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THE NEW YORK CITY EXPERIENCE: HOW HAS THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM SHAPED THE BIG APPLE?

HEARING

BEFORE THE

SUBCOMMITTEE ON FEDERALISM AND THE CENSUS

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

JULY 25, 2005

Serial No. 109–77

Printed for the use of the Committee on Government Reform

Available via the World Wide Web: http://www.gpoaccess.gov/congress/index.html
http://www.house.gov/reform

U.S. GOVERNMENT PRINTING OFFICE

23–852 PDF WASHINGTON : 2005

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THE NEW YORK CITY EXPERIENCE: HOW HAS THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM SHAPED THE BIG APPLE?

MONDAY, JULY 25, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FEDERALISM AND THE CENSUS,
COMMITTEE ON GOVERNMENT REFORM,
New York, NY.

The subcommittee met, pursuant to notice, at 10 a.m., in the Sixth Floor Gymnasium of the Thurgood Marshall Academy, 200–214 West 135th Street, New York, NY, Hon. Michael R. Turner (chairman of the subcommittee) presiding.

Present: Representatives Maloney, Rangel, and Turner.

Staff present: John Cuaderes, staff director: Juliana French, clerk; and Adam Bordes, minority professional staff member.

Mr. TURNER. Good morning. I want to welcome you to the Subcommittee on Federalism and the Census and our hearing today on, "The New York City Experience: How has the Community Development Block Grant Program Shaped the Big Apple?" A quorum being present of the subcommittee, this subcommittee will come to order.

Before I go into my written remarks, I want to thank the mayor and his staff for an excellent tour today that we had of Harlem and the wonderful community development activities that are going on here. Although this hearing is about CDBG and the funding that the Federal Government provides, we know that this story is really the fabric of communities and the discussion of community development.

Community development is about changing the places that we live and changing the lives of the people that live there. We have seen those examples today of people taking leadership in their communities and with Federal assistance being able to garner resources and to change their communities.

I want to thank Congressman Rangel for having us here in his district today. We know you must be very proud of the things that the community here has accomplished I am certain with the aid of your leadership and we are very excited to see those examples today.

I also want to thank Congresswoman Maloney for suggesting this hearing. She suggested this hearing not only because of her commitment to the CDBG Program but because of her intimate knowledge of the excellent accomplishments here and the fact that if we look at this Federal program and we look for accomplishments that

we knew we could find them here in New York City. I appreciate her leadership and having us here.

I would like to welcome you all to the Subcommittee on Federalism and the Census Field Hearing entitled, "The New York City Experience: How has the Community Development Block Grant Program shaped the Big Apple?" This is a followup to three hearings the subcommittee has held in Washington, DC, and the second field hearing held on the topic of CDBG.

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.

As most of you here today are aware, CDBG is one of the largest Federal direct block grant programs currently in existence for use by local governments. State and local governments use CDBG moneys to fund various housing, community development, neighborhood revitalization, economic development, and public service provision projects.

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. That is why I have worked hard this year along with my colleagues in Congress to ensure that the CDBG Program continues to receive a funding level similar to previous fiscal years.

Nevertheless, 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.

For this reason this subcommittee has come here to hear how you here in Harlem and elected officials and community leaders at the local level have used these funds and how your citizens have benefited from the CDBG Program. We are interested in learning from you what works in the program but also what does not.

I am very pleased with the response to this hearing, especially the number and quality of witnesses seeking to testify today. It is this kind of response that makes it great to be back in New York City, especially in Harlem. On two occasions last year I had the opportunity to visit this great community. The first was with Congressman Chris Shays as part of a community development tour organized by living cities to see the successes of their programs.

On my second visit to Harlem I had the opportunity to honor a number of Youth Action/YouthBuild students from my district, a program sponsored by the original Youth Action Program and Homes Program founded and located here in Harlem. It is because of this past experience and the presence of our distinguished panelists today that I am excited about this hearing. I know that it will be a tremendous success because of the experiences and successes that each of the members can bring to this panel.

With that said, I would like to express my appreciation to the city of New York and to Mayor Bloomberg and to the Thurgood Marshall Academy for hosting us today. I would also like to thank

my friend and colleague Congresswoman Carolyn Maloney and the Honorable Charles Rangel.

I understand we also need to thank Dr. Calvin Butts who assisted us in arranging for this location today and, of course, the principal of Thurgood Marshall, Dr. Sandy Johnson.

Our first panel consists of the distinguished mayor of this great city, Michael Bloomberg. I want to thank him again for his leadership and his efforts. I know, mayor, you must be very proud of your city and the things that you are accomplishing in the area of community development. Certainly your community is responding and your leadership is appreciated as we look to the great things that are happening in your communities and neighborhoods.

Our second panel of witnesses consist of four representatives from the city of New York Development Community. They are F. Carlisle Towery, president of the Greater Jamaica Development Corp.; Ms. Ronay Menschel, chairman of the Board of the Phipps Houses; Mark Willis, executive vice president of Community Development Programs at JPMorgan Chase; and Andrew Reicher, executive director of the Urban Homesteading Assistance Board.

