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THE PITTSBURGH EXPERIENCE: HOW HAS THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM SHAPED THE STEEL CITY?

HEARING

BEFORE THE

SUBCOMMITTEE ON FEDERALISM AND THE CENSUS

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

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THE PITTSBURGH EXPERIENCE: HOW HAS THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM SHAPED THE STEEL CITY?

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FEDERALISM AND THE CENSUS,
COMMITTEE ON GOVERNMENT REFORM,
Carnegie, PA.

The subcommittee met, pursuant to notice, at 10:15 a.m., in the Carnegie Municipal Building, One Veterans Way, Carnegie, PA, Hon. Michael Turner (chairman of the subcommittee) presiding.

Members present: Representatives Turner and Dent.

Also present: Representative Murphy.

Staff present: John Cuaderes, staff director; Jon Heroux, counsel; and Ursula Wojciechowski, professional staff member.

Mr. TURNER. I am going to call to order the subcommittee hearing, noting that a forum is present for this Subcommittee on Federalism and Census. And before we begin I want to note that today with this subcommittee hearing we have, with Mr. Dent and Mr. Murphy, two members in addition to the Subcommittee on Federalism and Census, but an initiative that Speaker Dennis Hastert pulled together called "Saving America's Cities." The Speaker looked within the Republican conference for Members that had experience in economic development and community development. He appointed 24 Members to this important working group, and the working group's function is to look both into their communities and to their experiences that they have had in working on issues of economic development and advise the Speaker on ways that Federal programs can be improved or ways that we need to respond to assist our communities to create jobs.

And Mr. Murphy and Mr. Dent, two Members from Pennsylvania, were recognized as having expertise in economic development and were appointed by the Speaker to be part of the advisory working group for him in addition to their important work on the Federalism and Census Subcommittee, which Mr. Murphy, I am certain, will highlight his efforts to make certain that we preserve community development block grants and the effects that they have on our community is one of the things we will be looking at today to help us in that process to making certain we strengthen and improve the program.

I would like to welcome all of you to the Subcommittee on Federalism and the Census in this field hearing. This is a followup to three hearings the subcommittee has held in Washington, DC, on this topic. As a former mayor, I understand that in order to com-

prehend the benefits and shortcomings of national programs, one should go to where the real action takes place. Field hearings allow us to do just that, to reach out to you and hear your views, your concerns, and your suggestions.

CDBG is one of the largest Federal block grant programs in existence. State and local governments use CDBG grant moneys to fund various housing, community development, neighborhood revitalization, economic development, and public service provision projects. CDBG is one the largest Federal-direct block grant programs in existence. For over 30 years the CDBG program has been a critical tool in the arsenal of cities to help create livable communities for individuals and families. Without question, the program provides vital funds for addressing poverty and other community development needs.

However, in recent months the effectiveness of the program has been called into question. Much of this scrutiny has been related to the mechanisms used for delivering CDBG funds to grantees and whether those grantees have ultimately spent those funds in the most effective way. That is why we are here in Carnegie, to hear how you at the local level have used these funds and how your citizens have benefited from the CDBG program. In general, we are interested in learning from you what works in the program and what does not.

I am very pleased with the response to this hearing, especially from the number and quality of witnesses seeking to testify today and the number of people who are in attendance. I would like to express my appreciation to the Borough of Carnegie for hosting us today, and especially for allowing us to use these Council Chambers today. Moreover, I would like to give my thanks to Congressman Tim Murphy for inviting us to his district and for his efforts in facilitating this hearing.

We have two panels of witnesses before us to help us understand how the CDBG program has benefited the Pittsburgh metropolitan area, as well as what can be done better in the future. Our first panel consists of 3 witnesses from the national and local elected official perspective. They are the Honorable Pamela Hughes Patenaude, Assistant Secretary for Community Development and Planning at U.S. Department of Housing and Urban Development; the Honorable Dorothy Kelly, councilmember for the Borough of Carnegie; and the Honorable Diana Irey, county commissioner for Washington County, Pennsylvania.

The second panel of witnesses consists of four representatives from the Pittsburgh area community development practitioner community. They are Stanley Gorski, executive director of the South Hills Area Council of Governments; Rear Admiral William McGowen, executive director of Redevelopment Authority of the county of Washington; William Mitchell, assistant director of planning and development, Westmoreland County Industrial Development Corp.; and Diana Reitz, community development coordinator for the city of Jeannette, PA.

I look forward to hearing our expert testimony of our distinguished panel of leaders, which will be provided to us today, and I thank you all for your time and for coming today.

In addition to our witnesses, I am pleased to have two of my colleagues with me here today. And I now yield to the gentleman from the 18th District of Pennsylvania, the Honorable Tim Murphy, for any opening remarks.

[The prepared statement of Hon. Michael R. Turner follows:]

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SUBCOMMITTEE ON FEDERALISM AND THE CENSUS
Congressman Michael R. Turner, Chairman

OVERSIGHT HEARING
STATEMENT BY MICHAEL R. TURNER, CHAIRMAN

Hearing Topic: *"The Pittsburgh Experience: How has the Community Development Block Grant Program Shaped the Steel City?"*

Monday, July 18, 2005

10:00 a.m.

Carnegie Municipal Building
Council Chambers
Carnegie, Pennsylvania

OPENING STATEMENT

Welcome to the Subcommittee on Federalism and the Census' field hearing entitled "*The Pittsburgh Experience: How has the Community Development Block Grant Program Shaped the Steel City?*" This is a follow up to three hearings the Subcommittee has held in Washington, DC on this topic. As a former mayor I understand that in order to comprehend the benefits and shortcomings of national programs, one should go to where the real action takes place. Field hearings allow us to do just that, to reach out to you and hear your views, your concerns and your suggestions.

CDBG is one of the largest federal direct block grant programs in existence. State and local governments use CDBG grant monies to fund various housing, community development, neighborhood revitalization, economic development, and public service provision projects. CDBG is one of the largest federal direct block grant programs in existence. For over thirty years, the CDBG Program has been a critical tool in the arsenal of cities to help create livable communities for individuals and families. Without question, the program provides vital funds for addressing poverty and other community development needs.

However, in recent months, the effectiveness of the program has been called in to question. Much of this scrutiny has been related to the mechanisms used for delivering CDBG funds to grantees and whether those grantees have ultimately spent those funds in the most effective way. That is why we are here in Carnegie, to hear how you, at the local level, have used these funds and how your citizens have benefited from the CDBG program. In general, we are interested in learning from you what works in the program and what does not.

I am very pleased with the response to this hearing especially from the number and quality of witnesses seeking to testify today.

I would like to express my appreciation to the Borough of Carnegie for hosting us today, especially for allowing us to use these Council Chambers today. Moreover, I would like to give my thanks to Congressman Tim Murphy for inviting us to his district and for his efforts to facilitate this hearing.

We have two panels of witnesses before us to help us understand how the CDBG program has benefited the Pittsburgh metropolitan area as well as what can be done better in the future.

Our first panel consists of three witnesses from the national and local elected official perspective. They are the Honorable Pamela Hughes Patenaude, Assistant Secretary for Community Planning and Development at U.S. Department of Housing and Urban Development; the Honorable Dorothy Kelly, Councilmember for the Borough of Carnegie; and the Honorable Diana Irey, County Commissioner for Washington County, Pennsylvania.

The second panel of witnesses consists of four representatives from the Pittsburg area community development practitioner community. They are Mr. Stanley "Lou" Gorski, Executive Director of the South Hills Area Council of Governments; Rear Admiral William McGowen, Executive Director Redevelopment Authority of the County of Washington; Mr. William Mitchell, Assistant Director of Planning and Development Westmoreland County Industrial Development Corporation; and Ms. Diana Ritz, Community Development Coordinator for the City of Jeannette, Pennsylvania.

I look forward to the expert testimony our distinguished panel of leaders will provide today. Thank you all for your time today and welcome.

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Mr. MURPHY. Thank you, Mr. Chairman, and thank you for having this congressional hearing here in the fine borough of Carnegie. I want to make sure everybody knows how to pronounce it in case any people here are from out of town. Andrew Carnegie is the way we say it here.

I also want to thank the borough and thank everybody who are going to be witnesses and talking today on this very important issue of the Community Development Block Grant Program, which was established back in 1974 to provide low and moderate-income communities with supplemental resources for projects such as infrastructure improvements, rehabilitation of blighted areas, public services, and other economic development projects.

Over its more than 30-year lifespan, CDBG, as administered through the Department of Housing and Urban Development [HUD], has provided the largest and one of the most reliable sources of Federal funds for our States, counties, and towns to draw upon for community-improvement programs. Today, 1,168 State and local governments considered "entitlement communities" receive direct allocations of CDBG moneys based on one of two formulas. These funds are then redistributed by the governments for various activities, including commercial and industrial improvements, acquisition of property, financial assistance for local businesses, residential property rehabilitation, and public facilities improvements.

In the 18th Congressional District, which includes parts of Washington, Allegheny, Westmoreland, and Beaver Counties, much of the CDBG funds have been used for water and sewer improvements, street improvements, and assistance to local businesses.

Last fall, southwestern Pennsylvania experienced devastating flood damage as a result of Hurricanes Frances and Ivan, some that we just saw on our walking tour of town. It resulted in $60 million in losses to communities in the region and damaged 30,000 homes and businesses. Ten months later, as you can see, many of these towns are still struggling to clean up and rebuild.

Last week, HUD announced the release of $150 million in CDBG disaster recovery assistance grants for disaster relief, long-term recovery, and mitigation for communities across the country hit by hurricanes. Pennsylvania will receive $2½ million to help alleviate still unmet housing, business, and public assistance needs that develop due to this flooding.

This morning, I had the privilege to escort my colleagues, Congressman Turner and Congressman Dent, on a tour of Carnegie, one of our local communities hit hardest by the floods. And I believe it is crucial that Members of Congress with oversight responsibilities over CDBG see firsthand both the needs of these communities and how the funds will be utilized.

That is why I am grateful this subcommittee has decided to hold this hearing today in Pittsburgh, away from the Washington beltway bureaucracy, to experience the positive impact CDBG has had on towns in real America.

As most of us in this room know, earlier this year President Bush proposed that several Federal community and economic development programs, including the Community Development Block Grant Program, be consolidated with the Department of Commerce.

While the administration has not sent a formal legislative proposal to the Hill, and the House has continued to fund CDBG and HUD, Chairman Turner has held several hearings to examine the appropriateness and feasibility of this recommendation.

The administration's review of CDBG is not completely without warrant. The relatively broad mission of the program has led to concern that some dollars have been spent on projects that may not significantly contribute to the well-being of low and moderate-income urban areas. Criticisms have also been raised regarding the fairness of the funding formula, which can lead to less needy communities receiving more funding per person than communities with larger low-income populations. These are both issues Congress should consider as it evaluates the President's proposal. However, shifting of CDBG to a new Federal agency could significantly impact thousands of local governments and businesses and millions of people across the Nation that have come to rely on the positive contributions this program has had over the last three decades.

I believe it is vitally important Congress go beyond the beltway and hear a firsthand account of people who know best, our local elected officials and economic development coordinators—how CDBG has worked, how it hasn't worked, and suggestions for how to make the program better.

These moneys are real dollars which have a very real impact on real communities. The wholesale consolidation of CDBG with other programs is not a decision that should be made from 30,000 feet, but is a decision that should be made only after substantial feedback and consultation with individuals here on the ground.

I can think of no better place to learn about the contributions the program has made on the average American community than right here in southwestern Pennsylvania, and I am pleased that the chairman and the Government Reform Committee has agreed to hold this hearing.

I want to join you in welcoming all our witnesses and Congressman Turner, the former mayor of Dayton, OH, who has firsthand encountered a number of the issues involved with these grants, and also Congressman Dent, a former colleague of mine in the State Senate as well, from Allentown, PA. And I yield back the balance of my time. Thank you, Mr. Chairman.

[The prepared statement of Hon. Tim Murphy follows:]

Tim Murphy

U.S. Congressman for the 18th District of Pennsylvania

"The Pittsburgh Experience: How has the Community Development Block Grant Program Shaped the Steel City?"

Committee on Government Reform
Subcommittee on Federalism and the Census
July 18, 2005

The Community Development Block Grant program (CDBG) was established in 1974 to provide low- and moderate- income communities with supplemental resources for projects such as infrastructure improvements, rehabilitation of blighted areas, public services and other economic development projects.

Over its more than 30 year life span, CDBG as administered through the Department of Housing and Urban Development (HUD) has provided the largest and one of the most reliable sources of federal funding for our states, counties and towns to draw upon for community improvement programs.

Today, 1,168 states and local governments considered "entitlement communities" receive direct allocations of CDBG monies based on one of two formulas. These funds are then redistributed by the governments for various activities including commercial and industrial improvements, acquisition of property, financial assistance for local businesses, residential property rehabilitation and public facilities improvements.

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Just this morning, I had the privilege to escort my colleagues, Congressman Turner and Congressman Dent, on a tour of Carnegie, one of our local communities hit hardest by these floods. I believe it is crucial that Members of Congress with oversight responsibilities over CDBG see first hand both the needs of these communities and how the funds will be utilized.

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The Administration's review of CDBG is not completely without warrant. The relatively broad mission of the program has led to concern that some CDBG dollars have been spent on projects that may not significantly contribute to the well being of low and moderate income urban areas. Criticisms have also been raised regarding the fairness of the funding formula which can lead to less needy communities receiving more funding per person than communities with larger low income populations. These are both issues Congress should consider as it evaluates the President's proposal.

However, the shifting of CDBG to a new federal agency could significantly impact thousands of local governments and businesses and millions of people across this nation that have come to rely on the positive contribution the program has had over the last three decades.

I believe it is vitally important Congress go beyond the beltway and hear the first-hand account from the people who know best – our local elected officials and economic development coordinators -- how CDBG has worked, how it hasn't worked and suggestions for how to make the program better.

CDBG monies are real dollars which have a very real impact on real communities. The wholesale consolidation of CDBG with other programs is not a decision that should be made from 30,000 feet, but is a decision that should be made only after substantial feedback and consultation with individuals on the ground.

I can think of no better place to learn about the contributions CDBG has made on the average American community than right here in Southwestern Pennsylvania and I am pleased the Chairman and the Government Reform Committee has agreed to hold this hearing today.

Mr. TURNER. Thank you, Mr. Murphy. I appreciate your leadership in the efforts to retain CDBG funding, not only to make certain that the funding is there, but also that it is retained as a program at HUD and its efforts to be able to make an impact in the lives of people in their communities. I now turn to Honorable Charlie Dent, the distinguished vice-chair of this committee who is from the 15th District of Pennsylvania. And I yield to him for his opening remarks.

Mr. DENT. Thank you, Mr. Chairman, and thanks to my friend and colleague, Tim Murphy, whom I served with in the Pennsylvania Senate, as well as now Congress. I want to point out that I did serve in the Pennsylvania Senate as the Chair of the Senate Urban Affairs and Housing Committee, so I got to deal with a number of the issues that impact all of us.

I am also struck by the similarities of the impacts of Hurricane Ivan on this community of Carnegie, just as it impacted many of the many of the communities in my area as well, not just with Ivan, but the succeeding flood a few months ago. We experienced similar damage along the streams and also the Delaware River, and we are still recovering as well.

With respect to the CDBG program, the beauty of this program is its flexibility, and I suspect that in southwestern Pennsylvania, we spend the moneys in similar ways that we spend it in eastern Pennsylvania. You use this money for site improvements, you use it for demolition, you use it for mediation, in some cases you may use it to pay for staff, personnel in some cases where I live. You use it for a variety of purposes to advance the betterment of your communities.

And I am just excited to be here today to hear the testimony of all the presenters about just how you utilize those dollars and what you think we can do to make the program better. As was stated by Congressman Murphy, a lot of us in Congress have a great deal of concerns and reservations with respect to the President's program that would have consolidated CDBG and 17 other programs into the Department of Commerce. CDBG will not move to Commerce. You know, we would make sure of that. But we want to hear from you just specifically as to what you think we can do to make this program better and to better serve the needs of people in the region. So with that, I yield back the balance of my time. Thank you, Mr. Chairman.

Mr. MURPHY. Mr. Chairman, can I just interrupt for one moment if you would yield? I am not sure how well known it is that recently, CDBG disaster assistance grants just came to this area, Allegheny County, receiving $388,000 to rebuild homes damaged by the storm and purchase and demolish homes no longer available. Also Washington County received $400,000, and Penn Hills, another part of my district, received $115,000. Penn Hills is one of those communities which is identified as being eligible for those. For residents that may be watching this, it is a matter of contacting the proper authorities from the county or my office to find out how they can obtain some of those funds. So I yield back. I am sorry.

Mr. TURNER. OK. Thank you all for participating again in the field hearing today. And we will now start with the witnesses. Each

witness has kindly prepared written testimony, which will be included in the record of this hearing. Each witness has also prepared an oral statement summarizing their written testimony. Witnesses will notice that there is a timer with a light at the witness table. The green light indicates that you should begin your remarks, and the red light indicates that your time has expired. In order to be sensitive to everyone's time schedule, we ask that you adhere to the 5-minute time allowance for your oral presentation. We will follow that with a question-and-answer period from the Members. It is the policy of this committee that all witnesses be sworn in before they testify. So if you would please rise to accept the oath and raise your right hands. I will now swear in our panel of witnesses.

[Witnesses sworn.]

Mr. TURNER. Let the record show that all witnesses have responded in the affirmative. And we begin our testimony with Pamela Patenaude.

STATEMENTS OF PAMELA HUGHES PATENAUDE, ASSISTANT SECRETARY, OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; DOROTHY KELLY, COUNCILMEMBER, BOROUGH OF CARNEGIE; AND DIANA IREY, COUNTY COMMISSIONER, WASHINGTON COUNTY, PA

STATEMENT OF PAMELA HUGHES PATENAUDE

Ms. PATENAUDE. Good morning. I am Pamela Hughes Patenaude, Assistant Secretary for the Office of Community Planning and Development at the Department of Housing and Urban Development.

I am pleased to be here today in Carnegie on behalf of Secretary Alfonso Jackson. Thank you, Mr. Chairman, Congressman Dent, and Congressman Murphy, for scheduling this field hearing to gather information on the performance of the Community Development Block Grant Program and its influence on the city of Pittsburgh and the surrounding area.

I am pleased to be here before you today near my hometown of Upper Saint Clair alongside the Honorable Dorothy Kelly and the Honorable Diana Irey to discuss the impact of CDBG funding and hear from local recipients of CDBG assistance.

As Assistant Secretary for Community Planning and Development, I am responsible for the administration of the CDBG program. My predecessor, now Deputy Secretary Roy Bernardi, last testified before the subcommittee on May 24, 2005. During previous hearings, Mr. Bernardi testified on various CDBG issues, including the Grant Allocation Formula, eligible activities, and performance measures. We now have a unique opportunity to hear from local grantees and organizations assisted by CDBG.

