this money on homeless shelters, on food banks and so on and is spending a good chunk of it in the surrounding areas where they have partnered.

And it has helped draw Greenwich into the rest of the area. And this money has been spent well.

Where it is not spent well, then take it away.

[The prepared statement of Hon. Chris Shays can be found on page XX in the appendix.]

Chairwoman KELLY. Thank you very much, Mr. Shays.
Mrs. Meek.

**STATEMENT OF HON. CARRIE P. MEEK, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF FLORIDA**

Mrs. MEEK. Thank you very much, Madam Chairwoman. And I want to thank the Members of this subcommittee.

Chairwoman KELLY. Please get that microphone close to you.

Mrs. MEEK. Sorry.

Chairwoman KELLY. We do not have the new wonderful microphones here. So you really have to get them pointed at you.

Mr. FRANK. And our ears are not so good either.

[Laughter.]

Chairwoman KELLY. Speak for yourself, Barney.

Mrs. MEEK. I am really grateful to the subcommittee for hearing us today. And I really agree with everything I have heard so far regarding Community Development Block Grant funds.

And I want to thank my colleague, Ileana Ros-Lehtinen. We are almost like the gold dust twins. We go together in most of our programs to benefit the people of our area. And I must say that we do fairly well—pretty well—in meeting those needs.

I do not need to lengthen this presentation by talking about the needs of low- and moderate-income people. But I do not want you to confuse the Administration's proposal with this bill. They are quite different, with two different concepts in mind.

We know that we have an affordable housing crisis. And each of you has spoken to that.

But you must realize that Community Development Block Grant funds follow the people, the lower income people. The real purpose of the Community Development Block Grant funds. It does not mean that high-income communities do not have low-income people and do not have needs to that point.

But if you have distressed areas and you do have unemployment in your areas and you have deteriorating areas, urban and rural as well, that is why it is so important that we ensure that the funds are used for the intended purpose of helping low- and moderate-income.

Since 1974, this has been going on. It is a very good program. It is a flexible source of Federal funds.

You know, it is not revenue sharing. All people like me remember the revenue sharing program. This is not revenue sharing. It is not meant simply to redistribute money from the Federal Governments to the States and local government for any purposes whatsoever.

Rather, the primary purpose of the CDBG program is to build housing, to provide safe, healthy housing for people who cannot afford market rents. It is meant to provide economic development and jobs. I do not need to tell this subcommittee this. You know more about this than I do.

I introduced this bill because I am very concerned that, while many jurisdictions—and I must underline, Chris, many jurisdictions—comply with both the spirit and the letter of the CDBG law, many other jurisdictions are using CDBG funds for purposes far removed from CDBG's intended goal, to principally—and I must emphasize to principally—benefit low- and moderate-income persons.

At a time when community development corporations, individuals and other agencies are focusing on trying to develop these poorer neighborhoods, they are inadequately funded. Jurisdictions should not use their poor neighborhoods to justify and obtain CDBG funding, but then use these funds in their wealthier neighborhoods. That is not the intent of the CDBG legislation.

Many of you may be familiar with recent reports of CDBG funds being used to develop United States Post Office facilities, to repair airport runways, renovate museums, build sports arenas and pour miles of concrete in many jurisdictions. These may well be wonderful projects. But they are not projects that should be funded through CDBG.

It is time to do a better job to manage these scarce CDBG funds. My bill, H.R. 1191, would seek to amend the statute to reflect and to solve some of these problems and to go back to the original intent of the law by focusing the grant program on low- and moderate-income. It is sponsored by 59 Members of Congress who want to see more of their monies used for low-income Americans.

And then, as a just cause, Madam Chairlady, let me highlight some of the provisions of H.R. 1191. It would require grantees to spend at least 80 percent of their CDBG funds to directly benefit low- and moderate-income people, instead of the current 70 percent threshold. That gives you a little bit better target than the 70 percent.

My bill would require grantees to spend at least 40 percent of CDBG funds to directly benefit low-income persons, those with incomes between 30 percent and 50 percent of the median income. These are the people who are really low-income people. And they need these funds.

Currently, there is no mechanism that HUD uses to prevent jurisdictions from spending all or most of their CDBG monies for households at the relatively high income of 80 percent of the area median income. Now I go way back with HUD to some of the people who really, really put all of these things in. As they say in my district "back in the day." And they have never really, really, really had an accountable way of measuring how CDBG monies are spent.

Finally, my bill would require proportional accounting so that CDBG guarantees would calculate the benefits to low- and mod-

erate-income people by using the actual percentage of lower income persons residing in the census tracts that would be served by the grant. And that highlights what some Members of this subcommittee have already indicated.

The reason that many jurisdictions can claim that over 90 percent of their expenditures benefit low- and moderate-income is because currently, CDBG law allows 100 percent of the money spent on non-housing activities to count as benefiting lower income people only if 51 percent of the beneficiaries are low- and moderate-income. So you see that broad umbrella that is there.

For an example, if a jurisdiction spends \$500,000 on a road improvement in a census tract where 51 percent of the households are low- or moderate-income, that jurisdiction can report to HUD that all \$500,000 of that spending benefits low- and moderate-income people, rather than a proportionate amount of \$255,000, which is \$500,000 times the 51 percent of the population of lower income. This lack of proportionate treatment inflates the benefit report by 49 percent.

So it just tells you that the benefit inflation is well documented. In a 1993 audit of the HUD, the Inspector General reviewed CDBG expenditures of 18 grantees and found that HUD's low- and moderate-income claims were significantly overstated. The audit shows that when proportionate accounting was used, the actual benefits to low- and moderate-income individuals were approximately 65 percent for the individual grantees, even though HUD continuously reported the annual percentage of low- and moderate-income benefits as exceeding 90 percent.

Madam Chairlady and Members of the subcommittee, proportional accounting in the CDBG program is badly needed. And it will bring out many of the things which each of you has indicated, that the money will follow the need.

Counting all of the CDBG dollars spent on an activity as benefiting lower income persons when it is known that a substantial portion of those benefiting from the activity are higher income persons is just plain wrong. The absence of proportional accounting greatly exaggerates the CDBG program's achievements in serving low- and moderate-income.

The reforms included in my bill, H.R. 1191, have been around for some time. As I said, I have been around. Starting out with Jack Kemp, who was probably the guru of housing, under the first Bush Administration, tried to pass these provisions into law.

These changes to the CDBG program raise the fundamental issue of fairness. The Federal resources—

Chairwoman KELLY. Ms. Meek.

Mrs. MEEK. I could put the rest in the record.

Chairwoman KELLY. Could you do that?

Mrs. MEEK. I know I am going on and on. But I just wanted the subcommittee to understand that this concept is quite different from the one that has been presented by the current Administration. It is one that is asking for a proportional accounting so that low- and moderate-income people, that the money will follow where they are.

Thank you very much, Madam Chairwoman.

[The prepared statement of Hon. Carrie P. Meek can be found on page XX in the appendix.]

Chairwoman KELLY. We thank you. We also know that—

Mrs. MEEK. I also forgot to put in the record—

Chairwoman KELLY. With unanimous consent, we will insert your statement in the record.

Mrs. MEEK. Thank you, ma'am.

Chairwoman KELLY. I also know you have family that live in my district.

Mrs. MEEK. That is true.

Chairwoman KELLY. So you know how hard Westchester County is.

Mrs. MEEK. You better be good to me, Madam Chairlady.

[Laughter.]

Chairwoman KELLY. You know how hard we are going to get hit if Westchester County has to take this on the chin, because you have been all over my district. I know that.

So I really appreciate your presence and your testimony here today. And we will include that with unanimous consent.

Mrs. MEEK. And I want to be excused. I have a hearing. Thank you.

Chairwoman KELLY. We turn now to Ms. Ros-Lehtinen.

STATEMENT OF HON. ILEANA ROS-LEHTINEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Ms. ROS-LEHTINEN. Very few people, Madam Chairwoman, are able to get Carrie Meek to stop talking. So I congratulate you.

[Laughter.]

We have never done it in the Florida House and in the Florida Senate. It is the first time I have ever seen it. What a sight to behold.

But thank you so much. I am here to testify on behalf of my very good friend, Congresswoman Carrie Meek, on her bill, H.R. 1191, the Community Development Block Grant Renewal Act. As you know, this Act concerns one of the most significant sources of Federal funding for housing, economic development, job creation and community revitalization.

The Community Development Block Grant Renewal Act would target funds to low- and moderate-income communities by providing affordable housing, suitable living environment and expanding economic opportunities. The CDBG—it sounds like one of the clubs in my South Beach District. Not that I have ever been there, but I hear it gets really good about 3:00 in the morning.

Mr. FRANK. I think that one closed.

[Laughter.]

Ms. ROS-LEHTINEN. That one closed. You know, they close. They open. You know? I do not know, I heard you were the one responsible for closing it down, but I do not know.

[Laughter.]

But it was originally established as Title I of the Housing and Development Act of 1974. The Act served to improve communities by providing State and local governments with an elastic source of money to use for the benefit of low- and moderate-income communities. Title I assured that, at minimum, 70 percent of the allocated

funds would be used for those people earning low- and moderate-incomes.

H.R. 1191 looks to improve the "Primary Objective" of CDBG to ensure that at least 80 percent of such funds go directly to aid those individuals and their families. The Act specifies even further that at least, as has been testified before, 40 percent of the appropriated money is earmarked for people of lower income. And this "Primary Objective" will help bring needed aid to a suffering housing industry and will help fill the gaps of the current law.

H.R. 1191 also enables the CDBG to give monies to non-profit organizations whose sole purpose is to help low- and moderate-income people. This non-profit funding will promote greater public participation and will provide a better forum to monitor the use of CDBG funds. According to H.R. 1191, any business which receives funds from CDBG still has to make sure that at least 51 percent of any new or retained jobs would target lower income people.

It has strong support from several groups, such as the National Council of La Raza, the National Low Income Housing Coalition, the National Alliance to End Homelessness and our Miami-Dade Board of County Commissioners. I would like to encourage all of our colleagues to please support H.R. 1191, the Community Development Block Grant Renewal Act, and help end the current housing crisis that so many of our communities are suffering.

So thank you very much, Madam Chairwoman. And I ask to have it be entered in the record.

Thank you.

[The prepared statement of Hon. Ileana Ros-Lehtinen can be found on page XX in the appendix.]

Chairwoman KELLY. We thank you very much, Ms. Ros-Lehtinen.

I have no questions of this panel.

Mr. FRANK. Just one point to reinforce what I hope is going to be a consensus here, which is rather than exclude particular communities, the answer is, for us, both statutorily perhaps and certainly administratively, to do a better job of enforcing the low-moderate requirement for every community. And I think we can all work together on that.

Chairwoman KELLY. That is right.

Mrs. MEEK. Thank you very much.

Ms. ROS-LEHTINEN. Thank you very much.

Chairwoman KELLY. We thank you very much for appearing. This first panel is excused. We now will seat the second panel.

The chair notes that some Members may have additional questions and may wish to submit those in writing of this panel. So without objection, the hearing record will remain open for 30 days for Members to submit written questions to the witnesses and place their responses in the record.

We thank the panel for appearing with us today. We thank the second panel.

On our second panel today is Mr. Roy Bernardi. He currently serves as the HUD Assistant Secretary for Community Planning and Development. Prior to this, Mr. Bernardi served two terms as Mayor of Syracuse, New York, the first Republican to serve in that

position in 24 years. Previous to being elected in 1993, he served five terms as Syracuse City Auditor.

We welcome you, Mr. Bernardi. And we look forward to your testimony. Please proceed.

STATEMENT OF HON. ROY A. BERNARDI, ASSISTANT SECRETARY, OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. BERNARDI. Well, thank you, Madam Chairwoman. Good morning, Ranking Minority Leader Frank, Members of the subcommittee. My name is Roy Bernardi. I am Assistant Secretary for Community Planning and Development at the Department of Housing and Urban Development.

And I have with me today two members of my staff. To my left is Deputy Assistant Secretary Nelson Bregon, who directs grants programs. And to my right is Dick Kennedy, who is the Director of the Office of Block Grant Assistance in our Department and has great institutional knowledge.

On behalf of Secretary Martinez, I want to extend our commitment to work with you to improve the effectiveness of the Community Development Block Grant program and to ensure that America's neediest communities receive adequate Federal resources to meet the local development needs. We are certainly appreciative of the additional \$95 million proposed for the Department's CDBG formula programs for fiscal year 2003.

The increased funding will provide for larger allocations to our grantees and result in more assistance being made available to those that are most in need. These communities have fewer resources for addressing housing, community and economic development needs and are consequently in greater need of Federal financial assistance.

The lowest income residents of these communities deserve to share in Congress' vision of viable urban communities. The CDBG program, authorized by the Housing and Community Development Act of 1974, as amended, is one of the most successful Government aid programs to have ever been created. A testimony to this success is the longevity of the program and how it has adjusted over the years in response to changes in public policy over the nearly 28 years since its inception.

The CDBG program remains one of the most flexible local tools for revitalizing neighborhoods and encouraging economic development. Since its inception, the CDBG program has provided approximately \$100 billion to our Nation's cities, towns, counties and States, so they may undertake a wide range of activities that are locally determined.

The imprint of the CDBG program can be seen in nearly every jurisdiction of this great country of ours. As a former mayor and municipal worker, I can attest to the significance of the CDBG program. Each and every year, when Syracuse received its grant—when I talk about flexibility and when I talk about local determination, that is the beauty of the program. And I was just very proud, each and every year, to utilize those dollars to help the people that were most in need.

Immediately prior to accepting my current position at HUD, as Madam Chair indicated, I served as the Mayor of Syracuse, New York. And that provided me firsthand knowledge of the usefulness of the CDBG program as a tool for housing and economic development, and to providing a better quality of life for our people.

More than that, however, was the appreciation I developed for the devolution of this wonderful Federal program back to the community level. I also appreciate the insightfulness of the designers of this program in recognizing the basic truth that people know what their needs are better than Government officials. I was also old enough to remember revenue sharing, and I think this program provides more opportunity for people in every jurisdiction.

As Mayor, I often interacted with other mayors and officials on issues related to community development and the dwindling availability of resources. The CDBG program, however, has remained one of the most useful and dependable sources of funding for municipalities.

In fact, our proposed reduction—not elimination—of funding to the more fortunate communities will still provide those communities with a steady annual funding stream, albeit it at a lower level. There are currently 865 cities and 158 counties entitled to receive CDBG funds directly from HUD. These are entitlement communities.

In addition, 49 States and the Commonwealth of Puerto Rico award more than 3,000 grants to smaller cities and counties from CDBG funds allocated to the State by HUD each year. Those are all non-entitlement communities, the smaller cities and rural areas.

I am very pleased to say we cover the entire spectrum of the country. HUD also administers CDBG funds to Hawaii's three non-entitlement counties.

Within this vast number of grantees exist a wide variety of recipients. Some are quite wealthy, especially when compared with the poorest grantees. It is therefore quite understandable that calls would be made to reevaluate the method of allocating the limited resources of the CDBG program.

The continually increasing number of grant recipients has resulted in CDBG funds being stretched further and further with, in some localities, a continually increasing number of grand recipients. This has resulted in some localities, a lessening of the impact CDBG dollars can have on local housing, neighborhood development, public facilities, economic development and the provision of social services.

Even though the CDBG formula funding has grown 11 percent since 1980, many large cities have seen a decrease in their CDBG funds, while some of their wealthier suburbs have received increased funding. For example, New York City's 2002 CDBG grant was 16 percent less than its 1980 grant, while over this same time period, Greenwich, Connecticut's CDBG funding increased 43 percent and Westchester County's increased 51 percent.

Likewise, Boston's funding decreased five percent, while Newton, Massachusetts' CDBG funding increased 11 percent over the same period of time. Even some distressed cities have seen substantial decreases in their CDBG funding over the past 20 years. St. Louis

and Cleveland, each with per capita income less than three-fourths of the national average, receive 21 percent less CDBG dollars today than they did in 1980.

This proposal represents a small, but important step in re-directing CDBG dollars from areas with sufficient fiscal capacity to meet their housing and community development needs, to those communities with greater needs and fewer resources. While the CDBG program may be heralded as the dependable flagship of Federal financial resources, the Department clearly recognizes that current economic realities require at least some rethinking of how we do business.

The Department supports targeting of CDBG funds to provide assistance to lower income persons to the greatest extent permissible under the Housing and Community Development Act of 1974.

H.R. 1191, a bill introduced to amend this Act, proposes a fairly stringent targeting of CDBG funds in an effort to assure that the needs of the lowest income communities are met. With respect to H.R. 1191, it would be premature for the Department to respond to this bill at this time, since it has not yet been voted out of committee.

We recognize that there is some concern with this bill because while it will demand more targeting, it will significantly limit, for many communities, the very flexibility that has been the cornerstone of the CDBG program. In addition, the Department was asked by Congress to submit a study of the targeting of CDBG funds and HUD's administrative oversight of the program.

This study was delivered to the House Committee on Appropriations yesterday, and emphasizes three things. First, targeting of CDBG funds is accomplished by the formulas used in determining allocations. Second, the program requires that 70 percent of a grantee's CDBG funds principally benefit low- and moderate-income persons. And third, activities identified as principally benefiting persons of low- and moderate-income generally assist persons of whom at least 51 percent are low- and moderate-income.

Chairwoman KELLY. Mr. Bernardi.

Mr. BERNARDI. Yes.

Chairwoman KELLY. The lights here indicate your testimony time. And you have gone well over the 5-minute allocation. If you could sum up, please know that your written testimony is included in the record. It is a matter of our record. So we have the written testimony and we are interested in having you sum up.

Mr. BERNARDI. Madam Chair, I will be happy to do that.

Chairwoman KELLY. Sorry for interrupting you.

Mr. BERNARDI. I feel very strongly that the written testimony will answer the questions that you are possibly going to have.

In closing, the Administration looked long and hard at ways in which we can provide additional dollars to the most needy people in our country. As a matter of fact, when it comes to providing CDBG funds, we are doing better than the 70 percent that is statutorily required. We are at 84 percent.

I think that the program works well. The flexibility of the program is very important.

Right now, from the 1990 census, the population numbers and growth lag have been entered into the formula for the 2003 year.

However, poverty and overcrowding and pre-1940 housing data will not be available until the summer or fall of this year.

And so the formula will be changed. We will be conducting a study which will be completed at some time next year.

Also, we have a comprehensive plan. Today, there is a meeting in Washington. We are taking a look at the overall comprehensive plan, how to streamline it, make it more effective, and eliminate some of the red tape that the communities go through. There were two of these meetings held around the country.

And the meeting that is being held in Washington today includes providers. It includes local government. It includes HUD officials and institutions that deal with CDBG.

In closing, we are here to answer any questions that you may have. I appreciate your time.

[The prepared statement of Hon. Roy A. Bernardi can be found on page XX in the appendix.]

Chairwoman KELLY. We thank you very much.

Mr. Bernardi, I have a question about that formula that you were talking about. The fact that the Administration is proposing a redirection of the CDBG money and you are talking about doing a study and coming up with a comprehensive plan next year, it indicates to me that you have a lack of confidence in the grant formula that was created back in 1974.

Now I want to know why the Administration has not simply proposed a new formula right now for Congress to consider that will account for the new needs in our communities.

Mr. BERNARDI. Well, we feel the formula works very well. And the formula is looked at in a constant way, especially after the census numbers are in. The 2000 census numbers, including population and the growth lag are in; however, poverty and pre-1940 housing have not yet come in from around the country.

That is when the formula is looked at. And then proposals are made, in conjunction with yourselves, as to any changes that might take place to improve the formula.

As you know, there are two formulas. There is a formula that helps cities that are growing. There is also a second formula that helps cities that have population lag and increased poverty.

Chairwoman KELLY. Well, I would beg to differ with you, sir. I think when you lop off 50 percent of these communities, in these communities, that is a formula problem. And I question the criteria in the formula. And I think that it is time that we take a look at the criteria that you are using in that formula and make sure that the criteria actually are reflective of what is within the communities themselves.

And so perhaps Congress should be working with you in setting the criteria for evaluating who gets the CDBG grants.

Mr. BERNARDI. Well, this is just a work in progress, Madam Chairwoman. These communities are at two times the per capita income, and we are talking about \$17 million. And with a reduction of 50 percent. And that money would go to other CDBG communities.

The fact of the matter is there are communities that are better able, that have the capacity building, the organizations, and members in the community that perhaps can assist more. There are

other communities, communities that I visit when I travel this country, the colonias for example, where people have absolutely nothing.

Chairwoman KELLY. I understand what you are saying about the fact that your assumption is that certain communities can better handle their own things. And that is probably so, in some instances. But I think where you have a blanket cut in some communities that perhaps are based on inappropriate criteria, it is time to change the criteria.

We need to take a look at the criteria before you decide how you set this formula. And I would look forward to working with you. I am very concerned about that.

HUD's identified projects that I think that they think, for instance in Westchester County, should not have been funded. I would like to know what you think they are. I would like to know what criteria you used to identify those.

Mr. BERNARDI. Which projects are you referring to?

Chairwoman KELLY. I understand that there are certain projects in the Westchester Urban County Consortium that you have decided were inappropriate. I would like to know what you think they are.

Mr. BERNARDI. I do not know the projects that you are referring to, Madam Chair.

Chairwoman KELLY. Why are you cutting funding?

Mr. BERNARDI. Well, it is to provide funding to communities that are more distressed than Westchester County.

Chairwoman KELLY. If they are inappropriate, sir. Why cut the funding if they are doing their job?

Mr. BERNARDI. They are not inappropriate, Madam Chair. I have not looked at Westchester in particular, but I am sure they are used according to the statutory regulations and for the needs that the CDBG program was established.

The fact of the matter is that we are looking at ways, together with you, to perhaps redo the formula in a way which would provide monies. Our goal here is to take the very low- and moderate-income people and to provide them with more services and a better quality of life.

Chairwoman KELLY. Are you planning to send us legislation with these proposed changes in the formula so that we can take a look at what criteria you are using on the formula?

Mr. BERNARDI. To make any proposals on a formula change, we have to wait until the statistics come in from the 2000 census. So that will be approximately 2003, by the time we have the information.

Chairwoman KELLY. So you have no intention of changing the formula?

Mr. BERNARDI. No.

Chairwoman KELLY. Changing the criteria, until after this year?

Mr. BERNARDI. That is correct.

Chairwoman KELLY. Until next year. Why not?

Mr. BERNARDI. The formula has been changed already.

Chairwoman KELLY. Why are you proposing these changes? With the 50 percent cut?

Mr. BERNARDI. It is a 50 percent reduction.

Chairwoman KELLY. Yes, why? Why are you proposing that if you do not even have the statistics to back up what you are saying? I do not mean to put you in the hot seat here, but we need to work together if we are going to be efficient and get that money to the people who need it.

Mr. BERNARDI. Those statistics could change with additional information. Westchester County may not be in the top nine.

Chairwoman KELLY. But you are not sure. That is precisely my point.

Mr. BERNARDI. There is a starting point. This is a proposal. There is a starting point.

Chairwoman KELLY. It is a starting point? I think that for you to cut 50 percent from these communities, without having—coming here and being able to speak to us with the criteria that you have used, show us what criteria and talk to us about the appropriateness of this formula.

Mr. BERNARDI. Well, the criteria is two times the per capita income.

Chairwoman KELLY. It is not just Westchester County that has been cut. That is why these other people were here. That is why these women were here from Florida and that is why Mr. Shays was here. Mr. Frank has somebody that is being cut in his area.

Westchester happens to be the only county. You have cut an entire county with Westchester County.

My concern is that these people have been cut and you are sitting here telling me that you are not comfortable with the formula, because you are going to study it and come up with something you feel is more appropriate.

Mr. BERNARDI. The entire formula.

Chairwoman KELLY. But then if the entire formula is being applied to these areas that have been cut, why are you applying it this way now? Why not wait and do what you have done before?

Mr. BERNARDI. When we have all of the information in from the census, the proposal will be ready to implement, in conjunction with this subcommittee and Members of Congress.

Chairwoman KELLY. My time is over. I have several other questions. If we have a second round, I will ask those questions. In the meantime, I want you to know that I am going to submit to you a group of questions in writing. And I am going to hold this hearing record open for 30 days so that we can get those answers and put them in the record, sir.

Mr. BERNARDI. Sure. Be happy to respond to your questions.

Chairwoman KELLY. Mr. Frank.

Mr. FRANK. Mr. Secretary, first, I was kind of struck by a rare, if you will accept this, example of deference by the Administration to the Congress. With regard to H.R. 1191, if I heard you correctly, you said it would be, quote: "premature"—to comment, because the bill has not yet been voted on by committee.

Is that a new Administration policy, that you are not going to comment on legislation until the committees have acted? I would welcome that.

[Laughter.]

Do I accurately understand you, sir?

Mr. BERNARDI. Well, that is an OMB policy.

Mr. FRANK. That you are not to comment?

Mr. BERNARDI. Well, I can comment on it. But until we have the particulars of the bill, it would be premature to make those comments.

Mr. FRANK. So in other words, until—no, you did not say the particulars of the bill. Particulars of the bill have, in fact, existed before the committee process. Is this HUD policy now that you are not going to comment on legislation until it has been voted on by committee?

Mr. BERNARDI. Well, OMB would prefer that I not comment on that legislation.

Mr. FRANK. A lot of people would prefer a lot of things.

Mr. BERNARDI. Well, I follow the company line.

Mr. FRANK. My question is: is this now HUD policy? Can we expect that there will be no HUD comment on pending legislation until it has been voted out of committee?

Mr. BERNARDI. I can only speak for myself, sir.

Mr. FRANK. OK. Let me suggest, Mr. Secretary, that what we have got here is a duck on a controversial issue. And it is particularly troublesome to me for this reason.

You say in your testimony that cities like St. Louis and Boston have lost money because of the formula. But you are not yet proposing any change in the formula, which is what caused them to lose money. Correct?

I mean, the money that Boston, St. Louis, the other communities lost, they lost that because of the existing formula. Is that correct?

Mr. BERNARDI. Yes.

Mr. FRANK. OK. And you are proposing, as of this point, no changes in that formula?

Mr. BERNARDI. The census tract takes population into consideration. Each year, the formula changes based on population.

Mr. FRANK. Did they lose money because of population shifts, do you think?

Mr. BERNARDI. In some instances, they did lose money because of population shifts.

Mr. FRANK. Frankly, I think you gave a somewhat contrary suggestion here because the suggestion was that they were losing money because other communities were gaining the money, the wealthier communities. That is the juxtaposition.

The total amount of money that would be saved by your proposal to knock off the communities at two times and above is how much money?

Mr. BERNARDI. It is \$17 million.

Mr. FRANK. No, the total amount saved.

Mr. BERNARDI. About \$8.6 million.

Mr. FRANK. \$8.6 million. The total CDBG appropriation for this year will be what?

Mr. BERNARDI. \$4.4 billion.

Mr. FRANK. So you are going to alleviate some of these problems by applying \$8.6 million to a total of \$4.4 billion. By my arithmetic, that is .05 percent. I have never seen—

Mr. BERNARDI. It is a little less than that.

Mr. FRANK.—wielded as a weapon before in the battle against poverty. But that is what you are doing.

[Laughter.]

In fact, having resolved .05 percent of this problem, have you any proposals to do the rest? I mean, you make a good point. Boston should not be losing money. Cleveland should not be losing money. St. Louis should not be losing money.

And you are going to give them .05 percent of that back. You got any ideas for the other 99.95 percent? Or do we have to wait until the committee acts before you can comment? Would it be premature for you to comment, in other words?

Mr. BERNARDI. When all of the census information is in and the formula is looked at again, in conjunction with all of the Members here, I am sure there will be proposals in how the formula should be changed.

Mr. FRANK. OK, so then in other words, we should tell the nine communities that are now on the list that they are only the early ones? Because if you are going to hold the amount constant, you are going to have to take money away from other communities as well. Is that correct?

Mr. BERNARDI. There is a limited amount of dollars that are going to be available, Congressman.

Mr. FRANK. So you contemplate, once you get the census and you change the formula, do you contemplate taking money away from other communities that are maybe at 1.8 times the median or 1.7, to make up for these problems with Boston and St. Louis?

Mr. BERNARDI. The extra \$95 million that is proposed for this year is welcomed. There are additional monies that are always needed for many programs. But dealing with reality and what we have to deal with and what our charge is and what Secretary Martinez—

Mr. FRANK. My guess—

Mr. BERNARDI. No, can I finish please?

Mr. FRANK. At this point, it looks to me like the thing you lament, the lack, the loss of money for some of these big cities, is going to be unchanged, certainly for this year. Correct?

Mr. BERNARDI. I am sorry. Could you please repeat the question?

Mr. FRANK. You have talked about how Boston has lost money and St. Louis has lost money. And I know they appreciate your sympathy. But can they expect to get any more than your sympathy in the current year?

Mr. BERNARDI. No.

Mr. FRANK. In the 2003 budget? Boston and St. Louis and the others?

Mr. BERNARDI. Depending on the formula. The formula that they utilize, whether it is formula A or formula—

Mr. FRANK. Do you contemplate that they will be getting any of that cost back in the next fiscal year?

Mr. BERNARDI. No. The answer is no.

Mr. FRANK. OK. Frankly, I am a little troubled that you invoke their plight on behalf of your proposal to knock out these other communities but now acknowledge to me that that is all they are is kind of props, frankly, in the effort.

Mr. BERNARDI. I think it shows a comparison of communities that have benefited to those that have not.

Mr. FRANK. It does. But it also shows that you are not going to do anything about it. And I think it is an inappropriate invocation of their plight when you are going to wind up with \$8 million.

Last question I have is this: with regard to the communities you are going after, I would think—

Mr. BERNARDI. Congressman, we are not going after anyone really. It is a proposal.

Mr. FRANK. Well, the communities who will lose funding as a result of your beneficent actions. It would seem to me—and I would just recommend this to you and then I have one other question that I would ask for in writing—that what is relevant is not simply the overall income, but the distribution within the communities. Certainly, the Federal Government is not suggesting that a community which has a large number of wealthy people and a large number of poor people should be one in which the wealthy people are individually taxed locally to pay for certain kinds of services.

So if you were going to try and reallocate, I would urge you to take in a formula. And statistical techniques can do this. You do not simply look at the overall amount. A community in which everybody is making \$70,000 probably needs the money less than a community in which a number of people are making \$150,000, but a number are making \$30,000 and \$20,000.