Finally, our last panel we have three distinguished witnesses and they are Dr. Calvin Butts, Pastor, who we recognized earlier; Mr. Chris Kui, executive director of Asian Americans for Equality; and Dr. Ingrid Gould Ellen, associate professor of public policy and urban planning at the New York University Furman Center for Real Estate. I look forward to their expert testimony today.

I now yield to the distinguished gentleman and long-time Member of Congress from the 15th District of New York, the Honorable Charles Rangel for any opening remarks that he wishes to make.

Mr. RANGEL. Thank you, Mr. Chairman. We are fortunate to have a former mayor at such an important subcommittee and my community thanks you for coming here. I want to thank Carolyn Maloney. Without her strong suggestion as to having our great community selected we probably would have been lost in the South Bronx some place.

I think we really want you to take back to Washington, Mr. Chairman, the exciting enthusiasm of a community that has such a rich intellectual and cultural history that actually got bombed out in terms of homelessness, abandoned buildings, empty lots. Yet, we continue to persevere with people like Calvin Butts and Percy Sutton and entrepreneurs who came together with List and Enterprise and being able to have the empowerment zones and the restoration of the Apollo brought back a community that once again all of us can feel so proud of.

Kids can go to school and know that they are coming home to decent surroundings, a place for people to live and go to work and to be able to bring people back home. It is a thriving, exciting community and the Federal Government must step up to the plate to make certain that this rich community remains affordable to all of our citizens so that they will be able to enjoy living where they have seen this rebirth of an exciting community.

I want to thank the mayor and, more specifically, the chairman of the Housing and Preservation Department. There are so many ribbon cuttings that we are having in our community with Calvin Butts, with List, with Mark Willis, with the Addict Rehabilitation

Center, people who have such exciting ideas as to how they wanted to see a community, and with local, State, and especially the Federal Government's help was able to fulfill those dreams.

I hope we can take back to Washington the concept that we have heard, "If it ain't broke, don't fix it." This is a community that has come back and we want to continue to make certain that our kids and generations to follow would be able to enjoy all that they are able to enjoy today.

Thank you, and thank you, Carolyn, for your constant support, not only for this program but fighting for the city of New York. Thank you, Mr. Chairman.

Mr. TURNER. I now turn to my friend and colleague, the Honorable Carolyn Maloney, who sits on this subcommittee and who, as we acknowledged, first proposed the subcommittee come to New York City. Mrs. Maloney, I yield to you for your opening comments.

Mrs. MALONEY. Thank you so much. It is so wonderful to be home here in Harlem and to see the wonderful work of HPD and of the community to rehabilitate it. Ten years ago I was on the city council and spent a lot of time in Harlem. We just came from a tour. Mr. Mayor, it was unbelievable. Broadhurst used to be a drug infested crime area.

New housing for families, TIL buildings turned into cooperatives, the great Apollo helped by CDBG, St. Morris Park historic district, the parks. The city really is a symbol of how CDBG can work. Charlie, you must be so proud. What a wonderful legacy that under your leadership working with others all this affordable and available housing has come to our neighborhood.

I tell you, we could not have a better friend than my colleague Michael Turner who was a mayor for 8 years in Dayton, OH, so he knows the challenges that mayors face. He knows the need for a flexible program that confront the needs as they come forward whether it is combating arson or urban blight or whatever. He was very instrumental in beating back the attempt to totally dismantle the CDBG Program and move it to commerce.

Give him a standing ovation because that is important to our city. I mean it. They tried to cut it and move it and they tried to cut out the housing component which is the most important part of the program and this guy helped us put it back in.

More importantly, he is going to help us save it because those people who tried to cut it out are going to be coming back after it. I am very pleased to welcome my constituent and friend Mayor Bloomberg as one of our witnesses, along with many colleagues with whom I used to work many years ago. I see you haven't gone too far in your life. You are still here battling for affordable, available, quality housing and it is wonderful to see all of you.

Mr. Mayor, I appreciate very much the attention that your staff has focused on housing. It is critically important. As you know, even though we put 60 percent of city money in, without that 40 percent of Federal support it is very hard to do the many wonderful renovations and rebuildings and improvements that literally help people.

I just want to state very seriously that one of the justifications the administration advanced for eliminating CDBG as we know it, and as the mayor knows, both mayors know, this is one of the few

block grant programs that are flexible for communities so that you can use that money in a creative way to confront whatever the problem is. New York City, I am very proud of this city, historically has been a leader in coming up with answers on whatever the problem is.

Regrettably CDBG did not score well on the OMB assessment rating test. While we supported it and we got it back, we need to come up with a way to measure the results of CDBG that demonstrates the benefit it has provided and I hope that we can work together with the witnesses today to find a scientifically solid measurement to put up against the administration's test.