Let me also use this opportunity to note that the President, via his 2006 budget, has proposed to consolidate 18 programs within the Department of Commerce, including the CDBG program. These programs would be consolidated into one program—the Strengthening America's Communities Initiative. This initiative would support communities' efforts to meet the goals of improving local economic conditions by simplifying access to Federal funds, increasing flexi-

bility, improving targeting, and establishing strong accountability measure.

However, let me begin with a brief overview of the CDBG program. The program has been the Federal Government's primary vehicle for assisting local governments and undertaking a wide variety of community development activities aimed toward improving the lives of low and moderate-income persons in the United States. In the course of its 30-year history, CDBG has provided a ready source of funding for housing rehabilitation programs, public services, public facilities and infrastructures, and economic development activities.

The city of Pittsburgh has focused its planning and community efforts on economic development and the revitalization of its neighborhoods, transforming itself into one of America's leading 21st century cities.

The city has used CDBG funds to address more traditional challenges found in former manufacturing centers such as aging housing stock and economic development. The city of Pittsburgh has reported that since 1974, CDBG has provided housing rehabilitation funding for approximately 18,000 units, the majority of which benefit low and moderate-income households. I would like to provide a couple of examples with respect to Pittsburgh's economic development. A small CDBG economic development loan in East Liberty led to the opening of a Whole Foods Market in a commercial district that had been declining for 40 years. Whole Foods has hired nearly 160 neighborhood residents to work in what was once an abandoned warehouse. This grocery store is expected to be a catalyst for additional commercial development nearby. Project officials indicate that the commitment of CDBG funds to this project was key in securing private investors.

This city is also undertaking a major redevelopment effort to transform the 123-acre site of a former steel plant. I had the pleasure of touring this South Side Works last night. The redevelopment plans call for offices, shops, and housing onsite. Total investment in the project is estimated to be approximately $350 to $400 million with an expected 5,600 jobs created, many of which will go to low and moderate-income persons. CDBG-related funding in this project to this point includes construction financing for two parking structures and related infrastructure improvements. Upon completion of the projection, real estate taxes will be approximately $8 million annually.

Another major CDBG grantee in the metropolitan area is Allegheny County. Allegheny County's fiscal year grant is more than $16 million and the county operates one of the largest urban county programs in the Nation with 126 cooperating jurisdictions.

The county's CORE housing program combines funds from HUD's CDBG and HOME Investment Partnerships programs to support affordable housing developments throughout the county. Both non-profit and for-profit developers may access these funds for new construction or for the conversion of existing single and multifamily properties for the benefit of low and moderate-income home buyers. The county's CORE program also provides funding for single-family owner-occupied rehabilitation activities. Over the past 6 1/2 years, Allegheny County has dedicated almost $3.2 million of

CDBG funds that have provided 294 housing rehabilitation loans for low and moderate-income home owners.

CDBG helps communities across the Nation address a variety of needs and funds an array of activities. However, it is often difficult to measure results. Therefore, HUD is implementing a comprehensive performance measurement framework for all of our formula grant programs with a specific focus on CDBG. We anticipate that will help HUD improve performance and track results.

Our partners—public interest groups representing cities, States, and counties across the country—are helping us to design a better performance measurement system. We will be conducting five forums around the country in the next few weeks to obtain input on how best to implement this proposed system. One of the forums will be held in Philadelphia this Wednesday. It is our belief that with better performance measurement tools, grantees such as Pittsburgh and Allegheny County will be able to design programs that maximize resources and results for low and moderate-income citizens. Cooperation with local communities will be essential to our success as we move forward, which is why this hearing today is so valuable.

Thank you, Mr. Chairman, Congressman Murphy, Congressman Dent. I look forward to answering your questions.

[The prepared statement of Ms. Patenaude follows:]

WRITTEN STATEMENT OF
PAMELA HUGHES PATENAUDE,
ASSISTANT SECRETARY FOR COMMUNITY
PLANNING AND DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT

BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON FEDERALISM AND THE CENSUS

FIELD HEARING

CARNEGIE, PENNSYLVANIA

JULY 18, 2005

Good morning. I am Pamela Hughes Patenaude, Assistant Secretary for Community Planning and Development at the Department of Housing and Urban Development. I am pleased to be here in Carnegie on behalf of Secretary Alphonso Jackson.

Thank you, Mr. Chairman, Representative Dent, and Representative Murphy for scheduling this field hearing to gather information on the performance of the Community Development Block Grant program and its influence on the City of Pittsburgh and the surrounding area. I am pleased to appear before you today, near my hometown of Pittsburgh, alongside the Honorable Dorothy Kelly and the Honorable Diana Irey, to discuss the impact of CDBG funding and hear from local recipients of CDBG assistance.

As Assistant Secretary for Community Planning and Development, I am responsible for the administration of the Community Development Block Grant program. My predecessor, now-HUD Deputy Secretary Roy Bernardi, last testified before this sub-committee on May 24, 2005. During previous hearings, Mr. Bernardi testified on various CDBG issues including the grant allocation formula, eligible activities, and performance measures. We now have a unique opportunity to hear from local grantees and organizations assisted by CDBG.

Let me also use this opportunity to note that the President, via his 2006 Budget, has proposed to consolidate 18 programs within the Department of Commerce, including the CDBG Program. These programs would be consolidated into one new program -- The Strengthening America's Communities Initiative. This Initiative would support communities' efforts to meet the goal of improving local economic conditions by simplifying access to federal funds, increasing flexibility, improve targeting, and establishing strong accountability measures.

However, let me begin with a brief overview of the Community Development Block Grant program. The CBDG program has been the Federal government's primary vehicle for assisting local governments in undertaking a wide range of community development activities aimed toward improving the lives of low- and moderate-income persons in the United States. In the course of its thirty-year history, CDBG has provided a ready source of funding for housing rehabilitation programs, public services, public facilities and infrastructure, and economic development activities.

The City of Pittsburgh has focused its planning and community efforts on economic development and the revitalization of its neighborhoods transforming itself into one of America's leading 21st Century cities.

The City has used CDBG funds to address more traditional challenges found in former manufacturing centers such as aging housing stock and economic development. The City of Pittsburgh has reported that since 1974, CDBG has provided housing rehabilitation funding for approximately 18,000 units - the majority of which benefit low- and moderate-income households. I would like to provide a couple of examples with respect to Pittsburgh's economic development. A small CDBG economic development loan in East Liberty led to the opening of a Whole Foods Market in a commercial district that

had been declining for 40 years. Whole Foods has hired nearly 150 neighborhood residents to work in what was once an abandoned warehouse. This grocery store is expected to be a catalyst for additional commercial development nearby. Project officials indicate that the commitment of CDBG funds to this project was key in securing private investors.

The City is also undertaking a major redevelopment effort to transform the 123-acre site of a former steel plant, an area known as South Side Works. Redevelopment plans call for offices, shops, and housing on the site. Total investment in the project is estimated to be approximately $350 to $450 million, with an expected 5,600 jobs created, many of which will go to low- and moderate-income persons. CDBG-related funding in the project to this point includes construction financing for two parking structures and related infrastructure improvements. Upon completion of the project, real estate taxes will be approximately $8 million annually, a significant improvement over only a few years ago.

Another major CDBG grantee in the metropolitan area is Allegheny County. Allegheny County's Fiscal Year 2005 grant is more than $18 million, and the county operates one of the largest urban county programs in the nation, with 125 cooperating jurisdictions.

The County's CORE housing program combines funds from HUD's CDBG and HOME Investment Partnerships programs to support affordable housing developments throughout the County. Both non-profit and for-profit developers may access these funds for new construction or for the conversion of existing single- and multi-family properties for the benefit of low- and moderate-income buyers. The county's CORE program also provides funding for single-family owner-occupied rehabilitation activities. Over the past six and a half years, Allegheny County has dedicated almost $3.2 million of CDBG funds that have provided 294 housing rehabilitation loans for low- and moderate-income homeowners.

CDBG helps communities across the nation address a variety of needs and funds an array of activities. However, it is often difficult to measure results. Therefore, HUD is implementing a comprehensive performance measurement framework for all of our formula grant programs – with a specific focus on CDBG. We anticipate that this will help HUD improve performance and tracks results.

Our partners – public interest groups representing cities, states and counties across the country – are helping us to design a better performance measurement system. We will be conducting four forums around the country in the next few weeks to obtain input on how to best implement this proposed system. One of the forums will be held in Philadelphia this Wednesday. It is our belief that with better performance measurement tools, grantees such as Pittsburgh and Allegheny County will be able to design programs that maximize resources and results for low- and moderate- income citizens and communities. Cooperation with local communities will be essential to our success as we move forward, which is why this hearing today is so valuable.

Thank you, and I look forward to answering your questions.

Mr. TURNER. Thank you. Councilwoman Kelly.

STATEMENT OF DOROTHY KELLY

Ms. KELLY. Thank you. I would like to first state that I have been councilperson for 1½ years, and I have been president of the council for about 11 months. Carnegie has applied for and been the recipient of CDBG funds over a period of 30 years. However the Federal records I was able to access were sketchy prior to 1989. So for that period of time, the grants that I looked at fell into two main categories—safety and recreation. Under safety or handicap access included the ramps, curb cuts, and walkways, and all of those things that we needed as a result of the American Disability Act.

We had retaining walls, and there is one for which a grant is pending. These walls were needed to prevent the road from falling onto business patrons' parking lot below and one to keep the road from collapsing into homes below. The road now, the grant is pending, is to prevent the entire road from collapsing, thereby closing off the only exit/entry to that road.

There were catch basins that were part of these grants, concrete steps to replace the wooden deteriorated ones for residents that live on the hill so they might have access by foot into the town.

An important one for us is the demolition of structures. The old municipal building was badly impacted by the flood, and as I speak, demolition is continuing there. There are 5 abandoned buildings that are in the process of being razed.

Chartiers Creek channel slope was corrected in 1999. The problem that exists in the creek today, however, are very complex. The 52-mile creek flows downhill to Carnegie. No laws prevent upstream communities from degrading land for residential and commercial development. The channel slope correction helped until Hurricane Ivan struck.

There have a been a great deal of storm and sanitary work as a result of the grants, and with road construction, there was one road for the Busway, and if you note, there is a Busway to the side of this building, and there is another one down the road a quarter of a mile.

The second category of projects relate to recreation. There was park lighting, hockey pads, volleyball court, park restroom renovation, tennis court and basketball court. Carnegie is grateful for the grants much needed in an old community.

In the present year, five grants are pending. The total of all the grants for both granted and pending is about $2 million. The total of all grants received, however, is about $329,000. If all the grants pending are approved, Carnegie will have received approximately 17 percent of the grants applied for. The grant money that we receive comes at a cost to us. We pay dues to COG, and that went up 20 percent this year. Much employee time is required in writing for the grants, the manager, the secretary, public works, and often services of an engineer.

I would like to give you a holistic approach to better understand the needs of Carnegie; 9 months after the flood, flood victims are still in need of help, and it is the Church Ministerial Association that is helping these people. There was not enough money given to

them through FEMA. After the flood, Senator Specter, Santorum, Secretary of Commerce, Donald Evans, all visited Carnegie, but no money was forthcoming. Residents did not receive enough FEMA money to cover their needs. FEMA offered a floodplain buyout for those who have water on the first floor. The buyout was not feasible for the borough. The Small Business Association did very little for businesses in this town.

Allegheny County reduced the assessments of properties affected by the floodplain 25 percent. The reduced assessment has further eroded the tax base in this town. There is not adequate revenue to support the reasons for the very existence of local government, and that is the safety, the roads, and the sewers.

The consent order mandated by EPA, DEP, and Allegheny County will cost the borough $1 million over 3 years. Liquid fuel tax money for road paving is not enough to resurface roads made worse from the flood. PennDOT maintains the State road here, and there were moneys to cover the loss, so those roads are in good condition. But other than that, they are in very poor condition. Section 8 housing at the 10-story Carnegie Towers continues to create problems for the fire and police departments and depressed property values in the area. And there are abandoned homes that were not cleaned after the flood. Owners simply closed the door and walked away. You can do an Internet search for Section 8 and properties, and they are being bought up in this town by some landlords. They just jump at the opportunity.

Carnegie is a town worth saving. Its location, close proximity to the city, to the airport, and to the two interstates and with a direct Busway to Pittsburgh, which is where the universities are located. Assets of the town include the Carnegie Library Music Hall, which is undergoing renovation. It will cost about $8 million. They have foundation and other grants, and they did receive one gallery grant. Three art galleries in town, music, Pittsburgh Music Academy, two ballet companies, two resident theater groups, a recently opened upscale nightclub restaurant, historical society, Honus Wagner Museum, and a very active Carnegie Renaissance group that takes care of the planters in this town, the banners that you saw in front of businesses. They also have business mixers. They do everything they can to promote business in this town. There is a group seeking to develop a trail to connect to the Panhandle Trail, and this trail eventually, if it is connected through Carnegie and the other areas, will go directly to Washington, DC.

So you can see that even with the creek having been such a damaging force in town, it could become an asset for boating for this town because the creek goes all the way to the Ohio River. Carnegie has all the ingredients for a viable community. Only the funds are needed to make it grow again to a destination town.

There were two recent events that make me optimistic that Carnegie will become a vibrant community. Otherwise, it could decay into a slum. The Carnegie Mellon University, in working with them, I was able to have them use Carnegie for their urban land. Senior students who are in the School of Architecture and Urban Planning will come to this town and they will draw up their vision of it. This will cost us nothing, and possibly we will have some good ideas for this town.

Another event that gives me hope, I submitted a lengthy proposal to the FHL Bank system, and just in the last week and a half I received word that we were selected as 1 of 10 communities in western Pennsylvania. This will give us technical assistance, training, and assistance in locating other kinds of funding.

I would like to end with a quote of Thomas Friedman, the journalist and political writer who has said, "If you don't visit a bad neighborhood, it will visit you." And we are all losers if Carnegie is not revitalized. Thank you.

[The prepared statement of Ms. Kelly follows:]

Submitted by:
Dorothy S. Kelly
President Carnegie Council
7-12-05

Impact of the Community Development Block Grant on Carnegie

Let me first give you very brief background information about me. My term of office began January 2004. I have been president since August 2004.

Carnegie has applied for and been the recipient of CDBG funds over a period of thirty years. Borough records are sketchy prior to1989.

The grants fall into two main categories: Safety and recreation.

Safety

- Handicap access includes:
  Ramps, curb cuts, walkway at Carnegie Park, Park rest rooms , elevator at Carnegie Library. All these went required as a result of the American Disability Act that mandated handicap accessibility.
- Retaining walls (4)
  Two walls were needed to prevent the road from falling onto the business patrons' parking lot below. Businesses would suffer and the growth of the commercial area would be stifled.
  One wall was needed to prevent the road collapsing onto the homes below
  One wall was needed to prevent the entire road from collapsing thereby closing off the only exit/entry to the road.
- Catch basins were needed at the radius of curbs to permit installation of handicapped ramps
- Concrete steps with rail replaced deteriorated wood steps and rail. The steps are needed for residents from the hill to access the town by foot. The grade of the hill is greater than 15%
- Demolitiion of strtuctures
  The old municipal building was badly impacted by the flood of Sept. 17. 2004. As I speak demolition work continues. Before demolition, the asbestos problem was addressed.
  Five old abandoned buildings were razed or will soon be razed
- Chartiers Creek channel slope was corrected in 1999. The problems that exist in the Creek flooding are complex. The 52 mile Creek flows downhill to Carnegie. No laws prevent upstream communities from degrading land for residential and

commercial development. The channel slope correction helped until hurricane Ivan struck on Sept. 17, 2004 with disastrous results.

- Storm and Sanitary sewers work. The Consent Order for Carnegie wherein storm and sanitary sewer water must be separated will cost Carnegie over one million dollars for the three stages outlined in the Consent Order. In old communities such as Carnegie, emergency sewer problems occur with regularity.
- Road construction. (1). One Busway stop and parking lot of the Parking Authority of Allegheny County necessitated that Arch Street be in good condition

The second category of projects relate to Recreation.

Recreation

- Multipurpose athletic field
- Park lighting
- Park pavilion
- Hockey Pad
- Volley Ball court
- Picnic shelter and tables
- Park restroom renovations

Carnegie is grateful for the grants, much needed in an old community. In year 32, this present year, five grants are pending. The total of all grants, both granted and pending is $1,943,118. The total of all grants, both granted and pending is $328,573. If grants pending are included, Carnegie received approximately 17% of the grant money applied for.

Mr. TURNER. Thank you. Ms. Irey.

STATEMENT OF DIANA L. IREY

Ms. IREY. Thank you. Good morning, Chairman Turner, Congressman Murphy, and Congressman Dent. I appreciate the opportunity you have provided to all of us today to speak to you about the importance of the CDBG program.

The Community Development Block Grant provides invaluable assistance to our municipal governments in Washington County for a myriad of projects that would otherwise not be completed. The funds are distributed on a rotational basis, and it allows our local officials to plan their budgets accordingly. Municipal governments are charged with numerous responsibilities, and they serve on extremely limited budgets. So many of the projects that CDBG has come alongside to help fund would not be completed. They are used for road and bridge projects, gap funding, redevelopment/revitalization studies, plans, and constructions, and comprehensive planning and implementation of ordinances.

CDBG program truly benefits our senior population. The home rehabilitation program has provided assistance to low-income and moderate-income households. Predominantly, our elderly are affected. This helped to complete repairs on our homes, which result in a higher quality of housing stock, and more importantly, has allowed our seniors to stay in their homes. Approximately 25 percent of the projects that have been completed in Washington County have directly benefited our senior citizens.

I want to mention three recent cases that resulted in allowing our seniors to stay in their homes. Robert and Joan Golbraith of Canonsburg had the exterior of their house painted and their back porch fully rebuilt. LouAnn and Eugene Clark of Washington received new siding, new windows, and a garage roof. Joyce Carroll and Francis Vennon of Washington now live in a home with a new roof, a new porch, a repaired bedroom that had suffered water damage.

On a larger scale in the New Eagle Borough, we had an abandoned, dilapidated hospital that was acquired, demolished, and remediated with CDBG funding. In its place was built a 42-apartment low-income senior high-rise. The nearest facility for our seniors, only approximately a mile and a half away, had a waiting list of over 5 years. So this was a very, very needed housing facility for our seniors.

Many of the fire departments in Washington County could not purchase the equipment that they need without the CDBG moneys. Water and sanitary sewer service has been provided and roads and bridges have been improved, including a major slide and a repair in Carroll Township resulting from an underground spring in an abandoned mine shaft. And due to the complexity of the stabilization process and road reconstruction, that project alone would have severely impacted Carroll Township's budget. That is the township in which I live. School buses travel that road. It was reduced to a one-lane road, and had been so for quite a while because no one could find the money to repair the road. Without the CDBG funds, it put our children at risk as they traveled that on the school bus, and also many people utilizing the road.

We have a development at the new Head Start facility to provide better educational opportunities for our low-income children. And that is a wonderful program. That, again, would not have been possible without CDBG funding. This program is all-encompassing, and it is difficult to provide just a thumbnail sketch in 5 minutes of what this program has done for Washington County.