In other words, even on your own terms, this is simplistic beyond what we ought to be doing. You need to take some kind of matrix approach.

Last point I would make is this. And I am touched by your concern for the failure of the funds to reach the intended recipients.

You have been Assistant Secretary for how long, Mr. Bernardi?

Mr. BERNARDI. Eight months.

Mr. FRANK. During that period—and, in fact, during the 14 months of this Administration—would you submit in writing examples of interventions by HUD against inappropriate uses of CDBG funds by recipient communities? That is, how many cases have you found in which money was not being spent appropriately? It was being spent other than—

And in general, if you could give us a record of your enforcement of the low- and moderate-income requirements, I would be pleased.

Thank you for your indulgence, Madam Chairwoman.

Chairwoman KELLY. Thank you, Mr. Frank.

Mr. Grucci.

Mr. GRUCCI. Thank you, Madam Chair.

Mr. Bernardi, welcome. Good morning.

If I am correct in what I thought I heard, that there is going to be a 50 percent reduction in the CDBG funds. Did I hear that correctly?

Mr. BERNARDI. On the nine communities in question, yes.

Mr. GRUCCI. Low-income and moderate areas, low-income to moderate communities that are adjacent to, in picking up from what Mr. Frank was saying, let me give you an example. In the district that I represent, I have a very affluent area known as the Hamptons. South Hampton, East Hampton, they have very wealthy areas, million dollar homes, multimillion dollar homes along the oceanfront.

Go about six blocks away from the oceanfront and there are people struggling, who are living in what would be considered poverty. They are struggling to make ends meet because the high cost of living in that region causes the prices of houses to go up. The taxes are hurting people. And one thing after another.

These areas should not be punished as a result of living next to a community that has been blessed with affluence. And I see that is what is going to take place.

And I said in my opening statement that as a supervisor, you understand this. That Community Development Block Grant money, when it comes into your town or into your city, was enabling us to do some great things for the people who were the least fortunate.

In infrastructure, it helped us to build the roads, the drainage, the signage in communities where people did not even have signs up on their blocks that tell law enforcement or emergency vehicles what street they were coming down. Bringing fresh, clean water into areas that had been polluted.

It built parks and it built ball fields and it built pools, as well as the teen crisis centers and senior centers, as well as programs like the teen pregnancy program, the battered women programs and nutritional program centers. And the list just keeps going on.

If these communities are going to lose their money simply because they are fortunate—or misfortunate—enough to be in a census tract that would demonstrate that that area is affluent, where are they supposed to get their money from? Where are they going to get their help?

The local government—and I do not know about the finances of Syracuse, but I can tell you that the local finances of our local governments are the least capable of helping these people. They have the least amount of resources. And county governments are already being besieged with burdens of mandated programs coming down upon them. They cannot keep up with the mandates.

Are these people to just fall by the boards because they have the misfortune of living next to an affluent community? How do they get the help?

Mr. BERNARDI. Congressman, communities that have a significant number of affluent people, as I mentioned earlier in my statement, have the capacity, have the wherewithal, if you will, the technical assistance. You look at city governments, town governments and county governments.

In certain areas, obviously, there are more people. There are more people who do the work. There are more resources.

And this is just a proposal. We are not going to take any unilateral action here on the part of HUD. Looking for ways, quite generally, to find ways in which we can help those that are less fortunate, the people that you talked about, that live out on the water in those mansions, in those other areas.

How can we provide them with additional assistance? That is the proposal.

Mr. GRUCCI. I would encourage you to do as much as we can. I would encourage you to restore more money into the CDBG program. Let's do the things that that money can do.

I have watched as it has helped teenagers get a fresh start on life. And I have also been there when the Federal Government has

cut those programs and as a supervisor and a town board had to make the decisions as to what programs could not get funded. And we watched as programs that were helping the community fell by the boards.

And there was no place for these people to get help. Instead of looking to cut CDBG, I think we should be looking to increase it. It is the conscience of Government that does the best for the people who are least capable of helping themselves.

Mr. BERNARDI. Well, as I indicated, there is an appropriation of \$95 million more for the CDBG entitlement program, which is welcomed.

Mr. GRUCCI. But if areas of the country that were once receiving these funds—and I am not sure my county will be part of that county cut that was talked about. We will know that when the new census tract numbers come out and all the information comes out.

But the fact of the matter is, if it indeed does, and it has been getting cut year after year as a result of whatever reasons HUD has been cutting that money, people have been hurting and programs have been falling by the boards. And this money ought not to be—we ought not to take from this program to find monies to help balance budgets or to put things into perspective. This area is where Government ought to shine its best.

And I would encourage you to do all that you can to not just put \$95 million in, but also to make sure that the areas that were receiving these funds are not asked to take a bigger cut and be asked to make the sacrifice so that other areas of the country can be helped. It would be wrong to ask the poor people of one region to be impacted even further so that they can help poor people in other areas.

And I yield back the remainder of my time.

Chairwoman KELLY. Thank you, Mr. Grucci.

We go now to Mr. Clay.

Mr. CLAY. Mr. Bernardi, in your testimony, you extolled the virtues of benefits to a community of flexibility in the program. I know, for instance, in St. Louis and in my neighborhood in particular, they have used CDBG funds to erect gates, close streets, special lighting. I think that may be where the problem exists in the program is that this flexibility allows communities like where I live, which is probably one of the better parts of St. Louis, to use those funds in a manner which I do not think they were initially intended to be used for.

Don't you see some areas where that flexibility could allow for abuse in the program?

Mr. BERNARDI. Well, the eligible activities that are statutorily required between headquarters and the field offices and our integration disbursement information system, we do track how communities use that money and that they reach that 70 percent threshold. And the average is even more than 70 percent. About 84 percent of the dollars spent each year by the grantees, on an average, go to benefit low- and moderate-income people.

But I am sure there are situations that occur where that money could be utilized in a different way. But I think to take away that flexibility, you would really hamper the local decision-making proc-

ess. The decisions are made locally, as they should be, with the community development boards in each locale.

Mr. CLAY. OK, what about what Representative Meek talked about in her testimony, that the original intent is to build decent and affordable housing? We know that home ownership creates wealth. We know that.

Can you point to many instances in cities such as mine where the dollars have actually gone toward building decent and affordable housing? Giving people the opportunity to own a home for the first time?

What I know about in St. Louis City is that these funds have gone to benefit supporters of the mayor and have not necessarily gone to create housing. Of if they have created housing, it has been substandard. I mean, can you point to instances where they have actually gone to build affordable, decent housing?

Mr. BERNARDI. Mr. Kennedy indicates to me that St. Louis has a very good record in housing and will be happy to get that information to you.

Mr. CLAY. Would you be willing to point that out?

Now also in your testimony, you point to the fact that St. Louis and Cleveland, with per capita incomes less than three-fourths the national average, received 21 percent less CDBG dollars today than they did in 1980. Can you tell me what are the reasons for this?

Mr. BERNARDI. The population decrease.

Mr. CLAY. The population shift.

Mr. BERNARDI. Primarily. Yes, the shift.

Mr. CLAY. I know in St. Louis, that population has decreased. However, what is left are that you have more and more poor. So don't you think maybe the formula may need to be tweaked in order to address the increased amount of poor?

Mr. BERNARDI. It is a very complex formula. But the fact is that the decrease or the shift in population primarily led to the reduction. But there are other factors as well, I am sure.

Mr. CLAY. The other factors are?

Mr. KENNEDY. If I could just comment generally that, with respect to the formula changes, HUD simply cannot launch a study of what is happening with the 2000 census data until we have all the data in. We expect to have that in by the fall.

And then we can do a complete study that will look at the effects of the 2000 census changes. And we expect those changes to be fairly substantial.

We want to be able to present to Congress a thought out evaluation of what those effects are and allow you to perhaps make some suggestions regarding changes to improve the formula. Certainly, that is a congressional activity. We want to be able to present the facts to you, once we have the data in, with respect to the overall formula.

Chairwoman KELLY. Excuse me, sir. But you are not a listed witness at this hearing.

Mr. KENNEDY. I am sorry.

Chairwoman KELLY. I would like to have you identify yourself for the record, please.

Mr. KENNEDY. I apologize, Madam Chairwoman. My name is Richard Kennedy. I am the Director of the Office of Block Grant

Assistance. And I work for Assistant Secretary Bernardi and Mr. Bregon. I apologize.

Mr. CLAY. In conclusion, Madam Chairwoman, let me also ask that when you do give me that information on St. Louis housing, would you also look at the fact that the fact that the funding was used to build a convention center and hotel and tell me if that is proper or not.

Mr. BERNARDI. That was economic development. Section 108 monies, I believe, were involved in that.

Mr. CLAY. But would you put that in writing?

Mr. BERNARDI. Of course.

Mr. CLAY. Thank you.

Chairwoman KELLY. Thank you.

Ms. Lee.

Ms. LEE. Thank you, Madam Chair.

Mr. Secretary, let me just ask you about the proposed cut and at least where the budget summary says you intend to put the revenues that you receive from the cut. The comments indicated that the savings would fund a regional initiative to enhance affordable housing, economic opportunities in the colonias? Is that accurate, in terms of where you intend to put the money?

And I just want to find out where these colonias are. It says they are within 150 miles of the U.S.-Mexican border. And they lack infrastructure. And all the descriptions of what these colonias are.

The criteria and the lack of infrastructure appears to be already late to qualify for existing funds. So why would you have to cut any to put the money there? Why couldn't you fund them with existing funding?

Mr. BERNARDI. The money from the proposal would go back to the formula for redistribution to the remaining entitlement communities. The colonias is 150 miles of area along the Texas-New Mexico-California border, where there are communities that are really not communities.

They are basically outside of the towns in that particular area. They have tremendous poverty and no infrastructure.

The Secretary is very committed to putting together a proposal to help those people. There is money earmarked for that purpose that is separate from what we are talking about here. We have \$16 million earmarked for that.

Ms. LEE. Is it coming from CDBG though?

Mr. BERNARDI. No.

Ms. LEE. At least the budget summary indicates that the savings from, as a result of the cuts, would go to fund this regional initiative. And I am just asking that because it seems to me that we should fund that anyway.

Mr. BERNARDI. It will give us more room in the budget to have the \$16 million to help the colonias. But it is not coming from the CDBG program.

Ms. LEE. It is not coming from the CDBG?

Mr. BERNARDI. No, that money will go back to be redistributed amongst the remaining entitlement communities, as I understand it.

Ms. LEE. It is in your budget proposal, where it indicates that the savings from this proposal, which we are talking about today, would go to fund these colonias. Unless I am misreading.

Chairwoman KELLY. Mr. Bernardi, what she is asking, I believe, is for clarification, because in the proposal, while you talk about it—in basically the information you sent out about what you are proposing, you do not define the colonias. And it just says, actually let me read from this: “The savings from this proposal will fund a regional initiative to enhance the availability of affordable housing, economic opportunity and infrastructure in the colonias.”

We do not know where that is. We do not have a definition of that. And we are sitting here wondering why you are not talking about things like the Appalachian region, the Mississippi Delta region. What is the colonias?

In other words, we need a geographic definition. That is what she is asking.

Ms. LEE. And also, Madam Chairwoman, in addition to the geographic definition, what I am also asking is why can't these communities access CDBG funding now? And why do we have to establish a new pot of money for these communities?

Mr. BERNARDI. They are not entitlement communities. And with the redistribution of the dollars, they would go to the remaining entitlement communities.

Communities within those States could provide assistance and some already have. I know that the Texas legislature has passed money to help the colonias.

Ms. LEE. OK. So then you are saying again—I need to clarify this, as we move forward—you are saying this money, the proposed cuts that you are presenting to us today do not go to fund, the savings do not go—

Mr. BERNARDI. No. They go back to the formula and will be redistributed to the remaining entitlement communities.

Mr. FRANK. If the gentlewoman would yield?

I think it is very clear. First of all, there appears to have been a change from the budget proposal where it talked about putting the money into the colonias. But I think what you have here is one more effort to get some sympathy for this proposal by invoking a very worthy, but legally, quite irrelevant issue.

Ms. LEE. Thank you very much, Mr. Frank.

Thank you, Madam Chair. I understand now. I get it.

Chairwoman KELLY. Thank you.

Mr. Bernardi, we need a definition. And we need a geographic definition, a better definition of what this is because you have not defined it. And it is necessary if we are going to seriously pursue—

Mr. BERNARDI. It is not part of the program and the reduction. But I will get you the definition, all of you.

Chairwoman KELLY. Thank you.

Mrs. Jones.

Mrs. JONES. Am I the last one?

Chairwoman KELLY. No, no.

Mrs. JONES. Let me pass.

Chairwoman KELLY. All right. Then we go to Ms. Waters.

Ms. WATERS. Thank you very much.

I do not know, Mr. Bernardi, you have not been around here very long maybe. You have not been doing this very long.

You have to understand that we decide to support efforts in various ways. For example, it would be very attractive—it would seem very attractive—for me to accept the idea that you are doing something to give more money to the poorest areas of the country. It would be easy for me to grab hold to that.

But I have learned to be very selective about doing that kind of thing because we all define these needs in various ways at various times. For example, when I look at your proposal where it says, “Our 2003 budget proposes reducing the annual CDBG allocation to the wealthiest one percent of eligible grantees.”

Now, I use that kind of language with tax cut when I talk about who should be given a tax cut and who should not be given a tax cut. And I say that the wealthiest people in this country should not be given a tax cut.

But the Administration rejects that kind of thing. They believe that the tax cut that they have given, that the wealthiest people should benefit from it. So, on that occasion, we differ.

On this occasion, where you are using that same kind of argument, I differ with you because I have learned that once you give somebody some money, you are not going to get it back. And when you have, in this case, Republicans who come from wealthy communities who like this money and they are accepting this money and they honestly believe that, despite the fact they have a wealthy community, there are pockets in those communities that benefit.

And as was described, maybe even more when you have a community where you may have \$150,000 incomes and pockets of \$30,000 incomes than where you have everybody getting \$70,000. So, you are going to lose that one.

And I think what we are all saying is this. And I use that argument too with Social Security. I am selective. And Social Security, when they try to make the argument that wealthy people should not benefit from it, I say, “No, no, no, no, no, no. I reject that because I want to keep everybody in the loop so that we join hands and get as much money as we can.”

So, you find yourself in a position where the Administration’s argument will not work with one. What we are going to do is we are going to join hands and we are going to all say, “Well, we need more money. We need more money. We are not going to let you cut out these wealthy communities. They are our friends on this one.” OK?

[Laughter.]

We are going to support them. We are not going to let you separate us out.

Mr. BERNARDI. I am so happy I could bring you all together.

[Laughter.]

Ms. WATERS. So my advice to you is number one, first of all, it is not enough money that you are going to take from them to really spread out to do anything. And you got caught talking about the colonias and some other places that are not going to benefit at all. So, we caught you.

And having caught you, I hope this is a nice little, you know, beginning lesson for you. What you should be doing with all of this now is recognize that we all love CDBG. It is extremely important.

We depend on it. We love it. It works in poor communities. It works in not-so-poor communities. We are all together on this.

We need more money for CDBG so that we can have more money to spread around. Now, there may be some places that do not use this money appropriately. And it is OK. You go look for those and find those and try to extract those. And then, we will all join hands, perhaps, on that one.

But on this one, uh-uh. Nope. It is not going to work.

So, take the message back. Do what you have to do. But I am going to support Westchester.

[Laughter.]

Mr. BERNARDI. If we took more, could we change your mind?

Ms. WATERS. Huh? Nope, will not work on this one.

Mr. BERNARDI. Thank you. Thank you for your comments.

Ms. WATERS. And understand, there are some times when what appears to be logic does not fit. And this is one of them. Sorry.

Mr. BERNARDI. Thank you. Thank you for your comments.

Chairwoman KELLY. Thank you very much, Ms. Waters.

We go to Mr. Capuano. Oh, I am sorry.

Mrs. Jones.

Mrs. JONES. Thank you, Madam Chairwoman. I talk loud so I do not really need a microphone.

Mr. Secretary, thank you very much for appearing here today. I was reading through your testimony. And at page four, it says: "St. Louis and Cleveland, with per capita incomes less than three-fourths the national average, receive 21 percent less CDBG dollars today than they did in 1980."

I represent the great city of Cleveland. Can you be a little more specific? Or could you have your staff submit to me information with regard to the city of Cleveland and CDBG grants and why our grants have gone down?

Mr. BERNARDI. Yes, I will be more than happy to get you all that information.

Mrs. JONES. I would deeply appreciate it. Let me ask you another question. At page five of your testimony, it says: "With respect to H.R. 1191, it would be premature for the Department to respond to this bill at this time, since it has not yet been voted out of committee."

Even though the bill has not been voted out of committee, we are here to discuss conceptual things, what would best work for the CDBG community. Could you discuss with me conceptually some things that would either support or not support the legislation and on and on and on that would be great to improve the CDBG?

Mr. BERNARDI. If we had a copy of a bill that is in final form, we would be happy to. We want to work with you on it. If there are things in the bill that would be of a benefit to especially low- and moderate-income people, of course. We are all working toward the same goal.

But that is a proposal that you had. And we will look at it. And we will get back to you on it.

Mrs. JONES. But you do not have any responses for me this morning?

He can talk for himself. You do not have to bug him. He is a big guy, he can handle it.

[Laughter.]

Mr. BERNARDI. Well, the——

Mrs. JONES. Who is this guy whispering in your ear?

Mr. BERNARDI. This is Nelson Bregon. I introduced him earlier. He is the Deputy Assistant Secretary for the grants program, the CDBG program that we are speaking of.

Mrs. JONES. Well, pass him the microphone.

Mr. BERNARDI. OK, I would be happy to.

Chairwoman KELLY. Sir, will you identify yourself for the subcommittee, please?

Mr. BREGON. Yes, honorable Chairwoman. My name is Nelson Bregon. I have been a career HUD employee for over 22 years. And I am the Deputy Assistant Secretary for the Office of Grant Programs.

Mrs. JONES. So are you permitted in your capacity to respond to that question I just asked?

Mr. BREGON. No, not without the permission of my boss.

[Laughter.]

Mrs. JONES. Well, what good are you?

[Laughter.]

I am joking. Really, I am. I am just having fun this morning.

Mr. BREGON. I understand.

Mrs. JONES. I do not want you all to take me too seriously.

OK, Mr. Secretary, let's go to another page of your testimony. You are going to get something back to me so that we can have a real discussion about CDBG programs?

Mr. BERNARDI. Yes.

Mrs. JONES. In your statement, you say that just yesterday, you submitted to the Appropriations Committee—this is at page five: "In addition, the Department was asked by Congress to submit a study of targeting of CDBG funds and HUD's administrative oversight of the program. That study was delivered yesterday." Did you happen to bring a copy along for us?

Mr. BERNARDI. Yes, we have copies here.

Mrs. JONES. OK. It says the report emphasized three things: targeting of funds, the program that requires 70 percent and activity. I am not reading all of this, this is for the record. "And three, activities identified as principally benefiting persons of low- and moderate-income generally assist persons of whom at least 51 percent are low- and moderate-income." This is page six of the report.

I do not want to spend all of our time—because I probably do not have any time left actually—on this. But for future, it would be nice for us to have something like that before the day before the hearing so we could spend some time reviewing it to be able to make some reasoned inquiry into some of those things. Is that something you could facilitate for us, sir?

Mr. BERNARDI. We would be happy to do so. The Congress asked us to give it to the Appropriations Committee.

Mrs. JONES. I understand.

Mr. BERNARDI. Double check with the Appropriations Committee. If they are fine with it, we are fine with it.

Mrs. JONES. OK.

But this is the Housing Subcommittee on Banking, over which we do have oversight.

Chairwoman KELLY. Financial Services. You are fined \$1.

Mrs. JONES. Right. Financial Services Committee. And this is the Housing Subcommittee. And we do have jurisdiction over HUD. So I do not think you have to get the Appropriations Committee approval to give us information that is applicable to that department.

Somebody else is whispering in your ear. Go ahead, tell me your name.

Mr. FRANK. He has already identified himself.

Mr. BERNARDI. That is OK.

Mrs. JONES. OK. Great. Thank you very much.

Chairwoman KELLY. Ms. Waters, have you a question?

Ms. WATERS. Yes, I guess I do. And I guess what I am saying to you is what is the likelihood of us—is it too late? Well, no, it is not too late—of us working at some formula changes to accommodate the loss of population, so that we can make up for the dollars that are lost in these cities where they have lost money, maybe due to population changes? And at the same time, not touching the communities where you are talking about taking this meager amount anyway, that will not really make up for that loss?

I mean, I think that is where we need to be going with this. Increase above and beyond what appears to be about a two percent increase in CDBG, so that that increase will accommodate the population losses that are changing the formula and leave those other communities alone.

What is the likelihood that we may be able to advocate in that way?

Chairwoman KELLY. We spoke with Mr. Bernardi just now. And he indicated he would work with us. Because part of the problem is not just the formula, but the criteria used within that formula. And we need to work together.

That is part of the reason why I am very happy to have him here in front of us today, because I think it is very clear, from what we have all heard in this room so far, that there is a need for us to take a look at the criteria, take a look at the formula. And based on the 2002 census figures, then they will come up with a new formula.

The problem is they are trying to do something now without that new formula, without the new criteria. And so that is where we are going. That is exactly where we are heading. And your question is very appropriate and a good one.

Mr. BERNARDI. When we look at the formula, and have all of the information from the 1990 census, we will come back to you to discuss what the information is, what it shows and look for your input as well as to how we can improve it.

Ms. WATERS. I guess what I am saying is, just my initial review of this, it may require a small increase to cover what needs to be covered. So that I do not want to see anything that is done to try and not support an increase so that it would leave those communities intact.

Chairwoman KELLY. Mr. Israel, we have been called for a vote. I am going to ask Mr. Israel to present his questions, then I will recess.

Mr. ISRAEL. Thank you, Madam Chair. In the interest of time and because we have a vote, I will be very brief.

Mr. Bernardi, did you have a chance to read Secretary Martinez' testimony to this subcommittee on the budget several weeks ago?

Mr. BERNARDI. Yes, I looked at it.

Mr. ISRAEL. You did read it? Do you recall reading that portion of the testimony where I asked him if HUD would reevaluate the formulas that are being used as a basis to reduce CDBG allocations in so-called wealthy communities with pockets of poverty?

Mr. BERNARDI. The Secretary is committed to working with the Members of Congress on this. This is not unilateral. We are just making a proposal here.

Mr. ISRAEL. Do you recall that in the testimony, the Secretary did, in fact, commit that he would work with my office and other offices to revisit that issue?

Mr. BERNARDI. I did not see the testimony. But I know the Secretary, the person that he is. Of course, he would do that.

Mr. ISRAEL. He did, in fact, commit to that. I would just comment to your attention that my office has been trying to contact the Secretary's office in order to begin to shape that dialogue. And we have been rebuffed every step of the way. Was the Secretary being inconsistent when he pledged that he would meet with us?

Mr. BERNARDI. No, not at all.

Mr. ISRAEL. Can we get a meeting with him?

Mr. BERNARDI. Let me get back to you as to working with that particular program. I think you have some of the gentlemen right here at the table that we would be happy to meet with you.

Mr. ISRAEL. Can we get a meeting with somebody at HUD to discuss this? A human being?

Mr. BERNARDI. Sure, I will meet with you.

Mr. ISRAEL. You will?

Mr. BERNARDI. Yes.

Mr. ISRAEL. Thank you. I appreciate it.

In the interest of time, Madam Chair, I will yield back.

Chairwoman KELLY. Thank you, Mr. Israel.

Mr. Bernardi, as you can see, there is a tremendous amount of concern and a strong need that we feel to be able to be a part of the process. So I would urge you to please meet with all of us. You could meet with people as requested. But more importantly, I think that what we are asking for is a certain amount of transparency in the process of what you are doing with regard to this formula and the criteria that are being a part of the formula.

You have withstood our questions very well. This has been a tough panel. And you are new at the job. And we appreciate very much the fact that you were here, you were open, as honest as you possibly could be.

And with that, I am going to excuse this panel. And I am going to ask the third panel to be seated. We are going to go for our vote. We have a 15-minute vote and then a 5-minute vote. So we will be back in approximately 20 to 25 minutes.

Mr. BERNARDI. Thank you, Madam Chair.

Chairwoman KELLY. And I will keep this record open for 30 days for the written questions and statements by the Members of the subcommittee.

[Recess.]

Chairwoman KELLY. Will people please take their seats?

We welcome our panelists for this panel. We have before us the Honorable Andrew Spano, who was elected in 1998 as County Executive for Westchester County, New York. Prior to his election, he was the Westchester County clerk.

As County Executive, Mr. Spano has streamlined government services by restructuring the county's department of social services and creating a new Office of Economic Development. He believes that state-of-the-art technology can be used to deliver more services at less cost.

Next, we have the Honorable George Oros, who was elected to the Westchester County Board of Legislators in 1995. He chairs the board's Special Committee on Economic Development. Known as a determined tax cutter and fiscal reformer, Mr. Oros has a long record of community service, having served as Cortland town councilman, chair of the Cortland Zoning Board of Appeals and as Cortland's Assistant Town Attorney.

They also happen to come—both of them—from Westchester County, where I reside. And I welcome both of them.

We follow that with Mr. David Cohen, currently serving in his second term as Mayor of Newton, Massachusetts, having previously been a member of the Massachusetts House of Representatives for more than 20 years. Since becoming Mayor in 1998, Mr. Cohen has promoted efficient and cost effective delivery of public services. He has a strong interest in affordable housing.

We have next Ms. Josephine McNeil. She is the Executive Director of CAN-DO, an affordable housing development organization in Newton, Massachusetts. As a real estate attorney, Ms. McNeil's practice focused on affordable housing. She also served as the project manager for a for-profit housing development.

Following her is Yvonne Gonzalez, the CEO of the Rio Grande Valley Empowerment Zone Corporation in Mercedes, Texas. The corporation was founded in 1994, one of only three rural empowerment zones in the Nation.

Following that, we have Ed Gramlich, who is a Research and Community Development Specialist with the Center for Community Change in Washington, DC. He joined the center since 1979 and since then, has become a noted authority on the CDBG Block Grant program and other programs at HUD, providing low-income community organizations with technical assistance. He has lectured widely and written numerous guidebooks for local organizations on UDAGs, enterprise zones and CDBG.

Following him, we have Mr. Greg Hoover, who is the Director of Development of Davenport, Iowa's Housing and Neighborhood Development Department. He currently serves as President of the National Community Development Association. The association is a national, non-profit organization comprised of more than 550 local governments across the country that administer federally-supported community and economic development housing and human services programs.

I want to welcome this panel. We look forward to your testimony. And we would begin with you—

Mr. FRANK. Madam Chair, just before you do, let me particularly welcome the Mayor of my hometown, David Cohen, with whom I had the pleasure, 24 years ago, of serving in the Massachusetts Legislature before I came here. And he and Josephine McNeil have both distinguished themselves by their advocacy in a generally wealthy community, on average, for the kind of inclusive housing and other policies that I believe are at issue here.

So I am particularly pleased that Mayor Cohen and Ms. McNeil were able to join us. Thank you.

Chairwoman KELLY. Thank you. If there are no other opening statements, we are going to begin with our witnesses on our first panel. We thank all of you for joining us here today to share your thoughts on these issues.

Without objection, your written statements will be made part of the record. You will each now be recognized for a 5-minute summary of your testimony.

There is a light here in front of you that will indicate how much time you have. The green light means that you have 4 minutes in your summary. The yellow light means you have 1 minute remaining. When the red light turns on, it means your time has expired and we would appreciate your ending the testimony.

We will begin with you, Mr. Spano.

**STATEMENT OF HON. ANDREW SPANO, COUNTY EXECUTIVE,
WESTCHESTER COUNTY, NY**

Mr. SPANO. Madam Chair, Congressman Frank, Members of the subcommittee, I would like to thank you for the opportunity to testify here today on the importance of retaining the Community Development Block Grant formula as it is. As you know, a proposal has been made to cut Westchester County's CDBG grant in half to \$3.5 million and use the savings for infrastructure improvements near the Texas-Mexican border, at least that is, I thought, where that was going.

It has been suggested that we in Westchester, New York City's northern neighbor, are too rich to deserve this money and should have our CDBG funds cut. If this proposal goes through, we would be the only county in the United States and the only municipality in New York State to be so cut.

Indeed, only nine of 1,000 entities nationwide that receive money from the \$4.75 billion CDBG program are targeted for cuts. And our consortium of 40 Westchester communities is being asked to shoulder the burden of more than one-third of the total cut.

I have a quick way to make sure that funding for Westchester's consortium is not slashed. I can ask three of our wealthiest communities—Scarsdale, Bronxville and Pound Ridge—to leave our consortium. If you take them out of the group, we are no longer double the national average in income. But to omit from the consortium our longtime partners make no sense and punishes people in those communities who need our help.

I am talking here about senior citizens on fixed incomes, whose homes have been rehabilitated with the help of this money, who without this help would be forced to either live in an unsafe home

or move. The CDBG funds that have gone to these communities have been used to help people who need this help.

I do not think omitting these three communities from our program is just a solution. Instead, it is a Hobson's choice: which needy people should you cut? I believe that forcing Westchester to bear the cuts being proposed unfairly singles us out and would severely hurt people in our county, people of limited or modest means who need and rely on the kinds of neighborhood revitalization, housing and job creation programs that these funds go to.

It will hurt our senior citizens, thousands of whom each day use senior centers that have been built with the help of these funds. Without this money, some of these seniors would have to place to go for companionship and a hot meal, or help with housing, counseling and other referral services.

It will hurt our youth, about 1,000 of whom have a safe place to go for daycare after school because this money has helped build youth centers and playgrounds. Without this money, some of these teens and preteens would be out on the streets in trouble.

It will hurt our families, thousands of low- and moderate-income households that have been helped by these funds that have rehabilitated dilapidated housing units to make them decent and safe. Without this money, some of these people might have been homeless.

It will hurt our low- and mid-income workers, many of whom are working today because of economic opportunities created by these funds that have revitalized neighborhoods and business districts or because of daycare, senior centers and subsidies that have allowed them to feel comfortable, knowing their children and their elderly parents were in safe places while they worked. Without this money, some of these people might be on welfare today.