Also, because the program remains under-funded while more and more communities become eligible and apply to it, we face an ever shrinking pie and that situation will intensify with the questions of fair share. As representatives of this community, we each need to make the case for New York City. No one that has spent any time reviewing the numbers can contest that New York has significant needs and that the city has directed a CDBG funding to those who need it most but we need to make that case as strong as possible.

I wanted to really note the very professional nature of your staff in Washington, Mr. Mayor. They are able. They are competent. They get back with research quickly. They are warriors for New York and we need them. A lot of formula changes look like they are not going to have a lot of impact but they mean a great deal of money, sometimes millions, to New York City and they do an excellent job.

I appreciate your being here very much and the support of your staff. Charlie, you are the best always. Thank you, Mr. Turner. We are going to work together to make sure we preserve it in the next budget, too. Thank you so much.

Mr. TURNER. 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 light on the witness table. The green light indicates that you should begin your remarks and the red light indicates the time has expired.

In order to be sensitive to everyone's time schedule, we do ask that witnesses cooperate in limiting their remarks. After the oral presentations of each panel, the subcommittee will followup with a question and answer period. It is the policy of this committee that all witnesses be sworn in before they testify.

Mr. Mayor, I understand that you have Rob Walsh and Shaun Donovan with you who will also be answering questions so if the three of you would please rise for the administration of the oath.

[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 New York City Experience: How has the Community Development Block Grant Program Shaped the Big Apple?"*

Monday, July 25, 2005

Approximately 10:00 a.m. – 10:30 a.m.

Thurgood Marshall Academy
200-214 West 135 Street, 6th Floor
(at Adam Clayton Powell Boulevard)

OPENING STATEMENT

Welcome to the Subcommittee on Federalism and the Census' field hearing entitled *"The New York City Experience: How has the Community Development Block Grant Program Shaped the Big Apple?"* This is a follow up to three hearings the Subcommittee has held in Washington, D.C. and the second field hearing it has held on the topic of CDBG. 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 currently in existence for use by local governments. State and local governments use CDBG grant monies to fund various housing, community development, neighborhood revitalization, economic development, and public service provision projects. 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. That is why I have worked hard this year – along with my colleagues in Congress – to ensure that the CDBG program continues to receive a funding level similar to previous fiscal years.

Nevertheless, 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. For this reason, the Subcommittee has come here to Harlem to hear how you – elected officials and community leaders at the local level – have used these funds and how your citizens have benefited from the CDBG program. 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. It is this kind of response that makes it great to be back in New York City – especially here Harlem.

On two occasions last year, I had the opportunity to visit this great community. The first was with Congressman Chris Shays as part of a Community Development tour organized by Living Cities to see the success of their programs. On my second visit to Harlem, we had the opportunity to tour the Youth Build USA Headquarters. On both occasions, I could not have been more impressed by the work of these organizations in this community. It is because of this past experience and the presence of our distinguished panelists today that I am exited about this hearing. I know that it will be a tremendous success.

With that said, I would like to express my appreciation to the City of New York, Mayor Bloomberg, and the Thurgood Marshall Academy for hosting us today. I would also thank my friend and colleague, Congresswoman Carolyn Maloney, for her help in bringing this hearing to New York. I would also like to thank the distinguished gentleman who represents Harlem in Congress, the Honorable Charles Rangel, for his help in making sure that we have a successful hearing today and his lifelong commitment to the Harlem community.

We have three panels of witnesses before the Subcommittee to help us understand how the CDBG program has benefited New York City as well as what can be done better in the future.

Our first panel consists of the distinguished Mayor of this great city, Michael Bloomberg.

Our second panel of witnesses consists of four representatives from the New York City development community. They are: F. Carlisle Towery, President of the Greater Jamaica Development Corporation; Ms. Ronay Menschel, Chairman of the Board of the Phipps Houses;

Mark Willis, Executive Vice-President of Community Development Programs at JPMorgan Chase; and Andrew Reicher, Executive Director of the Urban Homesteading Assistance Board.

Finally, on our last panel we have three distinguished witnesses: Rev. Dr. Calvin O. Butts, III; Pastor at the Abyssinian Baptist Church; Mr. Chris Kui, Executive Director of Asian Americans for Equality; and Dr. Ingrid Gould Ellen, Associate Professor of Public Policy and Urban Planning at the New York University Furman Center for Real Estate.

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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[Witnesses sworn.]

Mr. TURNER. Please let the record reflect that the witnesses have responded in the affirmative. At this time then it is my honor again to recognize the mayor of New York City, Michael Bloomberg. We appreciate your time that you have spent in preparing for this hearing and also your attendance here today.

It is important for us to get information from you. We have had the opportunity to see some of the great successes from your leadership and we want to hear obviously the ways in which CDBG and the Federal assistance has contributed to that.

Mayor Bloomberg.