This program has benefited our children directly with educational opportunities, our seniors with housing opportunities, our citizens with traveling opportunities. It has provided safe water and sewage. It has helped with our safety, and with our fire departments. So we are very much interested in seeing this program continue. In Washington County in 2002 we received $5.6 million in CDBG funding. It has reduced now to 2005 to $4.9 million. We would like to see this program restored. This program is critical in Washington County.

And we thank you for taking the time to come hear from us, the local residents and elected officials and economic development leaders in our communities, to know exactly what we are using this money for. We are pleased with how the program is working, and we ask that you please help us to continue. Thank you very much.

[The prepared statement of Ms. Irey follows:]

DIANA L. IREY
COMMISSIONER
WASHINGTON COUNTY, PA
TESTIMONY

"The Pittsburgh Experience: How Has the Community Development Block Grant Program Shaped the Steel City?"

The Community Development Block Grant program provides invaluable assistance to municipal governments in Washington County Pennsylvania for a myriad of projects that, otherwise, could not be completed.

The funds are distributed to municipalities on a rotational basis which allows the local officials to budget and plan accordingly. As you are aware, municipal governments are charged with numerous responsibilities on an extremely limited budget, whereby they rely on CDBG monies to maximize the benefits to the residents without inflicting financial burden on the taxpayers. The funds are utilized for road/bridge projects (gap funding); redevelopment/revitalization studies, plans and construction and comprehensive planning/implementation ordinances.

In addition to numerous downtown/business district improvements, the funds have been utilized in large part for the benefit of our senior population. The Home Rehabilitation Program provides assistance to low and moderate income households, predominantly elderly, to complete repairs on their homes which results in a higher quality housing stock and allows seniors to stay in their homes. On average, approximately 25% of projects completed are for senior citizens. Recently, three cases resulted in improvements that, otherwise, could not have been completed by the elderly homeowners due to financial constraints and difficulty coordinating such extensive home repairs. Robert and Joan Golbraith of Canonsburg had the exterior of their house painted and their back porch rebuilt through the program. LouAnn and Eugene Clark of Washington received new siding, new windows and a garage roof. Joyce Carroll and Francis Vennon of Washington now live in a home with a new roof, a new porch and repaired bedroom that had suffered water damage from the old roof. Again, these repairs allowed these seniors to continue living in their homes and improved the overall quality and value of their homes for energy efficiency, safety and resale in the future.

On a larger scale, the funds have been utilized toward the development of high density, affordable senior housing. In New Eagle Borough, an abandoned, dilapidated hospital facility was acquired, demolished and remediated with CDBG funds to allow for the construction of a new senior housing facility which provided much needed housing for the area and restored the site to the tax roles resulting in a revenue increase in excess of $130,000. This 4 story elderly housing facility offers 42 apartments for low income seniors and was chosen to receive a Regional Award of Excellence by the Middle Atlantic Regional Council of the National Association of Housing and Redevelopment Officials. The benefits realized by our seniors alone justify the need for the continuation of this program.

Nevertheless, other less visible projects provide far reaching benefits as well. Many fire departments serving low-income communities have completed rehabilitation to their fire stations and purchased fire and rescue equipment with CDBG monies. Again, fire departments provide a critical service with little dedicated funding sources.

Water and sanitary sewer service has been provided; roads and bridges have been improved, including a major slide repair in Carroll Township resulting from an underground spring from an abandoned mine shaft, which, due to the complexity of the stabilization process and road re-construction, would have severely impacted the entire transportation budget for the township, county and region if CDBG funds were not available; community parks and playgrounds have been constructed; multi-municipal plans have been developed to allow communities to plan for and control development and improvements to facilities dedicated to providing supportive services to families, children and mental health clients have been completed; and, finally, development of new Head Start school facilities have been realized to provide better educational opportunities to low-income children.

The program is so all-encompassing it is difficult to provide a thumb nail sketch of the impacts. All facets of the population are touched in some manner which results in a greater good for the entire County. CDBG funds benefit our children directly with educational opportunities, housing assistance and program development. CDBG funds benefit our elderly through housing opportunities, both rehabilitation of single family homes allowing our seniors to remain independent but also through development of senior housing facilities which meets a growing need for our aging population. CDBG funds benefit our residents overall by providing assistance to municipalities to provide the services needed such as water; sewer; road/bridge repairs especially those not anticipated; as well as providing for fire and emergency services and revitalization projects which, ultimately, increase the tax revenues and allow for the local governments to finance additional improvements in their respective communities.

This program is dedicated to low-moderate income households. Please do not forget that the most important components of that classification remain our elderly and our children. I think we can all agree that we, collectively, share the responsibility of ensuring that they are cared for and given every opportunity available. That is a snapshot of the importance of the CDBG program in Washington County.

Mr. TURNER. Commissioner, thank you so much. And again, I thank each of you for your time and your preparation for this important hearing. And we will begin our questions and comments with Mr. Murphy.

Mr. MURPHY. Mr. Chairman, how much time do we have, each of us, for questions?

Mr. TURNER. Let me do a round of 5 minutes and then see how that goes, and if we need additional time, we can do either a second round or extend that.

Mr. MURPHY. Thank you, Mr. Chairman. First of all, I would like the witnesses to know and also the audience to know that as far as some of the money, in addition to some of the grants that we work with CDBG to help out the county, and if people still have needs in Washington and Allegheny County, they can certainly contact the county. I don't know if there is a specific place in Washington County folks can apply for some of that $400,000 that just came through. Is it a matter of calling the commissioner's offices or——

Ms. IREY. We are having them go through our human services director.

Mr. MURPHY. OK.

Ms. IREY. They can call the commissioner's office, and we have a list of unmet needs that we are very appreciative that you were able to provide that funding for us.

Mr. MURPHY. And someone here in Allegheny County, they can contact our office, and we will give them the right number as well. And I should also say, we are working on some other appropriations to help here. We recognize that FEMA and the SBA programs are made to provide that quick response to residents, but something still needs to take place in the appropriations process, and we are working at that, as well as Army Corps of Engineers funding to help with dealing with the flood problems over time.

But I want to ask about a couple other things about the CDBG funding here. Madam Secretary, I guess part of the question is how does HUD monitor whether the grantees, for example, use at least 70 percent of the funds awarded for activities that really benefit low and moderate-income persons? What is the process used and do you feel that some improvements need to be made, or is it working adequately?

Ms. PATENAUDE. Thank you, Congressman Murphy. First of all, a consolidated plan, a 3 or a 5-year plan is required by the grantees to be submitted to HUD. Our CDB representatives in our field offices review those plans. The second report that is required of the grantees is an annual action plan. Again, the CDB field reps review the annual action to plan to see that it is in concert with the 3 to 5-year strategic plan; 90 days after the end of the program here, the grantees submit a CAPERS, a performance evaluation report. Our CDB reps have a risk analysis that they use to determine which grantees would be monitoring onsite with the grantee. We are certain with the process that is in place right now that we are doing a good job of monitoring CDBG grantees, but, of course, there is always room for improvement, and we are very hopeful that our performance measurement system will be that source of improvement.

Mr. MURPHY. Thank you. Also, let me ask about with regard to when you monitor that performance, because some of the criticism has come across country that I am concerned has been unfairly targeted CDBG for some changes here, has been that some communities and some States have misused that, for example, using funds just to balance the books at the end of the year. What do you do when that occurs? What kind of accountability is put into place?

Ms. PATENAUDE. If a grantee has misused the funds or not used the funds for eligible activity, the department does have the ability to reduce the grantee's allocation. In the case of a grantee that is not spending—we have a one and a half time is the goal that we have for grantees drawing down their funds. In that situation we also have the ability to recapture those funds from the grantee.

Mr. MURPHY. OK. And Commissioner Irey, thank you for being here today. But a question with regard to if you could use these funds on a rotational basis through communities——

Ms. IREY. Yes, we do.

Mr. MURPHY [continuing]. How do you determine that? That is a policy that Washington County has alone? Is that how you do that?

Ms. IREY. I believe it is Washington County's policy, and we determine it based on the needs in the communities and the population in the communities. We do have a formula established for that. It has been working that way for 10 years, since I have been in office, and I know that it is going very well.

Mr. MURPHY. But are there difficulties you encounter when using the CDBG funds or applying for them? Are there recommendations that you might want to make to this panel in terms of how we could make it smoother, easier, quicker, any of the above?

Ms. IREY. Allowing more money to be used for emergency projects such as the road slide that we had in Carroll Township would be helpful to allow a little more room to move.

Mr. MURPHY. So some formula changes on that?

Ms. IREY. Yes.

Mr. MURPHY. OK. And to Councilwoman Kelly, you had named a number of projects that were used here——

Ms. KELLY. Right.

Mr. MURPHY [continuing]. In Carnegie. I am sure you are aware other communities are also using some of these, so I don't expect you to represent other communities out here too. I don't know if you were aware before about this, this money we talked about, this CDBG money just coming through for emergency assistance. Is that something you are going to be able to notify your local residents here of some of that funding to be able to help them? Do you have a mechanism to do that?

Ms. KELLY. Well, our borough manager has done this sort of thing, although I do think that some of us should become more involved in it. I think that is one of the secrets to obtaining funding is to have these searched out and taken care of in a timely fashion. They are publicized some of the things that are done in our local paper and sometimes in the Pittsburgh newspaper.

Mr. MURPHY. OK. Thank you. And one final question for you. You had mentioned that there were some recordkeeping changes

since 1989. You don't have the records prior to that? It is not clear what was done before?

Ms. KELLY. I was not able to locate them. And as I would point out to you, I called to get the information, and it is out of my hands in a sense that I can only rely on the people that are maintaining these records. They moved from the old building 3 years ago and some records never made it up here.

Mr. MURPHY. Does that get in the way of future grants in terms of them being able to get these records? Is that not necessarily a problem then for you?

Ms. KELLY. I don't think that would be a problem. I think we just start with where we are and write for grants as they are needed.

Mr. MURPHY. All right. Thank you. Thank you, Mr. Chairman.

Mr. TURNER. Mr. Dent.

Mr. DENT. Thank you, Mr. Chairman. And I guess just an observation, Commissioner, I just noticed that it seems in Washington County you use a great deal of your CDBG money for infrastructure improvements?

Ms. IREY. Yes, we do. It is a very rural county.

Mr. DENT. And it is a little bit of a contrast from where I am, a more heavily urbanized area where you see a lot of downtown business redevelopment, remediation, demolition, that kind of work. I also noticed too you use money for Head Start?

Ms. IREY. Yes.

Mr. DENT. Did you build a Head Start facility?

Ms. IREY. Yes, we did.

Mr. DENT. That was just an interested use. And I was just curious to ask the secretary, what have you noticed in terms of best practices or problems that you have identified in various field offices about how these CDBG dollars are being spent? Could you give us any suggestion or some thoughts as to what are the best practices here in this region for example? Do you have any examples here in the Pittsburgh region?

Ms. PATENAUDE. An example of the best practice here in Pittsburgh?

Mr. DENT. Yes. Or problem for that matter.

Ms. PATENAUDE. The 123-acre site that they are developing, they use for economic development.

Mr. DENT. That was in Pittsburgh?

Ms. PATENAUDE. In Pittsburgh.

Mr. DENT. Yes. I have no further questions. I was just struck by the amount of money being used for infrastructure in Washington County which is—again, I can understand why you would do that there, a more rural county. And just contrasts to my experience. So thank you. Mr. Chairman.

Mr. TURNER. One of the exciting things about CDBG is that you get visible results. Things change in a community and things happen in a community. The excitement of the hard work that goes into both the community planning, the grassroots efforts, many times to identify projects, and then also the leveraging aspect of CDBG really does, I think, give a community a sense that these dollars, once placed into a project, attract other types of investment and commitment.

And Commissioner and Councilwoman Kelly, I am going to ask you if you guys could talk for a moment about two aspects of your work with CDBG, and really, your work about economic and community development. Because CDBG goes beyond just the issue of what did you spend the moneys on? It goes to the issue of what are your needs in your community that you are looking at with economic development and how can CDBG be used to help assist that.

So if we could talk about two things. One, if you could talk about the leveraging aspect. The funds that you have spent generally are not the only funds that go into a project, and usually there is a tremendous amount of hard work to find those other funds, to marry them to CDBG programs. So the leveraging aspect is one. And the second thing I would like to have you talk about is—and I know, certainly, in your community, Councilwoman Kelly, and the things that you have talked about, there is a tremendous amount of grassroots support for your economic and community development efforts. And if you could talk about your community's response to your efforts to use these funds for the projects that you identified and how they have been received. And why don't we start with Commissioner Irey.

Ms. IREY. Thank you. From a leveraging aspect, we have had downtown revitalizations in the major cities and boroughs in Washington County that if we did not have the CDBG moneys to leverage, we have no starting point. And we have revitalization projects in the city of Washington, which is where our county seat is, and the borough of Canonsburg. We have had them in the past in the city of Charleroi and the city of Monongahela. Many of our smaller communities, which are actually larger communities for our county, have been able to use these for leveraging funds. So they are a starting point.

And for grassroots support, boy, I couldn't tell you, if you had this in Washington County, I think you would have a lot more people attending, only because this is so critical for our county. People are very excited about the CDBG program because it does allow them the opportunity to do things they could not otherwise do. We hear back from constituents all the time. We get thank you notes, which is a little surprising, but we actually do because of the program. And I don't know what the response would be if we didn't have that. I would imagine that another type of program to be funded in another way would have to take its place because our local government simply could not provide the revitalization programs and help to seniors and our children that the CDBG program provides.

Mr. TURNER. Thank you. Councilwoman Kelly.

Ms. KELLY. Yes, as far as leveraging aspect, I know that Main Street was the important issue here, and there were two pedestrian laws in this town that had been there for many years, and actually, they helped destroy the town because there was such limited parking and people just wouldn't want to walk through there. But that was all taken care of, and I think on the walking tour you notice that area had been made attractive right there. And I don't know what all grants went into that, and perhaps Congressman Murphy would know better than I as to which grants went into it. But certainly, there was a great deal of money that came into it for that.

However, we hardly had time to get started until this flood hit the town, and we are almost to base one again. And so there is a great deal that needs to be done with revitalization of the business district. Without that, this is not a town any longer. We pointed out that even the drugstore in town had closed and we do have a group in town, the Carnegie Community Development Corp., and they were involved in bringing businesses into town. However, I don't think there was any real coordination between them and some of us who serve on council. And that has kind of fallen apart, and now it has been reorganized, and I have high hopes that the person that is executive director will get us started in that direction to try to bring businesses into this town. I think that is one of our prime concerns at the moment.

And, of course, the other is demolition of these old structures. I mean they are absolute slums after a while if they are not demolished and removed. And we do need the money for that. And we did get I think $38,000 for some, but that is not adequate to take care of all the other buildings. You did not see those areas on the streets below, which were in very bad shape. The road is like a washboard. And there are slum landlords that come in and they don't even follow the guidelines of the county. They somehow evade all of that and they slap a coat of paint on them, and there is mold growing behind that. So that is indeed a problem.

Mr. TURNER. Certainly.

Mr. DENT. Just for either of you, Dottie or Diana. Do either of you use CDBG dollars to pay for staff? Like in one of my communities——

Ms. KELLY. No.

Mr. DENT [continuing]. We use some dollars to pay for code enforcement, for example, which is a good use I think. But do you use——

Ms. KELLY. To my knowledge none of that money has been used for staff. That is why I am saying even with the 17 percent, it is not clear money to us because we then pay employees and an engineer to go out onsite for some of these grants. And we do pay COG and we pay dues to COG, and I pointed out that went up 20 percent this year. We did not pay it because we could not afford to do that.

Mr. DENT. Do you have a Main Street manager down here in Carnegie, Department of State program? Have you participated in that?

Ms. KELLY. No, but I am hoping with this one proposal through the FHL Banks that we will get their assistance. I mean we need someone that is very knowledgeable. I don't think we have people here that are quite that knowledgeable on how to handle that.

Mr. DENT. Thank you.

Ms. IREY. To my knowledge we did use some for the administration of the program. We use the CDBG program through our redevelopment authority, so they actually manage the program. And they also provide support staff because some of our local governments don't have the staffing capabilities or expertise to even know how to go about applying for matching grant funds or other things for the projects, even filling out the paperwork. So they assist in local governments.

And one thing I forgot to mention earlier was when it came to leveraging funding, some of our non-profits like Head Start that are able to receive some CDBG fundings are able to use that to leverage foundation money as well.

Mr. DENT. Thank you. That was interesting too. In my area I haven't seen as much use of the money for human service related program. I am on a Head Start Board where I live, use State capitol funds and a variety of sources. I am going to suggest that they look at CDBG to help their program. Thank you.

Mr. TURNER. Very good. One of the criticisms of CDBG when the administration brought forth the Strengthening America's Communities program, which would have consolidated 18 grant programs and moved them into Commerce, in effect eliminating CDBG, was an allegation that the program duplicated other efforts on the Federal level. When I hear the types of activities that you have undertaken, I am not aware of other Federal sources that duplicate the types of seed money and economic development assistance that CDBG would provide or has provided to your projects. So I want to ask you, is CDBG your second source that you go to or is it the primary source? Are there other sources that you are aware of or is this the only source that you would find in order to be able to fill that gap and make a difference in these projects?

Ms. IREY. To my knowledge, in 10 years this is the only source. This is such a huge program in Washington County, I can't even begin to tell you. Everybody looks forward to every year when we get a list of the projects that CDBG is going to fund. So I don't know of any duplication there could possibly be or any overlap from any other government with this program.

Ms. KELLY. The same is true here. It is our main source, and it is not a great deal when you consider the 10 years, roughly $330,000—or, no, what was the figure I gave you? About $330,000. We really don't have any foundation money for this. And I know they did for the library, which is quite an asset. It is the gem, the beacon up on the hill. And there was some government funding for that. I don't know all the details in that, but most of that money was from foundations and from outright donations of people. People have been very generous to this town actually. It is just like after the flooding with their donations.

Ms. IREY. Mr. Chairman, I would also like you to know that we don't seek projects for CDBG. Elected officials seek us with projects to find funding for. And CDBG happens to be one that allows a lot of funding for their projects. So there is never a shortfall of needs or programs that we need helping with.

Mr. TURNER. Excellent. Thank you. Ms. Patenaude, I apologize if I have mispronounced your name. There are two things that I am interested in if you could speak about. One, obviously, is the benefits of the CDBG program and its leveraging. To what extent does HUD monitor or track leveraging so that they can be viewed as an item that supports the CDBG program? We certainly hear about it from every community that we go to, and that ability to attract other dollars to important economic development projects for communities, I think, is one of the greatest things of CDBG. So leveraging is something that is very important, and I am very in-

terested in learning from you about, and how HUD might track that.

Another item that I think is interesting is that, in hearing from the different communities, just even the two we have today, the differences in the need and the differences in the uses are very wide. And that is true across the country. But many times the types of projects that a community might be undertaking may be somewhat similar to something another community has done. And the opportunity to share information about best practices with a little bit just of technical assistance and advice of what has worked or what has not worked, I think CDBG projects can be made more successful. And I know there is a lot of national associations that people participate in that share best practices information. But I am not quite certain at the HUD level that the best practices information is being collected and distributed. I would like your thoughts on that.