People who do not know Westchester think we have the proverbial streets of gold. And the proposal to cut our funding reflects this false notion.

Let me give you the facts. Eighty-seven thousand people in Westchester live below the poverty level. And that number increased by 50 percent since 1990. Almost 40,000 of these people are children. Our average salaries may be high relative to much of the Nation, but so too are our housing costs.

Take a two-income Westchester family of four with a moderate income of \$73,000. With that income, the family could qualify for a \$200,000 mortgage in Westchester. Elsewhere in the Nation, that might buy a luxurious home. Here in Westchester, where the median cost of housing last year was \$450,000, that home might be nonexistent. And if that house is found, the chances are it will be in great need of repair.

And it is just not our houses that are costly, but our rental units as well. Someone working minimum wage has to work 27 hours a day to be able to afford a two-bedroom apartment at fair market rent.

It is no surprise to us that the National Low Income Housing Coalition gives us the dubious distinction of being sixth on the list of the least-affordable places to live. Maybe that is why we have the highest per capita rate of homelessness in the United States. And almost 30 percent of the housing stock in our consortium was built

before 1940; meaning unless we renovate, our housing shortage will get even worse and possibly our homeless population even larger.

Our population is aging as well. One in every five of our county residents is over 60, putting us 50 years ahead of the national average, placing us on an increased demand for services. And while yes, we have perhaps more of our share of millionaires, we also have 17,000 families with low-income enough to qualify for food stamps and over 40,000 families receiving medical assistance. And last year, there were five million visits by our residents to local food pantries and soup kitchens.

Our consortium is made up of 40 diverse communities, some of them very urban, some suburban and others more rural. But our poverty is dispersed within them all. And our anti-poverty programs must recognize this.

Our county is composed of 15 percent African-American and 16 percent of the people are of Hispanic origin.

Chairwoman KELLY. Mr. Spano.

Mr. SPANO. Yes?

Chairwoman KELLY. I am going to have to ask you to sum up.

Mr. SPANO. That is our fastest growing segment of the population. If you withdraw these funds from us, which represents half of the money we are getting now, it will cause a severe hardship on the people of Westchester County. And I urge you not to do that.

Thank you very much.

[The prepared statement of Hon. Andrew Spano can be found on page XX in the appendix.]

Chairwoman KELLY. Thank you very much.

Next we have Mr. Oros. And please gentlemen and Mr. Cohen, Ms. McNeil, just make sure that the microphone is very close to your mouth. These are not particularly good microphones.

**STATEMENT OF HON. GEORGE OROS, MINORITY LEADER,
WESTCHESTER COUNTY, NEW YORK, BOARD OF LEGISLATORS**

Mr. OROS. Chairwoman Kelly and Ranking Member Frank, thank you for this opportunity to share with you and the subcommittee a perspective of what Community Block Grants mean to the communities I represent as a member of the Westchester County Board of Legislators. During my tenure on the board, I have served as Chairman of the Board and now Minority leader. During the 1998-99 session, I was appointed Chair of our Committee on Community Affairs and Housing, which oversees and votes on the annual CDBG appropriations.

Now earlier, I was struck by Congresswoman Waters and Congressman Frank and Congresswoman Kelly joining hands and saying this joins hands. And I want to point out, the county executive is here. He is the executive branch. I am the legislative branch.

He is a Democrat. I am the Minority leader, the Republican Minority leader of our legislature. So clearly, in our county, we have crossed and joined hands as well on this issue.

In this limited timeframe, allow me to focus on several key points. The vernacular of a block grant is somewhat of a misnomer. These funds are more of an investment than a grant or an expenditure.

And they are an investment not only in housing, infrastructure and services, but an investment in people. The City of Peekskill, one of three municipalities I represent, was the only city in New York State to actually gain population in the last census, after losing population in the 1980s and 1990s as business and industry left.

That growth in population was due in part to the wise investment over the past 20 years of almost \$12 million in CDBG money. That investment, leveraged with other Federal, State and county funds and matched with Peekskill's own dollars, is improving a community that has a median income of \$16,589, a minority population of 25 percent, substantial unemployment and stagnant economic growth.

In two of the block groups, the low- to moderate-income population exceeds 70 percent. Unemployment in this area amongst adults over 16 is 45 percent. And 72 percent of the housing is rental.

CDBG has made Peekskill a more desirable community. People have stopped fleeing and are actually moving into the city and investing their future there. In making that choice, they continue to revitalize an economy and become more productive citizens. But more needs to be done.

Peekskill is a HUD-approved Neighborhood Revitalization Strategy Area, having in place a 5-year plan to undertake comprehensive infrastructure and community projects with CDBG funds. These projects include housing, streetscapes, a neighborhood facility and park improvements for the 7,108 residents that live in the strategy area.

This strategy includes a gateway off the Hudson River leading into the downtown. The uninhabitable houses, boarded up stores and vacant lots will be turned into affordable homes, busy shops where people can work and a safe community center to keep our children off the streets.

But that will happen only if you in Congress decide to continue this important investment in CDBG funds. Should Congress approve the proposal that is on the table here, this strategy would be stopped dead in its tracks.

Another example. The Hudson River Health Center used a \$125,000 Community Development Block Grant and a \$300,000 CDBG loan to fundraise another \$580,000. And this is only the second phase of a \$3.2 million dollar project. This investment will allow the Hudson River Health Center to expand its service beyond the current 40,680 patient visits it handles each year. These are people who otherwise could not afford appropriate healthcare or would needlessly clog emergency rooms at area hospitals.

Fifty nine percent of the population they serve is uninsured. The preventive medicine, counseling and drug rehabilitation programs run at this facility ultimately save all taxpayers by improving the quality of health and life. But again, CDBG is crucial to the success of this project.

Peekskill is only one community that I represent. And I am only one of 17 county legislators. If time permitted, each my colleagues could tell you firsthand the needs of the other 39 municipalities that utilize the investment dollars of CDBG.

Earlier, I referenced that CDBGs and the word grants is a misnomer. I think another misnomer is the idea that Westchester is a wealthy community.

On behalf of my constituents and all the taxpayers of Westchester County, it is respectfully requested that you do not adopt this proposed change in the CDBG formulas. Thank you for your time.

[The prepared statement of Hon. George Oros can be found on page XX in the appendix.]

Chairwoman KELLY. Thank you, Mr. Oros. And thank you for watching your own time.

[Laughter.]

Next, we go to Mayor Cohen.

STATEMENT OF HON. DAVID COHEN, MAYOR, NEWTON, MA

Mr. COHEN. Chairwoman Kelly and Ranking Member Frank and Members of the subcommittee, thank you very much for this opportunity to speak before you today. My name is David Cohen. I am the Mayor of Newton, Massachusetts, which is a community of approximately 82,000, just west of Boston.

I want to urge you to oppose the proposal to cut CDBG funding to communities whose per capita income is twice the national average. Newton is such a city. And over the past decade, the low- and moderate-income people living in the city of Newton have benefited greatly from the generosity of the Federal Government.

Since 1991, the city has used \$3.7 million in CDBG funds and \$1.3 million in HOME funds to help leverage construction of 605 units of affordable housing. Now I know that 605 units over 10 years may not seem like a lot. But Newton is a community with almost no vacant land.

In excess of 99 percent of the land is in use. And the construction of 600 units represents a huge effort in terms of finding sites and putting together packages.

And it has made a difference. Some 1,000 people are living in good homes in Newton. Many of those people might otherwise not have a place to live at all. And almost all of those people would not have a place to live in Newton, but for your program.

The City of Newton cares very much about diversity. The diversity of its population enriches all of us, giving a greater understanding and respect for the traditions of our neighbors and a deeper appreciation of our own heritage. The availability of affordable housing is critical to our maintaining a degree of income diversity.

And over the years, the city of Newton has taken many steps to increase that diversity. In the early 1970s, when I was a member of the Board of Aldermen, we enacted the first legislation in the State to require developers to provide 10 percent of their units for low- and moderate-income housing.

And this past fall, the city of Newton people, in a referendum voted on by the entire city, chose to increase their annual taxes in order to build more affordable housing. And last year, the city approved the largest ever affordable housing development in its history. And it was passed unanimously and with the active support of the residents in the surrounding neighborhood.

The city of Newton has also put CDBG money to use over the years in making sure that eligible residents in housing lived in housing that meets applicable building codes. Since 1991, we have used some \$5 million of your money to do 220 major rehabs of sub-standard units and 750 minor ones.

I think it is very important that those people needing affordable housing have access to a wide range of communities in our metropolitan area. Low- and moderate-income individuals should not be restricted to living in the core cities for lack of affordable housing elsewhere.

The best tool that we have available to us in order to achieve this very important end is the CDBG program. And I hope our access to these funds will not be reduced.

Although Newton is a community that is well-off—indeed, wealthy by many standards—not every individual living in the city of Newton is wealthy. In fact, there are many low- and moderate-income people who live in our city. According to the 1990 census, of the 29,000 households, some 7,500 fall below 80 percent of the median income.

If you are the State or a private funding source not from Newton, it is easy to overlook these families. After all, Newton has so much.

So in the competition for these funds, we have not fared well. The one place Newton's low- and moderate-income population has received support has been from the Federal Government in CDBG. We have tried to expend those funds wisely in order to provide suitable living environments for low-income people.

We believe that our full participation in this program furthers the purposes of this Act in an important way. We ask only that we be allowed to continue at that same level of participation.

Thank you.

[The prepared statement of Hon. David Cohen can be found on page XX in the appendix.]

Chairwoman KELLY. We thank you, Mr. Cohen.

Next we move to Ms. McNeil.

STATEMENT OF JOSEPHINE McNEIL, DIRECTOR, CITIZENS AFFORDABLE HOUSING DEVELOPMENT ORGANIZATION OF NEWTON, MA

Ms. McNEIL. Thank you, Madam Chairwoman Kelly, Ranking Member Congressman Frank, who is—I am happy to say—my congressman. I am thankful for the opportunity to speak to you today about the issue that is before us with respect to reducing the allocation of monies to so-called wealthier communities.

We live in an area in metro Boston where housing costs are beyond belief. A person would have to make \$50,000 in order to afford a two-bedroom apartment in metro Boston. And in Newton, I would daresay that they have to earn even more.

So people in our community are very concerned about the issue of affordable housing. Newton has had a history—as the mayor mentioned—of supporting affordable housing in many ways.

I am the director of an affordable housing organization known as CAN-DO. And we were created by the city as part of the HOME program, which requires municipalities that receive HOME funding to establish what is called a CHDO, which means that a third of

the people on our board are people who could be recipients of the housing which we create.

We started off in 1994 and developed our first project with the help of consultant in 1996. When the city began to realize how the increase in the real estate market, the detrimental impact that was having on the community and, in terms of maintaining the economic diversity, which the mayor has referred to, the city decided that one way that they could use the CDBG funds, which is an acceptable use, is to increase the capacity of our organization.

And in 1999, I became the executive director of that program.

In the subsequent years, we have continued to advocate and to try to develop housing. The real estate market is so hot that it is very difficult for us to compete with private developers. And there has been a lot of development going on in the community.

And indeed, as I said, the community has become very concerned. And 2 years ago now—it is hard to believe it was that long—Congressman Frank actually came to a meeting that we sponsored. We, CAN-DO, is a part of an advocacy group called Uniting Citizens for Housing Affordability in Newton.

We had standing room only. We had people outside of the doors. And the information we shared with people, people were just utterly surprised. People who had lived in the community for a long time had no idea that it was so expensive to live in the city.

I would like to share with you some information about one program or project that we are currently engaged in that uses CDBG money. And we are renovating an existing historic property to create five units of housing for single mothers and children.

And we are working with one of the social service agencies in the city, known as the Young Parent Program. And that program provides some supportive services and we will provide supportive services for the women and children who will be living in the house.

So we are providing housing and helping people to become more self-sufficient so that, in the future, they will not need assistance. And for me and my board, one of our goals is to move people out of the need for subsidized housing and into an environment where they will be able to take care of themselves.

So funding for CDBG is important. And I guess my biggest concern is that we are going to, if this proposal is enacted, we are relocating poor people from a wealthy community, where there are good schools, where there is a good quality of life, into perhaps poorer communities and exacerbating the conditions for the people who are living in those communities.

And I thank you for the opportunity.

[The prepared statement of Josephine McNeil can be found on page XX in the appendix.]

Chairwoman KELLY. I thank you, Ms. McNeil.
Ms. Gonzalez.

STATEMENT OF YVONNE GONZALEZ, CEO, RIO GRANDE VALLEY EMPOWERMENT ZONE CORPORATION, MERCEDES, TX

Ms. GONZALEZ. Thank you and good morning. Chairwoman Kelly, Ranking Member Frank and Members of the subcommittee, who apparently are not quite here this morning. They are voting and out.

Chairwoman KELLY. They went to the vote and there are many other hearings.

Ms. GONZALEZ. Right. Right.

Chairwoman KELLY. So that is where a lot of people are.

Ms. GONZALEZ. Yes, ma'am.

Mr. FRANK. Right. And there are also airplanes.

Ms. GONZALEZ. I am sorry?

Mr. FRANK. And there are also airplanes.

Ms. GONZALEZ. Oh, yes, yes. I currently serve as the Chief Executive Officer of the Rio Grande Valley Empowerment Zone Corporation. And I have been with the Empowerment Zone Corporation since 1995. The Rio Grande Valley Empowerment Zone Corporation is a 501c3, a non-profit corporation. And we are one of what I call the "original old fogies." We are one of the original Round I Rural Empowerment Zone designations.

On behalf of the RGVEZC and other numerous public-private partner sectors, I would like to thank you for the opportunity to address this subcommittee. I also serve as one of the co-chairs of a group called the Southwest Border Region Partnership. This is a network representing over 84 counties along the U.S.-Mexican border, from Brownsville, Texas to San Diego, California.

The SBRP, the Southwest Border Region Partnership, realized that in order to have true sustainable community economic development, the private sector needed to be at the table. And I will speak to you about our relationships in leveraging those dollars with the private sector.

There is a group that is called the Border Trade Alliance. And they have relationships with both borders. Actually, they like to say they have relationships with one border, which is one border around the United States. But they have relationships in the northern border and in the southern border.

They are a trade and commerce advocacy organization. And they have worked with grass roots communities to address the issue of sustainable economic development.

You know—I am not saying anything new—the Community Development Block Grant program works largely to ensure decent affordable housing, provide services to the most vulnerable of our communities, to create jobs and expand business opportunity. CDBG funds have made considerable differences in the lives of generally distressed communities, as so witnessed by these witnesses this morning.

The RGVEZC itself, the Empowerment Zone Corporation, does not receive CDBG funding. But the communities that we work with, in our specific census tracts, do.

The housing and economic development work that we engage in is structured so that the original SSBG dollars are only a seed investment. We busily go about creating partnerships. We believe very strongly—very strongly—that communities themselves must feel a sense of ownership and accountability to the project in order for it to succeed and be sustainable.

With the Empowerment Zone dollars and leveraging CDBG dollars and private investment dollars, we have implemented and have expanded on water wastewater treatment plants, boys & girls clubs, health clinics, rural health clinics, have assisted in revolving

loan programs so that we have businesses that have been created. Noted in our successful record is the fact that out of the original \$40 million, we have contracted and/or allocated \$38.5 million and have leveraged an additional \$416 million dollars into these communities.

Through the support of Senator Hutchison and Congressman Hinojosa, the Border Trade Alliance and the Southwest Border Region Partnership came together, created an assessment of communities and centered on best practices in these communities, identified two issues: small business development, affordable housing and looking at bridging the digital divide.

I cannot speak to all or about all of the communities on the border. I am only the CEO of the Rio Grande Valley Empowerment Zone. But I can tell you that the work that we do as a corporation is centered on some very key principles: community participation, a bottoms-up approach; establishment of public-private partnerships; fiscal and programmatic accountability; leveraging of other dollars; and sustainability.

In a time of limited resources and critical community challenges, we do not have the luxury of reinventing the wheel. It is our belief that these common issues can be addressed by continued investment in programs and organizations that have a proven track record.

Thank you.

[The prepared statement of Yvonne Gonzalez can be found on page XX in the appendix.]

Chairwoman KELLY. Thank you, Ms. Gonzalez.

We go now to Mr. Gramlich.

STATEMENT OF ED GRAMLICH, RESEARCH AND COMMUNITY DEVELOPMENT SPECIALIST, CENTER FOR COMMUNITY CHANGE

Mr. GRAMLICH. Good afternoon. I am Ed Gramlich. I am from the Center for Community Change, which is a national non-profit organization that provides free technical assistance to low-income community organizations all around the country.

Since the beginning of the CDBG program, both CCC and I have helped to inform low-income community groups all about the CDBG program—the law, the regulations and HUD policy.

Based on the CDBG problems that CCC observes in its daily work with low-income community groups, we know that these CDBG problems exist in jurisdictions large and small all across the country. Therefore, we fully support endorse H.R. 1191.

We think that H.R. 1191 is an excellent bipartisan approach to addressing CDBG problems; bipartisan because two of the important features of H.R. 1191 are redolent of changes that were suggested in 1989 by HUD Assistant Secretary Anna Kondratas.

The modifications that H.R. 1191 seeks are not radical. They are firmly rooted in CDBG's primary objective which, as you have heard today, is to principally benefit low- and moderate-income people.

But the CDBG program has diverged from the primary objective. It has become too place-based, forgetting the law's goal of making places better principally for low- and moderate-income people.

CDBG is a great potential resource for helping to address the affordable housing and other needs of low- and moderate-income people. But it is too often used in ways that do not benefit low- and moderate-income people. It does not meet their needs.

One of the key provisions of H.R. 1191 would raise the primary benefit to low- and moderate-income people from 70 percent to 80 percent of the funds. Since most jurisdictions have reported that they already meet a 90 percent benefit level, there should not really be any objection to making this simple change now.

In addition to the jurisdictions not taking low-income benefits seriously, there are five technical reasons why 90 percent of CDBG money does not really benefit low-income people. These technical problems give the impression that low- and moderate-income people are benefiting.

My written testimony goes into great detail about these technical things. But I would especially urge you to read about the proportionate accounting provisions. Without them, low-income benefit reporting is greatly inflated.

H.R. 1191's fixes to the statute are not dramatic. Three or four of them actually use existing language from HUD's own regulations.

Probably the most important provision of H.R. 1191 is the introduction of a second tier of targeting; that is, ensuring that, at a minimum, 40 percent of CDBG funds go to directly benefit people whose incomes are below 50 percent of the median, roughly \$27,200 this year. Jurisdictions consolidated plans universally identify the needs of those with incomes below 50 percent of the median as being by far the greatest. Yet, advocates all around the Nation note that CDBG money is not allocated to low-income households commensurate with their needs.

Now some opponents of H.R. 1191 might worry that a second tier of targeting would destroy the flexibility of the CDBG program. We disagree.

Jurisdictions will still have 60 percent of their money to use for meeting the housing and community development needs of those whose incomes are \$54,400 a year. Even within that second tier of targeting, that 40 percent, jurisdictions will have a great deal of flexibility. The types of activities that could be funded remain largely unchanged.

And then finally, some might argue that a second tier of targeting would convert the CDBG program into an anti-poverty program. Our response to that is that the law has always sought to principally benefit moderate and low-income people. However, low-income people have not seen their fair share of the program's funds.

A second tier of targeting would not be a fundamental shift in the program. On the contrary, a second tier would help to reestablish a kind of balance within the program, a balance which is consonant with the primary objective and as well as with the program's weighted allocation formula.

Thank you very much.

[The prepared statement of Ed Gramlich can be found on page XX in the appendix.]

Chairwoman KELLY. We thank you.

Mr. Hoover.

STATEMENT OF GREG HOOVER, PRESIDENT, NATIONAL COMMUNITY DEVELOPMENT ASSOCIATION; DIRECTOR, HOUSING AND NEIGHBORHOOD DEVELOPMENT DEPARTMENT, CITY OF DAVENPORT, IA

Mr. HOOVER. Thank you, Madam Chairwoman, Ranking Member Frank.

I am Greg Hoover, Manager, Housing and Neighborhood Development for the city of Davenport, Iowa, which is—until recently with redistricting—the home of Congressman Leach and will be the district of Congressman Nussle, should he be successful in next year's elections.

I am here representing the National Community Development Association as their president, but also here on behalf of the U.S. Conference of Mayors, the National Association of Counties, the National Association for County Community and Economic Development and the Council of State Community Development Agencies. I am here to speak in strong opposition to H.R. 1191.

I dispensed my remarks to a few sheets here, but I am even going to divert from that.

I want to give a very quick history lesson, because what you have heard this morning is some informed and a lot of misinformed conceptions about CDBG. CDBG was not an anti-poverty program that grew out of the 1968 Johnson Administration. It began in 1974 with the Model Cities Program and of the Nixon Administration.

It is a program that is designed to benefit communities—yes, principally low- and moderate-income people. And there seems to be a disagreement on the definition of what principally means. But I will tell you that in our city and the communities that NCDA represents, it has been a tool for economic change. It has been a tool that will allow us to move people, to de-concentrate those folks who are low- and moderate-income people from those areas in which they currently live to other, better, more affluent areas and also to bring in people of higher and moderate income into those poorer, distressed neighborhoods.

If you would continue and pass this bill, I can tell you, as a practitioner, the real-life effect will be that you will concentrate low- and moderate-income people in the neighborhoods in which they are currently living. And that flies in the face of other Federal legislation of affirmatively furthering fair housing. So this bill would put us in conflict with another—and I think higher—authority bill.

Excuse me. I would like to also address the issue of raising the aggregate amount of CDBG. In Davenport, we have done an excellent job, I believe. And 50 percent of our people over the last 5 years—or 3 years—have been at those 50 percent or below. So we can do those things.

But what you are doing is decreasing the flexibility of the local governments. Additionally, in H.R. 1191, there is a provision that would disallow claiming of low-mod benefit to areas that are not primarily residential. That would hurt downtown redevelopment.

In Davenport, we have approximately \$113 million revitalization project going on, of which CDBG will be a small, but important part. And the downtown is right now the locus of a lot of elderly

housing and a lot of services that are down there. So if you are telling me that the city of Davenport cannot use our funds down there, then what you are telling me is we cannot serve the low- and moderate-income people that are intended to be served by the program.

I would like to quickly address the what I call “anti-wealthy community” proposal by HUD. I think that is very much akin to saying to wealthy people, “Sorry. When you get to the age where you can get Medicare, you cannot participate in that because you have enough money to provide that yourself.” It just does not make sense.

As Lewis Carroll said at one time, “If it were so, it might be. If it was so, it would be. As it is not, it ain’t.” And that is logic. And I do not think there is any logic to HUD’s proposal.

We would also strongly endorse what I have heard here today by the subcommittee of increasing HUD’s budget. That is the way to get a lot of these changes.

And lastly, I would conclude by saying you have already received—albeit late—a report from HUD. There is another study that is coming out on the formula. We would encourage you to delay any action on these two proposals until you get those studies, have a chance to review them and make informed decisions.

And NCDA and the other groups that I am representing would pledge our support to working on that formula committee. In fact, NCDA—and I hope your communities are members; Mr. Frank, I know that Newton is—that they would join with our committee that we have in NCDA on the formula allocation.

Thank you for your time.

[The prepared statement of Greg Hoover can be found on page XX in the appendix.]

Chairwoman KELLY. We thank you, Mr. Hoover.

Mr. Hoover, what you testified to just now was somewhat contrary to what Mr. Gramlich said. And Mr. Gramlich, I wonder if you would like to focus on a response of some sort with Mr. Hoover. I know I am sort of catching you unawares here. But I would like some clarification.

Mr. FRANK. Oh, I do not think you have caught him unawares.

[Laughter.]

Mr. GRAMLICH. We could do this in our sleep because our organizations have been battling.

Mr. FRANK. Yes, just do not do it in our sleep.

Mr. GRAMLICH. Are you saying I am boring? Having done CDBG for 27 years, I think I probably am boring.

One of the misconceptions that he talked about was the notion that one could no longer use CDBG money in downtown areas. First of all, HUD—in its regulations—has long proscribed the use of the area-wide benefit test in areas that are not primarily residential in character, precisely because some downtown areas might—they have few people who live there. They are primarily business oriented. But in terms of the census tracts, they are low-income.

So what you have are decorative lighting, fancy brick streetscapes and things of that nature, which do not really benefit low- or moderate-income people. So HUD, at least as far back as 1988, said, “Well, in those cases, that does not meet the idea of

benefiting low- and moderate-income people. We will not allow that in an area that is not primarily residential in character.”

Now there are a lot of neighborhood commercial strips, and small town central business districts that do serve lower income people who live around that. And HUD’s service area test would certainly allow the use of the area-wide benefit test in those cases.

Mr. Hoover talked about housing in a downtown area. I got my start in CDBG in 1974 in Davenport. I recall 202 down there. I cannot remember the street anymore, however.

You could use CDBG money for housing. That is not a part of the area-wide benefit test.

So there are a whole lot of misconceptions that I think if one carefully looked at the proposed statute, H.R. 1191, you would find that things are not quite as scary and dire as has been proposed here. And of course, if you read my lengthy written testimony, you will find that out.

Chairwoman KELLY. Thank you very much.

It sounds to me as though what we are coming out with here is a need for the people who are allowing the CDBG grants to go forward to assess exactly what they are doing with regard to their intended purpose.

That takes me to Mr. Oros, because I know the City of Peekskill well. This is a poor community in many ways.

The way that the city has been able to bring itself back has been able to allow loft living above commercial development there. It has been extremely important to try to bring this almost moribund city back into play as a modern city, to allow that intermix between housing—and that is low-income housing, some of it—and a better downtown. And actually, in fact, in this instance, the repaving of the streets and providing better streetlights stopped the types of things that were going on on the streets and allowed people to be able to live in the lofts.

And I am wondering, Mr. Oros, if Peekskill is forced to apply for the CDBG grants as an individual municipality, what effects on Peekskill would you anticipate?

Mr. OROS. Well, thank you. I think the simple answer to that is something that many of you in Washington hear all the time, is the money will not get to the use it needs. Instead, what we have been successful in doing in Westchester County with our consortium is having a central administrative office so that, for every dollar we get from this program, more of it gets to the programs to be spent on the bricks and mortars and the other things it needs to be spent on, rather than—dare I say this word here?—bureaucracy.

So I think what would happen is that you would end up having many of the communities of Westchester County having to build their own internal staff and bureaucracy and planning departments and so forth to do this, rather than relying on the county where we have a central staff. They are well attuned to everything that is going on. They are able to work with the local communities. But to keep up with all the Federal guidelines, to make sure all the things are being filed properly would be an administrative nightmare for Peekskill.

Peekskill is a city of 20,000. You know, “city” may be another misnomer here because only 20,000 people live in Peekskill. Most

of them are under the median income. Most of them are in need of this.

And the problem is you cannot have the type of—you do not have the type of tax base there to have a huge city government bureaucracy to take care of these things. So they do rely on the county.

And that is, I think the county executive alluded to how he could take some of these communities out of here to fool around with this formula proposal. But that really does not serve a purpose, I do not think, for any of these communities.

Chairwoman KELLY. Thank you.

I have one other question, and that is for you, Mr. Spano. The HUD people spoke in their testimony of a 51 percent increase in Westchester County CDBG funding since 1980. I wonder if you would like to talk about that a little bit. Can you explain that?

Mr. SPANO. Well, they are going back to when there were about 21 communities in the consortium. We have increased our consortium from 21 to 40. So you can pick it up right there.

Subsequent to the 1990 census, in the new census, we have also increased our population of minorities in Westchester County. So that would account for a lot of it.

Chairwoman KELLY. Thank you. I have no more questions.

Mr. Frank, have you a question?

Mr. FRANK. Yes, let me begin. And Mr. Spano understandably checked himself because HUD has changed its position. When you referred to the argument that this money was going to go to the colonias. Not that \$8 million would go very far.

Apparently, HUD has changed its position because there were two documents. The earlier document said it would go to the colonias. They reconsidered that. And in Mr. Bernardi's testimony, the colonias were involved only in the sense that the ankle bone is connected to the shoulder bone.

[Laughter.]

I mean, there was no direct transplant in that regard.

I just want to make a couple of observations. First of all, I want to congratulate the most 5-minute observant witness panel we have ever had.

[Laughter.]

But you also showed collectively that you can within the 5 minutes if you do not waste a lot of time, get a lot of meat on the bones.

Yes, Mr. Mayor.

Mr. SPANO. We were intimidated.

[Laughter.]

Mr. FRANK. But it is a good lesson for me.

Mr. SPANO. At least I was.

Mr. FRANK. But I just want to make a couple of comments. First of all, one of the problems we run into is because so many of the Government's other housing programs have been cut back, CDBG has been forced to be more of a low-income housing program than it was originally intended to be.

Mr. Hoover alluded to the origins of CDBG. It was special revenue sharing. There was general and special revenue sharing back in the Nixon days.

And part of the problem has been that CDBG has been forced to bear more weight in a different area. And I am hoping that we can get the Federal Government back in the business of some specific housing production programs, which would take some of this distorting pressure off CDBG.

So I agree with Mr. Hoover's description there.

Second, I do think—and we have gotten two proposals here. One which says take some money away from wealthy communities; another which says focus more on low-income legislatively. My view is—and I had a chance to speak with Ms. Meek about this, who has been a very staunch advocate of social justice.

Part of the problem has been that HUD—and I do not mean to point to this HUD. No HUD in my memory, 22 years, has enforced these restrictions. And then I want to give some of the blame to us. Frankly, what would happen if they did try to enforce the restrictions is that the city would complain to their Representative or Senator.

And I think one of the things that we need to do, Madam Chair, is I am ready to ask HUD to be tougher. And I am ready, among ourselves, to say we will back HUD up if they are tougher. And when some of our colleagues come complaining to us and say, "Penalize HUD because they are doing this," that we have to be willing to say no. That is, I think if you looked at the rules—now, the one question I think we need to debate is the question of the accounting and whether or not you should do proportional accounting.

It would seem to me that proportional accounting should not be objectionable, depending on what the requirements are, that if it is not in the service. You know, proportional accounting in the service of a 90 percent low-income requirement is going to be strongly resisted. But, proportional accounting in the service of this orientation to low- and moderate-income, in general, would be different.

But I would like to say out of this—and it has been a very useful hearing. And I am grateful to the chair for the way she has conducted it and to all the participants, the HUD people and others.