STATEMENT OF MICHAEL R. BLOOMBERG, MAYOR, CITY OF NEW YORK

Mr. BLOOMBERG. Chairman Turner, thank you. I join Congresswoman Maloney and Congressman Rangel in welcoming you and the members of the subcommittee to New York City, and especially to Harlem. I think when you go out on the streets you see what can happen when the public and private sectors work together and whether it is Sheena Wright and Calvin Butts of Abyssinian Development Corp. or similar groups throughout the city, you see that when people of good intentions roll up their sleeves and say, "Let us not complain."

Let us not look back but let us go forward, you really can make a difference. Harlem also offers just excellent proof of what Federal community development block grants funding can achieve and continue to accomplish in our city.

Mr. Chairman, as a former mayor yourself, you undoubtedly appreciate the importance of Federal support for our cities that permits a high degree of flexibility in discretion at the local level while also requiring local accountability. That is federalism at its best. I think it also perfectly describes the operation of the CDBG Program in New York City. It is why the program has produced outstanding results in housing and community development in our city.

This morning here in Harlem you have seen exactly what I am talking about. Twenty years ago this proud neighborhood was plagued by the widespread abandonment of housing. My predecessors at city hall, Mayors Koch, Dinkins, and Guiliani, used CDBG funds to reverse that trend here and elsewhere in our city.

The result is that today Harlem, like other New York neighborhoods that were once on the decline, are now experiencing a heartening revival. You only have to look at what has gone on on this street right by Thurgood Marshall Academy. Just take a look down 125th Street where two new hotels are being built.

That means that we now have a new challenge, preventing the displacement of long-term community residents and ensuring that Harlem and other neighborhoods in our city remain places that people of all income levels can call home. The adaptability and local autonomy built into the CDBG Program means that we can use CDBG funds to do exactly that.

With me today is the commissioner of the city's Department of Housing, Preservation, and Development, Shaun Donovan. New

York City annually spends about $260 million in CDBG funds and HPD administers the larger share, roughly 60 percent, of that sum.

Here in Harlem in Bushwick, in the South Bronx, and elsewhere in our city, HPD uses community development block grant funds to help tenants in what were once abandoned city owned apartment buildings to establish low-income co-ops and, in this fashion, take part in the great American dream of home ownership.

We draw on CDBG funds to plan the reuse of former industrial brownfields in our city for affordable housing development. A key part of our administration's ambitious plan to develop and preserve affordable housing for more than 200,000 New Yorkers.

Shaun's team also uses a substantial percentage of CDBG funds for what they rather prosaically describe as code enforcement. Let me tell you what code enforcement means in New York City. When landlords in Harlem or in other communities are unable to unwilling to make basic emergency repairs in low-income housing, tenants call our 311 citizen service number for help.

We then use CDBG funds to ensure that people who have nowhere else to turn get heat, hot water, and can live in homes that are safe. We also use CDBG funds for comprehensive improvement programs for substandard privately owned residential buildings. Safe, affordable housing is crucial to the revival of communities like Harlem but so are many other factors. The genius of the CDBG Program is that it encourages such robust neighborhood development.

Also with me today is Rob Walsh, the Commissioner of the New York City Department of Small Business Services. A major mission of Rob's agency is creating healthy environments for the businesses that sustain neighborhood life in our revitalized communities.

As detailed in our written testimony, SBS's neighborhood Small Business Solution Centers, its storefront renovation programs, and other initiatives, all of which benefit from CDBG funding, are helping us realize that goal in Flatbush in Brooklyn, Hunts Point in the Bronx, and in other communities.

CDBG funds also support daycare centers that help New Yorkers with children move off the welfare rolls and onto the job payrolls. They fund the renovations of senior centers throughout the city. CDBG funds also underwrite the city's outreach to homeless mentally ill men and women in and around the Staten Island Ferry terminals.

The CDBG Program is, in short, critical to the people of New York. When the proposed Federal budget threatened it with extinction earlier this year, I wrote to congressional leaders expressing my strong support for preserving this program. I applaud the action taken by the Senate and the House to maintain the CDBG Program. I urge you all to increase funding to at least last year's levels.

Mr. Chairman, like you and other members of this committee, our administration also believes strongly that CDBG funds must be spent where they are needed most and that local governments must be held to stringent standards in their expenditure. We have promised the people of New York just such efficient, transparent, and accountable city government and we have delivered in the administration of these funds as in other areas.

Let me stress unequivocally that our administration has zero tolerance for waste, fraud, or other misuse of any public dollars. What is more, CDBG funding has been highly targeted and has produced results. As you know, Federal law requires that a minimum of 70 percent of CDBG funds benefit low-income people.

In New York City I am happy to say we far exceed that target. In fact, 93 percent of our CDBG funds benefit low-income people. Independent research findings and other testimony that will be presented to you later today will also describe the economic ripple effect that CDBG funds have in encouraging nonprofit and private lenders to invest their own funds in housing and community development.

By supporting our initiatives in affordable housing, small business development and other areas, CDBG funds have played a vital role in the revival of our neighborhoods. Because New York is the Nation's largest city, the one most frequently visited by tourist from overseas, and a symbol to the world of how our Nation has bounced back since September 11th, every American has a stake in helping us continue to write such success stories.