Ms. PATENAUDE. Thank you, Mr. Chairman. My understanding of best practices is that they are available to the public on our Web site. The 30th anniversary of CDBG in last September there was an effort underway at HUD to highlight some of the very successful programs. But I do agree that we could do a much better job with technical assistance by sharing best practices with other communities.

To answer your question on leveraging, I don't know the answer to that. The IDIS system is the information and funding system that we use. And I am not sure that we track leveraging dollars. So I would have to defer to my staff and get back to you.

Mr. TURNER. OK. I know that HUD has such a tremendous amount of expertise in the projects that are being undertaken as you review the strategic plans, the comprehensive plans that communities put together and then looking at the issue of how the funds are spent and their compliance to those plans. And it just would be great if we could look at how to harness that great expertise in HUD to make certain it is available to these communities. Thank you. Are any other questions from the Members?

Mr. MURPHY. Mr. Chairman, I have one for the secretary. And I was asked by a reporter and haven't been able to find an answer yet, but is there any data kept on overall the number of jobs that have been assisted—not necessarily directly created because I don't think government creates jobs—but certainly have come out of some of these CDBG grants? Any job count?

Ms. PATENAUDE. I believe that the IBIS system does track jobs created to benefit low and moderate income.

Mr. MURPHY. Do we have any idea what that overall number is?

Ms. PATENAUDE. I don't know the number but we can get back to you.

Mr. MURPHY. I appreciate that. How about you had mentioned something about economic return in terms of one of the projects in Pittsburg would yield $8 million in tax revenue coming through, but does that system also track overall dollars generated and overall economic impact? For example, business, the amount of sales, and other developments that come through then?

Ms. PATENAUDE. No, I don't believe we have the ability to track that, and that is one of the efforts underway is to create a perform-

ance measurement system that will actually capture the outcomes. My staff just sent a note to me here, sir, on the number of jobs created in fiscal year 2004, 75,000 jobs were created.

Mr. MURPHY. Nationwide?

Ms. PATENAUDE. Yes.

Mr. MURPHY. Is there any requirement of parts of communities to report back after they have used some of the money to give any information of what this has led to, local job development, economic impact?

Ms. PATENAUDE. I believe in the annual—the CAPERS, that is the performance evaluation report that information is requested. We don't have the ability to track it, though——

Mr. MURPHY. So we don't audit that afterwards?

Ms. PATENAUDE. We do. We do audit by doing the monitoring. And the grantees also input data into the IDIS system as well. We don't have the ability at this time, though, to compare the CAPERS and the IDIS system.

Mr. MURPHY. OK. Thank you. And thank you, Mr. Chairman.

Mr. TURNER. Good. Thank you. Just one last question for the commissioner and Councilwoman Kelly. Is there anything you can tell us that would be helpful for the program to be changed now that you have had the additional thoughts and the testimony that you have given today that you would like to leave us with in how we might be able to more assist your economic development efforts?

Ms. IREY. More flexibility in the program.

Mr. TURNER. Thank you.

Ms. KELLY. I would reiterate that is the case. I think when we need the emergency funds, it is an awfully long time to wait by the time you submit these and by the time we receive the moneys and put it out for bid. It is very time-consuming, and the residents begin to question their government when they have to wait so long. But we just follow whatever track we have to follow.

Mr. TURNER. Well, I want to recognize that from what I understand this is Ms. Patenaude's first House congressional hearing, is that correct?

Ms. PATENAUDE. Yes.

Mr. TURNER. So we appreciate you coming here and participating in this as your first. I do want to thank all of you for the time that you have given us, the time in preparation, the time for your staff, and I want to give you just one last opportunity if there is anything that any one of you would like to add to this record for a closing statement with us, I give you the opportunity now.

Ms. PATENAUDE. Mr. Chairman, I want to thank you for holding this field hearing today in Carnegie. Am I pronouncing it correctly?

Ms. KELLY. Carnegie.

Ms. PATENAUDE. Carnegie. OK, I will go home with the correct pronunciation. And Congressman Murphy, it is nice to meet somebody from Upper Saint Clair.

Mr. MURPHY. Me too. I didn't know you were from my town. Nice to see you.

Ms. PATENAUDE. Thank you, Congressman Dent.

Ms. KELLY. Yes, I would just like to thank you for the opportunity of having this. It is an eye-opener to me. I am a novice at

this sort of thing, and there will be other thoughts that will accompany. Perhaps I can be in contact with the offices after this.

Mr. TURNER. Absolutely.

Ms. IREY. I would also like to thank you for allowing us to testify, to make our needs known in our counties and municipalities, and also that you have allowed our economic staff. You will be hearing later from our director of Redevelopment Authority, and he will be giving you some more details about the program. So I thank you for taking your time out of your busy schedules to travel so far and to hear what our needs are in our district. Thank you.

Mr. TURNER. Thank you for your comments, and we certainly wish you great success. If there are additional comments that you would like to make, please submit them to the committee and we will help make certain that we have them. We are going to take a short 2-minute recess while the second panel is seated. Thank you.

[Recess.]

Mr. TURNER. Call to order the second portion of the hearing of the Subcommittee on Federalism and the Census. On our second panel I would like to welcome Mr. Stanley "Lou" Gorski, executive director of the South Hills Area Council of Governments; Mr. William McGowen, executive director of Redevelopment Authority of the county of Washington; Mr. William E. Mitchell II, assistant director of planning and development, Westmoreland County Industrial Development Corp.; and Ms. Diana Reitz, Community Development Coordinator, city of Jeannette, PA. We appreciate all of your efforts to provide us written testimony. We also appreciate your appearing today and the work that you are doing in providing us additional information on the CDBG program. As you would have heard with panel one, on the table there are lights that will appear. The green light indicates for you to commence your testimony. The red light means that your time has expired. As is the custom of this committee, we do swear in all of our witnesses. So if you would please stand and raise your right hands.

[Witnesses sworn].

Mr. TURNER. Let the record show that all the witnesses have responded in the affirmative, and we begin this second panel with Mr. Gorski, if you would begin your testimony.

STATEMENTS OF STANLEY GORSKI, EXECUTIVE DIRECTOR, SOUTH HILLS AREA COUNCIL OF GOVERNMENTS; WILLIAM MCGOWEN, EXECUTIVE DIRECTOR, REDEVELOPMENT AUTHORITY, COUNTY OF WASHINGTON; WILLIAM E. MITCHELL II, ASSISTANT DIRECTOR, PLANNING AND DEVELOPMENT, WESTMORELAND COUNTY INDUSTRIAL DEVELOPMENT CORP.; AND DIANA REITZ, COMMUNITY DEVELOPMENT COORDINATOR, CITY OF JEANNETTE, PA

STATEMENT OF STANLEY GORSKI

Mr. GORSKI. Good morning. I would like to thank the subcommittee for the opportunity to speak with you today about the impact of the CDBG program and its funding on helping municipalities in this area. Notwithstanding the President's proposal, I would encourage retention of the program in its current form, and I would

like to address current uses of CDBG funding at the local level, the supplemental benefits accrued to the participants in the program, as well as the consequences of the President's proposal in consolidating the programs, as he has suggested.

With respect to current uses, I would like to offer the perspective of 14 years of municipal service as a municipal manager in a municipality that was aggressively pursuing and successful in received CDBG funds for more than 14 years, and as a current administrator of the program in my current capacity.

Although constrained by the statutory requirements that the money be committed to low to moderate-income people, municipalities in this area have developed a wide array of strategies to both participate in the statutory objective. Common uses include infrastructure improvements, recreation enhancements, demolition activities, development and enhancement of senior citizen facilities, planning studies, commercial and economic revitalization, and public safety support.

By way of one brief example, I am going to call your attention to how the program can directly impact a community, and it is one in which I was involved several years ago, wherein an infusion of $800,000 in CDBG funds over a 6-year period prompted an additional commitment from the Commonwealth of Pennsylvania in the amount of $100,000, $500,000 from the local government, as well as $600,000 from the participants in the program. This was a commercial revitalization area that saw the business district eliminate blighted conditions, see infrastructure improvements, and most importantly, preserve jobs.

Notwithstanding the impact of that type of program, the supplemental benefits of the program cannot be ignored. As a matter of fact, if you do not appreciate the supplemental benefits, you will probably lose an appreciation for the program as a whole. First and foremost is what you mentioned earlier, Congressman, and that was leveraging ability of the dollars. We have the situation in most of the programs I administer now where the local governments are bringing in a local match, which means that the dollar value of the program is more than just the dollar value of the CDBG grant. You are looking at a situation where communities most often would not even be able to undertake the program or project without the CDBG money, which means you are helping to stabilize the financial base of the community as a whole, in addition to achieving the target objective.

In addition, you have the leveraging ability to take that dollar into the community that has other dollars available, be it the nonprofit corporation arena or other funding agencies through government. I am working on an application right now, for example, where the ratio is 5 to 1 CDBG with everything else coming in from other sources.

An additional benefit is the general stabilization of the community because you are enhancing the tax base, you are improving the general conditions, and thereby bringing benefit not only to the target community, but also to the municipality as a whole.

Not to be forgotten is the contractor community as well. We are in a situation where most of this activity is competitively bid, so you are looking at a whole host of small contractors being able to

effectively compete for jobs that would otherwise not be available to them. Keep in mind that they, in turn, are providing employment at prevailing wages, they are buying goods and services, as well as hiring subcontractors. We are not able to quantify this at our level, but we are looking at a situation or a discussion with these individuals really brings concern to their mind with the threat of this program disappearing, because the ability for them to participate means jobs; it means their very survival.

And last would be a focus on the President's proposal. Notwithstanding what he is attempting to do, whether it is either good or bad from our perspective, it means the termination of the program. And that would be absolutely devastating. Nobody in this room, I would suspect, would encourage the idea of a reduction in funding, but as difficult as a reduction would be, it would be preferable to have the dollars reduced and retain the program in its current form within HUD, as opposed to consolidating and moving it or whatever vestige is left into the Department of Commerce.

In short, the program is an important mainstay to the viability of fiscality and for the future of municipal governments, as well as the contractor community. If there is a problem with the program, fix it. Don't eliminate it. Thank you for the opportunity, and I welcome any questions.

[The prepared statement of Mr. Gorski follows:]

WRITTEN STATEMENT OF

STANLEY LOUIS GORSKI, EXECUTIVE DIRECTOR

SOUTH HILLS AREA COUNCIL OF GOVERNMENTS (SHACOG)

ALLEGHENY COUNTY, PENNSYLVANIA

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON FEDERALISM AND THE CENSUS

JULY 18, 2005

TESTIMONY OF STANLEY LOUIS GORSKI
EXECUTIVE DIRECTOR
SOUTH HILLS AREA COUNCIL OF GOVERNMENTS (SHACOG)
HOUSE SUBCOMMITTEE ON FEDERALISM AND THE CENSUS
JULY 18, 2005

I would like to thank the Subcommittee and Chairman Turner for the opportunity to speak with you today about the Community Development Block Grant (CDBG) program and its impact on local municipalities in this area, with special emphasis being given to those communities in the South Hills corridor of Allegheny County. As you are aware, in his 2006 Budget the President has proposed the consolidation of the CDBG program and 17 other programs into a new program known as the Strengthening America's Communities (SAC) Initiative within the Department of Commerce. As a consequence, not only would the CDBG program be moved from its current home in the U.S. Department of Housing and Urban Development, it would effectively be terminated. Notwithstanding this proposal, and with the intent of supporting retention of the CDBG program in its current form, I offer the following testimony on 1) the current uses of CDBG money by local governments in this area, 2) the supplemental benefits of this program for both local governments and the contractors and suppliers who participate in the program, and 3) the consequences of consolidating and moving whatever vestiges that are left of this program into the Department of Commerce.

CURRENT USES OF CDBG FUNDS BY LOCAL GOVERNMENTS IN THIS AREA, WITH SPECIAL EMPHASIS ON MUNICIPALITIES IN THE SOUTH HILLS CORRIDOR OF ALLEGHENY COUNTY

I offer this perspective on the use of CDBG funds by local governments as both a former municipal manager for 14 years with a SHACOG member municipality who applied for, and was successful in receiving, funding for a myriad of projects, and also as the current administrator of the CDBG program for the member municipalities of SHACOG. By way of brief background, SHACOG is a nonprofit corporation created to facilitate intergovernmental cooperative ventures which provide benefits ranging from being able to communicate as a single voice on matters of mutual concern to enjoying the economies of scale in program management due to the size of our organization. It serves 15 member municipalities which encompass a population of approximately 207,000.

Although constrained by the statutory requirement that the primary expenditure of CDBG funds be on activities that benefit low- and moderate- income persons, local governments in this area have developed a wide array of undertakings to benefit the municipalities while achieving the legal objective of the program. In general terms, local CDBG activities have encompassed projects such as:

infrastructure improvements, which have addressed storm sewer installations, sanitary sewer rehabilitation, water line installations, street reconstruction, and modifications to allow compliance with the Americans with Disabilities Act;

recreation enhancements, to include land acquisition for parks, playgrounds and tot lots; parks and playgrounds development; play equipment acquisition and installation; and recreation program management.

demolition activities, which allow for the removal of abandoned, dilapidated, and dangerous structures that not only create public safety problems for the municipality, but also inhibit investment and development in local neighborhoods;

development and enhancement of senior citizens facilities, which permits programs and services to be offered to the ever growing older yet viable generations in our communities;

planning studies, which allow municipalities to develop aggressive strategies that allow municipalities to undertake a wide array of activities ranging from commencing a process to eliminate blight to developing an economic plan to stimulate the local business community;

commercial and economic development projects, such as the rehabilitation of local commercial districts in aging municipalities which provides not only physical improvements but also the retention and creation of jobs; and

public safety support, such as the underwriting with a planned transition to full local absorption of costs, for police protection in troubled neighborhoods.

With this overview, please allow me to cite three varied, but specific examples that more clearly put the impact of the CDBG program at the local government level into perspective. First, as a municipal manager, I was involved in an extensive, six year project from 1977 through and including 1982 that focused on the rehabilitation and revitalization of the core area of the local business district. Recognizing that the value of a dollar was a bit more intense at that time, fueled by approximately $800,000 in CDBG funds over the six-year period, the program, which was governed by a mandated local development corporation formed by the entire business community, saw the infusion of $600,000 from the local businesses and property owners in the project area, an additional $110,000 committed by the Commonwealth of Pennsylvania, and $500,000 from the local governing body. This program prompted the active participation of 42 local businesses in the preservation and enhancement of that portion of the business district that comprised the project area, the preservation of jobs, the elimination of blighted conditions, and the infrastructure improvements of everything from streets to sewers to utilities. Moreover, this project stimulated a second activity which gave rise to another $650,000 from the Commonwealth which, in turn, provided for an expansion of commercial revitalization in the target area as well as another area of the commercial district. Long term, the seed money provided by the CDBG program not only leveraged an investment that was two and one-half times the amount of the grant, it allowed for the

undertaking of a project that the municipality could have never embraced on its own, produced economic benefits and infrastructure improvements in the community that would not have been otherwise possible, and enhanced the tax base of the municipality.

Second, and of more recent vintage, was a three-year phased project that saw the reclamation and conversion of otherwise unusable land into a multifaceted recreation facility. The ingenuity of the municipal engineer and landscape architect allowed for large-scale grading, redistribution of soil in the area, and site preparation for the construction of a baseball field, T-ball field, soccer field, restroom facilities, and playground, all surrounded by a walking trail. CDBG funds, matched with state assistance and municipal money, allowed for the development of a facility that would not otherwise have been possible. The program therefore allowed recreation activities for all age groups to be brought into an area that had previously been devoid of any such facilities.

Third, and currently in progress, is a rather unusual but no less important activity. A few years ago a large multi-structured apartment complex involving more than 1,000 residential units was sold to an investment company that converted much of the dwelling space into low- and moderate-income housing. That dramatic change brought increased pressure on local municipal services, especially public safety activities, without any increased financial resources to meet this demand. Having approached HUD, a multifaceted program, all funded through the CDBG program, was developed to help address the underlying problems and assist with the public safety needs. First, a summer work program was established to help the younger members of the community acquire work skills and personal discipline. Managed by the municipality, which services became an in-kind contribution to the project, the CDBG program paid for all activities related to the participants. Second, a recreation program was designed to provide alternative activities for the residents of the area. Again managed by the municipality, and supported by the school district, the CDBG program addressed all recreation activity costs. Third, the cost of assigning a police officer to a police substation in the complex was underwritten over a four-year period, with the financial assistance provided declining each year to allow a transition into an activity totally supported by the municipality. In this instance, without the assistance provided from CDBG funds, neither the summer work program nor the recreation program would have been possible, and the municipality would have strained to provide the public safety services not only in the project area but in the rest of the municipality as well.

SUPPLEMENTAL BENEFITS OF THE CDBG PROGRAM FOR BOTH LOCAL GOVERNMENTS AND CONTRACTORS AND SUPPLIERS PARTICIPATING IN THE PROGRAM

It is important that the supplemental benefits of the CDBG program also be recognized. Fully understanding that the focus of the program is on low- and moderate-income persons, there are direct benefits that accrue to local governments that cannot be ignored. In fact, an appreciation of these benefits brings a better appreciation for the CDBG program.

Although the three examples cited above happened to be larger undertakings, the vast majority of the projects administered for local governments in this area are under $100,000 in total value. Since the CDBG grant is most frequently accompanied by a local match, which means that the project value is more than just the CDBG grant, an important aspect of the program is the ability of the program to stretch ever more scarce local dollars to do more. Since these projects would most often not be undertaken without the infusion of the CDBG grant, while benefitting the target population, the program is also providing a direct secondary benefit to local governments. And because these projects would most often not be undertaken without outside assistance, the CDBG program is also allowing local governments to address needs they could not otherwise accommodate within their own budget. By supporting the maximum effective use of local tax dollars, the CDBG program is advancing the ability of local governments to provide essential services. Implicitly it is relieving pressure on municipal finances and allows scarce resources to be applied to other pressing municipal needs.

The CDBG program also often acts as a stimulus that prompts other grant sources to support a project. It is rare to find an agency that wants or has the ability to be the single funding source for an activity. Many agencies, however, react favorably when they see other funding sources participating in a project. It is not uncommon for a CDBG grant to leverage additional support in a ratio of two or three to one. For example, one of my municipalities has an application pending where the requested CDBG amount is only 20% of the $750,000 project budget.

An additional related benefit enjoyed by municipal governments is the general improvement brought to the community through the CDBG program. Recognizing that many of the municipalities are rather limited financially, sometimes the only capital projects that are able to be undertaken in a given year are those assisted by the CDBG program. In this area there are many municipalities with budgets that are only one or two million dollars in size. Funding a fifty or one hundred thousand dollar project is therefore a major support for that town. Moreover, every one of these improvements, regardless of the size of the municipality, implicitly stabilizes, and quite often increases, the tax base of the local government. In so doing it actually reduces the tax burden on all by precluding the need for tax increases to fund essential projects.