I see, on a tough issue frankly, the potential for consensus, which says we will agree at least to try for a while better enforcement than we have ever had of the existing low- and moderate-income restrictions, some better accounting that more accurately looks at that. At the same time, a recognition that this is not meant to be primarily a housing program or exclusively certainly a housing program, but that it ought to be able to provide some of the amenities that would go along with the housing.

And our part in that would be to say to HUD, "OK. And if and when you start enforcing this, we will be there to protect you against the inevitable complaints that are going to come from some of the members." And I frankly hope that maybe out of this whole set of kind of proposals could come that approach.

And I want to say I appreciate that the Deputy Assistant Secretary is remaining, seriously. Because sometimes, you know, we get some hit and run. The Deputy Assistant Secretary has remained and has listened. And we appreciate that.

So Madam Chairwoman, I look forward to all of us working together. Because I think out of this one, we may get some consensus.

Let's be honest. I do not think any of the legislative proposals are going to pass. The Administration's bill is not going to pass. Carrie Meek—I strongly support a lot of what Carrie wants to do—that is not going to pass.

I think my colleague, Ms. Waters, gave everybody a very good political science lecture in about 3 minutes. She ought to go on the internet for distance learning with it.

[Laughter.]

But I do think we could come together on at least a much better enforcement than we have ever had of the existing rules and work on that.

Mr. Hoover, you wanted to comment on that?

Mr. HOOVER. Yes, thank you very much. I would just like to pledge the support of NCDCA and the members that I am representing today to that effort.

As you know, we work very closely with the Department of Housing and Urban Development to get the spend-down rate more in line. And we are committed to doing that.

Mr. FRANK. Good. Let me throw in here, both for NACO and for the Conference of Mayors, if we could get—and you, of course, NCDCA is the primary advocate for this. If we could all agree that when HUD enforces, in fairness to HUD, they just do not just get jumped on and they are left alone, because they had the temerity to enforce the rules.

If we could all agree to try and support such enforcement, I think we may be able to advance this.

Madam Chair, I am finished. And I thank everybody for helping.

Chairwoman KELLY. Thank you very much.

Mr. FRANK. Mr. Hoover had one more.

Mr. HOOVER. Just one more thing. In a quick aside, when we ask for money, I will tell you that what would be very beneficial would be technical assistance money directly—

Mr. FRANK. OK, Mr. Hoover. I have got to tell you this. If my district, if my community was about to go into the district of the guy who is now the Budget Chairman, I would not waste time talking to me and Kelly. So why don't you go there and go talk to him?

[Laughter.]

Mr. HOOVER. I intend to do that.

Chairwoman KELLY. If there are no more questions, then the chair notes that some Members may have additional questions, which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for Members to submit written questions to these witnesses and place their responses in the record.

This panel is excused with our great thanks for your patience and your testimony. And we appreciate your time.

[Whereupon, at 1:37 p.m., the hearing was adjourned.]

A P P E N D I X

March 14, 2002

**Opening Statement of the Honorable Marge Roukema
Chair
Subcommittee on Housing and Community Opportunity
Committee on Financial Services**

**Subcommittee on Housing and Community Opportunity Hearing on
“Review of the Community Development Block Grant Program”**

Thursday, March 14, 2002

Today’s hearing will focus on the Community Development Block Grant (CDBG) program. The CDBG program is the largest source of Federal community development assistance to State and local governments. This program provides communities with resources to undertake eligible housing, community development, economic development, and public services activities. The CDBG program was established to benefit low-and moderate-income persons, to eliminate or prevent slums and blight, or address a need that poses a threat to the health or safety of a community.

During the last few years, issues have been raised regarding the use and targeting of the CDBG funds. While the majority of CDBG funds are used to assist low-and moderate-income development and assistance, there have been instances where local governments have used CDBG funds for projects such as constructing tennis courts, swimming pools, renovating museums, new sports arenas and paving roads – projects that some feel are outside the stated mission of the CDBG program.

In addition, many have expressed concerns that Congress has increased the CDBG program’s total funding while directing a substantial and increasing amount of program funds to non-formula based activities -- activities that may not benefit the originally intended target of low- and moderate-income communities.

Furthermore, this year, the HUD budget proposes a legislative change that will alter the current distribution of CDBG formula funds to reduce the size of grants going to communities with per capita income two times the national average. The Administration believes that this will focus more funds on where they are needed most: the nation’s poorer neighborhoods, especially the colonias along the U.S. border with Mexico.

The Administration’s FY 2003 budget includes \$4.732 billion for CDBG. This represents an increase of \$95 million. Of the \$4.732 billion in FY 2003, \$4.436 billion will be distributed to entitlement communities, States and insular areas, and \$73 million will be distributed by a competition to Indian Tribes for the same uses and purposes.

The Administration also intends to submit legislation to fund grants to Insular areas into the formula block grant process. Currently, they are funded separately at about \$7 million. The Administration believes that this shift will give

the Insular areas certainty of funding in the future and would bring them in line with other CDBG entitlement communities.

We have asked our witnesses here today to comment on the Administration's proposal, and on HR 1191, the Community Development Block Grant Renewal Act. H.R. 1191, introduced by Congresswoman Carrie Meeks, would amend the CDBG statute to require grantees to spend at least 80% of their CDBG funds to directly benefit low- and moderate-income people, instead of the current 70% threshold. It would also require grantees to spend at least 40% of the CDBG funds to directly benefit low-income persons; and change the methodology used to determine the amount of CDBG funds that benefit low and moderate income people.

We look forward to hearing from each of our witnesses this morning and I will now turn to the Ranking Minority Member, Congressman Frank.

STATEMENT BY LINCOLN DIAZ-BALART
HEARING ON H.R. 1191 THE COMMUNITY DEVELOPMENT BLOCK GRANT
RENEWAL ACT
SUBCOMMITTEE ON HOUSING
COMMITTEE ON FINANCIAL SERVICES
March 14, 2002

Mr. Chairman, I wish to submit my testimony in support of H.R. 1191, The Community Development Block Grant Renewal Act (CDBG) of which I am a cosponsor. For too long, the impoverished of this nation have been deprived of economic benefits that seek to bolster the economy and the status of their communities. CDBG is a program designed to fulfill this task, yet somehow lost its way in certain jurisdictions and must be refocused to ensure it succeeds in its original capacity: to provide affordable and safe housing for the needy. H.R. 1191 is instrumental in ensuring the CDBG program will be used for the purposes for which it was intended.

CDBG, as one of the nation's largest anti-poverty block grant programs, must be restored to the spirit of its original congressional intent as set out in the 1974 Housing and Community Development Act. The goals of CDBG were to eliminate "slum" neighborhoods; end the deterioration of community facilities important to the health and welfare of low and moderate income people; expand housing availability for these people; reduce the isolation of certain income groups; and revitalize poor communities. Somewhere along the line, these honorable principles were forgotten by some recipient communities, who have used their funding for purposes that do not directly affect the low and moderate income residents that the funding is directed toward.

CDBG allocations are the property of those it serves to assist. The poverty levels and housing conditions in a community determine how much that area will receive. Essentially, the poorer a community is, the more it will receive. In turn, this money should be used to alleviate the conditions that necessitated it in the first place.

However, too often certain jurisdictions use funds in ways that do not directly benefit these individuals as was the original congressional intent. Instead, these funds are being used like tax dollars -- as a substitution for normal municipal and county functions.

While these uses are not illegal, standards are needed to end abuse of the funds. Housing resources need to be targeted to the lower and middle income communities most in need, and a definitive focus needs to be developed and adhered to.

CDBG is meant for the benefit of the poor. H.R. 11191 makes this goal a reality by targeting the neediest areas with the requirement that 80% of CDBG funding be used only on those programs that directly benefit low or moderate income individuals. H.R. 11191 is important legislation that reaches out to the poor, at the heart of the program. It increases and clarifies CDBG resources and brings it in line with congressional intent.

One of the great initiatives of H.R. 11192 is the promotion of public participation by the allocation of new grants to nonprofit organizations which serve the interests of lower income people and monitor the use of CDBG funds. By encouraging community involvement by those with the

most stake in CDBG -- such as the non-profit community -- housing activists and individuals with low to middle incomes can help to ensure proper use of funding. CDBG does, after all, require a citizen participation strategy by administering entities.

Mr. Chairman, the economy is fighting its way out of a recession which has affected the poor more than anyone. In many cities, poor communities get poorer and bigger every day. However, by making sure CDBG resources are going to where they are most needed and encouraging communities to take the lead in their oversight and utilization, not only will low and moderate income neighborhoods see the benefits, but the United States economy as a whole will profit. I have worked with Congresswoman Meek for many years and I am well-acquainted with her dedication and service to our communities in need. I want to thank Congresswoman Meek and this subcommittee and the full committee for all the hard work that has gone into this legislation.

Congressman Felix J. Grucci, Jr.
Opening Statement
Subcommittee on Housing and Community Opportunity
Hearing on Community Development Block Grants
March 14, 2002

Thank you.

I would like to thank you for holding this hearing today. Community Development Block Grants are the largest source of federal funding for state and local communities. Many areas across this nation, one of which I represent, need these funds and rely upon them for important community initiatives.

While CDBG funds are intended to go to low and moderate income communities, these funds are occasionally misspent on projects that are not only fiscally irresponsible, but also out of the scope and the purpose of these grants. It is for this reason, that the Administration has changed the format for these funds. Under the President's proposed budget, HUD would reduce the size of grants going to communities with per capita income two times the national average. The money saved on this proposal would go towards the colonias along the U.S. border with Mexico.

In 2002, Suffolk County, which I represent, received \$4,264,000. These funds were of great importance to my district and my constituents. In the past, among other things, these funds have gone towards providing public drinking water to low-income neighborhoods, housing rehabilitation, code enforcement, drainage, and park improvements. 98% of these funds went directly to low and moderate income areas.

While I appreciate the President's proposal to re-direct some of these funds, I do have some apprehension about the types of communities that may be affected. I understand that the current income levels are not yet compiled, and thus we do not know what communities this budget proposal would affect.

The budget states that only the wealthiest one percent of the communities in the nation would be affected by the budget's proposal. While I understand and appreciate the intent of this change, I must also remind the committee that even in some of the wealthiest communities, there, too, are low income areas that need these funds and should not be penalized because the overall income of their neighboring areas are 2 times the national average.

For example, Suffolk County is an urban county. Parts of Suffolk truly rely on these funds and have a population that needs them. However, the county also includes an area of good size that

would fall under the category of two times the national per capita income level. For example, the Hamptons are located within my district. The Hamptons are traditionally high-income areas that would fall under the category of two times the per capita income average. However, there are parts of the Hamptons that are low-income and those need CBDG funds to help community development in the area. For example, Suffolk County recently built a head-start facility in a very low-income area within South Hampton with CBDG funds. It would be a tremendous injustice to find that such a facility would not be able to be built because it neighbors a high-income area.

Since we do not yet have the Census data, I am not sure whether or not my district will be affected by the new formula. However, I know that many districts are in a similar situation as mine – a diverse range of income levels span from very low-income to very high-income. The low-income areas need the CBDG funds for basic community projects. However, there is a possibility they will be penalized for their geographic proximity to higher income areas. This is simply not fair.

I hope that we can find a solution to this problem by eliminating wasteful spending without hamstringing the communities that really need these funds.

I look forward to your testimony and appreciate your being here this morning.

**Statement of Congresswoman Sue Kelly
House Committee on Financial Services
Subcommittee on Housing and Community
Opportunity Hearing: Review of the
Community Development Block Grant
Program**

Thursday, March 14, 2002 at 10:30 a.m. in 2128 Rayburn

Chairwoman Roukema, Ranking Member Frank I want to thank you both for agreeing to hold today's hearing to review the Community Development Block Grant program. As we are all aware, the Administration has called for reforms of the Community Development Block Grant program in the budget submission and we all need to give these proposals close examination.

Community Development Block Grants distributes approximately \$4.3 billion to over 1,000 cities, urban counties and the states each year. These funds support various community development activities that are required to be directed primarily to low and moderate income persons. In my home of Westchester New York these funds fill critical needs. Seniors, the disabled, low and moderate income working families are dependent on the services these funds provide. In addition, these funds help strengthen communities by assisting towns with the proper growth and redevelopment of their commercial and public areas.

On page one hundred and seventy five of the budget, the administration calls for a redistribution of Community Development Block Grant funds. In an effort to ensure that these funds are truly targeted to poorer communities the administration calls for a fifty percent cut to these funds to communities whose per capita income is two times the national average. On the list of the towns and cities who qualify for this proposed cut is a single county --Westchester County. Because of this Westchester would be subject to a three point five million dollar cut which makes up thirty five percent of the expected revenues.

This proposal troubles me and my neighbors in Westchester County. The needs of Westchester County will only grow larger in the future. Poor families will still need clean safe affordable housing, seniors and disabled residents will still need support services. In light of all these needs this proposed cut is unacceptable.

Secretary Martinez has assured me that he is willing to work with us on this issue and I have found him to be a good and reasonable man. It is my hope the testimony we hear today and the discussions we will have will give us all a better understanding of the

issues involved. I look forward to working with my colleagues on this committee along with HUD, County Executive Spano and County Legislator Oros as we seek to ensure that Community Development Block grants continue to be distributed fair and equitably and this proposed cut does not become a reality.

Testimony of
U.S. Rep. Carrie P. Meek
In support of H.R. 1191 before the
Subcommittee on Housing and Community Opportunity of the Financial
Services Committee
March 14, 2002

Chairman Roukema, Ranking Member Frank and members of the committee, thank you for holding this hearing on H.R. 1191, The Community Development Block Grant (CDBG) Renewal Act, my bill to target more community development block grant funds to low and moderate income people.

I want to thank my colleague, Congresswoman Ileana Ros-Lehtinen who will be testifying in support of my bill. I also want to enter for the record a statement of support from Congressman Lincoln Diaz-Balart who is unable to attend this hearing.

I don't need to lengthen this presentation with a catalog of the unmet needs in low and moderate income communities. All of you know that we have an affordable housing crisis, that many distressed areas face unemployment in the double digits, and that deteriorating urban and rural communities desperately need funding for community revitalization. This is precisely why it is so critically important to ensure that CDBG funds are used for their intended purpose of helping low and moderate income people.

Madam Chairwoman, since 1974, CDBG has provided states and local governments with a flexible source of federal funds intended to improve low and moderate income communities by providing decent affordable housing, eliminating blight, creating jobs and expanding economic opportunity.

As all of you know, the CDBG program is not a revenue sharing measure. It is not meant to simply redistribute money from the Federal Government to the States and local governments for any purposes whatsoever.

Rather, one of the primary purposes of the CDBG program is to build housing, - to provide safe, healthy housing for people who cannot afford market rents. It is meant to provide economic development and jobs for people with low and moderate income.

I introduced this bill because I am very concerned that, while many jurisdictions

comply with both the spirit and the letter of the CDBG law, many other jurisdictions are using CDBG funds for purposes far removed from CDBG's intended goal - to principally benefit low and moderate income persons.

At a time when community-development corporations and other agencies focusing on developing poorer neighborhoods are inadequately funded, jurisdictions should not use their poor neighborhoods to justify and obtain CDBG funding, but then use these funds in their wealthier neighborhoods.

Many of you may be familiar with recent reports of CDBG funds being used to support the development of U.S. Post Office facilities, to repair airport runways, renovate museums, build sports arenas, and pour miles of concrete in many jurisdictions. These may well be wonderful projects, but they are not projects that should be funded through CDBG.

It is time to do a better job of managing scarce CDBG funds. I believe that the CDBG program must be reformed. We should return to Congress' original intent in adopting the CDBG law - to improve communities by providing "decent housing;" "a suitable living environment ;" and expanding economic opportunities..." all primarily to benefit persons of low and moderate income.

My bill, the "**Community Development Block Grant Renewal Act**" will solve these problems. H.R. 1191 would amend the CDBG statute to reflect the true, original spirit and intent of the law by refocusing the CDBG grant program on low and moderate income people.

H.R. 1191 is currently cosponsored by fifty-nine Members of Congress who want to see more CDBG monies used for low income Americans. The bill also is supported by dozens of organizations serving low and moderate income people across the nation, including the National Low Income Housing Coalition, The National Council of La Raza, The National Congress for Community Economic Development, and the Center for Community Change. I would ask that these support letters from national advocacy groups and community organizations be included in the record.

Let me highlight the key provisions of H.R. 1191. My bill would require grantees to spend at least 80% of their CDBG funds to directly benefit low and moderate income people, instead of the current 70% threshold.

My bill would also require grantees to spend at least 40% of CDBG funds to directly benefit low income persons - those with incomes between 30% and 50% of the median.

Currently, there is no mechanism to prevent jurisdictions from spending all or most of their CDBG money for households at the relatively high level of 80% of the area median income.

Housing advocates across the nation note that not enough CDBG money is being

allocated for persons with extremely low income - those with incomes below the 30% of the median, and low income people. This provision seeks to change that by better targeting CDBG funds to low income Americans.

Finally, my bill would require proportional accounting so that CDBG grantees would calculate the benefits to low and moderate income people by using the actual percentage of low income persons residing in the census tracts served by the grant.

The reason that many jurisdictions can claim that over 90% of their CDBG expenditures benefit low and moderate income people is because currently, the CDBG law allows 100% of CDBG money spent on non-housing activities to count as benefitting lower income people, even if only 51% of the beneficiaries are low or moderate income.

For example, if a jurisdiction spends \$500,000 on a road improvement in a census tract where 51% of the households are low or moderate income, that jurisdiction reports to HUD that all \$500,000 of that CDBG spending benefits low and moderate income people, rather than the proportionate amount of \$255,000 ($\$500,000 \times .51$). This lack of proportional treatment "inflates" the benefit report by 49%.

This benefit report "inflation" is well documented. A 1993 audit by the HUD Office of the Inspector General reviewed CDBG expenditures for 18 grantees and found that HUD's low and moderate income benefit claims were largely based on speculative estimates and inappropriate methodologies, and as a result, were significantly overstated. The audit showed that when proportionate accounting was used, **the actual benefits** to low and moderate income individuals were **approximately 65 percent** for the 18 grantees, even though HUD continuously reported the annual percentage of low and moderate income benefits as exceeding 90 percent.

Madam Chairwoman, proportional accounting in the CDBG program is a badly needed reform. Counting all of the CDBG dollars spent on an activity as benefitting lower income persons when it is known that a substantial portion of those benefitting from the activity are higher income persons is just plain wrong. The absence of proportional accounting greatly exaggerate the CDBG program's achievements in serving low and moderate income persons.

We cannot justify the continuation of a system that so greatly distorts the program's effectiveness. I strongly believe that these reforms must be enacted into law in order to preserve the integrity of the CDBG program and to renew our commitment to the neediest among us.

The reforms included in my bill have been around for some time. Under former HUD Secretary Jack Kemp, the first Bush Administration tried to pass similar provisions into law.

In my view, these changes to the CDBG program raise a fundamental issue of fairness. The federal resources to revitalize America's poorest communities and

empower the neediest among us are in short supply. It is up to us to ensure that CDBG funds are distributed fairly, managed in the most effective manner possible, and achieve the original intended purpose - to benefit low and moderate income people.

Thank you once again for holding this hearing and for your consideration of my bill. I look forward to working with you to pass this legislation, before this session of Congress concludes.

Testimony of Congresswoman Ileana Ros-Lehtinen
Subcommittee on Housing and Community Opportunity
Financial Services Committee
March 14, 2002

Mr. Chairman, thank you.

I am here on behalf of Congresswoman Meek to testify on H.R. 1191, the Community Development Block Grant Renewal Act.

This act concerns one of the most significant sources of federal funding for housing, economic development, job creation, and community revitalization.

The Community Development Block Grant Renewal Act would target funds to low and moderate income communities by providing affordable housing, suitable living environment, and expanded economic opportunities.

The CDBG was originally established as Title I of the Housing and Community Development Act of 1974.

The act served to improve communities by providing state and local governments with an elastic source of money to use for the benefit of low and moderate-income communities

Title I assured that, at minimum, 70% of the allocated funds would be used for those people earning low to moderate incomes.

H.R. 1191 looks to improve the "Primary Objective" of the CDBG to ensure that at least 80% of such funds go directly to aid low and moderate income individuals and families.

The act specifies even further that at least 40% of the appropriated money is earmarked for people of lower income.

This "Primary Objective" will help bring needed aid to a suffering housing industry and will fill the gaps of current law.

H.R. 1191 also enables the CDBG to give monies to non-profit organizations whose sole purpose is to help low and moderate income people.

This non-profit funding will promote greater public participation and provide a better forum to monitor the use of CDBG funds.

According to H.R. 1191, any business which receives funds from CDBG still has to make sure that at least 51% of any new or retained jobs would target lower income people.

H.R. 1191 has strong support from several groups such as the National Council of La Raza, National Low Income Housing Coalition, National Alliance to End Homelessness, and Miami-Dade Board of County Commissioners.

I would like to encourage all my colleagues to please support H.R. 1191, the Community Development Block Grant Renewal Act and help to end the current housing crisis that so many low and moderate income communities are facing.

Thank you, Mr. Chairman.

**Testimony of Congressman Christopher Shays
on Community Development Block Grant (CDBG) Budget Cuts
Subcommittee on Housing and Community Opportunity**

March 14, 2002

Chairwoman Roukema, Ranking Member Frank, and members of the Subcommittee, thank you for allowing me to come before your panel to discuss the Administration's proposal to reallocate the distribution of Community Development Block Grant (CDBG) formula funds.

I am here to ask that you evaluate CDBG based on how communities spend their funds and to encourage you to reconsider the Administration's proposal to cut 50 percent of CDBG funds from the top one percent of eligible communities.

CDBG is the largest source of federal community development assistance to state and local governments. It is one of the most flexible, most successful programs the federal government administers.

The Administration's budget proposal includes a recommendation that would reduce the size of CDBG grants for communities with per capita income two times the national average. The effect of such a proposal is to discourage diversity and force lower-income people out of communities they have called home for many years.

As a Congress, we are committed to helping those in need and those who are not in a position to help themselves. The message this proposal sends is that we are committed to helping those in need, just as long as they remain centralized in the poorest regions of our country.

CDBG funds provided to many of these communities benefit the entire region. For instance, funding provided to Greenwich, Connecticut has been used to support

joint regional projects such as a Homeless Shelter, a Food Bank, a Drug Liberation Program, and two Youth Homes. Communities in our district work hand-in-hand to fund the projects that benefit low- to medium-income families throughout the region.

One of the best examples of such a program is Kids in Crisis, which was jointly funded by Stamford and Greenwich from 1995 to 2001. This program provides counseling and two group homes for abused and neglected children in a campus-like setting. The program was so successful it received a HUD Best Practice Award in 1999 as part of the 25th anniversary of CDBG. It seems to me programs that achieve national recognition and awards deserve our continued support -- not the budget ax.

The Administration's proposal also ignores the fact that providing services in areas with a high cost-of-living is significantly more expensive. As a result, an improvement project in one of the targeted communities may cost three to four times more than in other areas of the country. CDBG funds are a necessary boost in providing valuable services where the cost would otherwise be prohibitive.

This Congress faces some tough budget choices, but the Administration's proposal sets up a false choice. Encouraging economic development in the nation's poorer areas, such as the Colonias along the U.S. border with Mexico, is an important issue and one I fully support. But this is not a case of taking from the wealthy and giving to the poor. This is a case of taking from the poor and giving to the poor.

Maybe it's time to evaluate programs based on merit -- based on their effectiveness in benefiting the poorest 10 percent of the community. Maybe it's time to reward those communities that spend funds in accordance with the letter of the law.

Thank you again for this opportunity to testify. I would be happy to answer any questions the committee may have.

Testimony of Representative Henry A. Waxman to the
Subcommittee on Housing and Community Opportunity
"Review of the Community Development Block Grant Program"
March 14, 2002

I appreciate the opportunity to submit testimony on the Community Development Block Grant (CDBG) program. I am deeply concerned about changes the Bush Administration has proposed in the funding formula, under which Santa Monica would lose half of the \$1.7 million it receives each year in CDBG funding. This cut would be devastating to the City's efforts to promote its goals for residents in need.

The City of Santa Monica has a long history of progressive activism. It is a city that values diversity, and is strongly committed to providing support for residents who are poor, elderly, disabled, or mentally ill. Instead of allowing a "not in my backyard" attitude to take hold, the City of Santa Monica and its residents are doing all they can to ensure that those in need of support can remain members of the community.

The Community Development Block Grant funds are vital to implementing programs that promote diversity and economic integration in Santa Monica, and improve the quality of life for low-income individuals, families, and neighborhoods. Santa Monica does an excellent job of targeting the funds to members of the community who are most in need of assistance, and a local ordinance ensures even stricter targeting to low-income residents than Federal law and regulation require.

One need that Santa Monica is particularly concerned about is affordable housing. As you know, the State of California is suffering from a housing crisis, and Santa Monica is a glaring example: the median price for home sales in December 2001 was more than \$547,000 in Santa Monica.

Under the City's Consolidated Plan, which HUD has approved, CDBG funds will be used for several efforts to address the housing crisis at the most basic levels. First, the City will use \$233,550 to provide emergency shelter and case management to 2250 homeless adults, helping them to become self-sufficient. This figure is 60% of the total operating cost for the City's homeless shelter. Without these funds, the City would have to either reduce the number of beds it provides, or cut the case management services that prepare individuals for jobs and help them achieve independence.

The City will also use \$350,000 per year in CDBG funds to add 30 new or rehabilitated housing units to its housing stock over the next three years. These units will be reserved for low-income and very low-income individuals and families; for a family of four, the income limit is \$27,550.

I want to emphasize the depth of Santa Monica's commitment to ensuring the availability of affordable housing. Santa Monica residents pride themselves on the unique character of their

city and believe it is dependent upon economic diversity. In 1990, voters approved an initiative requiring that at least 30% of all new multi-family housing constructed in the City each year be affordable to low- and moderate- income households. The City supplements its annual CDBG funding with funding from locally generated sources, including a housing trust fund that is subject to long-term affordability restrictions of at least 55 years, with an automatic extension up to 80 years upon verification of full loan compliance. These provisions guarantee that affordable housing will be available to future generations.

The City also works with private developers to ensure that new housing is accessible to all economic segments of the community. Santa Monica requires that private developers of market-rate housing contribute toward affordable housing by paying in lieu fees, dedicating land for affordable housing, or developing affordable units on- or off-site. Santa Monica takes its affordable housing obligations very seriously, and I believe it can serve as a model for other communities that share its commitment.

In addition to providing shelter to homeless individuals and increasing the stock of affordable housing, Santa Monica will use CDBG funds to improve the safety of its existing housing. The Residential Repair Program provides testing for lead-based paint and remediation of units that are affected by lead paint. The program will also provide home security improvements to low- and moderate-income households in single and multi-family units. This program will benefit 250 households.

A second focus of the City's attention and funds is addressing the needs of residents with disabilities. Santa Monica is strongly committed not only to making sure that its facilities are compliant with the Americans with Disabilities Act (ADA), but also that individuals with disabilities are able to live and work in Santa Monica and be part of the community in every way. CDBG funds will help pay for 500 curb cuts to fulfill the City's ADA Transition Plan, and provide minor home modifications for 150 low- and very low-income people with disabilities, allowing them to continue living in Santa Monica. This is another example of the City's commitment to maintaining diversity and accessibility.

A third area of emphasis for Santa Monica is improving the overall quality of life for residents, especially low-income families. CDBG funds will support expansion and improvement of Virginia Avenue Park, located in Santa Monica's most diverse and economically disadvantaged neighborhood, where the median income is less than \$35,000. Because a large portion of housing in the area consists of apartment buildings, most people in the neighborhood do not have yards, and outdoor space is at a premium.

The project will expand the park by 3.7 acres, and triple the indoor space available for a community center. The community center expansion will provide new meeting space where classes and workshops will be offered for adults, including parenting and employment classes. The center will also provide reading classes for children, and constructive activities for teens and older youth, including a youth fitness gym. Finally, the project includes a new facility that will allow expansion of the community's farmers market.

As you can see, the Community Development Block Grant is an essential resource for the City of Santa Monica. I strongly oppose efforts to cut funding for the program as a whole or to individual communities, like Santa Monica, that rely on it to support their residents who have important unmet needs.

STATEMENT OF ROY A. BERNARDI
Assistant Secretary
Office of Community Planning and Development
U.S. Department of Housing and Urban Development



BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND COMMUNITY
OPPORTUNITY

March 14, 2002

Chairwoman Roukema and Members of the Subcommittee, thank you for the opportunity to testify before you today. My name is Roy Bernardi and I am the Assistant Secretary for Community Planning and Development at the Department of Housing and Urban Development. On behalf of Secretary Martinez I want to extend our commitment to work with you to improve the effectiveness of the Community Development Block Grant (CDBG) program and to assure that America's neediest communities receive adequate Federal resources to meet local development needs.

We are certainly appreciative of the additional \$95 million appropriated for the Department's CDBG formula programs for fiscal year 2003. The increased funding will provide for larger allocations to our grantees and result in more assistance being made available to those most in need.

These communities have fewer local resources for addressing housing and community and economic development needs and are, consequently, in greater need of Federal financial assistance. The lowest income residents of these communities deserve to share in Congress' vision of viable urban communities.

The CDBG program, authorized by the Housing and Community Development Act of 1974, as amended, is one of the most successful government aid programs to have ever been created. A testimony to this success is the longevity of the program and how it has adjusted over the years in response to changes in public policy over the nearly twenty-eight years since its inception. The CDBG program remains one of the most flexible local tools for revitalizing neighborhoods and encouraging economic development. Since its inception, the CDBG program has provided approximately \$100 billion to our nation's cities, towns, counties and states to undertake a wide range of activities that are locally determined. The imprint of the CDBG program can be seen in nearly every jurisdiction of this great country. As a former mayor and municipal worker, I can attest to the significant impact that the CDBG program has had on communities large and small.

Immediately prior to accepting my current position at HUD, I served as mayor of Syracuse, New York. This provided me with first hand knowledge of the usefulness of the CDBG program as a tool to encourage revitalization and growth, especially in older, poorer cities. More than that, however, was the appreciation I developed for the devolution of this wonderful Federal program back to the community

level and for the insightfulness of the designers of this program in recognizing the basic truth that the people know what their needs are better than government officials. As a mayor, I often interacted with mayors and other officials on issues related to community development and the dwindling availability of resources. The CDBG program, however, has remained one of the most useful and dependable sources of funding for municipalities. In fact, our proposed reduction, not elimination, of funding to the wealthiest communities will still provide those communities with a steady, annual funding stream – albeit at a lower level.