We look forward to working with this committee to insure that happens. Now we will be glad to take your questions.

[The prepared statement of Mr. Bloomberg follows:]

Testimony of Michael R. Bloomberg
Mayor of the City of New York
Before the Subcommittee on Federalism and the Census
House Committee on Government Reform
July 25, 2005

Good morning Chairman Turner and Congresswoman Maloney. I would like to thank the Subcommittee for holding this hearing to allow New York City to tell our story of the successful use of the Community Development Block Grant program in our City. I am accompanied here today by NYC Housing Preservation and Development Commissioner Shaun Donovan and NYC Small Business Services Department Commissioner Rob Walsh. Welcome to Harlem, which is one of the many neighborhoods that benefits from the CDBG program.

I know that you all and particularly you Chairman Turner, as a former Mayor yourself, understand the importance of strong but flexible federal support for our cities. For the past 30 years, the CDBG program has proven to be one of the most effective programs administered by the Federal government. CDBG's hallmark is that it is highly targeted to those in need, but at the same time flexible enough to be used for a wide variety of activities.

Over the last three decades CDBG has played a central role in the City's remarkably successful efforts to revitalize deteriorated neighborhoods, preserve and improve affordable housing, and improve the quality of life for low- and moderate-income people. In the 1960s and 1970s, NYC's neighborhoods were devastated with the loss of hundreds of thousands of housing units to arson and abandonment. In a time when the City had little or none of its own resources to devote to housing, CDBG funds were used effectively to rehabilitate and preserve those privately owned buildings that were badly in need of repair.

The Housing Story

In the 1970's the City was faced with the massive abandonment of residential property. More critically, the loss of these residential buildings resulted in the decline of neighborhoods and threatened the stability of the City. We are all familiar with the pictures of Presidents Carter and Reagan standing on Charlotte St. in the South Bronx, not far from where we hold this hearing today.

New York City made a critical decision to save its neighborhoods. We had to engage in a massive program of stabilization and rebuilding. And we had to make New York City's communities an attractive place for neighborhood and business investment.

But we had no money to rehabilitate our housing stock. We had occupied buildings in extremely poor physical condition abandoned by private owners. The City had to step in. The first step was to preserve and maintain properties that had been abandoned and no longer had value on the open market. We needed to do that to halt the decline of our neighborhoods and to keep people in their communities so that there would be a base upon which reinvestment could commence.

New York City was emerging from a fiscal crisis and we had no access to the capital fund markets. CDBG was the only program that could fund the operation of these buildings. And so we put it to work in our neighborhoods, helping very low-income tenants of occupied buildings stay in their apartments. CDBG funds were vital to this effort by paying for preserving abandoned occupied properties when there were no funds for substantial rehabilitation.

By the early 1980's massive abandonment had stopped. But the City was now the owner of over 100,000 units of housing, both vacant and occupied, which were still unwanted by the private market. Our challenge was to transform the neighborhoods into vibrant livable communities.

By the mid 1980's New York City once again had access to the capital market. This funding availability allowed Mayor Koch to implement a 10-year plan for affordable housing. While CDBG funds continued to maintain the occupied buildings, we began to use City capital funds to commence the reconstruction of the City.

We started with the vacant buildings. More than 50,000 units of vacant housing were blighting our neighborhoods, making them unattractive to investment. With the addition of the Low Income Housing Tax Credit Program and the HOME program in the late 1980's, our rebuilding program moved into high gear.

Partners

We always knew that the City alone could not accomplish this rebuilding. So with a variety of for-profit and non-profit partners the City began the process of privatizing over 100,000 units of city-owned housing. Working together with large non-profit organizations like Phipps Housing, Catholic Charities, intermediaries such as the Local Initiatives Supportive Corporation (LISC) and the Enterprise Foundation and private lenders through the Community Preservation Corporation, the City created housing programs that could leverage our rebuilding funds and be attractive to the private sector. By giving the buildings to new owners along with loans for their rehabilitation and commitments to provide Section 8 vouchers to the tenants, we made it attractive for new owners to take the tremendous risks that were entailed in building in these devastated neighborhoods.

Homeowners

Many of those new owners were the former tenants of the City-owned buildings. Over 20,000 new homeowners were created in buildings that were turned into affordable co-op housing under the Tenant Interim Lease Program. As you'll hear from Andrew Reicher, CDBG helped to give those tenants the skills and knowledge to operate their buildings so they could become homeowners. These new homeowners were people who had stayed in the abandoned buildings that were run with CDBG funds. They would turn out to be the core of our new communities and it was CDBG that made that possible.

By the early 90's we had turned the corner on our abandoned buildings. Our neighborhoods were starting to come alive. As a result, those neighborhoods became attractive to many of our new immigrants. Our CDBG programs helped to provide the housing, and services that they needed.