Not to be forgotten is the impact of the current program on the local economy. Because of the size of the projects, ample opportunity exists for wide-scale participation by contractors and suppliers. Since most of our projects involve construction related activities, they are competitively bid. Consequently, these projects have become the "bread and butter" mainstay for a host of small contractors. Deriving much of their livelihood from these projects, these contractors, in turn, are providing employment, at prevailing wages, hiring subcontractors, and purchasing materials and supplies from providers of these products. Of course, this spinoff continues with each of these subcontractors or suppliers. At our level, there is no way to quantify this impact but it is real. Conversations with local contractors about the proposed changes in the CDBG program produce great concern for their collective futures. In short, the loss of this program would definitely have an impact on the local small contractor construction community.

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CONSEQUENCES OF MOVING THE PROGRAM TO THE DEPARTMENT OF COMMERCE

There is obviously no one at the municipal level who wants to see CDBG program funding reduced. As troublesome as a reduction in funding would be, however, more devastating would be moving the CDBG program, or whatever is left of the program, to the Department of Commerce. As a practical matter, it appears that such a move would effectively end the program as we know it, even if it were funded at current levels.

Little is known about the design of the proposed Strengthening America's Communities Initiative program within the Department of Commerce, but from the limited information that is available, it appears that the program is slated to be configured as a competitive program as opposed to the entitlement format the CDBG program now enjoys. Such a change is likely to remove the smaller municipalities we serve from effective consideration and participation in the new initiative. They are likely to be precluded from eligibility because of their size, and even if they are eligible, they are likely to lack the staff and resources to manage the application and submission process. Dealing with most federal programs is an expensive proposition in terms of demands on staff time and the professional fees incurred for engineering and legal support. The current CDBG format has these costs either absorbed by the County or diffused through an operating agency such as SHACOG. Small projects would be futile because the advantage of the grant would be lost when compared to the expenses incurred to secure the grant. Even larger proposals from smaller municipalities would be at a disadvantage because they would likely be competing with major applications from larger municipalities such as the City of Pittsburgh. The economy of scale enjoyed by the larger municipal entity would overwhelm the small municipality.

Given the above, as painful as a reduction in funding for the current CDBG program would be, it would be better to have the program reduced and remain in HUD than to have the program fully funded and transferred to the Department of Commerce.

CONCLUSION

The CDBG program is an important mainstay to the viability and fiscal well being of municipalities in this area. The projects, services and benefits it provides are not readily replaced. If the program is experiencing difficulties not known at our level, they should be addressed in an effort to correct and improve the program. The proposal to eliminate the CDBG program is too radical a solution, especially when considering the advantages that will be lost. Preserving, strengthening and improving the current CDBG program should be the goal.

I am pleased to have had this opportunity to share these observations with you and I look forward to answering any questions you may have.

(6 oϕ 6)

Mr. TURNER. Thank you, Mr. Gorski. Mr. McGowen.

STATEMENT OF WILLIAM MCGOWEN

Mr. MCGOWEN. OK. I am going to do a PowerPoint presentation. Thank you for the opportunity to address you. It is going to be 20 minutes in 5 minutes, so hold on.

We feel that this is the most successful program in existence from the Federal standpoint. It keeps urban communities viable. It really is key in helping low-income people. Go ahead to the next slide.

And you can follow along or you can follow the slides, either one. If you follow the slides, you can followup with the other later.

It does revitalize and redevelop blighted areas—and, of course, we have plenty of those in Washington County from the past—maintains housing stock. Again, you don't want sprawl; you want to fix up what we have, especially in the downtowns. And from an economic standpoint, the small towns, this program is run at a county level, but the municipalities get all the benefit. Next slide.

There are some of the major areas where we feel that CDBG is key. Again, those top two, the sewer and the parks and the citizens' facilities, low-income census tracks, the low-income neighborhoods, that is direct help to those that are in need. It keeps and puts people in homes instead of having them go someplace that they shouldn't be.

Let me give you a bunch of examples here real quick and we will run through these. Let us take a look at downtown business districts. This program more than any other that I know of helps downtowns. It leverages many different kinds of moneys. In the case of Washington, we leveraged over $10 million. PennDOT, T–21 moneys, private moneys of businesses contributing to keep the downtown where it is supposed to be, very close coordination with Main Street Program. Charleroi is the same way down in the Mon Valley, you can see the facts there. The city of Monongahela the same way. It keeps and puts small towns back in business. Next slide.

The Head Start program has already been mentioned. It is a superb example. It took empty public housing, empty public housing, and put it where it needed to be in a very nice partnership with Community Action Southwest and the Housing Authority. We have done two of these and we are going to do one more of them. Next slide.

That shows you the before and after that you can see in doing that Head Start building in Washington. Next slide.

Another fine example, a neighborhood example, Highland Ridge neighborhood revitalization. We have acquired 42 properties and we are building 25 new single-family homes for very low-income people. Again, partnership and leverage. Now, Highland Ridge CDC was formed, banks giving money, PHFA contributing, and we, the Redevelopment Authority, provide the leadership and the staff to make it all happen. Next slide.

You can see the Highland Ridge example. The top one is a new home, and you can see the bottom one is what they were. We built energy-efficient homes for low-income, and we actually trained the

homeowner to be a good homeowner in terms of making payments. Next slide.

Another great example. For individuals without this program, the house becomes unlivable and the owners cannot afford to buy or live elsewhere. 1,800 homes so far over the years, code deficiencies, lead-based paint now has increased the cost of the program, but it is an excellent program. You can see 640 on the waiting list, so we need a lot more assistance in this area. Next slide.

These are some examples of before and after, before the rehab program. Next slide.

Elderly housing, this is a demand which will increase substantially in the future, obviously, with the baby-boomers, and we take between 7 and 8 facilities, 503 units, put people in there, low-income, and it has taken vacant, hazardous structures, taken then either to go away or remodel, and it puts these things on the tax roles. We paid full taxes on those elderly facilities. We, ourselves, own six facilities, 461 units. It is a very, very successful program. Again, there is some examples there. You can see the before and after of what it was and what it became. Next slide.

Demolition and clearance. This has been mentioned several times. It helps towns tremendously, and the cleared lots are used for all kinds of things, parks, new homes. Charleroi is now doing an open market with two buildings that we are tearing down. Elderly facilities, commercial, it removes blighted structures. And let me point out very strongly, without this kind of money, it doesn't happen. Those structures stay there. They don't go away. Again, a very successful business that you saw down in—this used to be Braydenville, and tear down a bunch of houses there. OK, go on to the next slide.

OK. Special help for special facilities. These are just two examples of many to help these kind of facilities so that they can put a new roof on or whatever and stay in business so that they can provide for the low-income people. Another one is we help the Housing Authority itself in a lot of ways, building new elevators, etc. Next one.

Recreation, this speaks for itself. And, again, partnerships with communities. Next one.

Again, these are other examples that we have and, again, they are older communities. They have older sewer systems, etc. The bottom one there, accessibility, that is key for the buildings. Next slide.

And to wrap up here a little bit, I could give you hundreds and hundreds of examples. We could write books of testimony. We could get books of testimony from the people that have gotten help through these programs. But let me point out that just since 2002 we have gone down 12 percent already in the CDBG funding. That doesn't take into account inflation or the rise in building costs, etc. So we should not go down anymore. It will hurt, and it will hurt the wrong people. It will also slow the economic growth. Next slide.

We feel that it is an excellent Federal program that is run correctly on the local level. We run it for the whole county. We have nobody that has opted out in any of the time we have been with it. If there is less CDBG money, then you are going to see more rundown, vacant homes and building and more people homeless

and living off the State, living off the Federal moneys. So the small downtowns would, and if the funding goes down, do exactly what you don't want them to, and that is to deteriorate. This program helps the downtowns tremendously. There is no substitute. If this goes down, then the examples that I have given you just won't happen. Thank you.

[The prepared statement of Mr. McGowen follows:]

Community Development Block Grant (CDBG) Program Testimony – July 18, 2005
Redevelopment Authority of the County of Washington

The Community Development Block Grant (CDBG) Program is the most visible federal program providing a flexible means to address local community development and housing needs. It has successfully assisted local governments in tackling the most serious challenges facing their communities. The CDBG program has significantly enhanced the lives of millions of low and moderate income people living in communities all across the United States including thousands of people living in Washington County.

Washington County is an entitlement county and, as such, has received annual CDBG funding since the inception of the program in 1974. The CDBG program has allowed municipalities located in Washington County to undertake locally chosen projects that otherwise would not be completed. These projects have provided a boost to the local tax base of their respective municipalities by improving infrastructure, revitalizing and redeveloping blighted areas, and improving the housing stock. The CDBG program has been and still is a vital tool to address the housing and community development needs of low and moderate income persons.

The mission of the CDBG Program is to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low and moderate income persons. The Redevelopment Authority of the County of Washington, as agent of the county, has effectively and efficiently followed the mission of the CDBG program by undertaking eligible projects in the 66 municipalities throughout the county.

Washington County has used CDBG funds to provide public improvements to water and sewer systems, parks, senior citizens facilities, streets, and sidewalks in low-income neighborhoods throughout the County. Additionally, Washington County utilizes CDBG funds for its county Home Rehabilitation and Homebuyer Assistance Programs, which provide assistance to low-income homeowners and first-time homebuyers. The following are a small sample of the hundreds of projects, which have been undertaken with CDBG funds:

- Public Improvements to Downtown Central Business Districts in Washington County: Central business district improvement projects revitalize the downtown and promote and stimulate economic growth for their respective communities.
    - City of Washington: The City of Washington's Downtown Central Business District Project, which involves streetscape improvements to 14 blocks, has been the catalyst for the planned $100 million Crossroads development project, which will create over 1,000 new jobs in the City. CDBG funds were used as leverage to secure $7 million in PennDOT funds, $4.5 million from a city bank, and $1.5 million from local businesses.
    - Charleroi Borough Downtown Improvements: Revitalization efforts in Charleroi Borough have lead to a net gain of 12 new businesses and 102 new jobs over the past four years. Additionally over $1.8 million dollars in private funds have been invested in the Charleroi Downtown.
    - City of Monongahela Downtown Revitalization Project: Streetscape and public improvements were completed in six blocks of the City of Monongahela's Downtown Central Business District. Revitalization efforts in the City of Monongahela have lead to the construction of a new Charleroi Federal branch office in the City and new jobs.

- Head Start School Facilities: Working in cooperation with the County Housing Authority and Community Action Southwest, the Redevelopment Authority utilized CDBG funds for the development of two new Head Start school facilities in Washington County, with a third new facility planned for this year. These projects involve the conversion of underutilized public housing buildings into new Head Start schools, which benefit low-income children and provide better opportunities for their educational growth. The new Head Start schools, which are operated by Community Action Southwest, are located in the public housing developments of the City of Washington's Maple Terrace and Canonsburg Borough's Valley View Terrace. The planned new Head Start school will be located at Donora Borough's Highland Terrace.

- Habitat for Humanity: The Authority has partnered with Habitat for Humanity in the development of new houses for low income families by providing assistance in locating vacant lots for Habitat to construct new homes. All of the lots were previously occupied by blighted structures that were demolished utilizing CDBG funds.

- Highland Ridge Neighborhood Revitalization Project: The Highland Ridge Redevelopment Project is revitalizing the Highland Ridge neighborhood located in the City of Washington, in which 62% of the residents have low or moderate income, only 30% of the homes are owner/occupied, and the cost of constructing new homes exceeds the resale value of homes. The project involves acquisition of land, demolition of blighted properties, and the infill construction of 25 new Energy Star rated, single-family homes. Low and moderate income families are given the opportunity to purchase the homes though the Highland Ridge Homebuyer Assistance Program, which provides financial assistance to them. CDBG funds were used as leverage to secure $500,000 from the Pennsylvania Housing Finance Agency, $125,000 from the Federal Home Loan Bank of Pittsburgh, and a $125,000 grant from a local bank.

- Washington County Home Rehabilitation Program: The Washington County Home Rehabilitation Program provides up to $23,000 in financial assistance to eligible low and moderate income households for repairs to their home, elimination of code deficiencies, removal of architectural barriers, and removal of lead base paint hazards. Over 1,800 low and moderate income households have been assisted under the Home Rehabilitation Program since its inception in 1977. The program helps the County maintain a higher quality housing stock and keep viable homes on the County tax roles. Additionally, the elderly population is able to remain in their homes by the assistance this program provides. The Home Rehabilitation Program maintains a waiting list of approximately 640 applicants, which demonstrates an obvious need for continued funding.

- Washington County Homebuyer Assistance Program: The Washington County First – Time Homebuyer Assistance Program provides downpayment assistance to eligible low and moderate income households for the purchase of an existing home. A new program

to Washington County in 2000, the Homebuyer Assistance Program has assisted 33 low and moderate income households to date. This program provides an opportunity that otherwise would not be available for low and moderate income households to achieve their dream of homeownership. The Homebuyer Assistance Program maintains a waiting list of approximately 65 applicants, which demonstrates an obvious need for continued funding.

- Development of Elderly Housing: CDBG funds have been used to prepare sites for the development of four new elderly housing facilities within the past 11 years, including Crest Avenue located in Charleroi Borough, Century Plaza located in North Franklin Township, Canon Apartments located in Canonsburg Borough, and John Lignelli Manor located in New Eagle Borough. Each of these developments eliminated a vacant and hazardous structure and placed an elderly housing facility for low income people on the tax roles. In all four developments, the CDBG funds were utilized to leverage funds from four local banks under the Low Income Housing Tax Credit Program. The banks purchased the tax credits, which provided $71 million of equity for the four projects. All four projects have received numerous awards from State and National housing organizations. Century Plaza Apartments and Crest Avenue Apartments were both recognized by the National Association of Housing and Redevelopment Officials with the National Award of Excellence. NAHRO presented this prestigious award to only six projects nationwide. In total, the Redevelopment Authority maintains 461 units of elderly housing in 6 facilities, and there are a total of 260 people on the waiting list.

- Public Housing Improvements: Washington County has utilized CDBG funds for improvements to four public housing facilities over the past five years. The County's Redevelopment Authority and Housing Authority have coordinated efforts to improve numerous public housing units. These improvements have benefited many low-income public housing residents.

- Demolition and Clearance: Demolition and clearance is undertaken to remove blighted structures located either in an identified redevelopment area or on a spot basis in

communities throughout Washington County. The demolition of dilapidated structures removes hazardous conditions in neighborhoods, increases the quality of housing stock, and provides space for new developments in these communities. Many demolition and clearance projects require environmental remediation and the proper removal of hazardous conditions created by these dilapidated structures.

- Public Facility Improvements:
  - Try-Again Homes Public Facility Improvements: Rehabilitation improvements were completed at the Try-Again Homes, Inc. office building in the City of Washington. Try-Again Homes, Inc. is a non-profit agency dedicated to the growth, development, and empowerment of individuals and families by providing counseling services and programs to families and children that are at or below the poverty level.
  - Mental Health Association Development Site Improvements: CDBG funds are being used to provide site improvements to support two new facilities in Bentleyville Borough developed by the Mental Health Association of Washington County. The two facilities will provide permanent housing and supportive services to 28 low-income mental health clients.

- Recreation Improvements: New construction of community parks and playgrounds and improvements to existing facilities in low income communities throughout Washington County have been undertaken.

- Water and Sewer Improvement Projects: Water and sewer service is a crucial component of Washington County's infrastructure. The ability to maintain existing water and sewer service or to install new service for development can create a financial burden for a municipality. CDBG funds have been used to provide improvements to older existing water and sewer lines and to install new lines to benefit low and moderate income households throughout Washington County.

- Fire Protection: Fire Departments that serve low-income communities have completed rehabilitation activities to their fire stations and purchased fire and rescue equipment. These projects allow a fire department to better serve their community in emergency situations.

- Removal of Architectural Barriers to Municipal Buildings and Community Facilities: Removal of material and architectural barriers that restrict the mobility and accessibility of elderly and/or severely disabled persons to municipal buildings and community facilities have been completed throughout Washington County with CDBG funds.

- Multi-Municipal Cooperation: We are also utilizing the CDBG program to assist municipalities to develop multi-municipal comprehensive plans and to jointly provide municipal services. We also provide a financial incentive to encourage smaller municipalities to consolidate or merge their boundaries. These municipalities are able to provide a higher level of public services more efficiently and at a lower cost to their citizens.

Washington County has successfully implemented eligible projects with CDBG funds since 1974. In FY 2002, Washington County received $5,626,000 in CDBG funds. In FY 2005, the county received $4,938,200 in CDBG funds, representing a 12% cut in just 3 years. Any further funding cuts to the CDBG program in the future will jeopardize Washington County's ability to effectively provide needed assistance and improvements for county residents. The adverse affect upon the residents of Washington County and other counties in the region will be substantial and lasting. Economic development and job growth will slow as a result.

As the municipalities in Washington County grow older, the number of blighted structures and the need for the removal of these blighted structures drastically increases. Meeting this growing need to demolish and remove blighted structures is difficult with the statute requiring that at least 70% of a grantee's expenditures over a particular time period be used for activities benefitting low- and moderate-income persons. The reduction of this 70% restriction would allow Washington County the ability to better meet the growing needs of its municipalities to

undertake more blight removal projects. It would make way for increased economic development and growth in Washington County and throughout the United States. We offer this suggestion as a possible means to improve the CDBG program.

As I have indicated throughout my testimony, the CDBG program has enabled the County of Washington to revitalize neighborhoods, expand affordable housing and economic opportunities, and improve community facilities and services, principally to benefit low and moderate income persons. CDBG funds also are used to secure grants from other Federal and State agencies and foundations, which require a local match. Furthermore, without the CDBG program, these housing and community development needs would not be addressed since local governments lack the necessary resources to undertake such projects.

We believe that the CDBG program has been administered efficiently and effectively on the Federal and local level and, therefore, we are requesting that Congress continue to provide adequate funding to local governments for the program.