There are currently 865 cities and 158 counties “entitled” to receive CDBG funds directly from HUD; these are our entitlement communities. In addition, 49 states and the Commonwealth of Puerto Rico award more than 3,000 grants to smaller cities and counties from CDBG funds allocated to the states by HUD each year. HUD administers CDBG funds to Hawaii’s three nonentitlement counties.

Within this vast number of grantees exists a wide variety of recipients, some quite wealthy, especially when compared with the poorest grantees. It is, therefore, quite understandable that calls would be made to re-evaluate the method of allocating the limited

resources of the CDBG program. The continually increasing number of grant recipients has resulted in CDBG funds being stretched further and further with, in some localities, a lessening of the impact CDBG dollars can have on local housing, neighborhood development, public facilities, economic development and the provision of social services.

Even though CDBG formula funding has grown 11 percent since 1980, many large cities have seen a decrease in their CDBG funds, while some of their wealthy suburbs have received increased funding. For example, New York City's 2002 CDBG grant was 16 percent less than its 1980 grant, while over this same time period Greenwich, CT's CDBG funding increased 43 percent and Westchester County's increased 51 percent. Likewise, Boston's funding decreased 5 percent, while Newton's increased 11 percent, over the same time period. Even some distressed cities have seen substantial decreases in their CDBG funding over the past 20 years. St. Louis and Cleveland, with per capita incomes less than three-fourths the national average, receive 21 percent less CDBG dollars today than they did in 1980. This proposal represents a small, but important step in redirecting CDBG dollars from areas with sufficient fiscal capacity to

meet their housing and community development needs to those communities with greater needs and fewer resources.

While the CDBG program may be heralded as the dependable flagship of Federal financial resources, the Department clearly recognizes that current economic realities require at least some rethinking of how we do business. The Department supports targeting of CDBG funds to provide assistance to lower income persons to the greatest extent permissible under the Housing and Community Development Act of 1974 (the Act), as amended.

H.R. 1191, a bill introduced to amend this Act, proposes a fairly stringent targeting of CDBG funds in an effort to assure that the needs of the lowest income communities are met. With respect to H.R. 1191, it would be premature for the Department to respond to this bill, at this time, since it has not yet been voted out of committee. We recognize that there is some concern with this bill because while it will demand more targeting it will significantly limit, for many communities, the very flexibility that has been the cornerstone of the program.

In addition, the Department was asked by Congress to submit a study of targeting of CDBG funds and HUD's administrative oversight of the program. That study was delivered to the House Committee on

Appropriations yesterday. The report emphasized three things: (1) targeting of CDBG funds is accomplished by the formulas used in determining allocations; (2) the program requires that 70 percent of a grantee's CDBG funds principally benefit low- and moderate-income persons; and (3) activities identified as principally benefiting persons of low- and moderate-income generally assist persons of whom at least 51 percent are low- and moderate-income. In addition, our analysis shows that, for low- and moderate-income benefit activities completed during FY 1998 – FY 2000, 84 cents of each CDBG dollar expended directly benefited low- and moderate-income persons. Finally, HUD's administrative oversight of these targeting requirements is based upon verifiable quantitative data. Our systematic and continuous review of our data ensures that grantees are undertaking activities that are principally benefiting low- and moderate-income persons.

Notwithstanding the foregoing, the Department has proposed an adjustment to the method of allocating CDBG funds: a reduction in the level of funds provided to the wealthiest communities to provide more funds for distribution to the poorest communities.

Currently, CDBG funds are already targeted in two ways: first, by use of need-based formulas; and second, by requiring that 70% of

a grantee's allocation benefit low- and moderate-income persons. In the first instance, CDBG program funds are allocated by use of one of two need-based formulas. The first (and original) formula is calculated by counting poverty, 50 percent; population, 25 percent; and overcrowded housing, 25 percent. The second formula is calculated by counting poverty at 30 percent; population growth lag from 1960 to 2000, at 20 percent; and age of housing stock (number of units constructed before 1940), at 50 percent. A locality's annual allocation is determined by the higher of the two formulas with slight pro rating to assure that the total amount of funds distributed does not exceed the total amount appropriated.

In addition to the use of two needs-based formulas to determine annual local allocations, the Act requires that not less than 70 percent of the CDBG funds provided to states and entitlement communities be used for the support of activities that benefit low- and moderate-income persons. Low- and moderate-income person means a member of a household having an income equal to or lower than the Section 8 low-income limit established by HUD. Generally, the incomes are less than 80 percent of the median income in an area.

While the Act and our regulations require that CDBG funds primarily benefit low- and moderate-income persons, more can be done to further target these very funds to the neediest grantees. In a period of reduced budget authority such as we are experiencing now, it is apparent that a strong effort must be made to adjust allocations of our limited funds. Our wealthiest recipient communities would have their annual formula allocation reduced, but not eliminated, to provide for needier communities to receive more adequate levels of funding.

The Department is currently proposing a change in determining grantee eligibility that may better target our funds in just such a way. Our 2003 budget proposes reducing the annual CDBG allocation to the wealthiest one percent of eligible grantees, those with per capita income two times the national average (\$14,420 in 1989), by 50 percent. Using the latest available data (from the 1990 census), an example of the effect of such a reduction, based upon FY 2002 data, would provide approximately \$8.6 million that could be distributed, by formula, to all remaining grantees. This would also allow budget resources to be shifted to other efforts, such as the proposed Colonias Gateway Initiative that will serve some of the most distressed communities in the country.

The communities that would lose funding based upon the 1990 census data currently available are:

Community	Per Capita Income as a multiple of National Average	FY 2002 CDBG funds
Greenwich, CT.	3.2	\$1,157,000
Newport Beach, CA	3.2	\$ 490,000
Lower Marion, PA	2.9	\$1,407,000
Naples, FL	2.9	\$ 149,000
Palo Alto, CA	2.3	\$ 808,000
Westchester County, NY	2.1	\$7,004,000
Santa Monica, CA	2.0	\$1,787,000
Brookline, MA	2.0	\$1,872,000
Newton, MA	2.0	\$2,663,000
TOTAL		\$17,337,000

The following communities were inadvertently listed in the original 2003 budget summary: Colorado Springs, CO; Penn Hills, PA; Virginia Beach, VA; and Malden, MA.

By reallocating the funds from the wealthiest communities, the Department will be able to target CDBG funds to communities that have lesser local resources for housing, community and economic development needs. The nine communities (with a total CDBG allocation level of \$17.3 million) were identified from 1990 census data as meeting the threshold of exceeding the per capita income by 200 percent. However, these communities may change once the 2000 census data is available. A final analysis of the actual communities to receive a reduction of a portion of their CDBG funds will not be possible until the new per capita income data is available in the fall of 2002.

Finally, let me address possible changes to the basic formula to distribute funds to our grantees. In FY 2002, we had access to 2000 census data on population and growth lag. That was used. For the FY 2003 allocation we expect to have 2000 census data for the remaining formula factors of poverty, pre-1940 housing and housing overcrowding. We will not have, however, data for the whole country until late fall 2002. When this complete data is available, we will conduct a formula study. We do not expect to have that formula study completed until sometime in the spring of 2003. Congress could then consider the targeting issue and decide if changes should be made to the allocation formula in FY 2004. The Department has undertaken similar studies following each decennial census.

Thank you very much. This ends my opening remarks.

March 14, 2002

My name is David Cohen and I am the Mayor of Newton, Massachusetts, a city of 82,000 just west of Boston. I want to urge you to support the existing funding formula in 42 USC 5306 as it pertains to the creation of any factor based on overall community per capita income.

Newton is such a City and over the past decade the low-moderate income people living here have benefited greatly from the generosity of the Federal Government. Since 1991 the City has used \$3.7 million in CDBG funds and \$1.3 million in Home funds to help leverage the construction of 605 units of affordable housing. Now I know that 605 units over ten years may not seem like a lot. But Newton is a community with almost no vacant land. In excess of 99% of the land is in use and the construction of 600 units represents a huge effort in terms of finding sites and putting together the packages to make the housing happen. And it has made a difference. Some one thousand people are living in good homes in Newton, thanks to your program, many of whom might otherwise not have a place to live at all, and almost all of whom would not have a place to live in Newton.

The City of Newton cares very much about the diversity of its population. That diversity enriches all of us, giving a greater understanding of and respect for the traditions of our neighbors and a deeper appreciation of our own heritages. The availability of affordable housing is critical to our maintaining a degree of income diversity. And over the years we have taken significant steps to expand that availability. Many years ago, when I was a member of the Newton Board of Aldermen in the early 70's, we enacted first in the state and one of the first in the nation legislation requiring housing developers

coming into the City to provide 10% of their units for low-moderate income housing. That ordinance, in an amended form remains in force today.

And this past fall the people of Newton in a referendum voted on by the entire city, chose to increase their annual taxes by an additional 1% in order to build more affordable housing.

Last year the City approved the largest ever affordable housing development in its history. It was passed unanimously and with the active support of the residents of the surrounding neighborhood.

I also think it is very important that those people needing affordable housing have access to as wide a range of communities in our metropolitan area as possible. Low-moderate income individuals should not be restricted to living in the core cities for lack of affordable housing elsewhere. The best tool that we have available to us in order to achieve this end is the CDBG program. And I hope that our access to these funds will not be reduced.

The City of Newton has also put CDBG money to use over the years in making sure that eligible residents lived in housing that met the building code. Since 1991 we've used \$5 million of your money to do 220 major rehabs of substandard units and 750 minor ones.

It is my understanding that this committee may be contemplating a comprehensive review of the funding formula once the latest census data is released. I would urge the committee not to make any partial change in that formula until you've had a chance to fully assess the impact such a change would have on the communities that depend upon those funds.

Although most of Newton's residents are well-off, not every individual is a wealthy person. In fact, there are many low-moderate income people who live in the City. According to the 1990 census, the most recent source for which we have data available, in a city of 29,000 households, some 7500 fall below 80% of the median family income. If you're the state or a private funding source not from Newton, it's easy to overlook these families. After all, Newton is a wealthy community. So in the competition for state and private funds for our low-moderate income citizens Newton has not fared very well at all. The one place that Newton's low-moderate income population has received support has been from the federal government. We have tried to expend those funds in ways that promote the development of viable urban communities, provide descent housing and a suitable living environment, promote diversity in our community and afford a greater opportunity for people of all income levels to have a chance to live in Newton.

We believe that our full participation in this program furthers the purposes of this act in an important way. We ask only to be allowed to continue that same participation.

Testimony of
Yvonne "Bonnie" Gonzalez
Chief Executive Officer of the
Rio Grande Valley Empowerment Zone Corporation

before the

Housing and Community Opportunity Subcommittee
House Financial Services Committee
House of Representatives
March 14, 2002

Good Morning, Chairman Roukema, Ranking Member Frank and members of the Subcommittee on Housing and Community Opportunity.

My name is Yvonne "Bonnie" Gonzalez. I currently serve as the Chief Executive Officer of the Rio Grande Valley Empowerment Zone Corporation (RGVEZC). I have been with the RGVEZC since 1995 and am the founding CEO (**Attachment C – Bio**). The Rio Grande Valley Empowerment Zone Corporation is a 501c 3, private non-profit corporation. We are one of the original Round I Rural Empowerment Zone designations that received a federal investment of \$40 million (**See Attachment D RGVEZC PowerPoint**).

On behalf of the RGVEZC, and our numerous public/private sector partners, I would like to thank you for the opportunity to address the Housing and Community Development Subcommittee's topic "**Review of the Community Development Block Grant Program**"

I also serve as one of two Co-Chairs of the Southwest Border Region Partnership's steering committee. This is a network representative of over 84 counties within 150 miles from the U.S./Mexico border, from Brownsville, Texas to San Diego, California. These communities developed a strategic planning framework and identified common challenges and possible solutions that included both private and public sector involvement (**See Attachment E – SBRP PowerPoint**).

The SBRP realized that in order to have true sustainable economic development the private sector needed to be at the table. On December 5, 1998 the SBRP and the Border Trade Alliance (BTA), a trade and commerce advocacy organization, formed a strategic alliance to assist communities to improve economic development opportunities (**Attachment F – Resolution**).

The Community Development Block Grant (CDBG) program works largely to ensure decent affordable housing, provide services to the most vulnerable in our communities, create jobs and expand business opportunities.

CDBG funds have made considerable differences in the lives of generally distressed communities in our nation. However, it is but only the beginning as we advocate for continued investment in Americas depressed communities.

The RGVEZC does not receive CDBG funding. Generally distressed communities in the RGVEZC census tracts and in the 84 counties along the Southwest Border Region do receive some form of CDBG funds. The housing and economic development work that we engage in is structured so that we are only “part” of the funding of any project in our communities. We believe strongly that communities must feel a sense of ownership and accountability to the project in order for it to succeed and be sustainable.

Our track record includes successful partnerships in the development and implementation of projects such as water wastewater treatment plants, Boys & Girls clubs, health clinics and job creation through small business development. We partner with municipal, county, and state governments but most importantly we do this as a community based entity that holds our partners accountable to specific outcomes. Noted in our successful record is that fact that we have invested \$38.3 million dollars and have leveraged other investment into our communities for a total of \$416 million dollars (**Attachment G – Return On Investment, Attachment H – Project Leverage Funds**).

My experience in identifying and assessing community needs spans back to 1995, when I began working with EZ communities. Who better to tell us what was needed than those individuals living, working, providing services and/or starting or expanding a business in the community? These were individuals with a true vested interest in their community (**Attachment I – RGVEZC Strategic Plan, Attachment J - SBRP State Strategic Plans**).

Through the support of Senator Hutchison (R) and Congressman Hinojosa (D-15), the Southwest Border Region Partnership together with one of it’s private sector partners, The Border Trade Alliance, was funded to provide a comprehensive assessment of the border region’s future economic health. This assessment was different in that we were interested in “Best Practices”. What affordable housing programs and small business development programs are working? Which have leveraged public sector monies with private sector investment? After careful review and discussion with stakeholders in communities all along the Southwest Border a compilation of best practices on two issues was developed. The following two issues were addressed:

1. Access to capital
 - a. for the development of affordable housing for the consumer as well as the developer

b. for creation and expansion of small business

2. Bridging the Digital Divide

A final report was submitted to Congress with recommendations (**Attachment K – ERA Report**).

Of particular interest was the fact that the most successful programs were those that included community participation, establishment of public/private partnerships, leveraging and were performance based.

I cannot speak about those programs that are not working but I can tell you that the RGVEZC was designated in 1994 and capitalized with a \$40,000,000 dollar seed investment (**Attachment L – RGVEZC Charts**).

Key factors to nurturing and growing the initial seed investment into \$416,000,000 dollars are as follows:

- Community participation
- Establishment of public and private sector partnerships
- Fiscal and programmatic accountability through performance and outcomes based contracts
- Leveraging of other dollars so that no one entity had to fund a project 100%
- A plan for future sustainability

This process has proven to be successful as evidenced by the return of \$10.00 dollars for every \$1.00 of investment (**Attachment G - Return on Investment**)

What a return on our Governments' investment!

In a time of limited resources and critical community challenges we do not have the luxury of “**reinventing the wheel**”. Communities across America share common needs in affordable housing, business development, job training, infrastructure, education, public safety and environment. It is our belief that these common issues can be addressed by continued investment in programs and organizations that have a **proven** and **successful** track record.

We must continue to revitalize communities across America and provide for a better “**quality of life**” to all.



Center for Community Change

TESTIMONY OF ED GRAMLICH
Center for Community Change

House Financial Services Committee
Subcommittee on Housing and Community Opportunity
March 14, 2002

The Community Development Block Grant Renewal Act of 2001
HR 1191

I appreciate the invitation to testify today. I am Ed Gramlich, Research and Community Development Specialist at the Center for Community Change (CCC). The Center is a national non-profit organization that for 33 years has provided technical assistance to low income, community-based organizations around a variety of issues such as: housing, housing trust funds, public housing, community reinvestment, transportation, and education. We work on the ground in approximately 250 low income communities around the nation; therefore, we are very familiar with the impact of various federal policies on low income people.

Since the beginning of the CDBG program in 1974, CCC has played a national leadership role, helping low income groups to be fully informed about CDBG law, regulation, and HUD Policy Issuances. On a personal note, CDBG has been at the core of my work since the funds were first distributed in 1975. With the knowledge we provide, low income, community-based groups are better able to effectively engage CDBG's public participation process and to influence the local allocation of this resource so that more of it meets the pressing needs of low income people.

Based on the problems CCC observes in its daily CDBG work with low income organizations, we fully support and endorse the provisions of the "Community Development Block Grant Renewal Act", H.R. 1191. The testimony presented here utilizes CCC's daily experience to explain the specific CDBG problems that low income people encounter and describe how the features of H.R. 1191 would help to address those problems.

The problems that H.R. 1191 seeks to address are not limited to one or two locales. Because of CCC's direct work with low income, community-based groups all across the nation, we know that the problems encountered exist at all points of the compass, in jurisdictions of various sizes, over all periods of time, and regardless of the Administration in office.

The modifications H.R. 1191 seeks are not radical. The amendments sought by H.R. 1191 are firmly rooted in the historical "Primary Objective" of the Housing and Community Development Act of 1974:

"The **primary objective** of this title and of the community development program of each grantee under this title is the development of viable urban communities, by providing decent housing, and suitable living environment and expanding economic opportunities, **principally for** persons of low and moderate income."

The CDBG program has diverged from its Primary Objective by becoming unduly "place based", forgetting the law's goal of making places better principally for lower income people.

The CDBG program has also lost its anchorage in the Primary Objective and its historic origins as a "Special Revenue Sharing" program by becoming a "general revenue sharing program". Created in the era of "New Federalism" both CDBG and the original General Revenue Sharing Program had similar but distinct goals. Both were designed to be flexible. Both were intended to allow local residents to decide how best to utilize federal funds.

A key distinction between CDBG and GRS was that CDBG was "special revenue sharing", a program of federal funding intended to address the special needs of lower income people and the communities in which they lived. Since the demise of the actual General Revenue Sharing Program, many jurisdictions have treated CDBG as GRS; some even refer to CDBG as a "general revenue sharing" program. Consequently, the extraordinary needs, the "special" needs of lower income people are largely lost in the local allocation of CDBG monies.

Ironically, as a "New Federalism" program, a mechanism for devolution, the CDBG program continues to fail to ensure that people at the local level are fully involved in the decision-making process. Low income people are not genuinely involved in the CDBG planning and allocation process; they are not "encouraged" to participate as required by law and consistent with the notions of devolution. H.R. 1191 offers two features which can ameliorate this deficiency.

We reiterate our assertion that the provisions of H.R. 1191 do not represent a fundamental deviation from the basic tenets of the Act. Some of the modifications merely insert quotes from long-established language in the regulations in order to lend more weight in the daily implementation of the program's Primary Objective. Two of the proposed amendments are similar to changes proposed in 1989 by HUD Assistant Secretary for Community Planning and Development, Anna Kondratas. Therefore, the features of H.R. 1191 can be viewed as an excellent bipartisan approach to achieving the Primary Objective and principally benefiting lower income people.

A. Raising the "Primary Objective" to 80% Benefit to Low and Moderate Income People

The Problem

Given the increasingly severe shortage of affordable housing, the growing loss of public housing units, and the changes in welfare law, pressures on low income people are more acute than ever. Yet CDBG, a key resource for helping to address the affordable housing and other needs of low and moderate income people, is too often used in ways that do not meet their needs.

CDBG is used to support the development of U.S. Post Office facilities (*Newark, NJ, Jersey City NJ, Ft. Lauderdale FL, and St. Mary's County, MD*), repair airport runways (*\$200,000 in Riverside County, CA*), renovate museums (*\$243,000 in Scranton PA*), and pour miles of concrete in many many jurisdictions.

Current Law

Since its inception in 1974, the "Primary Objective" of CDBG has been to improve communities by providing decent housing, a suitable living environment, and expanding economic opportunities -- all "**principally for low and moderate income people**". The statute currently requires that, at a minimum, 70% of a jurisdiction's CDBG be used to benefit low and moderate income people.

Proposed Change

H.R. 1191 will raise the "Primary Objective" to 80% from 70%.

How the Change Will Help Low Income People

H.R. 1191 highlights and strengthens Congress' intent that CDBG "principally" benefit lower income people, and it signals to jurisdictions that uses for activities such as airport runways, post offices, and museums are not consistent with that intent.

CCC's Views Regarding Two Concerns That Might Be Raised

Some might argue that the "Primary Objective" should not be raised to 80% for two reasons: 1) jurisdictions already spend over 90% of their CDBG in ways which benefit low and moderate income people; and, 2) jurisdictions' flexibility would be hindered. CCC thinks that both are exaggerations, as explained in the following paragraphs.

"Over 90% of CDBG Benefits Low and Moderate Income"

Some people concerned about H.R. 1191 might argue that jurisdictions already spend 94% of their CDBG money in ways that benefit low and moderate income people, and that they have been achieving such high rates for many years. (HUD's 1998 Consolidated Report, page 16).

If jurisdictions are truly serving low and moderate income people at these levels, then there should be no objection to raising the "primary objective" to 80%. However, low income residents of cities and towns all across the nation counter that they do not see genuine benefits at such high levels.

In part, the reason that some jurisdictions can claim that 94% of CDBG benefits low and moderate income people is because two features in the law or regulations inflate the "benefits" accounting, giving an impression that low and moderate income people are benefiting.

The first feature inflating the benefit claim is the definition of "low and moderate income": 80% of the areawide median income. This figure can be very high. In FY 2002 the median income nationally is \$54,400. The areawide median income in Stamford CT is \$115,500; 80% is \$64,550. In Washington, D.C. the median is \$91,500; but, as in most places, HUD "caps" the "low and moderate income" level in DC at the national median (\$54,400). By comparison, the poverty level for a four-person household is \$18,100. Nevertheless, H.R. 1191 does not propose to address this aspect of the problem.

The second feature inflating the benefit claim is the methodology that HUD's regulations use to determine the extent of benefit to low and moderate income people for a given activity. H.R. 1191 seeks to eliminate this feature of accounting inflation, but discussion of this is postponed until topic B below.

"Flexibility Would Be Lost"

Some might also argue that raising the "Primary Objective" to 80% will limit jurisdictions' flexibility to use CDBG money as they see fit. The only other real option available in the law is to use CDBG to address "slums and blight". [Technically, there is a third option, meeting an "urgent need", which is essentially limited to natural disasters.]

However, given the affordable housing crisis and other acute needs of low income people, it is imperative that Congress ensure that CDBG be used to "principally" address their critical needs.

The use of CDBG to address "slums and blight" tends to harm low income people, or at a minimum, exacts a high opportunity cost on low income people. For instance:

- Slums and blight is used for repairs to museums and theaters. In addition to the \$243,000 for museum repairs in Scranton PA already mentioned, nearly \$600,000 was used to renovate the Ritz Theater in downtown Sanford FL, where theater tickets cost \$35. Public housing residents nearby fear that development pressure resulting from this use of CDBG will lead to the demolition of their homes.
- A decorative design was placed in the surface of a highway intersection in Dunkirk, NY at the cost of \$90,000 (out of an annual allocation of \$700,000).
- St. Mary's County, MD applied to the State of Maryland for nearly \$600,000 of CDBG to demolish 144 affordable housing units in order to create commercial office buildings; another 198 units would have also been threatened by subsequent phases of this project. No provision was made for low income residents who face an increasingly expensive housing market.

B. Proportional Treatment of Benefit to Low and Moderate Income People

The Problem

There are actually two related problems, one in the statute and one in HUD's regulations.

Statutory Problem

One reason that many jurisdictions can claim that over 90% of their CDBG expenditures benefit low and moderate income people is due to the law's silence which allows 100% of CDBG money spent on non-housing activities to count as "benefiting" lower income people, even if only 51% of the beneficiaries are low or moderate income. This waters down the spirit of targeting in the statute.

For example, if a jurisdiction spends \$500,000 on a road improvement in a census tract where 53% of the households are low or moderate income, that jurisdiction reports to HUD that all \$500,000 of its CDBG benefits low and moderate income people, rather than the proportionate amount of \$265,000 ($\$500,000 \times .53$). This lack of proportional treatment "inflates" the benefit report by \$235,000.

Regulatory Problem

For housing activities, the statute is not silent; it does require proportional treatment. However, HUD's regulations contribute to "benefit inflation" in the use of CDBG for housing activities by calculating "benefit to low and moderate

income people" using "total development cost" (not just the amount of CDBG in the activity).

For example, consider a 100-unit project with a total development cost of \$1 million, but with only \$400,000 coming from CDBG (meaning that the remaining \$600,000 comes from other, non-CDBG sources). If 60 units of the total 100 units (60%) are occupied by low and moderate income people, then (using HUD's regs) \$600,000 (\$1 million x .60) is counted as benefiting low or moderate income people – instead of \$240,000 (\$400,000 of CDBG x .60). In this example, "benefit" is inflated by \$360,000.

Activity by activity, without clear proportional treatment, jurisdictions can readily give the impression that 94% of CDBG is benefiting low and moderate income people, when in fact it might really be far less.

Current Law

The statute is currently silent regarding proportional treatment regarding CDBG activities either serving an area generally or claiming to provide job opportunities. Specifically, the statute does not directly require that the "benefit" to low income people be measured by the percentage of CDBG funds actually benefiting low and moderate income people for any given non-housing activity. While the law does require proportional treatment regarding housing activities, HUD regulations dilute the law's intent.

Proposed Change

H.R. 1191 would explicitly require that "benefit" to low income people be measured by the percentage of CDBG funds actually benefiting low and moderate income people for any given housing, jobs, or area benefit activity.

Eliminating "benefit inflation" is a reasonable, bipartisan approach to achieving Congressional intent. Anna Kondratas, Assistant Secretary for Community Planning and Development in the first Bush Administration, was a strong advocate of "proportionate accounting"; she proposed modifying the Act in this way to realize greater targeting to lower income people.

How the Change Will Help Low Income People

The bill proposes a clear proportional treatment of activities in order to diminish "benefit inflation", reinforcing the desire of Congress to target CDBG money "principally" to low and moderate income people.

CCC's Views Regarding Concerns That Might Be Raised

See next page

CCC's Views Regarding Concerns That Might Be Raised

Some have misinterpreted the impact of "proportionate accounting", believing that for each and every activity 70% of those benefiting would have to be lower income people. This is a mistaken reading of H.R. 1191.

As currently written, the Act requires that, considering all activities of a jurisdiction, 70% of the funds benefit lower income people. H.R. 1191's proportionate accounting principles would simply recognize and account for the actual benefit realized by any given areawide or job creation activity. For instance, one areawide activity of a jurisdiction might only provide 59% benefit to lower income people, but another might compensate in the overall accounting by providing 100% benefit.

C. Limit Use of the "Area Benefit Test" to Residential Areas in order to Increase Targeting to Low and Moderate Income People

The Problem

Generally, downtown areas have relatively few residents, but because most of those residents are low income, it was possible for jurisdictions to assert that downtown areas were "primarily" lower income. Consequently, CDBG money financed roads, parking garages, parks, and streetscapes which clearly did not serve the low income residents of downtown areas.

To correct this, many years ago HUD's regulations limited the use of the "area benefit test" to areas which are "primarily residential in character". Despite the HUD regulation, jurisdictions continue to use CDBG in downtown areas for roads, parks, fire protection, streetscapes, etc., justifying the use as benefiting low and moderate income people -- when in fact they primarily serve daytime business visitors downtown.

For example, Binghamton NY spent \$311,954 on repairing a major arterial street in its central business district, and Wheeling WV spent \$275,000 for bridges into and out of the central business district. Bakersfield CA has allotted \$200,000 for the first phase of its "Downtown Streetscape".

Current Law

When assessing whether an activity is considered to benefit low and moderate income people, HUD utilizes one of four tests, depending on the nature of the activity. Many activities serve people directly, such as housing; but others benefit the population broadly by serving an area in general. For example roads and parks can be used by anyone.

The statute requires that activities serving an area generally be "clearly designed to meet identified needs" of low and moderate income people in the area.

To determine whether an activity like a road might primarily benefit low and moderate income people, HUD uses the "area benefit test" which looks at the relative proportion of low and moderate income people living in the area served by the road. If 51% of the residents in the "service area" are low and moderate income people, then HUD assumes, absent evidence to the contrary, that low and moderate income people benefit.

In the spirit of the law, HUD's regulations have long specified that the area must be "primarily residential in character".

Proposed Change

H.R. 1191 merely introduces the current regulatory language into the law, limiting the "area benefit test" to those areas which are "primarily residential in character".

How the Change Will Help Low Income People

The bill signals Congressional intent to better target CDBG to low and moderate income people by highlighting current regulatory language in the statute. HUD is not enforcing this provision of its own regulations; introducing the existing regulatory language in to the statute is likely to lead to better HUD enforcement.

CCC's Views Regarding Concerns That Might Be Raised

This provision of the bill will not necessarily limit the use of CDBG in the downtown areas of small communities, nor will it limit the use of CDBG to help revitalize neighborhood commercial areas.

When assessing whether the areawide benefit test is met, HUD has long looked at the "service area" of the assisted activity. If that service area is primarily residential in character, and if the activity is such that it provides the kinds of goods or services actually needed by lower income people, then there should not be any problem.

For example, in a 20 block area consisting of 15 blocks which are lower income residential in character and 5 blocks which are commercial, the areawide benefit test could still be met if the commercial facilities are providing goods and services needed by and utilized by lower income people. On the other hand, if those 5 blocks of commercial facilities are hi-end restaurants, boutique clothing stores featuring expensive items, or tourist attractions, then the "service area" aspect of the areawide benefit test would not be met.

D. Looking at “Who Really Benefits” in order to Increase Targeting to Low and Moderate Income People

The Problem

Just because an activity is located in a service area where a minimum of 51% of the households are low and moderate income, that does not necessarily mean that low and moderate income people are the "primary" beneficiaries.