Privatize

We strove to move even more of our abandoned housing into private hands. With programs like the Neighborhood Entrepreneur Program, we looked into our communities for small housing owners who were ready to step up to take over the City-owned housing in their communities. Once again, with low interest loans and Section 8 vouchers to protect low-income tenants from being displaced, these buildings were able to move into the private sector to help create healthy and vibrant neighborhoods.

Today we have reduced our stock of City-owned housing units from over 100,000 to fewer than 6,600. It has been a truly remarkable achievement. These buildings, virtually all of which were in dilapidated condition when they arrived in the City's hands, are now physically sound and economically viable.

But creating a healthy neighborhood that is attractive for investment is about more than the buildings being rebuilt. It's also about economic activity and services that give people a reason to live there. The CD program played an integral part in strengthening the public services and developing the economic opportunities that made it possible for ordinary people to live, work and play in our resurgent communities.

Services that the Neighborhood Needs

In recognition of these overall community needs, New York City's CDBG Program reflects the diverse eligible activities that make CDBG so valuable to cities.

In an effort to attract, retain and expand business and business opportunities and stimulate private investment, CDBG funds economic development programs such as Avenue NYC.

Commercial strips in low/mod areas are stabilized and revitalized through feasibility studies, marketing research, technical assistance and storefront renovation. These efforts are making a big impact in disadvantaged communities throughout the City.

Myrtle Avenue in the Fort Greene section of Brooklyn is another great example of the revitalization taking place in low/mod areas. The Myrtle Avenue Revitalization Project Local Development Corporation has used CD money to make strategic investments, turning around Myrtle Avenue—a once blighted area—into a thriving commercial area. In the last five years, more than 40 new businesses, many of them minority- and women-owned, have opened on Myrtle Avenue

To develop and assist small businesses, the Micro-Enterprise Program provides low- and moderate-income persons with business basics classes, assistance in obtaining state tax identification and provides enclosed markets to relocate street vendors. The goals are to provide entrepreneurs with the tools and skills that will enable their businesses to succeed, for them to properly pay all taxes, and to remove vendors from sidewalks where they are a hindrance to pedestrians. In the last three years, the program has assisted more than 8,000 entrepreneurs and small business owners to start or grow their companies—in 2004 alone, the program worked with nearly 3,000 persons. In particular, markets like Brooklyn's Flatbush-Caton market have provided a stable home for former street vendors, helping them establish and grow their small businesses.

Similarly, the NYC Business Solutions Centers provides new and existing businesses with quick and reliable information on business issues such as starting a business, working with government regulations, securing financing, hiring and training employees, finding real estate, obtaining minority women-owned business certifications. CD funded three staff members to focus on the work of the centers in Brooklyn and the Bronx. In 2004, the NYC Business Solutions Centers helped 2,284 businesses—more than half of them in the Bronx or Brooklyn. Businesses like Footwear and More, located nearby in

Hunts Point, have relied on professionals at the Business Solutions Center to prepare loan packages, which in the case of Footwear and More, recently resulted in securing a $206,000 loan.

The Industrial Areas Improvement Program eliminates blighting conditions such as graffiti on industrial buildings via innovative paint-spraying trucks. Due to increasing efficiencies each year, the program has gone from painting over 5.9 million square feet of wall space in 2001 to over 15 million square feet of wall space in calendar year 2004. It also uses CDBG funds to remove abandoned vehicles, refuse, debris, rubble and weeds on and around roads and sidewalks within industrial parks and their immediate vicinity. In 2004, there were 11,640 yards of debris removed.

One of the consequences of the abandonment of housing, commercial and industrial buildings and general disinvestment in the 70's was the proliferation of vacant properties. In response, CDBG began to fund innovative programs which not only removed debris from vacant lots, but often greened them and established neighborhood gardens. City agencies coordinate this process, wherein the Department of Sanitation cleans a lot, the Parks Department plants grass or flower seed mixtures, and the Department of Citywide Administrative Services fences the lot. This process addresses health code violations, improves the image of the surrounding neighborhood, and makes the properties more presentable to the community and potential developers. The City's GreenThumb Program is a worldwide model for the creation of neighborhood gardens on formerly vacant lots. There are 495 community gardens in New York City, benefiting over 35,000 people.

To address the needs of at-risk youth and to maximize the use of a neighborhood resource, the Beacon Schools Program was created in 1991 to provide after-school education and recreation. In 1998, CDBG funds provided funding for 14 additional Beacon Schools in low/mod areas. Services include tutoring, homework assistance, literacy programming, arts and crafts courses and leadership development. The program served 20,886 people in 2004.

Studies show that teens who participate in organized recreational activities are less likely to drink alcohol, take drugs or get pregnant. The availability of recreation for youths has been found to lower crime rates. CDBG provides recreational services to persons in low- and moderate-income areas. Six local recreation centers provide services such as sports activities, fitness programs, after-school education, computer instruction, dance, cultural enrichment and crafts. The centers provide a comfortable and welcoming venue where children, young adults and seniors can get together and relax with their peers. Last year, more than one million people participated in these activities.