The Redevelopment Authority of the County of Washington

Community Development Block Grant

Community Development Block Grant (CDBG) Program Testimony

July 18, 2005

The Redevelopment Authority of
the County of Washington
William R. McGowen – Executive Director

CDBG

The Redevelopment Authority of the County of Washington

Community Development Block Grant

The Success of CDBG

- Entitlement County since 1974
- Mission is Developing Viable Urban Communities
- Help for Low and Moderate Income Persons
- Revitalizes and Redevelops Blighted Areas
- Maintains Housing Stock
- Provides Suitable Living Environment
- Expands Economic Opportunities
- Boosts Local Tax Base by Improving Infrastructure

CDBG

The Redevelopment Authority of the County of Washington

Community Development Block Grant

The Success of CDBG

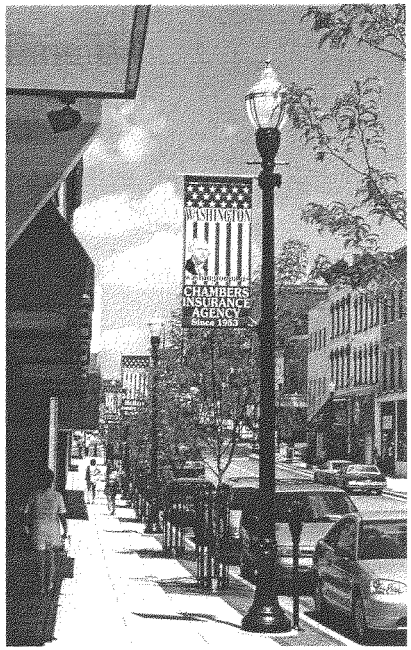
- Provides Public Improvements to:
  - Water and Sewer Systems
  - Parks
  - Senior Citizens Facilities
- In Low Income Neighborhoods throughout the County:
  - Home Rehabilitation
  - Homebuyer Assistance Programs

CDBG

Community Development Block Grant

The Redevelopment Authority of the County of Washington

Public Improvements to Downtown Central Business Districts

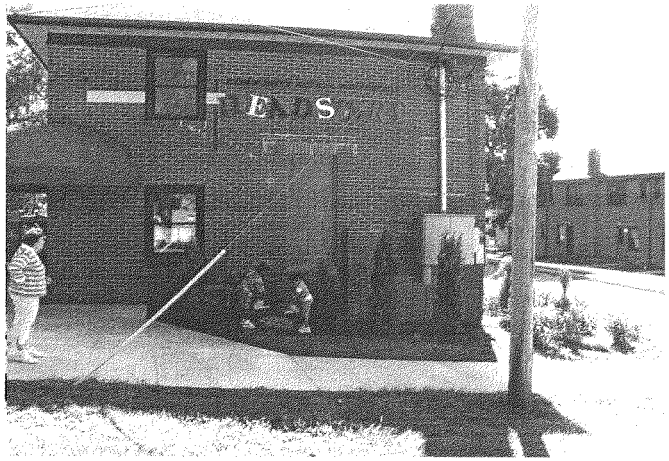


- City of Washington:
  - 14 Blocks of Streetscape and Public Improvements
  - Leverage for Crossroads Project, Creation of 1,000 Jobs, $100 mil Development
- Charleroi Borough
  - 12 New Businesses, 100+ New Jobs, $1.8 mil in Private Investments
- City of Monongahela:
  - 6 Blocks of Streetscape and Public Improvements, Construction of New Charleroi Federal Branch, Creation of Jobs

CDBG

The Redevelopment Authority of the County of Washington

Head Start School Facilities



- Conversion of Public Housing
- Benefits Low Income Children
- Provides Opportunities for Educational Growth

- PARTNERSHIP with Community Action Southwest and Housing Authority
- In Washington, Canonsburg and Donora

Community Development Block Grant

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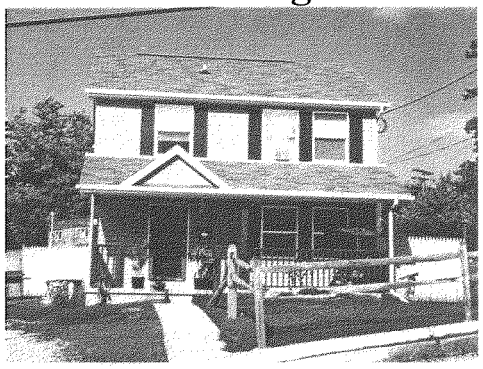
The Redevelopment Authority of the County of Washington
Head Start School Facilities
Before
After
Community Development Block Grant

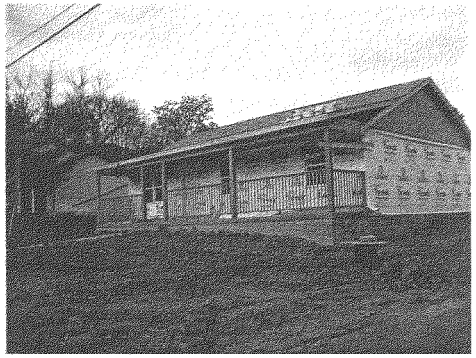
CDBG

The Redevelopment Authority of the County of Washington

Highland Ridge

Neighborhood Revitalization Project





- 62% Low/Mod Income Neighborhood
- Acquisition of Land
- Demolition of Blighted Properties
- Construction of 25 New Single Family Homes
- PARTNERSHIP and LEVERAGE – CDC, Banks, PHFA

Community Development Block Grant

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The Redevelopment Authority of the County of Washington

Highland Ridge

Neighborhood Revitalization Project

Before

Community Development Block Grant

CDBG

The Redevelopment Authority of the County of Washington

Community Development Block Grant

Home Rehabilitation Program

- 1,800+ Homeowners helped
- Repairs, Code Deficiencies and Lead Based Paint

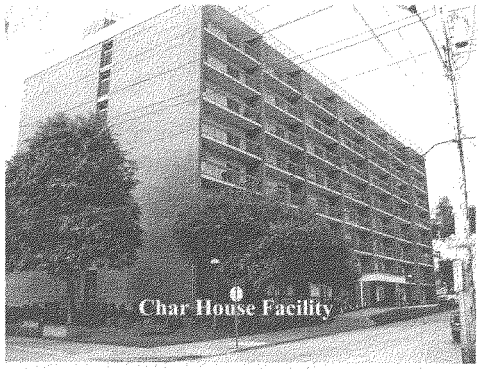
- Urban Housing Stock
- 640 Applicants on Waiting List Need Assistance

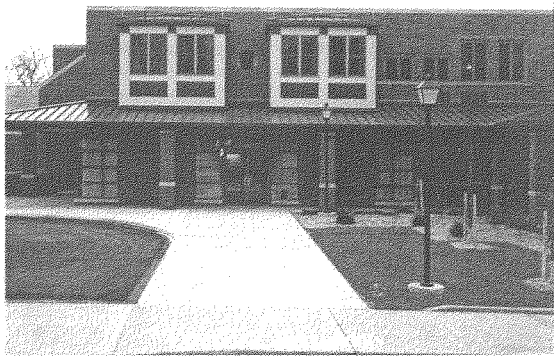
CDBG
The Redevelopment Authority of the County of Washington
Home Rehabilitation Program
Before
After
Community Development Block Grant

CDBG

The Redevelopment Authority of the County of Washington

Elderly Housing



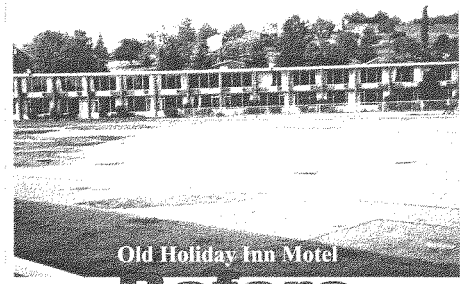


- 8 Facilities, 503 Units, 260 People on Waiting List
- Eliminated Vacant Hazardous Structures
- Elderly Facility on Tax Roles

CDBG

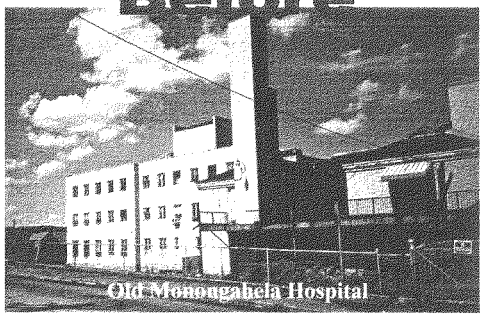
The Redevelopment Authority of the County of Washington

Elderly Housing



Old Holiday Inn Motel

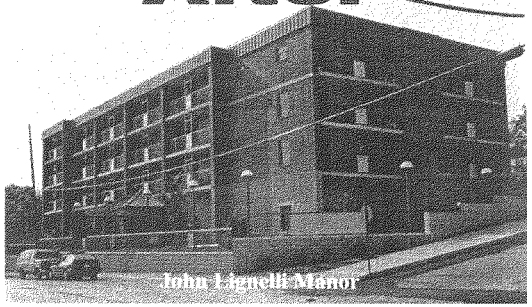
Before



Old Monongahela Hospital

Century Plaza Facility

After



John Lignelli Manor

Community Development Block Grant

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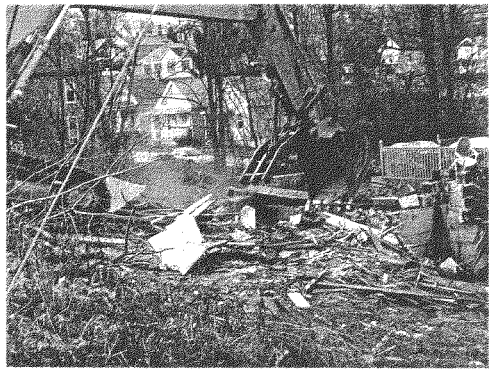
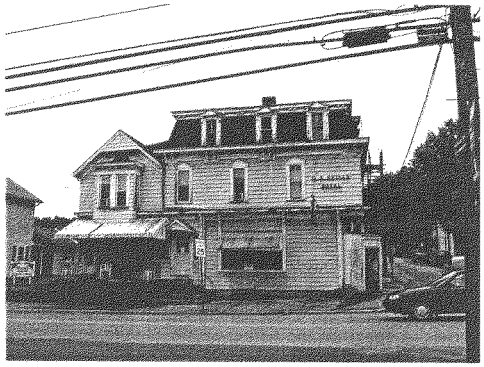
The Redevelopment Authority of the County of Washington

Demolition and Clearance





- Removal of Blighted Structures, in Redevelopment Areas, under Code Enforcement Programs
- Environmental Remediation, Reduction of Hazardous Conditions
- Increases Quality Housing Stock, Space for New Development

CDBG
The Redevelopment Authority of the County of Washington
Demolition and Clearance
Before
Before
Before
Before
After
Community Development Block Grant

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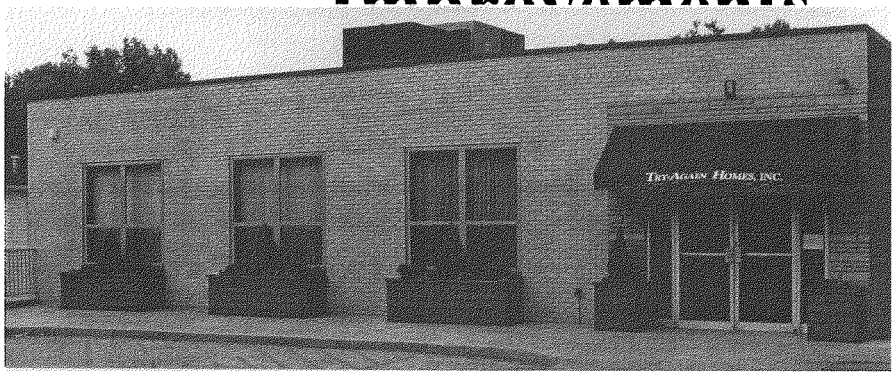
The Redevelopment Authority of the County of Washington

Public Facility Improvements



Try-Again Homes – Rehabilitation Improvements

- Provides Assistance to Families Below the Poverty Level

Mental Health Association – Site Improvements

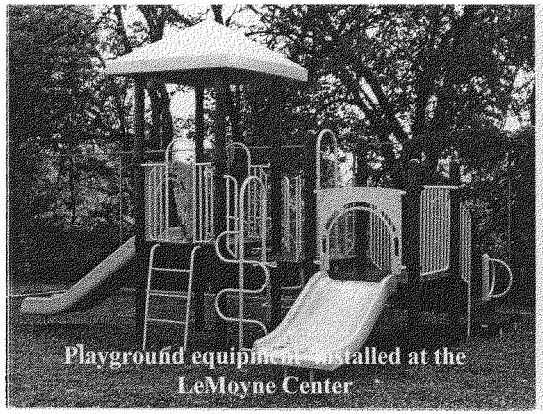
- Provides Housing to Low Income Mental Health Clients

Community Development Block Grant

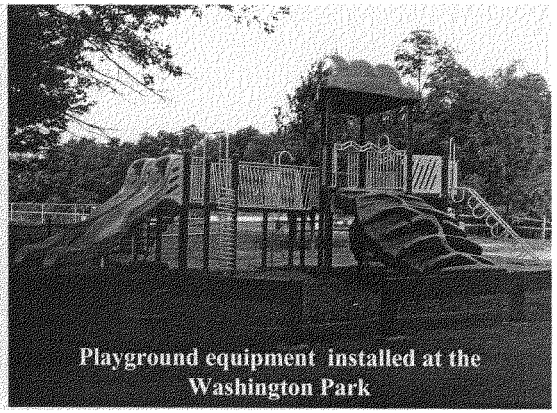
CDBG

The Redevelopment Authority of the County of Washington

Recreation Improvements



Playground equipment installed at the LeMoyne Center



Playground equipment installed at the Washington Park

- New Construction of Community Parks, Playgrounds
- Improvements to Existing Facilities
- In Low Income Communities

CDBG The Redevelopment Authority of the County of Washington

Community Development Block Grant

- **Water and Sewer Improvement Projects**
  - Improvements to Existing Water and Sewer
  - Installation of New Lines
- **Fire Protection**
  - Rehabilitation to Fire Stations
  - Purchase of Fire and Rescue Equipment
- **Removal of Barriers to Municipal Buildings and Community Facilities**
  - Accessibility for Elderly and/or Disabled

The Redevelopment Authority of the County of Washington

Removal of Barriers to Municipal Buildings and Community Facilities

Elevator installed at the Citizens Library

Handicapped accessible ramp installed at the Citizens Library

Community Development Block Grant

CDBG

The Redevelopment Authority of the County of Washington

Summary

- Washington County Successfully Completed Eligible Projects with CDBG Funds Since 1974
- Funding
  - FY 2005 Allocation = $4,938,200
  - FY 2002 Allocation = $5,626,000
    - **12% Funding Cut in just 3 Years**
  - Further Cuts will Jeopardize County Ability to Provide Much Needed Assistance and Improvements for County Residents
  - Economic Development and Job Growth will be Slowed as a Result

CDBG

The Redevelopment Authority of the County of Washington

Summary

- Excellent Federal Program
  - Executed on Local Level
- Leverage
  - Private, State, Local
- Partnerships
  - Private, Banks, other agencies
- Revitalization and Help for Low Income Persons WILL NOT Happen without a robust CDBG Program

CDBG

The Redevelopment Authority of the County of Washington

Community Development Block Grant

Community Development Block Grant (CDBG) Program

The Redevelopment Authority of the County of Washington

William R. McGowen – Executive Director

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Washington, PA 15301

724-228-6875 – phone

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RACW

REDEVELOPMENT AUTHORITY of the COUNTY OF WASHINGTON

Mr. TURNER. OK, Mr. Mitchell.

STATEMENT OF WILLIAM MITCHELL

Mr. MITCHELL. Mr. Chairman, from the text of the letter that we received from you, your subcommittee is seeking input from practitioners involved in the day-to-day operations of the Community Development Block Grant programs in the Pittsburgh region. I am delighted you invited Westmoreland County to participate in this endeavor because I believe that the county is truly representative of the region as a whole.

And I am especially pleased to be here because I firmly believe that the regional rise or fall on economic vitality of the central city and how that central city interacts with the surrounding region, whether the outlying areas of the region are in agreement with this presumption is sometimes questionable, but the fact remains that the city of Pittsburgh and the outlying areas are one in the same economically. Since 1974, CDBG has been a valuable tool in assisting local governments of all sizes to remain viable, but more could be done to further enhance the region's vitality.

CDBG has proven to be an asset to the region and Westmoreland County in particular because this program has served this county for over 30 years as a resource to help cities, boroughs, townships, etc., meet their community development, affordable housing, and economic development needs. It is not just a tool for concentrated urban areas. It is a valued resource for our outlying areas as well. In Congressman Murphy's district alone in Westmoreland County over 3,600 people benefit from the activities, programs of fiscal year 2005 moneys.

Another often-overlooked benefit of the CDBG program is the professional staffs that are developed under its auspices. If the program should be eliminated, a number of the staff would be laid off, and this would negatively impact the region. Because of the nature of many other Federal programs and State programs, the loss of these experienced employees will mean that many of the regions local governments will no longer be capable of administrating complex programs.

The region is also blessed with partners in the U.S. Department of Housing and Urban Development at the Pittsburgh Area Office that possess many years of experience in administration of the CDBG program. But just as importantly, the local HUD staff is a source of technical assistance in other related areas. Our office consults with the local HUD staff extensively, and these consultations are not always related to CDBG, but include other Federal, State, and even private foundation resources. Disseminating ideas that assist constituents may not be quantifiable, but that service is just as important as passing out checks, and that is one of the services provided to all the local practitioners by the Pittsburgh HUD staff. It is not just the money; it is the people. And that tends to be overlooked.

That is not to say that Westmoreland County has always enjoyed harmonious relations with HUD in general. In the past there have been difficult times because over the life of many programs, the process of the program becomes paramount in some minds, while the delivery of the services to the constituencies intended to be

benefited becomes secondary. There is one instance in particular in our program history that reflects that attitude, and most of the problem generated was the creation of the central office in Washington. I won't further pursue that unless you all want to.

All in all, HUD has been a positive force for the bettering of CDBG's intended constituencies. Last year CDBG celebrated its 30th anniversary since being signed into law by President Ford in 1974. The program still has widespread bipartisan support within the Nation and in Congress. Just look at the number of House and Senate Members signed the letters to the Budget Appropriations Committees urging those committees to preserve their program, keep it at HUD, and fund it at $4.7 billion.

There is a lot that is right about the CDBG program. It is a tool that allows grantees to leverage other public and private resources. This year the county will provide $1.7 million in CDBG Section 108 assistance toward the city of Greensburg's downtown revitalization efforts. The inclusion of the CDBG funds will be leveraging approximately $19.8 million other funds. This project is also in Congressman Murphy's district.

CDBG has been achieving results nationwide similar to those obtained in the Pennsylvania 18th Congressional District throughout its history. An analysis performed by an economist at the George Mason University showed that for the first 25 years of the program, CDBG funded projects, created 2 million jobs—you knew that before, right—and contributed over $129 billion to the gross domestic product. The program does not lack focus as intimated by the program assessment rating tool utilized by the Office of Management and Budget. Congress stated in its purpose in a 1974 act, "The primary objective of this title is the development of viable urban communities by providing decent housing in a suitable living environment and expanding economic opportunities principally for persons below moderate income." Moderate income is moderate income, not extremely low income. This broad statement of congressional intent provides grantees flexibility in their implementation of the program so that their sometimes unique development goals are addressed, not a goal created by a bureaucrat in Washington with no local knowledge. This program creates and nurtures local initiative. This region needs more, not less, of that.

The Pittsburgh region, in my opinion, is a depressed area. Additional assistance is needed. In the last decade this region lost 212,500 in population. This is a 1½ percent loss compared to a 1.4 percent gain for the Commonwealth as a whole. Just think of the gain for the rest of the State that did not include this area.

Mr. TURNER. Mr. Mitchell, we have your written testimony, and I think the Members have reviewed it.

Mr. MITCHELL. OK.

Mr. TURNER. Since we are going to be short on time, if you might summarize the rest of your testimony if there are any additional oral comments that you would like to make in conclusion.

Mr. MITCHELL. Thank you. I will just stand there. You all got it in written form.