For example, a \$225,805 CDBG street in Benton Harbor MI ran from a major arterial road (linked to the interstate) through a very poor neighborhood and straight to a pleasure boat marina. In Scranton PA, \$130,000 was allotted to repair a bridge which, while in a lower income census tract, is primarily used by downtown workers to get to a major highway. Binghamton NY, allocated zero CDBG dollars for homeless activities, but spent \$75,000 to cover a 1920s-era carousel in the middle of that town's central park. Fresno CA has allocated \$532,000 for streets and sidewalks in its central park which features a zoo and other attractions promoted on hotel television channels.

Current Law

CDBG law currently declares that if an activity is to serve an area generally, it must also "clearly be designed to meet identified needs of persons of low and moderate incomes in such areas".

HUD regulations do a good job of interpreting this feature of the law by saying that in assessing any claim that an activity benefits low and moderate income people, "the full range of direct effects of the assisted activity will be considered".

HUD and jurisdictions have ignored the law. HUD has avoided implementing its own regulations when low income people have offered compelling evidence that when looking at the "full range of direct effects", low income people were not the primary beneficiaries.

Proposed Change

H.R. 1191 will reinforce targeting to low and moderate income people by introducing the existing language from HUD's regulations into the statute.

E. Ensuring that Low and Moderate Income People Benefit from Economic Development Activities

The Problem

In general, the law requires that businesses getting CDBG assistance ensure that 51% of any jobs created or retained be for low and moderate income people. However, there is an exception that can undermine the intent to target CDBG to principally benefit low and moderate income people by "presuming" benefit in certain situations.

Current Law

The law "presumes" low and moderate income people benefit from the use of CDBG money used by businesses if those businesses are located in a census tract that meets the definition of a federal empowerment zone. The law also presumes anyone hired by a CDBG-assisted business is a low or moderate income person if the employee lives in a census tract that meets that empowerment zone definition or is tract with at least 70% low and moderate income residents.

Proposed Change

H.R. 1191 will eliminate the presumption of low and moderate income benefit.

How the Change Will Help Low Income People

Mere location of a business is not a sufficient indicator of benefit to low and moderate income people. Likewise, where a person lives is not a reliable indicator of whether they are low or moderate income.

HUD does not require unduly detailed documentation of someone's household income prior to employment at a CDBG-assisted business. A simple self-certification on the part of the potential employee is adequate, and is not a significant burden to the firm.

Eliminating the "presumption" of low income benefit will strengthen Congress's intent that CDBG be used in ways that principally benefit low and moderate income people. It will also allow low income residents and advocates an opportunity to ensure that firms and jurisdictions are accountable to the public.

Given the recent changes in welfare law and the current emphasis on "work first", it is necessary to ensure that federal assistance to businesses meet the pressing public purpose of making jobs available for lower income people.

CCC's Views Regarding Concerns That Might Be Raised *see next page*

CCC's Views Regarding Concerns That Might Be Raised

- *Some might argue that "This is a paperwork burden on businesses."*
However, a simple self-certification is all that is needed and should be easy to administer.
- *Some have claimed that "HUD requires W-2 forms."*
The regulations do not require such detailed documentation.
- *Some might worry that "This will scare away business."*
If all jurisdictions must comply, businesses can not exploit CDBG to take advantage of jurisdictions' tendency toward "smoke-stack chasing".

Also, in return for a grant or a below market interest rate loan from the federal government and local government, the business, as a good corporate citizen, should be willing to cooperate at this modest level in order to ensure realization of a public benefit -- job opportunities for low income people.

- *Some have asserted that "This is invading the privacy of the job applicant."*
Low income people are accustomed to income verification. Low income people seeking employment opportunities will gladly sign a paper saying that their household income is below 80% of the areawide median.
- *Some might claim that this imposes a hiring "quota" on firms.*
Of course this is not true. For years the Act has generally required a minimum of 51% of any jobs created or retained to be held by or be available to lower income people. [Section 105(c)(1)(C)]
- *Some might believe that H.R. 1191 would require that 70% of all jobs be filled by lower income people.*
This is not correct; it is a misreading of the bill. The change proposed by H.R. 1191 would merely remove the "presumption" that certain business assistance benefits lower income people. At a minimum, only 51% of the jobs would have to be for lower income people – those in great need of economic opportunities.

F. Introducing a Second Tier of Targeting to "Low" Income People in order to Enhance Targeting

The Problem

Jurisdictions' Consolidated Plans universally identify the needs of those with incomes below 50% of the median as being by far the greatest needs. However, there is currently no mechanism to prevent jurisdictions from spending all or most of their CDBG money for households at the relatively high level of 80% of the areawide median income (\$54,400). Consequently, jurisdictions evade addressing the more severe needs of "extremely low" income people (those with income below 30% of the median, \$16,320) and "low" income people (income between 30% and 50% of the median, \$27,200).

Housing advocates across the nation note that CDBG money is not allocated for extremely low income and low income households commensurate with their housing and homeless needs.

Current Law

There is nothing in the current statute to preclude jurisdictions from ignoring their Consolidated Plans and allocating CDBG funds in a fashion that fails to fairly address the housing and community development needs of people who have the most severe needs.

Regulations have long included an admonition to ensure that activities do not benefit moderate income people to the exclusion of low income people. However, these words are the only parenthetical expression in the entire set of CDBG regulations. Consequently, neither HUD nor jurisdictions embrace it. In addition, a literal reading of that regulatory comment implies that spending \$1 for a low income person would release a jurisdiction from further obligation to use CDBG for people with the greatest need.

Proposed Change

H.R. 1191 adds a second tier of targeting, ensuring that (at a minimum) 40% of CDBG funds directly benefit people with incomes below 50% of the areawide median income.

This second tier of targeting is a reasonable, bipartisan approach to achieving Congressional intent. Anna Kondratas, Assistant Secretary for Community Planning and Development in the first Bush Administration, was a strong advocate of greater targeting; she proposed modifying the Act by adding a second tier of targeting so that 40% of the funds would benefit people with incomes below 50% of the median.

A second tier of targeting is also consonant with the formulas in the statute for allocating CDBG to jurisdictions. These statutory distribution formulas give 75% to 83% of the numerical weight to census indicators of poverty and bad housing conditions (relegating simple population counts as unweighted factors). In other words, the more poverty-level (\$18,100) people in a jurisdiction, and the worse the housing, the more CDBG money a jurisdiction gets.

How the Change Will Help Low Income People

This will help to prevent "creaming" in the CDBG program. At a minimum, a modest, albeit inadequate, amount of a jurisdiction's CDBG funds will be used in ways that directly address the problems of those with the greatest needs.

CCC's Views Regarding Concerns That Might Be Raised

- *Some might worry that a second tier of targeting destroys the flexibility of CDBG.*

Jurisdictions will still have 60% of CDBG, roughly \$2.7 billion, to use for meeting the housing and community development needs of people with incomes between 51% and 80% of the areawide median income.

Even within the 40% targeted to low income people, jurisdictions would have a great deal of flexibility regarding the types of activities to undertake. The types of activities that could be funded would remain unchanged. Housing would not be the only activity available to fund. Other types of activities suitable in the context of a second tier of targeting include:

- infrastructure activities that directly support housing or economic development activities which principally benefited low income people;
 - any job creation assistance for businesses;
 - facilities such as day care centers, homeless shelters, domestic violence shelters, etc., as long as direct benefit can be established;
 - public services such as job training, transportation to jobs, day care, etc. for which direct benefit can be established.
- *Some might argue that the second tier of targeting will limit local decision-making; some might even speculate that it will reduce public participation.* Low income people have long identified their most pressing needs, to little or no avail. Low income people have been effectively shut out of the local decision-making process. Targeting a modest portion of CDBG to low income people might help to open the local CDBG decision-making process to those most knowledgeable – low income people.

As stated above, local elected officials and jurisdiction staff can still be very much involved in the decision-making regarding both the 40% component and well as the 60% balance.

- *Some might argue that a second tier of targeting would convert the CDBG Program into an "antipoverty" program.*
The Housing and Community Development Act has always sought to "principally" benefit low and moderate income people. However, low income people have not seen their fair share of the program's funds. A second tier of targeting would not be a fundamental shift in the Program; on the contrary, a second tier would help to establish a balance in the program which is consonant with its historic Primary Objective, as well as with its weighted allocation formulas.

H.R. 1191 is merely seeking to ensure that a modest amount of this resource is used to meet the most pressing needs of people with the most severe problems. Given the severe lack of affordable housing, the demolition of much affordable housing, the lack of public housing, the inability of many to use Section 8 vouchers, and pressures from welfare reform, it is appropriate to devote a portion of CDBG to meeting the needs of those whose incomes are below \$27,200 – far above the poverty line of \$18,100.

The needs of those with incomes below \$27,200 are far greater than those with incomes at \$54,400, and the alternative resources available to those with \$27,200 are far fewer. The difficulties are compounded by those whose income is below the poverty level of \$18,100 or below 30% of the areawide median, \$16,000.

G. Improve Public Participation by Defining "Public Hearing"

The Problem

Low income people and advocates often complain that "public hearings" are conducted by the staff of a jurisdiction, that local elected officials are not present. This undermines the intent of a public hearing.

In Dubuque Iowa several years ago, not even jurisdiction staff were present; they merely set up a video camera for the public to "speak" to. More recently in Lynn MA, low income residents attended a "public hearing" conducted by a "community advisory board" and City staff. No minutes were taken at this "public hearing," and City staff told those present that their comments were not going to be conveyed to any elected officials.

Elected officials are the ones who are accountable to the public and who are ultimately responsible for CDBG. When "public hearings" are conducted without elected officials present, the ideas, concerns, and priorities of low income people are not conveyed to those most responsible -- elected officials.

Written comments do not convey to the reader the number of people truly concerned, and do not always effectively hint at the gravity of concern. In addition, many low income people do not feel as confident about writing as they do about speaking. Sometimes written comments do not get forwarded to elected officials.

Current Law

The statute declares that one of the purposes of the various public participation provisions is "to enhance the public accountability of grantees". The law also calls on jurisdictions to "encourage" public participation. In addition, the statute requires jurisdictions to "provide public hearings to obtain citizen views and to respond to proposals and questions at all stages of the community development program, including at least the development of needs, the review of proposed activities, and review of program performance".

Responding to the problem of many "public hearings" failing to be conducted by local elected officials, in 1994 advocates wrote comments to HUD regarding proposed regulations. HUD replied in the preamble to the final regulations, stating:

"Formal public hearings in local government require city council members to be present and for comments to be tape recorded. The requirement for public hearing has been in the CDBG statute for many years, and HUD has not found it necessary to define what this means. Public hearings are governed by state and local law." [FR Vol. 60, No. 3, January 5, 1995, page 1888]

Still, the body of the regulations, do not define "public hearing", resulting in the type of problem recently experienced in Lynn.

Proposed Change

H.R. 1191 will ensure that the required public hearings are more meaningful by explicitly referring to local or state law.

How the Change Will Help Low Income People

Public hearings are one component of basic democratic practice. Public hearings conducted by elected officials are especially important for low income residents if they are to have a modest impact on public decision-making. Elected officials must know what people are thinking and must sense the degree of public enthusiasm or discontent. Public hearings conducted by elected officials are an extremely important vehicle for empowering low income people. Not all people will necessarily want to speak at public hearings, but they can be present in support of those speaking – showing support by wearing buttons or ribbons, etc. Numbers do count in local public decision-making.

CCC's Views Regarding Concerns That Might Be Raised

Some might argue that, "No one shows up at public hearings." Others might say that the only ones "participating" are nonprofits seeking CDBG money.

To the extent that few people might show up, this is a reflection of the negative experiences that they have encountered over the years. When there is no record of a "public hearing", when it is clear that elected officials will not be informed of verbal or written comments, public participation is not "encouraged" as required by law; rather, public participation is discouraged.

It might take some time to rebuild public confidence and to demonstrate that a jurisdiction is sincere in fostering genuine public participation, but patience is warranted because democratic principles – as exercised in the free exchange between elected officials and the populace – are at the core of our nation.

Another idea for increasing genuine public participation is discussed in the following section.

G. Improve Public Participation by Making the Use of CDBG for Monitoring or Conducting Public Participation Activities by Nonprofits as Specifically Eligible Activities.

The Problem

Low income community groups do not have enough resources to help low income people fully participate in the CDBG public participation process. Although CDBG can be given to nonprofits to provide information to residents and to monitor a jurisdiction's CDBG program, few groups secure funding for this purpose.

The main problem is that this use of CDBG is "eligible" under the categories of "administration" or "planning", which are subject to an overall cap of 20% of a jurisdiction's CDBG amount. Because jurisdictions pay their staff out of this 20% cap, allocating CDBG money to nonprofits to monitor the jurisdiction or to foster public participation can be doubly resented by jurisdictions' staff. First, it can be perceived as taking money out of their pockets. Second, it can be nettlesome to jurisdictions' staff, as community development experts, to be open to the ideas of members of the general public. Given that double-whammy, it is very difficult for groups to get CDBG money to monitor their jurisdictions or to foster public participation.

In addition, low income people and advocates across the nation continue to encounter resistance to full and genuine public participation. The hostility and antagonism from jurisdictions that is experienced by low income people works to actively discourage participation.

Current Law

Public participation has been a core feature of the CDBG program since its inception. In the statute Congress declares that it seeks to "enhance public accountability" through various public participation activities. The statute also requires jurisdictions to not only provide for public participation, but to "encourage" public participation, particularly participation by low income people.

Current law allows CDBG to be used for providing information to the public so that low income people can more fully participate in the planning for and carrying out of CDBG activities. However, no more than 20% of a jurisdiction's CDBG amount can be used for overall administration and planning, the category under which resources to foster public participation is currently lodged. Jurisdictions pay their own staff out of this category.

Proposed Change

H.R. 1191 designates as a specifically "eligible activity", the allocation of CDBG to private, nonprofit groups representative of low income people to promote or provide public participation, and/or to monitor a jurisdiction's CDBG program. The bill also removes this use of CDBG from any of the "caps" in CDBG (the 20% administration and planning limit, and the 15% public service limit).

How the Change Will Help Low Income People

In order to improve democratic practices, increase civic involvement by low income people, and to build constructive partnerships, it must be easier for nonprofit organizations representative of low and moderate income people to obtain and use CDBG for the purposes of promoting and providing public participation activities. The bill will remove one practical hindrance to jurisdictions deciding to use CDBG in this fashion.

CCC's Views Regarding Some Concerns That Might Be Raised

Some jurisdictions might say that despite their efforts, low income people do not attend meetings or hearings, or otherwise participate. Others might argue that the only ones "participating" are nonprofits seeking CDBG money.

To the extent these claims are accurate, they can be overcome by fostering public participation through funding of nonprofits that are trusted by low income people and that seem to better understand the concerns and frustrations experienced by low income people.

105

WRITTEN STATEMENT

on

**HR 1191, COMMUNITY DEVELOPMENT BLOCK GRANT
RENEWAL ACT**

AND

**FY 2003 ADMINISTRATION BUDGET PROPOSAL
ON THE CDBG PROGRAM**

By

GREG HOOVER,

Manager,
Housing and Neighborhood Development
Davenport, IA

for

National Community Development Association
National Association for County Community Economic Development
Council of State Community Development Agencies

National Association of Counties
U.S. Conference of Mayors

before the

House Subcommittee on Housing and Community Opportunity

March 14, 2002

Madam Chairwoman and Members of the Subcommittee:

My name is Greg Hoover, Manager of Housing and Neighborhood Development for the City of Davenport, Iowa, and President of the National Community Development Association (NCDA) on whose behalf I am testifying today. I am also appearing on behalf of the U.S. Conference of Mayors, the National Association of Counties, the National Association for County Community and Economic Development, and the Council of State Community Development Agencies. Each of these organizations shares NCDA's strong opposition to H.R. 1191, the "Community Development Block Grant Renewal Act."

Now in its 28th year, CDBG is the Federal government's most successful domestic program. The CDBG program's success stems from its utility. It provides cities, counties and states with an annual, predictable level of funding, which can be used with maximum flexibility to address neighborhood revitalization and affordable housing needs. Let me be perfectly clear; the program's success depends upon local control and flexibility. The needs of Davenport, Iowa are different than the needs of Los Angeles, California or Orange County, Florida. The strategies required to meet those needs are different as well.

In 1999, NAHRO released a report entitled "More than Bricks and Mortar: The Economic Impact of the Community Development Block Grant Program." According to the report, between 1975 and 1999, cities, counties and states spent 28.38% of their funds on housing related activities, 29.60% on public facilities, 12.28% on planning and administration, 9.66% on public services, 9.34% on acquisition and clearance of slum and blighted areas, 8.03% on

economic development, and 2.71% on other activities. Over that 25-year period, the largest spending category for entitlement communities (metro cities and urban counties) was housing, whereas public facilities proved to be the largest category for state small communities programs. The contrast between how entitlement and non-entitlement jurisdictions prioritized CDBG spending for certain activities such as housing, public services and public utilities further supports the idea that the program has the flexibility to adjust to the local needs of communities both large and small. According to HUD's most recent data, in FY 2001 alone CDBG assisted in the rehabilitation or construction of 172,000 housing units benefiting low- and moderate-income households. CDBG-funded economic development activities created or retained 114,000 jobs for low- and moderate-income persons.

As you know, H.R. 1191 would increase from 70 percent to 80 percent the aggregate amount of funding, over three years, that must benefit low- and moderate-income persons, and 40 percent of funding would have to benefit those at or below 50 percent of the area median income. The bill further targets CDBG funding by disallowing the claiming of low- and moderate-income benefits for activities undertaken in areas that are not primarily residential in character. In other words, use of CDBG funds in downtown areas that are not primarily residential would not count against the proposed 80 percent and 40 percent principal benefit tests. This is counterproductive. In many communities, the downtown business district is the central location for services and commodities available to low- and moderate-income residents.

H.R. 1191 would seriously undermine the CDBG program's flexibility, effectively eliminate area benefit activities, and eliminate use of the exception criteria for communities and states whose poor persons are dispersed rather than concentrated. Instead of continuing as a

powerful tool for expanding affordable housing opportunities and encouraging neighborhood revitalization, this legislation would turn CDBG into an inflexible "anti poverty" program, something Congress never intended.

The bill also reintroduces the notion of "proportionate accounting," a concept that last emerged in 1989 and 1990 when it was pushed by former Assistant Secretary for Community Planning and Development Anna Kontradas. Under this provision, area benefit activities would be considered to principally benefit persons of low- and moderate-income persons or persons of low-income, as applicable, only in the same proportion as the proportion of the population of the area that is comprised of persons of low and moderate income or persons of low income. CDBG funds used for housing and job-creation activities would also be subjected to the same proportionate accounting. Application of this requirement would effectively thwart efforts to rescue neighborhoods just beginning to decline, where the injection of a modest amount of funds could make a tremendous difference. Compare this to waiting for complete decline and then sinking much larger amounts of funding into revitalization efforts. This proportionate accounting scheme would also preclude addressing pockets of poverty in urban counties where the poor tend to be spread out rather than concentrated.

Many regions of the country, particularly those in the Great Plains and the more rural states have dispersed populations. This proposed amendment would make it extremely difficult for cities in these areas to spend their CDBG funds. The requirements laid out in this legislation would, in effect, suggest to cities in these regions that the only activities they could successfully fund would be those of a residential nature in areas with high concentrations of poverty. These areas tend to be the exception rather than the rule in most non-urban areas.

Small cities and large, rural counties spend a large proportion of their CDBG dollars on infrastructure projects, particularly water and sewer projects, which use an area-wide benefit calculation. HR 1191, with the 80 percent low-mod requirement, coupled with the requirement that 40 percent of the funding be targeted to persons at 50% of the median income and below, would negate practically all of these projects due to these communities' dispersed populations.

Madam Chair, the report accompanying the FY 2002 HUD Appropriations Act directed HUD to undertake a study to determine the extent to which low-and moderate-income persons are benefiting from the CDBG program. It is believed that this report will show that CDBG grantees are already meeting and in most cases exceeding the low-mod benefit requirements of the program. My understanding is that the study is completed and is undergoing final review at HUD. We await the results with great anticipation, as I am sure the members of this subcommittee do as well. I have no doubt this report, when released, will validate the CDBG program's current structure.

The well-deserved support the CDBG program has earned over its 28 years comes from its proven ability to address, with maximum local flexibility, a myriad of housing and community development needs. The program is intended to benefit low- and moderate-income persons; it does so with great success. The local determination of needs combined with a wide array of eligible activities meeting national objectives allows the CDBG program to address the community development needs of over 1000 entitlement communities, the 50 states and Puerto Rico.

If I may quote from the CDBG Statute "...The primary objective under this title...is the development of viable urban communities by providing decent housing, and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income." Let us not forget the "Community" in Community Development Block Grant. The future effectiveness of this great program depends upon continuing the program's tradition of flexible, local control.

We urge you to reject this bill.

Madam Chair, we were also urged to comment on the Administration's FY 2003 proposed budget. We are of course pleased with the slight increase of \$95 million to the CDBG formula over FY 2002 levels, however it pales in comparison to the overwhelming need that exists. Our organizations are urging the Congress to appropriate not less than \$5 billion in formula funding. We also want to associate our organizations with the expressions of opposition of those cities and counties that testified earlier today on the Administration's so-called wealthier communities proposal. This proposal ignores the existence of pockets of poverty within wealthy communities and pits communities against each other. Not only this proposal divisive, it is simply unnecessary. The CDBG formula, by design, already distributes funding based, in part, on the percentage of persons living in poverty within an entitlement community. In other words, the formula already directs appropriate levels of funding to communities with needy populations. The Administration's proposal would judge communities as a whole, ignoring the fact that even the wealthiest communities can be home to needy populations.

We urge the subcommittee to reject this proposal as well.

March 12, 2002

Dear Representative Roukema and Members of the Committee on Financial Services and the Subcommittee on Housing and Community Opportunity:

I am pleased to have the opportunity to present this testimony regarding the FY 2003 Administration budget Proposal on the CDBG program and on H.R. 1191, the Community Development Block Grant Renewal Act.

I want to share with you the importance Community Development Block Grant Program to the City of Newton, especially for low and moderate-income persons seeking housing opportunities. I would also like to inform you of how my nonprofit organization as well as others in the city of Newton has utilized CDBG funds to create affordable housing opportunities over the past decade. In addition, our agency has been and is currently utilizing CDBG funds to increase our capacity.

The juxtaposition of Newton to Compton, CA in the OMB report does a disservice to both communities because it doesn't tell the whole story. While the per capita income of Newton is approximately 3.5 times that of Compton, the average home sale price in Newton is approximately 4.25 times that of Newton. Does that mean that a resident of Compton has a greater chance of purchasing a home than one from Newton – probably not. I would suggest that the OMB report should have included data on the number of low/moderate income individuals benefiting from CDGB funds.

Despite Newton's high per capita income there are many individuals and families who fall below the 80% area median income. Many of them are elder homeowners who are house rich but live on fixed incomes; yet others are young people who have chosen to pursue careers in areas in which satisfaction is derived not from high salaries but rather from helping people (daycare workers, teacher aides, nurses aides, etc.) and individuals with special needs. Also included in that income range are many city employees. Indeed, our greatest challenge, as a community is to create housing affordable to individuals and families who fall within the 65% to 80% of the area median income. Stated in terms of income and occupation that means an unmarried new teacher with an income between \$25,950 and \$40,800 or a married policemen or firefighter with two children with a family income between \$37,100 and \$58,300.

Newton has always prided itself on its economic diversity. Over the years its citizens have recognized that to preserve that diversity it is necessary to provide lower cost rental and ownership housing opportunities. Advocacy groups have formed nonprofits to create

affordable housing and successfully lobbied the city to donate excess schools and land for that purpose. There have periods of dormancy, but the surge in real estate costs over the past five years has renewed the community's sense of urgency and commitment to preserving and creating more affordable housing.

Our citizens and elected officials have come to realize that the escalating housing costs in our city from a median sales price of \$250,000 for a one-family residence in 1995 to a \$550,000 in 2001 have placed us in jeopardy of losing that economic diversity, as well as creating a housing affordability crisis. The concern over the loss of affordable housing led to the recent approval of a ballot referendum to provide funds for the creation of affordable housing. Those of us who are housing advocates and nonprofit developers began to feel, optimistically, that we were now in a better position to address the problem.

Part of that optimism was due to our belief that the new funding coupled with other resources such as CDBG, would help us to leverage additional federal and state housing funds as well as conventional loans and foundation grants. The cost to create affordable housing in Newton cannot be supported by rental income; therefore private developers won't build such housing. In order to meet the affordable housing needs in the community nonprofit agencies such as CAN-DO must use a combination of grants, conventional loans, private donations and rental subsidies. Over the years CDBG funds have been crucial to meeting the housing needs of low/moderate income families. Indeed most of Newton's CDBG housing funds have been awarded to non-profits such as CAN-DO to provide housing that serves individuals and families with incomes below 50% of the area median income.

The President's goal to help low income families achieve their goal of safe, affordable and decent housing cannot be limited to residents of poor communities. Consistent with the 1937 Housing Act our nation's challenge must continue to be to provide safe, decent, and affordable housing to all our citizens no matter where they live. If we don't help low income residents of wealthier communities to achieve those goals in the communities in which they live they will be forced to either move into poorer neighborhoods or forced into homelessness. Conversely, if wealthier communities are not encouraged and given funding incentives to create greater housing opportunities for their low income residents, the problems of the poorer communities will be exacerbated by those forced out of the wealthier communities into their communities.

The President proposes a HUD budget that among other things seeks to end chronic homelessness over the next decade, to strengthen housing assistance programs and to promote self-sufficiency efforts. I concur in all those goals and in Newton we have used CDBG funds to meet those goals.

Allow me to share with you how my organization, CAN-DO is using CDBG in a current project. The project will create five units of housing for single mothers and their children. These young women, all of whom have incomes below 50% of the area median income, take part in a program sponsored by a Newton social service agency. That

receives CDBG funding for social services. We purchased a very large single-family historic house, built in 1883, for \$500,000. The purchase was funded by a grant of HOME funds, McKinney funds and a conventional mortgage. We will renovate the house to create five units of transitional housing at a cost of approximately \$ 300,000 per unit. Approximately \$ 500,000 in CDBG funds has been committed to the project in the form of a lead and asbestos abatement grant, a forgivable historic grant to maintain the historic architectural features; and a low interest loan for part of the renovations. In addition, we will borrow additional funds from a conventional lender; use a state grant and private grants to support the renovation. Project-based Section 8 vouchers, thus providing us with sufficient income to properly manage the building and pay the two mortgages, will subsidize the rents.

While no one will argue that these acquisition and renovation costs are very high, they reflect the costs of construction in the metro Boston area and the high cost of real estate in Newton. Because of the commitment of CDBG funds, and other funds, by the end of this calendar year, five young families will be provided with housing for at least two years while the mothers are learning skills that will provide them with the opportunity to become self-sufficient. The property has a deed restriction that ensures that the property will be used in this manner for at least forty years, so that at the very least 100 families will benefit from the housing- not a bad return.

This project is similar to another project CAN-DO created in 1996 using CDBG and other funds. In that case we purchased a three unit building to provide housing for women and children who were the victims of domestic violence. Prior to moving into our house, the women and children lived in a domestic violence shelter, supported in part by CDBG funds. Over the past five and one half years, at least sixteen families have lived in the house for two or less years. Many of them have been able to find permanent housing in Newton in a safe environment. The children have been given an opportunity for a first rate education in a community known for its excellent schools. Without affordable housing, many of the families might have been forced to relocate to an area where housing might be available but the opportunity for a good education would be less.

During the past decade Newton has used its CDBG housing funds to provide grants and /or loan to nonprofit agencies to leverage other resources to create hundreds of units of housing for low/moderate income individuals and families. In some instances the funds have been used to fill a gap. Much of the housing created has been for special populations, such as the mentally and physically disabled, and the elderly. CDBG funds have also been provided to individuals living in substandard housing, to provide rehabilitation grants to elderly income eligible homeowners to make their homes accessible and for lead paint removal. Newton recently established a First-time Homebuyer Program utilizing CDBG funds. Without such a program it would be impossible for allow/moderate income family to purchase a home in Newton.

In closing, I ask you to recognize that the city of Newton has been a good steward of its CDBG funds allocated for housing and has used those funds to improve the lives of many low income individuals and families. I respectfully request that you recommend to your

colleagues in the House and Senate that no changes be made to the CDBG allocation formula that would preclude communities such as Newton from providing housing opportunities for low/moderate income families. If changes are to be made let the focus be on ensuring that the funds are being used more efficiently to maximize the production of housing to serve all low-income families no matter where they live. Don't force low-income families to move out of safe and decent housing in communities with good schools into poorer communities with lesser opportunities. The opportunity for low-income families to live in and be part of wealthier communities increases the likelihood that their children will receive good educations and thus increase their economic opportunities. Again thank you for the opportunity to submit these comments and speak to you.

Respectfully Submitted

Josephine A. McNeil
Executive Director

**TESTIMONY OF GEORGE OROS, MINORITY LEADER, WESTCHESTER
COUNTY BOARD OF LEGISLATORS TO BE DELIVERED MARCH 13, 2002
TO THE HOUSE COMMITTEE FINACIAL SERVICES SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY**

Chairwoman Roukema, Ranking Member Frank and members of the committee:

Thank you for this opportunity to share with you and the Committee a perspective of what Community Development Block grants mean to the communities I represent as a member of the Westchester County Board of Legislators. During my tenure on the Board I have served as Chairman of the Board and now as minority leader. During the 1998-99 session, I was appointed Chair of our Committee on Community Affairs and Housing which oversees and votes on the annual CDBG appropriations.

In this limited time frame allow me to focus on several key points. The vernacular of "Block Grant" is somewhat of a misnomer. These funds are more of an investment rather than a grant or expenditure. They are an investment not only in housing, infrastructure, and services...but an investment in people. The City of Peekskill, one of three municipalities I represent, was the only city in New York State to actually gain population in the last census. That growth was due in part to the wise investment over the past twenty years of almost \$12 million in CDBG money. That investment, leveraged with other federal, state and county funds and matched with Peekskill dollars is improving a community that has a median income of \$16,589, a minority population of 25%, substantial unemployment, and has had stagnant economic growth. In two block groups, the low to moderate-income population exceeds 70%, unemployment in this area is 45% of adults over 16, and 72% of the housing is rental. CDBG has made Peekskill a more desirable community, people have stopped fleeing and are actually moving into the City and investing their future there. In making that choice they continue to revitalize an economy and become more productive citizens. But more needs to be done.