CDBG funds provide the elderly with services, which will preserve or improve their existing housing, health and social needs. Seniors are assisted in New York City Housing Authority projects under the Senior Resident Advisor and the Claremont Village Anti-Crime Programs. The programs offer crisis intervention, crime prevention education, assistance with benefits and entitlements, referral for transportation services, meals programs and home care. Over 4,500 senior tenants were served in 2004.

The Elderly Minor Home Repair Program provides for minor repairs to the homes of very low-income elderly. Although minor in nature, these repairs are beyond the ability of the elderly to complete themselves. The repairs help prevent major problems from developing which could be financially difficult for the elderly to carry out. In 2004, this program completed over 55,000 repairs in 3,000 homes.

CDBG funds support economic development efforts by providing day care services so low- and moderate-income parents, many of whom are single mothers, may return to work or school. In 2004, 5,103 children were provided with day care services.

Using CDBG funds outreach is provided to homeless, mentally ill and medically frail adults in and around the Staten Island Ferry Terminals. The John Heuss House, located in lower Manhattan, and Project Hospitality in Staten Island, operate drop-in centers, at which homeless individuals can receive treatment, be placed in a shelter program or

obtain referrals to the mental health system. At the drop-in centers, food, showers, shelter and counseling are provided, as well as referrals for housing, medical, drug and psychiatric treatment. Last year 2,046 people were assisted.

The Department of Homeless Services used CDBG funds to provide shelter and associated services such as meals, money management, consumer awareness, permanent housing assistance, transportation, educational planning and job skills to 203 families in 2004.

CDBG funds are used to meet the rehabilitation and preservation needs of neighborhood facilities, including senior and day care centers and homeless shelters. Over the last three years, renovation work was completed at 29 senior centers, 30 day care centers and 7 homeless shelters.

Measuring and Targeting CDBG

I know this sub-committee is concerned about measuring the effects of CDBG. You have certainly seen the measurable effects in Harlem. I believe that performance measurement is critical to the success of any program. However, performance measurement must be related to the goals of the program. It's not a simple problem by any means. Professor Ingrid Gould Ellen of NYU's Furman Real Estate Center has done studies of the effects of federal investment in New York City's housing programs. I am confident that a more effective performance measurement system will help to document the City's many CDBG accomplishments. I also hope that we can work with this subcommittee on using our experience and research to find effective ways to measure CDBG performance.

Another issue that has increasingly come up is "targeting" both in terms of ensuring that the communities with the greatest need receive their fair share of the funds, and ensuring that grantees continue to direct the bulk of the funds that they receive to those who need it most. As you have seen and will hear today, the City clearly has significant needs and has appropriately directed its CDBG funding to meet those needs. We are spending

almost all (93%) of our CDBG funds on low and moderate income people. Of course we welcome constructive efforts to improve overall targeting.

New Challenges

Today New York City faces new challenges in the development of its communities. To meet those challenges I have announced the New Marketplace Plan to build and preserve over 65,000 units of affordable housing.

Preserving housing is a key part of our goal. First we must keep our neighborhoods as attractive places to invest and we must protect the investment that the City and the Federal government have made. The lessons of the 1970's and 80's have taught us that we must be vigilant in maintaining and preserving New York City's aging affordable housing stock. We know all too well the cost to the City and the residents when neighborhoods decline and housing is abandoned. Truly the old adage that "an ounce of prevention is worth a pound of cure" is true.

To preserve affordable housing, we have developed a range of programs and tools that help to educate owners enforce code compliance and remediate sub-standard housing conditions. To that end we have used CDBG funds for our Neighborhood Preservation Program and a targeted and coordinated Code Enforcement program. CDBG funds are targeted to those neighborhoods which are predominantly low-income and which are the same neighborhoods that were rebuilt. We must insure that all building owners meet the basic standards of safety and upkeep so that those who have invested do not see their investments harmed by substandard or abandoned housing nearby. HPD's Division of Anti-Abandonment works with our Neighborhood Preservation Groups to identify problem buildings as early as possible.

Where appropriate, we work with owners to upgrade their buildings. If owners fail to meet basic standards we will utilize all of our legal authority to make sure that they comply. This helps to insure that our neighborhoods will never fall back to the state of devastation that we once saw.

Creating more affordable housing and rehabilitating existing housing is still an important goal for us. The New Marketplace Plan will continue to finish our work in the neighborhoods that are still in transition. As you saw in Harlem today, that work is not yet finished.

Closing

For the rest of the morning you will be hearing mostly from the City's partners presenting how they use CDBG and other federal funds in developing our neighborhoods and making them attractive and functional.

As you listen to them, I hope that you will hear the creativity and diversity that they have brought to this process. There are many things that need to be done to create and preserve communities. CDBG is a uniquely useful tool in achieving this difficult objective.

If CDBG is changed, it must maintain this unique ability to let states, cities and communities bring their tremendous creativity and entrepreneurship to bear to address these problems.

If there is anything in our experience, and I think there is, which the sub-committee finds relevant to the task of overseeing CDBG, we would be more than happy to work with you in any way that you find useful.