[The prepared statement of Mr. Mitchell follows:]

Memorandum

TO:	**House Government Reform Subcommittee on Federalism and the Census**
FROM:	**William E. Mitchell II, Assistant Director of Planning and Development, County of Westmoreland, PA**
DATE:	**July 11, 2005**
SUBJECT:	**Testimony, Hearing on *How has the Community Development Block Grant Program Shaped the Steel City* – July 18, 2005, 10:00AM at the Borough of Carnegie Municipal Building**

Mr. Chairman, from the text of the letter, dated July 5, 2005, that we received from you your subcommittee is seeking input from practitioners involved in the day to day operation of Community Development Block Grant(CDBG) Programs in the Pittsburgh region.
I am delighted that you invited the County of Westmoreland to participate in this endeavor because I believe that the county truly is representative of the region as a whole. And I am especially pleased to be here because I firmly believe that the region will rise or fall on the economic vitality of the central city and how that central city interacts with the surrounding region. Whether the outlying areas of the region are in agreement with this presumption is sometimes questionable, but the fact remains that the City of Pittsburgh and the outlying areas are one and the same economically. Since 1974 CDBG has been a valuable tool in assisting local governments of all sizes to remain viable, but more could be done to further enhance the region's vitality.

CDBG has proven to be an asset to the region and Westmoreland County in particular because the program has served this county for over thirty(30) years as a resource to help cities, boroughs, townships, etc. meet their community development, affordable housing and economic development needs. It is not just a tool for concentrated urban areas, it is a valued resource for outlying areas as well. Every municipality in this county has received assistance throughout the life of the program. In Congressman Murphy's District alone over 3,600 persons will benefit from activities programmed with FY2005 CDBG funds. Westmoreland County has utilized CDBG to provide assistance to municipalities for the construction/reconstruction of roads, bridges, sewers, curbs, sidewalks, water lines, etc. Non-profit partners have provided homeownership opportunities, transitional housing assistance, smart growth activities, elderly housing assistance activities, community centers and emergency assistance providers have received help in obtaining needed equipment that benefits the entire region.

Another often overlooked benefit of the CDBG Program is the professional staffs that are developed under its auspices. If the program should be eliminated a number of the staff would be laid off and this would negatively impact the region. Because of the nature of many of the other federal programs and state programs the loss of these experienced employees will mean that many of the region's local governments will no longer be capable of administering complex programs.

The region is also blessed with partners in the U.S. Department of Housing and Urban Development(HUD) at the local Pittsburgh Area Office that possess many years of experience in the administration of the CDBG Program, but just as importantly the local HUD staff is a source of technical assistance in other related areas. Our office consults with the local HUD staff extensively and these consultations are not always related to CDBG, but includes other federal, state and even private foundation resources. Disseminating ideas that assists constituents may not be quantifiable, but that service is just as important as passing out checks and that is one of the services provided to all of the local practitioners by the Pittsburgh HUD staff.

It is not just the money, it is the people and that tends to be overlooked!

That is not to say that Westmoreland County has always enjoyed harmonious relations with HUD in general. In the past there have been difficult times because over the life of any program the process of the program becomes paramount in some minds while the delivery of the service to the constituency intended to be benefited becomes secondary. There is one instance in particular in our program history that reflects that attitude and most of the problem that was generated was the creation of the HUD Central Office in Washington, D.C. I will not bother to review that instance unless the subcommittee desires it. All in all, HUD has been a positive force for the betterment of CDBG intended constituencies.

Last year CDBG celebrated its 30th anniversary since being signed into law by President Ford in 1974. The program still has widespread bipartisan support within the nation and in Congress. Just look at the number of House and Senate member sign-on letters to the Budget and Appropriations committees urging those committees to preserve the program, keep it at HUD and fund it at $4.7B.

There is a lot that is "right" about the CDBG Program. It is a tool that allows grantees to leverage other public and private resources. This year the county is providing $1.7M in CDBG Section 108 assistance toward the City of Greensburg's downtown revitalization efforts. The inclusion of the CDBG funds will be leveraging approximately $19.8M in other funds. This project is also in Congressman Murphy's District. CDBG has been achieving results nationwide similar to those attained in the PA 18th Congressional District throughout its history. An analysis performed by an economist at George Mason University showed that, for the first 25 years of the program, CDBG funded projects created 2 million jobs and contributed over $129B to the Gross Domestic Product(GDP). The program serves the intended clientele and that includes the 7 municipalities benefiting in the PA 18th Congressional District in 2005 as well as 15 other municipalities and 3 non-profits in the county in FY2005. The program does not lack "focus" as intimated by the Program Assessment Rating Tool(PART) utilized by the Office of Management and Budget(OMB). Congress stated its purpose in the 1974 Act: "The primary objective of this title is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income." Moderate income is moderate income, not extremely low income. This broad statement of congressional intent provides grantees flexibility in their implementation of the program so that their, sometimes unique, community development

goals are addressed, not a goal created by a bureaucrat inWashington, D.C. with no local knowledge. This program creates and nurtures local initiative. This region needs more, not less of that!

The Pittsburgh region, in my opinion, is a depressed area. Additional assistance is needed! In the last decade this region(Allegheny, Beaver, Butler, Fayette, Washington and Westmoreland Counties) lost 212,500 in population. This is a 1.5% loss compared to a 3.4% gain for the Commonwealth of Pennsylvania as a whole. Just think of the gain for the state if it did not include this region. The Pittsburgh region lost 54% of its manufacturing jobs from 1970 to 2000. In 1970 manufacturing jobs accounted for 28% of total employment and in 2000 it accounted for 10% of all employment. If we are to remedy or at least attempt to address this situation CDBG will play a pivotal role. CDBG should be utilized as a catalyst to create economic opportunity for the region and not just for a single municipality. HUD should encourage grantees in the region to utilize the CDBG Program as a funding source for multi-municipal planning. The emphasis could be on economic development planning, transportation planning, etc. In the economic development area CDBG should be a tool for regional development by encouraging multi-municipal partnerships. Granted this is a lofty goal, but without regional cooperation, where is this region going. It should be made easier for grantees to work together on economic development projects and programs without regulatory interference so that a success for the region is really a success for the region and not considered a loss to one and a gain to another.

The "Anti-Pirating" rule should be resuscitated and implemented. That is the idea that one municipality that is a grantee cannot utilize CDBG funds in order to lure an establishment from another municipality. HUD had a proposed rule on this subject. In this region's case it is like moving chairs around on the deck of a doomed ship. By being in one place that is different, one may last a brief period of time longer, but the whole thing is going down anyway. As many of you may recall the defunct Urban Development Action Grant(UDAG) Program included "Anti-Pirating" regulations.

Volunteerism has been a priority for the current administration and for just about all prior administrations, but the utilization of volunteers is difficult to achieve, especially for small non-profits and small municipalities. If any one here has ever worked with small staff non-profits they know that the primary focus of the organization is the clientele they are attempting to serve. In some instances the primary goal of bureaucrats is, as stated above, the process that has been developed. So, given time and resource constraints, the non-profit will focus its time and resources toward the client, while the paperwork can follow. It is not hard to imagine the conflict this creates and in the CDBG realm it puts the grantee between HUD and the non-profit. One example of this is the regulations for *Use of Volunteers on Projects Subject to Davis-Bacon ...*, 24CFR Part 70. For a small non-profit or small municipality these rules are onerous. First they must request a determination from HUD that the volunteer's nominal expenses can be paid and this request is sent to HUD and HUD, will, supposedly, respond in 10 days. A project file must be kept that includes the following:

a. The name and address of the agency sponsoring the project.
b. A description of the project – location, cost, nature of the work.

c. The number of volunteers and the hours of the work they performed. If there are paid workers on the site the names of the volunteers need to be recorded as well.

All of this information then must be forwarded to HUD. One small municipality decided to forego a project because they believed and, perhaps, rightfully so, that it would be necessary to have a municipal employee present to keep strict records of the project.

Another small municipality believes that a $15,000 pavilion project turned into a $27,000 pavilion project because of the federal procurement standards found at 24CFR Part 85. They contend that if they had been able to choose their own local contractors the project would have cost $15,000 or less and the remaining resources could have been utilized to purchase playground equipment, park benches, tables and more. It is difficult to find fault with their position.

Another reform that I am sure that the subcommittee has heard about in its travels is the Davis-Bacon labor standards requirement. A CDBG project becomes a Davis-Bacon wage rate project if the project costs are $2,000 or more. Therefore, nearly all CDBG projects are subject to the Davis-Bacon prevailing wage scale. Is it time to revisit the $2,000 threshold? This threshold has been the topic of debate and discussions for my entire career, but it has never been altered in my career. By raising this level you will also solve the volunteerism issue as well because most of those smaller projects will not be subject to the regulations at 24CFR Part 70. Therefore, raise the Davis-Bacon exclusion to a level that does not adversely impact small municipalities and non-profits.

Fortunately for me I do not have a great deal of interaction with the Integrated Disbursement and Information System(IDIS) – there is another, less flattering, definition of the acronym, – and therefore, these comments are from members of the staff that utilize IDIS on a more regular basis. The first complaint is that the system is not Windows-Based and because of that it is too rigidly structured and inflexible. While many of the deficiencies have been corrected over the past two or three years, the nature of IDIS only allows a certain degree of flexibility. For example, IDIS does not allow reporting of benefit to low income persons for some activities, but forces the entry of such measurements as "number of public facilities." The reporting should be standardized to report low income benefit for all activities since this benefit is central to CDBG. The instruction reference manual contains vague and ambiguous directions. In one instance the instructions direct the user to download and then press "ENTER." If you do not press "ENTER" a second time the system does not continue to the next command. The instructions do not inform you of this anomaly.

The Westmoreland County Department of Planning and Development supports the continuation of the CDBG Program and its retention at HUD. We would appreciate a review of the program in the sense that making it more user friendly would produce even more positive results for the intended constituencies. Removing the inconsistent and sometimes contradictory rules and regulations would not only save resources, both time and

money, but would make the program even more popular with the practitioners and the beneficiaries.

I want to thank the subcommittee and the subcommittee's staff for their time and patience and I trust that the work that is being done will prove worthwhile for the CDBG Program and all the persons that are served. Again, thank you.

Mr. TURNER. OK, and we will look forward to your participation in the question/answer portion.

Mr. MITCHELL. Thank you.

Mr. TURNER. Ms. Reitz.

STATEMENT OF DIANA REITZ

Ms. REITZ. Thank you, Mr. Chairman, for inviting me here today to testify before the subcommittee. Mr. Chairman, Jeannette is a small city in an urban county. The city is located in southwestern Pennsylvania approximately 25 miles east of Pittsburgh, and our population is roughly 10,500 without 22 percent of the population over the age of 62. Our median family income is $37,000 and our city is one of the few remaining that still supports their own fire and police departments. Up until the mid to late 1970's, Jeannette's economy was centered around four glass manufacturing plants and was originally dubbed the "Glass City."

Initially, the city of Jeannette received its Community Development Block Grant funds through Westmoreland County's Urban County program. However, it soon became apparent that the city would be able to undertake additional projects if the city applied for CDBG funding directly from the State. So in the early 1980's the city fathers decided to opt out of the Urban County program in Westmoreland County and apply to the State for CDBG funds.

Mr. Chairman, this action by the City Council was very successful. Over the past 10 years or so, the city of Jeannette has received over $4 million in Community Development Block Grant funds. However, there are some problems that small cities like Jeannette are facing, and the following is a list of those: there is a loss of population; there is an aging population; there is a loss of tax revenue and financial resources; an aging housing stock; deteriorated infrastructure; deteriorated buildings, commercial and industrial; and a declining business district.

The following are some ways cities like Jeannette are able to battle these problems. Below is a list of activities and projects the Community Development Block Grant funds support, especially in our community. They supported recreation improvements, street and road improvements, clearance and removal and slums and blights, emergency radios, code enforcement, removal of architectural barriers under ADA, homeownership program—which is a rehab for vacant dwellings for resale to low and moderate-income families that the city has partnered with the local non-profit to administer a facade improvement program, a first-time homebuyer program for individuals and families that have never been homeowners before, that they have been renters, purchase of a fire truck, a Commercial Property Improvement program to support and assist commercial business owners to upgrade their buildings, a Revitalization Activity program that is currently supporting a major redevelopment project in our city, and, of course, Housing Rehabilitation program, which is benefiting low and moderate-income homeowners.

Mr. Chairman, here are some of the problems that we see that are affecting cities like Jeannette and that Congress should address regarding Community Development Block Grants. Our Housing Rehabilitation program, our program has been very successful.

Over the past years, the city could rehabilitate approximately 20 to 25 homes in 1 year. Unfortunately, now, with the implementation of the lead-based paint regulations, the city doesn't have the list of contractors to bid on the job. The cost of the jobs has skyrocketed, and it is just too time-consuming. The city has dropped down to completing around 3 homes a year under our Housing Rehab program because of these problems. We have difficulty getting contractors, qualified contractors to bid, and when they do, the cost has doubled from years past. Many communities are dropping the Housing Rehab from their list of activities due to these hardships of the lead-based paint requirements.

Another issue that we find that we are battling is the implementation of the Davis-Bacon wage rates. With the implementation of the Davis-Bacon wage rates with any contract over $2,000, several problems have been encountered by our city. Small communities like ours do not have large contracting firms, and the smaller firms do not pay Davis-Bacon prevailing wage. Generally, our contractors are employing two, maybe three employees. They are just small companies. They cannot bid on our jobs or it raises the cost of the job too much. And it certainly doesn't help the local economies of cities like Jeannette where we have to go outside of the area for our contractors.

Another concern is an overall State historic preservation clearance that I find in particular with respect to the State, it makes it difficult to improve aging communities like the city of Jeannette whenever we must adhere to historic preservation requirements, especially in areas that have no value left.

The following, Mr. Chairman, is a list of some of our future projects. We have a construction of a new access road in the city of Jeannette. We have removal, hopefully, of a deteriorated glass factory, improvement to our central business district, and improvement to our housing stock overall.

So in conclusion, Mr. Chairman, without Community Development Block Grant funds, small cities like Jeannette would not be able to financially address their problems and their needs. Thank you.

[The prepared statement of Ms. Reitz follows:]

Testimony of the Diana Reitz

Community Development Coordinator
for the City of Jeannette, Pennsylvania

Before the House Government Reform
Subcommittee on Federalism and the Census

July 18, 2005
Carnegie, Pennsylvania

Introduction:

Thank you, Mr. Chairman for inviting me here today to testify before the Subcommittee. My name is Diana Reitz. I am employed by the City of Jeannette as the city's Community Development Director. I have held this position since January of 1990 however; I have been employed by the city's Community Development Department since 1979.

Background on the City of Jeannette:

Jeannette is a small city in an urban county. The City is located in southwestern Pennsylvania, approximately 25 miles east of Pittsburgh. In about the center of Westmoreland County, it lies between the Lincoln Highway, Route 30, which borders it on the south and the William Penn Highway, Route 22, seven miles to the north and is four miles east of the Irwin interchange of the Pennsylvania Turnpike.

The city's population is approximately 10,500 with about 22 percent of the population over the age of 62. The median family income is $37,038. Our city is one of the few remaining that a still supports their own fire and police departments.

Up until the late 70's Jeannette's economy was centered around four glass manufacturing plants and construction, trade and service activities; dubbed originally the "Glass City" because it was founded on a glass manufacturing center.

Community Development Block Grant Background:

Originally the City of Jeannette received its Community Development Block Grant (CDBG) funds through Westmoreland County's Urban County program. However, it soon became apparent that the City would be able to undertake additional projects if the City applied for CDBG funding from the State. So in the early 80's the city fathers decided to opt-out of the urban county program in Westmoreland County and apply directly to the State for CDBG funds.

This action by City Council was very successful. Over the past 10 years the City of Jeannette has received over 4 million dollars in Community Development Block Grant funding.

Some of the problems small cities like Jeannette are facing:

1. Loss of population
2. Aging population
3. Loss of tax revenue and financial resources
4. Aging housing stock
5. Deteriorating infrastructure
6. Deteriorating buildings commercial/industrial
7. Declining business district

The following are some of ways cities like Jeannette are able to battle these problems. Below is a list of activities/projects Community Development Block Grant Funds support:

Recreation Improvements
Street and Road Improvements
Clearance/Removal of Slums and Blight
Emergency Radios
Code Enforcement
Removal of Architectural Barriers – ADA
Homeownership Program
Façade Improvement Program
1st Time Homebuyer Program
Fire Truck
Commercial Property Improvement Program
Revitalization Activities
Housing Rehabilitation

At this time I would like to briefly describe each of the programs above that the city has to offer:

Recreation Improvements: ($228,000):

Using Community Development Block Grant funds as a match the city was able to apply to the Pennsylvania Department of Conservation and Natural Resources for additional funding to assist in the renovation of an existing playground and two ball-fields.

The city currently has CDBG funds budgeted for two additional playgrounds. The improvements include, new play equipment, benches, resurfacing a parking lot, tennis and basketball court and installing a new pavilion.

Street and Road Improvements: ($610,000)

Improvements were able to be made to deteriorated roadways using CDBG dollars. By using CDBG funds the city did not have to tap into the general fund for repairs to damaged streets- saving the taxpayer money.

Clearance/Removal of Slums and Blight

Our city like many older communities has buildings that are beyond repair. By utilizing CDBG funding the city was able to remove 15 substandard structures.

Code Enforcement

Also to tackle the continued decay of buildings and to control other code related problems throughout the city. The city has able to hire an assistant code officer, who is now a full time code officer.

Emergency Radios

The city recently purchased emergency radios for the police department. The original radios were old and did not comply with the emergency management frequency.

Architectural Barriers

Under removal of Architectural Barriers the city made improvements inside and outside of city hall making the overall area ADA accessible.

Homeownership Program

The City has partnered with a non-profit in this program. The non-profit purchases vacant residential buildings with the city using CDBG to provide funding to rehabilitate the home for resale to low/moderate income families. The city is currently working on our third home.

Façade Improvement Program

The City has made CDBG dollars available to commercial building owners as a matching grant to repair the fronts of their building. To date the city has had 28 participants.

First Time Homebuyer Program

This is a great program for those individuals who have never owned a home. The city uses Community Development Block Grant funds to assist 1st time homebuyers. This

program promotes homeownership. Approximately 30 families have taken advantage of this program.

Commercial Property Improvement Program:

The city has developed a program to assist current commercial building owners and those interested in owning commercial properties with purchase costs/ renovation costs associated to upgrading the commercial building for occupancy.

Fire Truck:

The city could not financially afford to purchase a new fire truck using general fund dollars. So the city used CDBG dollars over a three year installment to purchase a much needed piece of fire protection.

Revitalization Activities:

The city has development a redevelopment area plan/proposal for census tract 8028. this plan includes commercial development in the downtown district, residential revitalization within walking distance to the downtown and a new access route to provide a direct entry from Route 30 to our downtown.

In addition the city has set aside CDBG dollars to assist in the acquisition, demolition and clearance of those substandard commercial buildings located in the lower portion of the downtown district. Additional funding to assist this project was received thru an EDI and RACP grant.

Housing Rehabilitation:

Over the past several years the city has had a very successful housing rehabilitation program. Approximately $283,000 CDBG dollars was used to assist homeowners in rectifying code deficiencies and weatherization items in their homes.