Peekskill is a HUD approved Neighborhood Revitalization Strategy Area, having in place a five-year plan to undertake comprehensive infrastructure and community projects with CDBG funds. These projects include housing, streetscapes, a neighborhood facility and park improvements for the 7108 residents that live in the strategy area. This strategy includes a gateway off the Hudson River leading into the downtown. The uninhabitable houses, boarded up stores, and vacant lots, will be turned into affordable homes, busy shops, and a safe community center to keep our kids off the streets. But only if you decide to continue this important investment...CDBG funds. Should Congress approve this formula change this strategy will be stopped dead in its tracks.

Hudson River Health Care used a \$125,000 CDBG grant, and a \$300,000 CDBG loan to fundraise another \$580,000. And this is only for the second phase of a \$3.2 million dollar project. This investment will allow the Health Center to expand its service beyond the current 40,680 patient visits it handles each year. These are people who otherwise could not afford appropriate health care or would needlessly clog the

emergency room at area hospitals. 59% of their population is uninsured. The preventive medicine, counseling and drug rehabilitation programs at this facility ultimately save all taxpayers by improving the quality of life and health. But again, CDBG is crucial to the success of this project.

Peekskill is only one community that I represent, and I am only one of 17 county legislators. If time permitted, each my colleagues could tell you first hand the needs of the other 39 municipalities that utilize the investment dollars of CDBG. On behalf of my constituents and all the taxpayers of Westchester County it is respectfully requested that you do not adopt this formula change.

Thank you for your time.



Andrew J. Spano
County Executive

**Testimony of
Westchester (N.Y.) County Executive Andrew J. Spano,
To the House of Representatives'
Subcommittee on Housing and Community Opportunity
On Proposal to Cut
Westchester's Community Development Block Grant
March 14, 2002**

Chairwoman Roukema, Ranking Member Frank and members of the committee: I would like to thank you for the opportunity to testify here today on the importance of retaining the Community Development Block Grant formula as it is.

As you know, a proposal has been made to cut Westchester County's CDBG grant in half – to \$3.5 million – and use the savings for infrastructure improvements near the Texas-Mexican border.

It has been suggested that we in Westchester – New York City's northern neighbor -- are "too rich" to deserve this money and should have our CDBG funds cut.

If this proposal goes through, we would be the only county in the country and the only municipality in New York State to be so cut. Indeed only 9 of the 1,000 entities nationwide that receive money from the \$4.75 billion CDBG program are targeted for cuts.

And our consortium of 40 Westchester communities is being asked to shoulder the burden of more than *one-third* of the \$10 million total cut.

I have a quick way to make sure that funding for Westchester's consortium is not slashed. I can ask three of our wealthiest communities – Scarsdale, Bronxville and Pound Ridge – to leave our consortium. If you take them out of the group, we are no longer double the national average in income. Income in Scarsdale, for example, is four times the national average, so of course the consortium's average is skewed by this.

But to omit from the consortium our long-time partners Scarsdale and Bronxville -- and Pound Ridge which just joined last year -- really makes no sense and punishes people in those communities who need our help.

I'm talking here of senior citizens on fixed incomes whose homes have been rehabilitated with the help of CDBG money, who without this help would be forced to either live in an unsafe home or move. The CDBG funds that have gone to these communities have been used to help people who need this help.

I do not think omitting these three communities from our program is a just solution. Instead, it's a Hobson's choice – which needy people should you cut?

I believe that forcing Westchester to bear the cuts President Bush is proposing unfairly singles us out and would severely hurt people in our county – people of limited or modest means who need and rely on the kinds of neighborhood revitalization, housing and job-creation programs that CBDG grants have funded.

- *It will hurt our senior citizens*, thousands of whom each day use the senior centers that have been built with the help of CBDG money. Without this money, some of these seniors would have no place to go for companionship and a hot meal, or help with housing counseling and other referral services.
- *It will hurt our youth*, about 1,000 of whom have a safe place to go for day care after school because CBDG money has helped build youth centers and play grounds. Without this money, some of these teens and pre-teens might be out on the streets... in trouble.
- *It will hurt our families*, thousands of low- and moderate-income households that have been helped by CBDG grants that rehabilitated dilapidated housing units to make them decent and safe. Without this money, some of these people might have become homeless.
- *It will hurt our low and mid-income workers*, many of whom are working today because of economic opportunities created by CBDG funds that have revitalized neighborhoods and business districts; or because of day care, senior centers and subsidies that have allowed them to feel comfortable knowing

their children and/or their elderly parents were in a safe place while they worked. Without this money, some of these people might be on welfare today.

People who don't know Westchester think we have the proverbial streets of gold, and the proposal to cut our CBDG funding reflects this false notion. Let me give you the facts:

- 87,000 people in Westchester live below the poverty level – and that number increased by 50 percent since 1990. Almost 40,000 of these people are children.
- Our average salaries may be high relative to much of the nation, but so too are our housing costs. Take a two-income Westchester family of four with a “moderate” income of \$73,000. With that income the family could qualify for a \$200,000 mortgage in Westchester. Elsewhere in the nation, that might buy a luxurious home. Here in Westchester, where the median cost of housing last year was \$450,000, that home might be nonexistent. And if that house is found, the chances are it will be in great need of repair.
- And it's not just our houses that are costly but our rental units as well. Someone working minimum wage has to work 27 hours a day to be able to afford a two-bedroom apartment at the “Fair Market Rent,” which we all know are set at 40 percent of the housing market rents.

- It's no surprise to us that the National Low Income Housing Coalition gives us the dubious distinction of being 6th on its list of the least affordable places to live. Maybe that's why we have the highest per capita rate of homelessness in the nation.
- And almost 30 percent of the housing stock in our consortium was built before 1940 – meaning that unless we renovate it our housing shortage will get even worse and our homeless population even larger.
- Our population is aging as well. One in every five of our county residents is over 60, putting us fifty years ahead of the national average, placing on us an increased demand for services.
- And while yes we have perhaps more than our share of millionaires – we also have more than 17,000 families with income low enough to qualify for food stamps and over 40,000 families receiving Medical Assistance.
- And last year there were 5 million visits by our residents to local food pantries and soup kitchens.

Our Consortium is made up of 40, diverse communities, some of them very urban, some suburban, others more rural. But our poverty is dispersed within them all, and our anti-poverty programs must recognize this. Our county is composed of 15 percent African-Americans and 16

percent people of Hispanic origin, our fastest growing segment of the population.

Since 1976, our consortium has received \$132 million from the CDBG program. We have consistently spent over 80 percent of our CDBG funding on projects that benefit low and moderate-income residents. And for the past two years alone, our CDBG program has leveraged another \$18 million each year in municipal and private investment. This year, we'll be leveraging over \$12 million.

This money has helped rehabilitate the downtown streetscape of the Village of Mamaroneck, a HUD Neighborhood Revitalization Strategy area; and a playground and kitchen at a Head Start Children's Center in Ossining.

It has helped convert an abandoned house in Bedford into 4 affordable apartments for families and a vacant building in Irvington into a senior citizens center.

Our CDBG money has also been used to create job opportunities in the City of Peekskill and new patient examination rooms in the Village of Sleepy Hollow.

And we are funding sites in Mount Kisco and Port Chester to assist our large Latino population, many of them day laborers, with issues such as alcoholism, housing and health.

I could name many more projects.

But we're not talking about projects and buildings. Our CDBG programs give real help to real people.

President Bush's proposal is divisive, in that it takes from one group of communities to give to another; and is unnecessary, in that it wrongly ignores the existence of pockets of poverty within wealthy communities.

I urge you to say a resounding **NO** to this proposal to cut programs that help people, programs that have been important to and have bettered the lives of so many Westchester residents over the last 27 years. We have been proud to be a part of that program and are prouder yet of the concrete things that have been accomplished with CDBG funds.

Thank you very much for your time. I would be glad to answer any questions the Subcommittee may have.

**TESTIMONY OF
THE CITY OF PALO ALTO, CALIFORNIA
BEFORE THE
HOUSE FINANCIAL SERVICES COMMITTEE
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY
THE HONORABLE MARGE ROUKEMA, CHAIRMAN
MARCH 14, 2002**

Chairman Roukema and Members of the House Financial Services Subcommittee on Housing and Community Opportunity, my name is Suzanne Bayley and I am the Coordinator of the Community Development Block Grant program for the City of Palo Alto, California. Thank you for the opportunity to testify on the Secretary's proposal to reduce by 50% the CDBG allocations to entitlement communities whose per capita income is more than two times the national average. The City of Palo Alto, California is one of those targeted communities. Currently, the City receives an annual allocation of CDBG funds in the amount of \$808,000.

Palo Alto has a resident population of 59,000 according to 2000 census data. Overall, Palo Alto is a very desirable place to live because of its climate, high quality schools, low crime rate, access to jobs, and proximity to Stanford University and the heart of Silicon Valley. Although median and per capital incomes are well above the national average, so is the cost of housing. 70% of Silicon Valley households pay more than 30% of their income for housing. Rental housing costs have increased more than 23% in the past two years.

Although many in the Palo Alto community are wealthy, not everyone is. There is a large visible, but difficult to count, homeless population. Local shelter beds are full and supportive services and meal programs are inadequate and strained. The resident population includes extremely low-income households, persons with mental and physical disabilities and a large and growing number of elderly seniors on fixed incomes. CDBG funds are targeted to help meet the basic needs of these persons and provide them with a safety net of essential services to maintain their housing and independence. This population is as deserving of supportive programs and subsidized housing as their counterparts in other communities across the nation.

Although CDBG program regulations require that only 70% of funds benefit low-income persons, the City of Palo Alto has expended 100% of its funds on activities that benefit low and extremely low-income persons. Wealthier communities are often more likely to "target" a higher percentage of their funds to direct benefit activities that reach a greater percentage of lower income persons.

Palo Alto CDBG funds have primarily been used to acquire, develop, rehabilitate, or preserve affordable housing. Over the past five years, more than \$ 2.8 million in CDBG funds have been provided to the following housing projects:

1. Sheridan Apartments – Preservation of 56 units of existing subsidized housing for very low-income seniors and persons with disabilities
2. Page Mill Court - new construction of 24 units of new housing providing independent living for very low-income adults with developmental disabilities
3. Palo Alto Gardens – preservation of 156 units of existing subsidized housing for very low-income seniors and families
4. Alma Place – new construction of 107 units of single room occupancy units for very low-income persons and persons with disabilities

The proposal to substantially reduce the funds of wealthier cities violates the principles of environmental justice in the expenditure of federal funds. Is all affordable housing to be built in lower-income neighborhoods? Do we want a Federal policy that encourages the concentration of lower-income people in lower income neighborhoods? Economically diverse communities should be the goal of programs like CDBG.

Palo Alto already has an excellent social infrastructure – schools, transportation, jobs and a low crime rate. We should encourage the placement of affordable housing in an environment in which low-income residents can thrive. In the long run, it may even be cheaper to subsidize housing in higher cost areas that are safe, with good schools, transportation and jobs rather than providing the same housing in lower-income neighborhoods and then having to address the other social issues.

Market forces do not create housing that is affordable to lower income persons, and especially not in wealthy communities. Subsidized housing requires a deep commitment and partnership between localities, and the Federal government. Consistent, reliable CDBG funding is essential to the development of affordable housing by local non-profit organizations. CDBG funding provides the important up-front dollars that are used for environmental and feasibility studies and site control that are necessary for successful housing bond or tax credit financing applications.

The City of Palo Alto has followed the CDBG and federal regulations, involved the public and low-income community in the identification of needs, focused resources on our highest local needs, and expended funds in a timely manner. 100% of the funds have been expended on low-income persons. CDBG funds are needed in this community to continue to provide essential services to a very vulnerable population. If the proposal goes through, over a hundred planned housing units in Palo Alto targeted to extremely low-income persons will be at-risk as well as a day center with supportive services for the homeless population, and other essential social services.

A community's median income is already one of a number of relevant factors in the CDBG entitlement allocation formula. Slashing the amount of the annual allocation based on a per capita average is a meaningless measure if it does not consider the cost of housing as it relates to income and does not measure the on-going quality and accomplishments of individual CDBG programs.

We strongly urge you to oppose the proposed reduction. Thank you.



NATIONAL LOW INCOME
HOUSING COALITION/LIHIC

*Dedicated solely to ending America's
affordable housing crisis*

Sheila Crowley, President

Board of Directors

Bill Faith, Chair

Columbus, OH

Jan Breitenbach

Los Angeles, CA

Cleo Busby

Cleveland, OH

Patty Campbell

River Rouge, MI

Stephen Coyle

Washington, DC

Kenn Crawford

Tahlequah, OK

Talisa Doubling

Cuzco, NJ

Dushau Hockett

Washington, DC

Lynn Ide

Weathersfield, CT

Joy Johnson

Charlottesville, VA

Blanca Juarez

Rio Grande City, TX

Moses Lora

Washington, DC

George Masag

Pittsburgh, PA

Andrew Matt

Washington, DC

Ann M. Norton

St. Paul, MN

Nicolas P. Retinas

Providence, RI

Jaimie A. Ross

Tallahassee, FL

Patricia Rouse

Columbia, MD

Barbara Sand

Brockline, MA

Lydia Tom

New York, NY

Rafael Torres

Laredo, TX

Darnay Walker

New York, NY

Cushing N. Delbeare
Founder and Chair Emeritus
Washington, DC

March 12, 2002

The Honorable Carrie Meek
United States House of Representatives
Washington, DC 20515

Dear Representative Meek:

We write to express our support of H.R. 1191, the Community Development Block Grant Renewal Act, that would increase the proportion of a community's CDBG funding that would benefit low and moderate income people.

In our analysis of the 1999 American Housing Survey, we have estimated that 14 million extremely low income households in this country have severe housing problems, meaning that that they pay more than half their income in rent or live in substandard housing or both, or that they are homeless. Additionally, our annual study, *Out of Reach*, analyzes the housing affordability crisis at the national, state and local levels. Our 2001 report shows that the rent on a modest two-bedroom apartment or house is not affordable to a minimum wage worker anywhere in the country. The median housing wage nationally - that is, the hourly wage needed to afford that modest two-bedroom rental - is \$13.87 per hour, more than twice the national minimum wage.

In response to this research, we firmly believe that housing resources should target lower income families. Over the past two decades, there has been an erosion of the housing stock affordable to these families and an erosion of the federal government's commitment to low income housing production and assistance, leaving these families in extremely vulnerable circumstances.

We applaud, therefore, the increased and clearer targeting of CDGB resources to low and moderate income people proposed in H.R. 1191. We appreciate, in particular, the increased targeting to people at 50% of area median income and below. Thank you for your commitment to ensuring that scarce federal resources will assist those people and neighborhoods with the greatest need.

Sincerely,


Sheila Crowley, Ph.D.
President



South Florida Community Development Coalition

Community-Based Development Corporations and their Partners Working to Reverse Economic Decline and to Create Affordable Housing for Low-Income Communities

March 12, 2002

Affordable Housing Solutions, Inc.
 Affordable Neighborhoods, Inc.
 Allapattah Business Develop. Auth., Inc.
 BAME Dev. Corp.
 Broward County CDC
 Carrifour Corporation
 Centro Campesino Farmworkers Center
 Cocanut Grove Local Develop. Corp.
 CODEC
 Collier City CDC
 Covenant CDC
 Dania EDC
 DEEDCO
 East Little Havana CDC
 Edgewater EDC
 Goulds CDC
 Greater Miami LISC
 Greater Miami Neighborhoods
 Haitian American Foundation
 H.O.P.E., Inc.
 H.O.P.E., Inc. of Broward
 Jubilee CDC
 Liberia Economic & SD, Inc.
 Little Haiti Housing Assoc., Inc.
 Little Havana Development Authority
 Lutheran Services of Florida
 Metro-Broward EDC
 Miami Beach CDC
 Miami Capital Development, Inc.
 Miami-Dade Neighborhood Hsing Svcs.
 N.A.A.C.P. Comm. Dev. Resource Ctr.
 Naranja CDC
 Nehemiah Project of Homestead
 New Century Development Corp.
 New Horizons Business Devel. Ctr.
 New Visions CDC
 New Washington Heights CDC
 Opa Locka CDC
 Richmond Heights CDC
 St. John CDC
 Small Business Opportunity Center
 South Miami Heights CDC
 Taaloy EDC
 Tri-City Community Association, Inc.
 Tools For Change
 Universal Truth CDC
 Urban League of Broward County, Inc.
 Urban League of Greater Miami, Inc.
 West Perrine CDC
 Wind & Rain, Inc.
 Wynwood Community EDC

Dear Distinguished Members of the Committee,

On behalf of the members of the South Florida Community Development Coalition, I would like to express the Coalition's support for H.R. 1191 and our appreciation for Congresswoman Carrie Meek's tireless commitment to supporting and improving the Community Development Block Grant (CDBG) Program. The Coalition has long been a local advocate for the proper use and expenditure of the nation's largest anti-poverty block grant program in line with the spirit of the 1974 Housing and Community Development Act. The enclosed article that ran in the most recent edition of the Florida Housing Coalition's "Housing News Network" detailing the Coalition CDBG advocacy efforts demonstrate the weaknesses and abuses, from the perspective of the Coalition, of the current administrative guidelines of the CDBG program.

We believe that HR. 1191 would go a long way in restoring the CDBG program to its original intent of benefitting our nation's most vulnerable citizens and enunciate the low income perspective and orientation of the program. As the Committee members already know, HR1191 seeks make a series of administrative changes that will refocus CDBG on the revitalization of low income neighborhoods throughout the country. Key elements of HR1191 that will do this include:

- requiring grantees to spend at least 80% of their CDBG funds to directly benefit low and moderate income people, instead of the current 70% threshold;
- requiring grantees to spend at least 40% of CDBG funds to directly benefit low income persons; and
- changing the methodology used to determine the amount of CDBG funds that benefit low and moderate income people. It would require grantees to calculate such benefits using the actual percentage of low and moderate income persons residing in the census tracts served by the CDBG grant, instead of the current formula, which in many cases exaggerates the benefit to low and moderate income people.

All too often, the Coalition has seen the CDBG program often used to benefit communities that are not low income and to be used to ease budgetary burdens for the provision of general governmental services and activities (more prevalent in today's strained budgetary environment locally and at the state levels). If the CDBG program loses its investment orientation for America's low income communities and just serves as a substitute for local general revenues for the provision of general governmental services, the CDBG program comes to resemble to general revenue sharing program of the early 1970s.

We ask that the committee to approve HR1191 and thank the committee for its consideration and attention.

Sincerely,


 John Ise

Coordinator, South Florida Community Development Coalition



Charlottesville Public Housing Association of Residents
703 Concord Ave, Ste 4, Charlottesville, VA 22903
T. 804-984-3255 Fax: 804-984-2803 Email: cvphar@netzero.net

The Honorable Marge Roukema
United States House of Representatives
2469 Rayburn House Office Building
Washington, DC 20515

September 26, 2001

Dear Representative Roukema:

RECEIVED
OCT 02 2001
CARRIE P. MEEK, M.C.

The Public Housing Association of Residents (PHAR) is an association for public housing residents in Charlottesville, Virginia. We are writing to express our full support and endorsement of H.R. 1191, the "Community Development Block Grant Renewal Act" introduced by Representative Carrie Meek.

H.R. 1191 will take substantial steps towards restoring the intent of the original Community Development Block Grant (CDBG) Act to provide assistance to those with the lowest incomes. Under the current law, communities are often tempted to use CDBG funds for purposes that provide only marginal benefits to people of lower incomes. Faced with tight budgetary constraints, some municipalities have used these grants to fund activities such as road expansion, sidewalk improvements, and development of downtown amenities. Such expenditures often provide negligible benefits to lower-income people. What is more, funding these types of activities with CDBG money comes at the expense of funding programs specifically tailored to the urgent needs of lower-income people - programs in affordable housing, day care, and transportation.

H.R. 1191 would re-direct CDBG funds to the needs of lower-income people in several important ways: First, it would increase the percentage of CDBG funds required to benefit lower-income people "principally." Second, it would ensure that funds are used directly to benefit those with the very lowest incomes - not just those slightly below the area-wide median income. Third, the bill would reduce artificial "benefit inflation" in municipalities' calculations of benefits to lower income people. The bill's new rules for calculating benefits of CDBG expenditures to low-income people would ensure that municipalities report the amount of benefit *actually* received by low-income people. These and other provisions will shift CDBG funds back where they should be - in service of the most disadvantaged members of our society.

We wholeheartedly support and endorse H.R. 1191. Thank you for your consideration of this important bill.

Sincerely,

Joy Johnson, President
Public Housing Association of Residents
Charlottesville, Virginia

CC: Rep. Barney Frank (2252 Rayburn House Office Building)
Rep. Carrie Meek (2433 Rayburn House Office Building)



THE NATIONAL ALLIANCE TO END HOMELESSNESS

August 27, 2001

Hon. Carrie Meek
United States House of Representatives
Washington, DC 20515-0917

RECEIVED
AUG 31 11 17 AM '01
CARRIE MEEK OFFICE

Dear Rep. Meek:

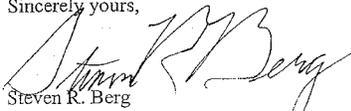
I write to thank you for your introduction of H.R. 1191, the Community Development Block Grant Renewal Act, and to express the support of the National Alliance to End Homelessness for this legislation.

The Community Development Block Grant program is an important source of funding for housing for the most disadvantaged Americans, including those who are homeless or at grave risk of homelessness. Unfortunately, as currently constituted, this program too often is used to pursue less pressing matters. Your bill, through measures designed to ensure that benefits flow toward those with the lowest incomes, would focus more resources on this priority.

We are particularly enthused about the provisions in the bill to target 40 percent of resources to the lowest income families; and overall to increase to 80 percent the amount targeted to lower income families. Other important provisions would give new life to these targeting requirements by ruling out projects that meet requirements on paper but whose benefits do not primarily flow to low-income residents. Finally, new provisions to improve local planning processes will empower low-income communities to help ensure that CDBG funds are used in the most effective possible manner.

As you know, substantial progress toward an end to homelessness will require, among other things, that federal programs focus renewed attention on the most vulnerable among the people they serve. Your bill would move the CDBG program strongly in this direction.

Sincerely yours,


Steven R. Berg
Vice President for Programs and Policy

cc: Hon. Marge Roukema
Hon. Barney Frank



JIMMY L. MORALES
COMMISSIONER

Board of County Commissioners
MIAMI-DADE COUNTY-FLORIDA

DISTRICT 7
STEPHEN P. CLARK CENTER
111 N.W. FIRST STREET, SUITE 220
MIAMI, FLORIDA 33128-1963
(305) 375-5680
FAX (305) 372-6103

April 5, 2001

The Honorable Carrie Meek
U.S. Congresswoman
401 Cannon House Office Building
Washington, D.C. 20515

Dear Congresswoman Meek:

I write to applaud your effort and offer my strongest support for the Community Development Block Grant (CDBG) Renewal Act of 2001, H.R. 1191. As a locally elected official I agree that more federal community development funds need to be strategically targeted to assist and revitalize low and moderate-income communities, as supplemental and additional funds, for use in these neighborhoods. Too often CDBG dollars are considered for projects in low and moderate-income communities, which are paid for with general or other locally generated funds in more affluent communities.

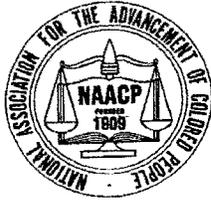
I especially support your effort to focus the CDBG program on the neediest areas by requiring at least 80% of CDBG funds to be spent on programs that directly benefit low or moderate income individuals, and further requiring a minimum of 40% of a jurisdiction's CDBG funds be used to directly benefit low income people. Although, extremely low and low-income people have the most acute needs, I often question if an adequate share of CDBG funds are allocated to meet those needs.

I look forward to continuing to work with you to on behalf of all members of our community.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jimmy Morales", written over a horizontal line.

Jimmy Morales
Miami-Dade County Commissioner



Corvallis Branch of the NAACP
101 NW 23rd Street
P. O. Box 3004-113
Corvallis, Oregon 97339
Phone (541) 757-8230

President: Peter Leung Secretary: Mike Beilstein
Vice President: Rollie Smith Treasurer: Jackie Jones

The Honorable Peter DeFazio
United States House of Representatives
Washington, DC 20515

April 1, 2001

Dear Representative DeFazio:

The Corvallis Branch of NAACP represents the interests of low-income people in the mid Willamette Valley region. We fully support and endorse the bill you introduced, H.R. 1191, the "Community Development Block Grant Renewal Act".

Our Branch is especially heartened by the bill's intent to restore the spirit of the original Act, to "principally" benefit lower income people, by better focusing CDBG funds on the extraordinary needs of low income people. Far too much CDBG is used to substitute for normal municipal and county functions, while low-income people experience an increasingly dire shortage of affordable housing and affordable services such as day care and transportation to work. While many jurisdictions might be complying with the letter of the law, we know that people with the greatest needs, low income and extremely low-income people, are not benefiting from CDBG activities commensurate with severity of their needs.

Adding the "second tier of targeting" (40% of CDBG to directly benefit low income people), and eliminating "benefit inflation" (by introducing "proportionate treatment") will go a long way to channeling more of this scarce resource to the critical housing and community development needs of very low income people.

In addition, the bill will reduce barriers to nonprofits' access to CDBG money so that they can promote and provide genuine public participation and foster greater accountability to the public.

Sincerely,

Peter Leung, President
Corvallis, Oregon Branch, NAACP

CC: Representative Marge Roukema
Representative Barney Frank
Representative Carrie Meek



Raul Yzaguirre, President

July 10, 2001

The Honorable Carrie Meek
2433 Rayburn House Office Bldg.
U.S. House of Representatives
Washington, D.C. 20515

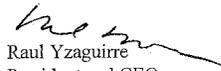
Dear Representative Meek:

I write, on behalf of the National Council of La Raza (NCLR), to support and endorse the bill you introduced, H.R. 1191, the "Community Development Block Grant Renewal Act." NCLR has worked to improve the Community Development Block Grant (CDBG) program for over two decades, and greatly appreciate your leadership on this issue.

NCLR is especially pleased that the bill would restore the intent of the original Act, to "principally" benefit lower income people, by better focusing CDBG funds on the extraordinary needs of low income people. Far too much CDBG funding is used to substitute for normal municipal and county functions, while low income people experience an increasingly dire shortage of affordable housing and affordable services such as day care and transportation to work. While many jurisdictions might be complying with the letter of the law, we know that the most vulnerable people are not benefiting from CDBG activities commensurate with severity of their needs.

Adding the "second tier of targeting" (40% of CDBG to directly benefit low income people), and eliminating "benefit inflation" (by introducing "proportionate treatment") will go a long way to channeling more of this scarce resource to the critical housing and community development needs of very low income people. In addition, the bill will increase access of community-based organizations to CDBG money to promote and provide genuine public participation, and foster greater accountability to the public. Please let me know how we can be helpful in moving the bill toward enactment.

Sincerely,


Raul Yzaguirre
President and CEO



Program Offices: Phoenix, Arizona • San Antonio, Texas • Los Angeles, California • Chicago, Illinois
LA RAZA: The Hispanic People of the New World

National Office
1111 19th Street, N.W., Suite 1000
Washington, DC 20036
Phone: (202) 785-1670
Fax: (202) 776-1792
www.nclr.org

RECEIVED
JUL 11 2001
Carrie P. Meek, M.C.



Kristin D. Jacobs
Vice Chair
County Commissioner - District 2
115 S. Andrews Avenue, Room 411
Ft. Lauderdale, FL 33301
ATDE - SUSAN OLSON

E-mail: [kjacob@broward.org](mailto:kjacobs@broward.org)
<http://www.kristinjacobs.com>

representative Carrie M. Meek
House of Representatives
2433 Rayburn House Office Bldg.
Washington DC 20515

Dear Representative Meek:

I read with interest the recent article in the Miami Herald about your Bill to direct more development money to the poor, and I share your concerns.

In 1999, the Broward County Commission, at the urging of 16 cities participating in the Urban County Entitlement Program, adopted a new policy governing how CDBG's would be managed in the future.

Then, in November 2000, I requested a meeting with participating municipalities where I suggested they set aside 15% of their individual CDBG allocation for affordable housing, and offered to conduct a request for proposals (RFP) to process these funds on their behalf. Sadly, only one city out of the 16 cities receiving CDGB funds through Broward County responded favorably. Of course, Broward's entitlement cities control their own CDGB funds.

John Ise, South Florida Community Development Coalition, Broward County Administrator, Roger Desjarlais and I have genuine concerns about monies being used inappropriately for water pumps, landscaping and other infrastructure improvements.

My assertion is the cities are violating the spirit and original intent of the CDBG funds through a loophole in Federal Law and I am thrilled to finally see it addressed at the Federal level. As Vice Chair for the Broward County Board of Commissioners, I would like to go on record as wholeheartedly supporting the changes you have proposed in your "CDGB Renewal Act".

Sincerely,

Kristin D. Jacobs, Vice Chair
Commissioner - District 2

KDJ/jcm
Enclosures

cc: Roger Desjarlais
John Ise

Kristin D. Jacobs, Vice Chair
Board of County Commissioner:

(954) 357-7002 • FAX (954) 357-7229
Email: [kjacob@broward.org](mailto:kjacobs@broward.org)
www.kristinjacobs.com

RECEIVED
SEP 13 2001
CARRIE P. MEEK, M.C.

National Congress for
Community Economic
Development
■■■■
1030 15th Street, NW, Suite 1
Washington, DC 20005
202/289-9020 Tel
202/289-7051 Fax
toll-free 1-877-44NCCED

RECEIVED
SEP 19 2001
CARRIE R. MECK, M.C.

September 12, 2001

The Honorable Carrie Meek
U.S. House of Representatives
2433 Rayburn Office Building
Washington, DC 20515



Empowering
PEOPLE, ORGANIZATIONS
and COMMUNITIES

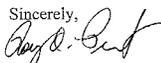
Dear Representative Meek:

The National Congress for Community Economic Development (NCCED) represents the interests of 3,600 community development corporations that serve low-income people across the country. We fully support and endorse the bill introduced by you, H.R. 1191, the "Community Development Block Grant Renewal Act."