Assets of Jeannette:

Access to Route 30 and Turnpike
Strong community facilities: churches, schools, service groups
Good human resources
Great community Spirit and community involvement

Problems Effecting Cities like Jeannette that Congress Should Address Regarding the Community Development Block Grant:

1. *Housing Rehabilitation*: Our housing rehabilitation program was very successful. Over the past years the city would rehabilitate approximately 20-25 homes in one year. Now with the implementation of the lead base regulations, the city doesn't have the listing of contractors to bid on the jobs, the cost of the job has skyrocketed; it is just too time consuming. The city has dropped down to completing around 3 homes a year under the housing rehab program because of the lead regulations. We are having difficultly getting contractors (qualified) to bid and when they do, the cost is double from years past. Many communities are dropping housing rehabilitation from their list of activities due to the hardship the lead based paint requirements.

2. *Davis Bacon Wage*: With the implementation of Davis Bacon wages rates to any contract over $2,000, several problems have been encountered. For example:

   A. Small communities do not have large contracting firms and smaller firms do not pay Davis Bacon prevailing wages;

   B. Generally our contractors have 2-3 employees just a small company;

   C. They cannot bid on these jobs, raises the cost of the job too much; and

   D. Doesn't help the local economy cities like Jeannette have to go outside of the area for contractors

3. *SHPO – clearance*: makes it very difficult to improve aging communities whenever we must adhere to historic preservation requirements especially in areas that have no value left.

Future Projects:

1. Construction of a new access road into the City
2. Removal of a deteriorated glass factory
3. Improvement to the central business district
4. Improvement to the housing stock

Conclusion:

As you can see without Community Development Block Grant Funds small cities like Jeannette could not address their problems and their needs.

Mr. TURNER. Thank you. Now, we will go for comments and questions and begin with Mr. Murphy.

Mr. MURPHY. Thank you, Mr. Chairman. I just have a couple brief ones because I know we are short on time here. But I wanted to ask in general the panel a couple things. Mr. Mitchell, you had in your written testimony—you didn't get to talk about this—was the anti-pirating component.

Mr. MITCHELL. Yes.

Mr. MURPHY. Talk about pretty fascinating. Could you just elaborate on that? Is that a problem now in the communities that you see occurring that one community may leverage money that ends up simply moving the job from one county to another?

Mr. MITCHELL. I think it happens more in Western Pennsylvania than it does in most of the other regions. The anti-pirating rule was part of the old Urban Development Action Grant program. It essentially says you will not use—in this case it would be CDBG funds—to entice or use as a method of enticement to take one company from one area and move it to another. It is something I think Congress ought to look at. I mean you did have it in the UDAG program. Maybe it is time to revisit this.

Mr. MURPHY. For any of the rest of you, Mr. Gorski or Admiral McGowen or Diana Reitz, any of you see this as an issue too, that some of this money is sometimes used to move a business from one town to another?

Mr. MCGOWEN. We don't see it as an issue in Washington County. We do see a lot of growth in Washington County coming south from Pittsburgh downtown or the Pittsburgh area.

Mr. MURPHY. That is probably more a property tax issue.

Mr. MCGOWEN. Well, that is part of it. And the part is that we are growing. The whole Pittsburgh area and the region is growing, and people want to move out where it is cheaper.

Mr. MURPHY. All right. That is all I am going to ask for now.

Mr. TURNER. Mr. Dent.

Mr. DENT. Thank you, Mr. Chairman. Admiral McGowen, I enjoyed your presentation. You talked a little bit about homeowner assistance. I guess you are trying to help people in Washington County, move from a rental situation to an ownership of owner-occupied situation. Have you had any experience with de-converting rental units back to owner-occupied settings? There were always row homes and they were owner-occupied. In the 1970's many of them became rental units. So it was once a one-family unit now has—owner-occupied, it now has three rental units. And do you use any of your CDBG funds for that kind of de-conversion to take those rental units back to owner-occupied situations?

Mr. MCGOWEN. Not that I am aware of. Brenda—yes—we have not done that, no. We have enough people, as you can see in the waiting list, of both the homebuyer program, and especially the home rehab to keep the owner there, that, I mean, those two are very, very viable programs.

Mr. DENT. You talk about your homeownership program. Do you provide counseling services support with down payments for that money?

Mr. MCGOWEN. Yes.

Mr. DENT. What do you do in terms of——

Mr. MCGOWEN. Yes, help with the down payment, help with closing costs——

Mr. DENT. Kind of like helping them with the process, hand-holding to a certain extent——

Mr. MCGOWEN. Yes.

Mr. DENT [continuing]. To get them through the——

Mr. MCGOWEN. Absolutely. Highland Ridge is a wonderful example of that. We actually have set up with a non-profit to help these people make sure that they understand house payments and proper budgeting and they actually—we are very key about making sure that they are qualified and go through that before we——

Mr. DENT. Yes, and I concur with what you said—you don't have to comment on this—on what you said earlier too about the need for these CDBG dollars for demolition purposes. I found the same thing in my community. If you don't have——

Mr. MCGOWEN. Yes.

Mr. DENT [continuing]. Public funds, whether it be CDBG or some other public fund, the project is not going to move until you get that site cleared and remediated and really you are swimming upstream so to speak. And it is interesting that is in your observation as well.

Mr. MCGOWEN. Yes, and there is so many small towns in this southwestern Pennsylvania to let it become that way, and you have to revitalize the whole downtown.

Mr. DENT. And it is ready to go.

Mr. MCGOWEN. Yes.

Mr. DENT. And the private sector doesn't want to throw their money to knocking down buildings.

Mr. MCGOWEN. No, that is right.

Mr. DENT. Right.

Mr. MCGOWEN. But the private sector will step in if they see it is being done.

Mr. DENT. Absolutely. That is my experience. And Ms. Reitz—in Allentown they would say Reitz—but the question—you talked a little bit about Davis-Bacon and that you are having a hard time basically getting contractors to bid for that type of work because the terms are too small. And do you have the same problem with the State minimum wage law too? The threshold for hiring is $25,000 or something that extensive?

Ms. REITZ. Yes, we do. Part of the problem is we have smaller jobs going out. We have a facade program that is a matching program up to $5,000 to be able to do facade work to commercial buildings. And if I have a gentleman or a contractor that wants to bid on that job, and his job, say it is only signage or maybe some awnings and there is three employees under his wing, unfortunately, unless he pays that higher wage, he cannot bid on that job. So he decides not to bid entirely and walk away from the job.

Mr. DENT. Is it fair to say that less work is being done because of that law?

Ms. REITZ. Well, what happens is that I end up bumping out into the larger contracting firms, which the costs actually go up higher.

Mr. DENT. So would you recommend raising those thresholds——

Ms. REITZ. Raising the thresholds——

Mr. DENT [continuing]. For both the Federal and State acts——

Ms. REITZ. Yes, sir.

Mr. DENT [continuing]. So that you can get more work done——

Ms. REITZ. Yes, sir.

Mr. DENT [continuing]. For less money?

Ms. REITZ. And it would provide an opportunity to the smaller contracting firms to bid on these jobs. We are putting them out of business.

Mr. DENT. And those are your local firms——

Ms. REITZ. Yes.

Mr. DENT [continuing]. In many cases and you have to go outside the community to get the larger firms——

Ms. REITZ. Right.

Mr. DENT [continuing]. To come in and——

Ms. REITZ. That is correct.

Mr. DENT. Thank you.

Mr. TURNER. Ms. Reitz, you mentioned in your written testimony and your oral testimony the State historic preservation offices and the requirements for historic review that have been, in your opinion, some impediment. Could you speak a little bit more about that in detail? Is it a State processing issue, a time issue, or are actually the requirements that are placed upon you difficult to comply with?

Ms. REITZ. Well, Mr. Chairman, I think that it probably is first a State issue of another layer of regulations that are put on top of what we already have. When we are going out—for example, the city of Jeannette is in the process of doing two major projects within our downtown area. One is a downtown revitalization project, which we have set aside Community Development Block Grant moneys; we have gotten an EDI grant through the Federal Government and an RCAP through the State government to help support this project. And what I have seen is the problem is we couldn't come in and do the demolition because we had to jump through the hoops to clear the site of historic value.

And please don't get me wrong; I certainly want to preserve the history of our community, but in some cases there is no history left. There is nothing of those buildings left. So it puts a timeframe on getting the jobs completed within a timeliness manner or, you know, delaying the project to jump through the hoops, and then there is the recordation process and, you know, what follows in putting the MLA together and putting the stipulations in the MLA and how you would preserve the history of that area. With respect to our project, we are definitely having some problems not only on the downtown area, but on the housing end where we have a large two-block area that we want to acquire, demolish with a non-profit. These are dilapidated buildings. There really is no value left. But we are delayed in doing that because of the regulations that have been attached into preserving the history of that general area and what the housing stock was back in the 1930's.

Mr. TURNER. Well, in addition to my responsibilities in this committee, I am also co-chair of the Historic Preservation Caucus. And having served as a past mayor, I share your concerns, both of the need to preserve our heritage, and at the same time, to provide a streamlined process so that economic development can occur. So I

am always interested in hearing both the experience that people have and ideas that they have for improvement.

We are currently looking on the Federal level of the reauthorization of the statutes under which these plans operate. And most of the information that I have experience with or that I have received relate not necessarily to the text itself and to the goals of the program, but to its administration and the timeliness——

Ms. REITZ. Yes.

Mr. TURNER [continuing]. Of getting responses. So even after this hearing, if you have additional thoughts on the ways that on the Federal level this might be able to be addressed, please provide them to us because we are currently taking that up now.

Ms. REITZ. Thank you.

Mr. TURNER. Mr. Gorski, Ms. Reitz had raised the issue of prevailing wage and you also had that in a statement in your testimony of the positiveness to the value of the wages that were being provided for these projects, these projects being an economic development initiative. Do you see an issue or a problem also with the cap level? Is the amount difficult for you or most of the projects you have undertaken not at a level where you have had difficulty with it?

Mr. GORSKI. Quite the contrary. There is a difficulty. The threshold is so low that what we are finding is when the estimates for the projects are placed on the application and then we see the real numbers as a result of the bid, there is often quite a discrepancy. In discussing the matter with contractors, we have discovered that several choose not to bid; others, especially some who gave the original guidance to the municipality in terms of pricing, are almost embarrassed to the number that they have to submit because the prevailing wage has afforded the premise under which they made the original submission. The threshold, if it was higher, probably would make an awful lot of sense. The statement that I made was the fact that the program is in fact compelling people to work at decent wages.

We hear an awful lot, especially in the last few days, about what is happening at the State level about prompting an increase in minimum wage, which I understand is different. But nonetheless, we have contractors who understand what is involved, and we are looking at real, honest, good dollars, irrespective of prevailing wages being imposed. Once a prevailing wage comes along it does in fact drive up the cost of the job.

Mr. TURNER. Mr. Dent.

Mr. DENT. This is a Federal hearing. I feel like I am wearing my State Senator hat at the moment, you talking about RCAP assistance. It is not something you would deal with in Ohio probably. But to your point—I have just forgotten my point now, but it was an important one. The issue of tax increment finance and in this State you have a problem with, you know, prevailing wage now being applied to private developments where tax increment financing is used. And many of you in the economic development business know what I am talking about. Has that presented problems for you in this end of the State? It has been a problem in eastern Pennsylvania that the prevailing wage, which previously had never

been applied to those private developments when using tax increment financing, it was quite a problem. Is that a problem out here?

Mr. GORSKI. We haven't had any interplay between CDBG and the TIP project, so I can't comment.

Mr. DENT. OK. Anything in the Westmoreland——

Ms. REITZ. Any larger projects that we have done—and I am speaking on the larger end—it is never really a problem for us, Congressman. It is the smaller jobs that we find difficulties with.

Mr. DENT. OK. Thank you.

Mr. TURNER. Mr. Mitchell, you made reference to a difficulty that you had with HUD and asked whether or not the committee would want you to elaborate. I would ask that if you would elaborate on the issues and the difficulties that you have had and also give you the opportunity to, if you would like to in more specific and greater detail, provide to the committee in writing a description of that. But I would like you to just speak for a moment on those issues.

Mr. MITCHELL. Well, this was sometime ago, and it involved handicap-accessibility issues and the rules and regulations that we operate under or did operate under at that time. It required you to provide accessibility to handicapped individuals to various public facilities, municipal buildings, public parks. And the idea was that you would use CDBG dollars, and I don't want to get too technical because it is involved in technicalities where handicapped people were generally at that time considered to be of low income by virtue of their handicap. So we did some accessibility improvements in several public parks. And the HUD folks at Washington took exception to that because other people could utilize those improvements, not just handicapped people.

So being somewhat aggressive at some points, we pursued it and got them to end up actually changing the rules because of Westmoreland County. And now you will find the rules say that you can do handicapped accessibility improvements, as long as those improvements are for and considered to be low and moderate-income benefits as long as those improvements are for frail elderly as defined by the census or handicapped adults. However, it left out children, didn't it? So one of the things—in the settlement we had with HUD we had to have a sign that indicated that any project we did for these handicapped accessible improvements were for those particular protected classes. So what I did is I created an 8 x 10 sign and we are doing a ramp improvement at a public park for an amphitheater, and so I invited the HUD officials in Washington to attend a ribbon-cutting. And on that sign said this ramp is for the exclusive use of frail elderly and handicapped adults. Handicapped children are not permitted to utilize this improvement by order of the U.S. Department of Housing and Urban Development. And, of course, I invited those folks to come to the ribbon-cutting, and for some reason they turned me down.

Mr. TURNER. Mr. Mitchell, you clearly have an ability to make a point.

Mr. MITCHELL. We were just following the rules, sir. That was all. And those rules still exist today. For the life of me I can't understand why children, because they are considered wards of their parents, and if their parents are not low-income, therefore, they are

not. Well, there is no difference in my mind between a handicapped person my age or your age and a handicapped child.

Mr. TURNER. Well, I tell you what, what is important is that what you are describing is an attempt by your community to do something that is good and where you have tripped into Federal rules and regulations that can thwart that, those are the types of things that we want to learn, so we appreciate you bringing that to our attention today.

Mr. MITCHELL. Thank you.

Mr. TURNER. Mr. McGowen, the Admiral, I would appreciate your discussion of the issue of duplication. We had a great presentation by you of the effectiveness of this program in your community. We saw some great results in the photos that you presented. One of the criticisms that CDBG had to overcome this year was the allegation that it is a duplicative program, that there are other sources of funds for your community to seek to accomplish the tasks that you laid out for us. Could you talk about that for a moment?

Mr. MCGOWEN. I see there is absolutely no duplication at all. As Ms. Irey said, it is a jumpstart in my cases, especially in downtown revitalizations. I showed you the city of Washington, which is an example, that CDBG funds because of the low-income census track for the whole city, we were able to use that and it jumpstarts millions of dollars. Developers are now coming in with $100 million project in downtown Washington and 1,000 jobs, and that is because CDBG, no duplication; it wouldn't have happened if CDBG hadn't done it to start with.

The same way with the home rehab program. There is no duplication there. You can't get that money anyplace else. And it provides keeping homes on the tax roles. The Head Start that I gave you an example of, the partnership. You wouldn't have had the people stepping up to the plate in terms of the CDC and the BHFA, etc. The Highland Ridge, we had a local bank give $125,000 to the program once it was established with CDBG. So there is absolutely no duplication. It is just a multiplier effect that is good.

Mr. TURNER. Thank you. Any questions?

Mr. MURPHY. No, I recognize we are out of time. I just want to ask this. I know we are out of time, but if you are willing to keep the record open because many of the communities in my district and around this region would still like to submit some written testimony. Without objection I would like to ask you to do that, sir.

Mr. TURNER. Excellent. We will leave the record open for a period to the end of this month, and if there are communities that want to provide it, then that would be very helpful to us.

Mr. DENT. Mr. Chairman, I just want to thank you for holding the hearing here and appreciate this very good testimony. I feel very good about how you are using CDBG out here in southwestern Pennsylvania and realizing that your experiences in many respects are similar to mine. And I have really learned something now. We used our money for Head Start in my district with CDBG, so I have taken something back to my community.

Mr. MCGOWEN. That was partnership.

Mr. DENT. Very clever. Thank you.

Mr. TURNER. Well, for those members of our second panel, I am going to give you the opportunity if there are any closing remarks that you would like to make or additional information that you would like to provide for us, go right ahead.

Mr. MCGOWEN. I would just like to reemphasize that it is an outstanding Federal program that is executed on the local level by a county to all the municipalities. And the municipalities do not have that expertise. They need it at a county level. The other thing is inner city, CDBG does help inner city revitalization. We don't want sprawl. We all know that. But you have to revitalize the inner cities in terms of low incomes, in terms of jobs. This program does that. If you do away with the CDBG, there is no raising of taxes at the local level or at the county level. That doesn't help. It is not going to happen. If you do away with CDBG, what has happened with that program stops. And, again, partnership and leverage is very obvious. We emphasize that very heavily in my organization, and it does work.

Ms. REITZ. I would just like to say, chairman, thank you so much for inviting the city of Jeannette a community to speak today. Community Development Block Grant funding is very much needed in our community. And with the lack of that, we would continue to lose our housing stock, our population, our youth. I have major concerns that our community cannot financially support this—obviously, we went in through a pre-opt 47 just a couple months ago, so we have a very, very much needed need to continue the Community Development Block Grant funding for the city of Jeannette. So thank you.

Mr. TURNER. All right. Excellent. Well, with that I want to thank Mr. Murphy for asking us to come here and for his leadership on the national level, for preserving CDBG. The Community Development Block Grant program is one, of course, that he is intimately familiar with and has been a strong advocate of. And the efforts to save CDBG, certainly a coordinated effort between the House and the Senate, and Mr. Murphy was the leader on the House side to make certain that not only that the funding would be there, but that the program would be highlighted and preserved. Part of his efforts to do that, obviously, is to invite us into your community today to receive this testimony so as part of the written record of this subcommittee. We will have the testimony of your support and your effectiveness of the use of CDBG. Mr. Murphy, I want to thank you for your leadership in that and for having us today.

Mr. MURPHY. Thank you, Mr. Chairman. You are always welcome in Pennsylvania.

Mr. TURNER. Thank you. Before we adjourn I would like to thank our distinguished panels of witnesses for their participation today. I appreciate your willingness to share your knowledge, your experiences, and thoughts on the CDBG program. I would also like to thank both of my colleagues, Mr. Murphy and Mr. Dent, for allowing us to come into Pennsylvania to get this important additional information and to take it back to Washington, DC, in our efforts to continue to advocate for CDBG.

Finally, I would like to express my appreciation to the borough of Carnegie for being our host. We owe a special thanks to Mr.

Murphy for inviting us and for his arrangements today to make sure that we had a smooth and productive hearing.

In the event that there may be additional questions that we did not have time today, we will also give Members the opportunity to submit written questions to you if you would be so kind as to answer them if one is posed to you.

Thank you all. We stand adjourned.

[Whereupon, at 12:15 p.m., the subcommittee was adjourned.]

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