NCCED is especially heartened by the bill's intent to restore the spirit of the original Act, to "principally" benefit lower income people, by better focusing CDBG funds on the extraordinary needs of low income people. Far too much CDBG is used to substitute for normal municipal and county functions, while low-income people experience an increasingly dire shortage of affordable housing and affordable services such as job creation support, day care, transportation to work, and micro-enterprise development. While many jurisdictions might be complying with the letter of the law, we know that people with the greatest needs, low income and extremely low income people, are not benefiting from CDBG activities commensurate with severity of their needs.

Adding the "second tier of targeting" (40% of CDBG to directly benefit low income people), and eliminating "benefit inflation" (by introducing "proportionate treatment") will go a long way to channeling more of this scarce resource to the critical housing and community development needs of very low income people.

In addition, the bill will reduce barriers to nonprofits' access to CDBG money so that they can promote and provide genuine public participation, and foster greater accountability to the public.

Sincerely,

Roy O. Priest
President and CEO

RP/cew

California Affordable Housing Law Project

MICHAEL RAWSON
DIRECTOR

The Public Interest Law Project

449 15th Street, Suite 301
Oakland, California 94612

Telephone (510) 891-9794
Fax (510) 891-9727
mrawson@telis.org

RECEIVED
AUG 2 8 21
CARRIE P. MEEK, M.A.

August 23, 2001

The Honorable Barbara Lee
United States House of Representatives
Washington, DC 20515

Re: H.R. 1191

Dear Representative Lee

The California Affordable Housing Law Project provides state policy and litigation support for local legal services offices representing low income people in California. We fully support and endorse H.R. 1191, the "Community Development Block Grant Renewal Act".

CAHLP believes that the bill's central purpose-- to restore the spirit of the original Act, to "principally" benefit lower income people by better focusing CDBG funds on the extraordinary needs of low income people-- is critical. Far too much CDBG is used to substitute for normal municipal and county functions, while low income people experience an increasingly dire shortage of affordable housing and affordable services such as day care and transportation to work. People with the greatest needs, low income and extremely low income people, are not benefitting from CDBG activities commensurate with severity of their needs.

By adding the "second tier of targeting" (40% of CDBG to directly benefit low income people), and eliminating "benefit inflation" (requiring "proportionate treatment" of all income groups) the legislation will go a long way towards channeling more of this scarce resource to the critical housing and community development needs of very low income people. The bill will

EASTERN NORTH CAROLINA
SUSTAINABLE COMMUNITY
ECONOMIC DEVELOPMENT CENTER

KEVIN HARRIS
CHAIRPERSON

EDWIN F. MORAN, JR.
EXECUTIVE DIRECTOR

The Honorable Eva Clayton
United States House of Representatives
Washington, DC 20515

RECEIVED
OCT 02 2001
CARRIE P. MEEK, M.C.

September 26, 2001

Dear Representative Clayton:

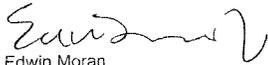
The Eastern North Carolina Sustainable Community Economic Development Center represents the interests of low income people in housing and economic development issues in eastern North Carolina. We fully support and endorse the bill, H.R. 1191, the "Community Development Block Grant Renewal Act".

The Eastern North Carolina Sustainable Community Economic Development Center is especially heartened by the bill's intent to restore the spirit of the original Act, to "principally" benefit lower income people, by better focusing CDBG funds on the extraordinary needs of low income people. Far too much CDBG is used to substitute for normal municipal and county functions, while low income people experience an increasingly dire shortage of affordable housing and affordable services such as day care and transportation to work. While many jurisdictions might be complying with the letter of the law, we know that people with the greatest needs, low income and extremely low income people, are not benefiting from CDBG activities commensurate with severity of their needs.

Adding the "second tier of targeting" (40% of CDBG to directly benefit low income people), and eliminating "benefit inflation" (by introducing "proportionate treatment") will go a long way to channeling more of this scarce resource to the critical housing and community development needs of very low income people.

In addition, the bill will reduce barriers to nonprofits' access to CDBG money so that they can promote and provide genuine public participation, and foster greater accountability to the public.

Sincerely,



Edwin Moran
Executive Director

CC: Rep. Carrie Meek (2433 Rayburn House Office Building)
Sen. John Edwards (225 Dirksen Office Building)

BOARD OF DIRECTORS

Laura Atkins
President
Esther Castiglia
Vice President
Joanne Hayes
Vice President
Mike Ozegovich
Secretary
Lawrence Suran
Treasurer
Shirley Aron
Past President



April 5, 2001

The Honorable Lincoln Diaz-Balart
United States House of Representatives
2244 Rayburn House Office Building
Washington, DC 20515

RECEIVED

APR 12 2001

CARRIE P. MEEK, M.C.

Dear Representative Diaz-Balart:

The Human Services Coalition of Dade County, Inc., works towards improving the lives of low-income people in Miami-Dade County. We have been at the forefront of building a coalition of social service providers, affordable housing advocates and community development coalitions. We fully support and endorse the H.R. 1191, the "Community Development Block Grant Renewal Act".

The Human Services Coalition is especially heartened by the bill's intent to restore the spirit of the original Act, to "principally" benefit lower income people, by better focusing CDBG funds on the extraordinary needs of low income people. Far too much CDBG is used to substitute for normal municipal and county functions, while low-income people experience an increasingly dire shortage of affordable housing and affordable services such as day care and transportation to work. While many jurisdictions might be complying with the letter of the law, we know that people with the greatest needs, low income and extremely low income people, are not benefiting from CDBG activities commensurate with severity of their needs.

Adding the "second tier of targeting" (40% of CDBG to directly benefit low income people), and eliminating "benefit inflation" (by introducing "proportionate treatment") will go a long way to channeling more of this scarce resource to the critical housing and community development needs of very low income people.

In addition, the bill will reduce barriers to nonprofits' access to CDBG money so that they can promote and provide genuine public participation, and foster greater accountability to the public.

We urge you to support H.R. 1191, the Community Development Block Grant Renewal Act.

Sincerely,


Melissa Buckner, JD
Special Projects Director

EXECUTIVE DIRECTOR
Daniella Levine

cc: Rep. Marge Roukema (2469 Rayburn House Office Building); Rep. Barney Frank (2252 Rayburn House Office Building); Rep. Carrie Meek (2433 Rayburn House Office Building)



**UNITED NEIGHBORHOOD CENTERS
of Lackawanna County, Inc.**

410 Olive Street, Scranton, Pennsylvania 18509
Phone: (570) 346-0759

RECEIVED
AUG 29 2001
CARRIE P. MEEK, M.C.

August 17, 2001

The Honorable Donald Sherwood
United States House of Representatives
1223 Longworth House Office Building
Washington D.C. 20515

Dear Representative Sherwood:

I write as the President of the Housing Coalition of Lackawanna County, a coalition of twenty three social service, housing development and advocacy organizations in Lackawanna County. (Membership List enclosed). Our primary concern is the maintenance and development of affordable housing for low and very low-income families and individuals residing in Lackawanna County.

Over the last few years we have been advocating for a wiser use of CDBG dollars in the city of Scranton. We have witnessed these funds being utilized for projects and programs that are outside the scope of the original intent of Congress. Mr. Ed Gramlich from the Center for Community Change, a nationally recognized expert on the Community Development Block Grant Program, has visited Scranton and studied the past use of these dollars. His conclusions reflect our concerns that the use of these dollars are often questionable in their benefit for low and very low income populations. The use of these dollars for housing is among the lowest in the nation, far below the national average of 40%.

We are encouraged by the introduction of H.R. 1191 "The Community Development Block Grant Renewal Act" which will restore and strengthen the spirit of the original legislation to principally benefit low income populations. The addition of a "second tier of targeting" (40% of CDBG to directly benefit low income people) and eliminating the "benefit inflation" with proportionate treatment are steps in the right direction and will help insure that those most in need will benefit from these funds.

Of particular note is the provision that will reduce barriers to nonprofits access to CDBG money so that they can promote and provide genuine public participation, and foster greater accountability to the public.

Progressive Center
414 Olive Street
343-8835

Bellevue Center
531 Emmett Street
342-5251

West Side Senior Center
1004 Jackson Street
961-1592

Green Ridge Center
1917 Boulevard Avenue
961-2224

South Side Senior Center
606 Alder Street
346-2487



Member, United Way
of Lackawanna County
Member of
United Neighborhood
Centers of America

We strongly encourage your support of this legislation. Should you have questions or would like to discuss the CDBG program in general we would be happy to meet with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. J. Hanley', written over a horizontal line.

Michael J. Hanley
President, Housing Coalition of Lackawanna County

cc: Rep. Marge Roukema
Rep. Barney Frank
Rep. Carrie Meek ✓



WORKING TOWARD AFFORDABLE HOUSING FOR ALL SINCE 1987

2709 Woodson Road • St. Louis, MO 63114
Phone: (314)429-5665 • RALF Line: (314) 863-0015, ext. 126 • Fax: (314) 863-1252
E-Mail: adhmo@yahoo.com

August 30, 2001

BOARD OF DIRECTORS:

Co-Presidents
Georgie Donahue
Bronwen Zwirner

Vice President
John C. Scott

Secretary
Carolyn Nolan

Treasurer
Cindy Schulte

Directors
Janet Becker
Stanley Burton
Goldie Dodson
Alice Earlywine
Matt Ghio
Marvin Johnson
Hillary Melechen
Shirley Richman
Leneer Rhodes
Olabisi Solar
Kevin Toal
Barb Vogel
Terry Weatherby
Program Director
Faith Barnes

Hon. Richard Gephardt
1226 Longworth House Office Building
Washington, DC 20515

Dear Representative Gephardt:

Adequate Housing for Missourians is hoping very much that you will support H.R. 1191, the Community Development Block Grant Renewal Act.

In these times of cutbacks, both at state and national levels, additional funding seems to be out of the question. All we can hope to do is direct the funding to those most in need of it. H.R. 1191 is just such a bill.

Housing costs are rising, as jobs are being lost and affordable housing is vanishing. This has created a real crisis nation-wide. We simply must do all we can to provide safe and decent housing to those who are most vulnerable, especially those with children and those with disabilities.

To spend the CDBG for local governmental functions in such difficult time, as some communities do, is unconscionable. H.R. 1191 will also make communities more accountable through genuine public participation, as originally intended.

With thanks for your consideration,

Janet Becker, Chair
Legislative Committee

cc: Rep. Marge Roukema
Rep. Barney Frank
Rep. Carrie Meek



Housing and
Community Development
Network of New Jersey



August 6, 2001

The Honorable Robert Andrews
United States House of Representatives
2439 Rayburn House Office Building
Washington, DC 20515

Dear Representative Andrews:

The Housing and Community Development Network of New Jersey is a statewide association of 130 community development organizations that provide affordable housing and economic opportunities for low income residents in urban, suburban, and rural areas of New Jersey. We fully support and endorse H.R. 1191, the "Community Development Block Grant Renewal Act".

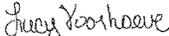
The Housing and Community Development Network of New Jersey is especially heartened by the bill's intent to restore the spirit of the original Act, to "principally" benefit lower income people, by better focusing CDBG funds on the extraordinary needs of low income people. Far too much CDBG is used to substitute for normal municipal and county functions, while low income people experience an increasingly dire shortage of affordable housing and affordable services such as day care and transportation to work. While many jurisdictions might be complying with the letter of the law, we know that people with the greatest needs, low income and extremely low income people, are not benefiting from CDBG activities commensurate with severity of their needs.

Adding the "second tier of targeting" (40% of CDBG to directly benefit low income people), and eliminating "benefit inflation" (by introducing "proportionate treatment") will go a long way to channeling more of this scarce resource to the critical housing and community development needs of very low income people.

The Housing and Community Development Network of New Jersey recently conducted research on the uses of CDBG dollars in five target areas: Jersey City, Newark, Burlington County, Trenton, and Camden. In each case, we found that CDBG dollars could have been targeted more directly to serve lower income neighborhoods and residents, such as by providing affordable housing and other critically needed services.

In addition, the bill will reduce barriers to nonprofits' access to CDBG money so that they can promote and provide genuine public participation, and foster greater accountability to the public.

Sincerely,


Lucy Voorhoeve
Associate Director

CC: Rep. Marge Roukema
Rep. Barney Frank
Rep. Carrie Meek



4201 Lindell Blvd.
Suite 400
St. Louis, MO 63108
314-534-1515
314-534-1588 fax

President

Rev. Alan Erdman

Board of Directors

Bruce Pompe, Chair

Daniel Beck

Raymond Boltz

Beverly Clayton

Fred Dudgey

Karen Douglas

Karen Drake

Christine Hanson

Ma Johnson

Larry Kunkle

Linda Linsley

Dean Lindeman

Cheryl Marley

Emilie Meyers

Eric Mearns

Alan Morrison

Nancy Neubauser

Rev. Wayne Palmer

David Rehl

Rev. Walter Schaefer

Ronald G Smith

Mary Suda

Paul The

Christie Tietjen

Don Vogel

Carly Wenzel

Mark Yeager

Southeast Missouri Office

2911 Breckenridge Drive
Cape Girardeau, MO 63701
337-431-6566
337-334-7093 fax

Mid-Missouri Office

3001 S. Pflanzberg Rd.
Suite 10
Columbia, MO 65203
573-815-3922
573-449-4640 fax

Southern Missouri Office

205 East Walnut, LL-112
Springfield, MO 65805
417-863-4003
417-863-9199 fax

LUTHERAN FAMILY AND CHILDREN'S SERVICES OF MISSOURI

July 10, 2001

The Honorable Marge Roukema
United States House of Representatives
2469 Rayburn House Office Building
Washington D.C. 20515

RECEIVED

JUL 16 2001

CARRIE P. MEEK, M.C.

Dear Representative Roukema:

Lutheran Family and Children's Services of Missouri provides needed assistance including affordable housing to low-income families in the St. Louis, Missouri area. We are writing on behalf of the interests of those that we serve in support of H.R. 1191, the "Community Development Block Grant Renewal Act".

We are concerned about the way in which CDBG funds are used. We fully support the use of these funds to help the low-income families with their extraordinary needs. The poor in our community are experiencing a shortage of affordable housing and services that would support day care and transportation to work. We believe that CDBG funds are needed to assist those with the greatest needs.

We are encouraging you to support H.R. 1191, because we believe that this legislation will help direct more of the CDBG funds to critical housing and other community development needs. Thank you for the hard work that you do in service to our country.

Sincerely,

Gary L. Bhatte
Director of Community Services

C: Rep. Barney Frank
Rep. Carrie Meek

"Rebuilding Neighborhoods One Block at a Time"



Philadelphia Association of
Community Development Corporations

RECEIVED

JUL 02 2001

Carrie P. Meek

June 29, 2001

The Honorable Robert A. Brady
United States House of Representatives
216 Cannon House Office Building
1st and Independence Avenues SE
Washington, DC 20515

Dear Representative Brady:

The Philadelphia Association of Community Development Corporations (PACDC), the citywide association of more than 70 community development corporations and other organizations involved in addressing the needs of Philadelphia's lower income neighborhoods and residents, urges you to sign on as a co-sponsor to H.R. 1191, the "Community Development Block Grant Renewal Act".

PACDC is especially heartened by the bill's intent to restore the spirit of the original Act, to "principally" benefit lower income people, by better focusing CDBG funds on the extraordinary needs of low income people. Far too much CDBG is used to substitute for normal municipal and county functions, while low income people experience an increasingly dire shortage of affordable housing and adequate services. While many jurisdictions might be complying with the letter of the law, we know that people with the greatest needs, low income and extremely low income people, are not benefiting from CDBG activities commensurate with severity of their needs.

Adding the "second tier of targeting" (40% of CDBG to directly benefit low income people), and eliminating "benefit inflation" (by introducing "proportionate treatment") will go a long way to channeling more of this scarce resource to the critical housing and community development needs of very low income people.

In addition, the bill will reduce barriers to nonprofits' access to CDBG money so that they can promote and provide genuine public participation, and foster greater accountability to the public.

Sincerely,

A handwritten signature in cursive script, appearing to read "Rick Sauer".

Rick Sauer
Executive Director

cc: Rep. Marge Roukema
Rep. Barney Frank
Rep. Carrie Meek ✓


California Coalition for Rural Housing

926 J Street, Ste. 1400
 Sacramento, CA 95814
 (916) 443-4448 (fax) 447-0458
www.culturalhousing.org

RECEIVED

JUL 02 2001

Carrie P. Meek, M.C.

June 26, 2001

The Honorable Marge Roukema
 2469 Rayburn House Office Building
 United States House of Representatives
 Washington, DC 20515

Dear Representative Roukema:

The California Coalition for Rural Housing (CCRH) is a coalition of community-based nonprofit and public developers who produce affordable rural housing and related infrastructure. We fully support and endorse H.R. 1191, the "Community Development Block Grant Renewal Act".

CCRH is especially heartened by the bill's intent to restore the spirit of the original Act, to "principally" benefit lower income people, by better focusing CDBG funds on the extraordinary needs of low income people. Far too much CDBG is used to substitute for normal municipal and county functions, while low income people experience an increasingly dire shortage of affordable housing and affordable services such as day care and transportation to work. While many jurisdictions might be complying with the letter of the law, we know that people with the greatest needs, low income and extremely low income people, are not benefiting from CDBG activities commensurate with severity of their needs.

Our members principally use CDBG Small Cities funds that are passed through the California Department of Housing and Community Development (HCD) on a competitive basis. Fortunately, HCD has a strong record of low-income targeting, particularly in the housing area, that well exceeds federal mandates. However, this is not the case with entitlement communities in the state and other state-administered programs where monies are committed to public works and facilities projects that benefit middle- and upper-income residents.

In addition, the bill will reduce barriers to nonprofits' access to CDBG money so that they can promote and provide genuine public participation, and foster greater accountability to the public. Often, the public participation requirements of the program are treated locally as a perfunctory, pro forma exercise with little, if any, sincere outreach to under-represented populations. As a result, the best organized and well-funded groups receive funding, while the needs of the poorest citizens go wanting.

Thank you for carrying this important legislation.

Sincerely,

Robert Wiener
 Executive Director

CC: Rep. Barney Frank (2252 Rayburn House Office Building)
 Rep. Carrie Meek (2433 Rayburn House Office Building)

**COALITION on HOMELESSNESS
and HOUSING in Ohio**

June 6th, 2001

The Honorable Carrie Meek
United States House of Representatives
2433 Rayburn House office Building
Washington, DC 20515

RECEIVED
JUN 12 2001
Carrie P. Meek, M.C.

Dear Representative Meek:

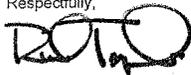
The Coalition on Homelessness and Housing in Ohio (COHHIO), which represents the interests of low-income individuals and families throughout the State of Ohio, fully supports and endorses H.R. 1191 the *Community Development Block Grant Renewal Act*.

COHHIO is especially heartened by the bill's intent to restore the spirit of the original Act, to "principally" benefit lower-income people, by better focusing Community Development Block Grant (CDBG) funds on the extraordinary needs of low-income people. Far too much CDBG funding is used to substitute for normal municipal and county functions, while low-income people experience an increasingly dire shortage of affordable housing and affordable services such as day care and transportation to work. While many jurisdictions might be complying with the letter of the law, we know that people with the greatest needs, low-income and extremely low-income people, are not benefiting from CDBG activities commensurate with the severity of their needs.

Adding the "second tier of targeting" (40 percent of CDBG funds to directly benefit low-income people), and eliminating "benefit inflation" (by introducing "proportionate treatment") will go a long way toward channeling more of this scarce resource to the critical housing and community development needs of very low-income people. In addition, the bill will reduce barriers to non-profits' access to CDBG funding so that they can promote and provide genuine public participation, and foster greater accountability to the public.

Should you have any questions or require additional information, please do not hesitate to contact me at your convenience.

Respectfully,



Rick Taylor
Housing Policy Director



35 East Gay Street, Suite 210
Columbus, Ohio 43215-3138
P 614-290-1904
F 614-463-1060
catho@cohhio.org
www.cohhio.org



Fair Housing Enforcement, Education & Counseling Services

1061 W. Oakland Park Blvd., Suite 107
 Ft. Lauderdale, FL 33311
 Tel: (954) 567-0545
 Fax: (954) 567-0549
 TDD: 1-800-955-8771
 E-mail: hope@thechamber.com
 Website: www.thechamber.com/hope

April 5, 2001

Board of Directors

Melanie Garman
 CommerceBank
 Chairperson

Norma Bancroft
 Paycroft Interiors
 Vice Chairperson

Vashtye Leon
 The Housing Authority
 City of Miami Beach
 Secretary

Karl D. Kennedy
 Miami Beach Dev. Corp.
 Treasurer

Suzanne Salchis
 Team Metro
 Parliamentarian

Bradford E. Brown
 Southeast Fisheries Center

Andrey Finkelstein
 Chair Emeritus

Paul N. Hogg
 Century 21
 A. Caruana & Associates

Adan Jimeno
 Adan Jimeno & Associates

Professor Donald Jones
 Univ. of Miami School of Law

Rabbi Jeffrey A. Kahn
 Temple Israel of Greater Miami

Theodore Laing
 Mortgage Finance Program

Marcella M. Mingo-Banks
 Miami-Dade Equal Opportunity Board

Barbara L. Romani
 Citibank

Juan Carlos Sanchez
 Bank United

Bill Thompson
 President & CEO

The Honorable Carrie Meek
 United States House of Representative
 2433 Rayburn House Office Building
 Washington, DC 20515

Dear Representative Meek:

Housing Opportunities Project for Excellence, Inc. (H.O.P.E., Inc.) represent the interests of low income people regarding their quest to live where they choose without the barrier of discrimination because of their race, color, religion, national origin, sex disability, or familial status in South Florida.

We fully support and endorse the bill you introduced, H.R. 1191, the "Community Development Block Grant Renewal Act".

H.O.P.E., Inc. is especially heartened by the bill's intent to restore the spirit of the original Act, to "principally" benefit lower income people, by better focusing CDBG funds on the extraordinary needs of low and moderate income people. Far too much CDBG is used to substitute for normal municipal and county functions, while low income and moderate people experience an increasingly dire shortage of affordable housing and affordable services such as day care and transportation to work. While many jurisdictions might be complying with the letter of the law, we know that people with the greatest needs, low income and extremely low income people, are not benefitting from CDBG activities commensurate with severity of their needs.

Adding the "second tier of targeting" (40% of CDBG to directly benefit low and moderate income people), and eliminating "benefit inflation" (by introducing "proportionate-treatment") will go a long way to channeling more of this scarce resource to the critical housing and community development needs of very low income people.

In addition, the bill will reduce barriers to non-profit's access to CDBG money so that they can promote and provide genuine public participation, and foster greater accountability to the public.

Sincerely,

William Thompson, Jr.
 President & CEO

CC: Representative Marge Roukema
 Representative Barney Frank
 Representative Carrie Meek

RECEIVED
 APR 12
 CAROL ANN...



GREATER MIAMI NEIGHBORHOODS, INC.

Generating Affordable Housing

March 22, 2001

The Honorable Carrie Meek
U.S. House of Representatives
2433 Rayburn House Office Building
Washington, D.C. 20515

RECEIVED
MAR 27 2001
CARRIE P. MEEK, M.C.

RE: Community Development Block Grant Renewal Act of 2001

Dear Representative Meek:

On behalf of the Board of Directors for Greater Miami Neighborhoods, Inc., I would like to offer our support of your bill to improve the Community Development Block Grant (CDBG) Program by focusing more of the money for low-income people, and by increasing the opportunity for nonprofit organizations to foster public participation.

The CDBG Program has been an important tool in addressing community development needs in low-income communities across the county. Unfortunately, we are all aware of too many examples of local jurisdictions skating along the edge of the Federal requirements or outright ignoring the program's intent of serving lower income people. In a community such as Miami Dade County where we continue to see increasing levels of poverty and economic need, your proposed legislative change to the CDBG Program is eagerly welcomed.

Please let us know how we can be of assistance to you in advocating for the passage of this bill.

Sincerely,

Agustin Dominguez
President

300 N.W. 12TH AVENUE, MIAMI, FLORIDA 33128

◆ PHONE (305) 324-5505

◆ FAX (305) 324-5506



CONNECTICUT HOUSING COALITION

30 Jordan Lane • Wethersfield, CT 06109
Telephone: 860-563-2943 • Fax: 860-529-5176 • E-mail: info@ct-housing.org

July 12, 2001

Rep. Marge Roukema
Chair, Subcommittee on Housing and Community Opportunity
2469 Rayburn House Office Building
Washington, DC 20515

Dear Rep. Roukema:

The Connecticut Housing Coalition is a network of 250 member organizations from throughout the state of Connecticut. We are writing to express our strong support for the "Community Development Block Grant Renewal Act" (H.R. 1191) introduced by U.S. Representative Carrie Meek of Florida.

Here in Connecticut, we know too well the struggles that low-income people face in seeking to secure decent, affordable housing:

- We are the wealthiest state in the nation, but three of our major cities are among the country's poorest.
- Last year, our state's Blue Ribbon Commission on Housing identified a shortfall of 68,000 units of affordable housing in Connecticut.
- A full-time worker here needs to earn \$15.67 an hour, two-and-a-half times the minimum wage, just to afford a modest two-bedroom rental.
- In lower Fairfield County, our most expensive housing market, a worker making only the minimum wage would have to work an incredible 141 hours a week to afford a two-bedroom apartment.

The Community Development Block Grant program has been an invaluable resource for expanding affordable housing opportunities and meeting the other desperate needs in low income communities. Nevertheless, we must do more to increase and assure the impact of CDBG on those greatest needs. Too often, our local governments appear to regard CDBG as federal revenue sharing, to be available for general municipal purposes. The clear intent of the program, to principally benefit lower income people, is diluted.

H.R. 1191 would accomplish important, needed reform measures to better target CDBG (e.g., increasing the "primary objective" from 70% to 80%; requiring "proportional consideration" when measuring benefit; assuring that areawide activities and economic

development activities truly benefit lower income people). The legislation would also promote increased citizen participation in the CDBG process and foster greater accountability to the public.

We urge your vigorous support of the "Community Development Block Grant Renewal Act." Thank you.

Sincerely,

Jeffrey Freiser
Executive Director

cc: Rep. Carrie Meek
Rep. Barney Frank
Connecticut delegation

TOWNSHIP OF LOWER MERION MONTGOMERY COUNTY		BOARD OF COMMISSIONERS
DAVID A. SONENSHEIN <i>President</i> JAMES S. ETTELSON, ESQ. <i>Vice President</i> CHARLES J. BLOOM, ESQ. ROCCO J. BURDO MATTHEW J. DOMISKY, ESQ. KENNETH E. DAVIS JANE DELLHEW LEWIS F. GOULD, JR., ESQ. EWALYN B. KADISH J. RANDOLPH LAWLACE, ESQ. JOSEPH M. MANKO, ESQ. MARYAM W. PHILLIPS FELICE G. WIGNER MARY WRIGHT	75 E. Lancaster Ave. Ardmore, Pa. 19003 2378 Telephone: (610) 649-4000 TDD: (610) 645-8277 FAX: (610) 645-6152.	DAVID C. LATSHAW <i>Manager</i> EILEEN R. TRAINER, CMC <i>Secretary</i> GILBERT P. HIGH, JR., ESQ. <i>Solicitor</i> EDWARD P. PLUCIENNIK, P.E. <i>Engineer</i>
March 13, 2002		
<p>The Honorable Joseph M. Hoeffel United States Congress - 13th District 1768 Markley Street Norristown, PA 19401</p>		
<p>Dear Congressman Hoeffel:</p>		
<p>It was recently brought to the Township of Lower Merion's attention that HUD Secretary Martinez is proposing reducing by 50% the amount of Community Development Block Grant (CDBG) funding provided in 2003 to entitlement communities that have per capita incomes at least two times the national average. Lower Merion falls into this category, along with other similarly situated Northeast U S and California communities. We are seeking your assistance in opposing these reductions.</p>		
<p>The Township is very concerned about the possible loss of this funding. More than 85% of the federal entitlement grant is spent directly benefiting eligible low-and moderate-income residents. As a well developed, first ring suburb, Lower Merion has a high per capita income. However, there is clearly a great disparity between the average wealth of a community and the per capita income of CDBG-eligible citizens. One result is that land values are extremely high and housing costs are one of the biggest burdens for lower-income residents. As the community's residents pay federal taxes, those who are eligible to benefit from the entitlement grant should not be penalized because they live in a prosperous community. Creating and promoting the preservation of affordable housing is not a required local government service and if CDBG funds are cut, it is unlikely that local tax revenues will be diverted to this effort. A 50% CDBG cut to Lower Merion Township represents a loss of over \$700,000 in annual funding.</p>		

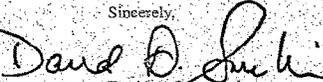
The Honorable Joseph M. Hoeffel
 --Page 2--
 March 13, 2002

Lower Merion Township has typically allocated approximately 39% of our CDBG funding for housing rehabilitation, development and acquisition, 31% for community facilities, 15% for public services and 15% for administration and planning activities. The CDBG funding formula is already adjusted for each community's poverty level. Therefore, higher-income communities receive less money than lower-income communities. Cutting higher-income community allocations in half may well result in lower income residents having to move to more affordable locations that provide needed public services. The potential concentration of low-income people in those communities that already have affordable housing and overtaxed public service agencies is inappropriate. One long-standing national goal is to foster the creation of economically integrated communities and the CDBG program is a key tool for accomplishing this mission. While the Township realizes that funding priorities for HUD reflect national needs, it is our hope that you will be able to help the Township ensure that our residents do not suffer as a result.

I understand that you have gone on record opposing the proposed cuts and that Congresswoman Marge Roukema, (R-NJ) Chair of the Subcommittee on Housing and Community Opportunity of the Financial Services Committee, is holding a hearing on this matter on Thursday, March 14th at 10:00 am. I respectfully request that you testify against the proposed funding cut and, if possible, read this letter into the record to document the Township of Lower Merion's opposition.

On behalf of Lower Merion Township, I thank you for your consideration and assistance.

Sincerely,


 David A. Sonenshein
 Board President

DAS:jk

cc: Rick Santorum, United States Senator
 Arlen Specter, United States Senator
 Members of the Board of Commissioners
 David C. Latshaw, Township Manager
 Robert E. Duncan, Director of Building & Planning