I thank you for your attention and would be glad to take any questions.

Mr. TURNER. Mayor, there are two basic criticisms that were levied against CDBG in the process this year when the proposal occurred to zero out the budget. One was that the program lacked specifics in its goals and objectives. The goal and objective that was cited was that of community development. The term community development was one that lacked clear definition and, therefore, it was very difficult to provide any measurement as to whether or not community development has occurred.

The second was that the belief that CDBG was a duplication of other programs, that there were other sources readily available to cities to seek funding to apply to some of the programs, projects, some of which you have just described. Would you talk for a moment about the issue of community development?

I think someone such as yourself who have worked in the areas of turning neighborhoods around can certainly speak to the issue of how can we look at knowing when community development is occurring that it is something that CDBG can cause to happen and the act that what other sources you might look to as a mayor to replace CDBG funds if they weren't available.

Mr. BLOOMBERG. Well, it would be very difficult to replace the funds obviously. The city is always strained by lots of different objectives and needs. Let me say that I think we are not an expert on how other cities use CDBG funds so we can really only talk about ourselves but I think there are ways to measure the effectiveness of this program. You go out in the streets and you look for vacant lots, deserted buildings.

If those aren't there, that says people are going and renovating and moving in, not leaving. They are doing it because the community is better. You look at the crime statistics. Communities that are growing have lower crime because people want to make sure that they have safe neighborhoods and they understand they are part of police work, working with the police and having zero tolerance for neighbors who try to take away their freedoms to go about their business.

Looking at the schools and seeing whether the schools are getting better, that is another way all of this comes together. If people have hope and pride in their neighborhoods, if they think that things are getting better and it is not hopeless, if they come to the realization that they don't have to settle for the problems of the past. In fact, in this country they can make things better. I think you go back and you say that is the result of a lot of things but CDBG money is clearly a big part of it.

You want to add something, Shaun? Mark Page is my commissioner for all the moneys that get distributed, Office of Management and Budget. Mark.

Mr. PAGE. I think New York City's budget obviously in the short-term, I mean, sometimes a little bit more money and sometimes there is less but overall it is under extreme stress all of the time in finding resources. The existence of this program over now decades means that there is an ongoing program and an ongoing research that can be focused on the community development and low-cost housing purposes that it served so well without having to start by competing with every other city service for the money.

It is actually a continuous source and it can focus on how best to spend this sum with some confidence that it will go on which is perhaps why it is so important that Federal funding continue in this program, that it not become the same kind of annual competitive process that city services otherwise face.

Mr. DONOVAN. I think also, just to take a specific example, when you ask about replacing that funding, if you think about the In-Rem housing stock that we saw this morning on the tour, nobody would have predicted when CDBG was begun exactly what the funding would have been used for.

We were able to respond to that crisis by managing those properties, the day-to-day how are you going to pay the bills, who is going to be in those buildings making sure the tenants are safe. Nobody at that point would have predicted that 10 years later we would have had such success in turning those buildings around that we would have been able to shift that money to a new use which was actually beginning to rehabilitate them and beginning to focus on the privately owned stock.

None of the other Federal housing programs have that flexibility that allows us to shift those to those needs whether it is Section 8 vouchers, tax credits, home funding, all of those we use to build projects. CDBG is really the only funding stream that we have that we can use flexibly to be able to shift with the changing needs that we have in our community and that is what is so critical about the flexibility.

Mr. TURNER. Flexibility is an important point because just as your needs shift, the needs of every community throughout the country shift and differ so allowing a program where the Federal Government doesn't dictate how they are to be used really does allow the local community to determine what needs they are responding to or have as a priority.

That leads me to my next question. You were talking about the things that you accomplished and the shifting needs and flexibility. I am very impressed with the leveraging aspects of CDBG. When those funds are used by a community as seed moneys how they attract other capital. Mayor, perhaps you could talk about the issue of how those funds have been able to attract other investments as you have identified areas through development.

Mr. BLOOMBERG. Mr. Chairman, I don't think any government even combining Federal, State, and city tax revenue sources would have enough money to make the big dent that this country needs in improving its housing stock and solving lots of other problems. You have to have the private sector come in.

The private sector is driven by capitalism. You have to make it attractive for them. They have to think that they can earn a good return and they will look to the trends, how safe their investment is going to be, and whether it is likely to get other investment whether they are going to be the only investor, which they don't want to be, or whether they will join a whole group of people.

I have always thought that Congress should hold cities accountable for how they spend the money. But when a city does it intelligently and shows results, don't penalize that city by taking money away from it. Quite the contrary. You are really getting something for your money and you should give them even a greater share.

You have to have an incentive for cities to use money intelligently or they will waste it. New York City has not wasted Federal moneys. I think you can demonstrate with clear hard numbers that this city whether it is in job creation or making a better quality of life for people or finding housing, those people who were here during the tough times and now are getting squeezed out by a rising real estate market, you can show that New York City has done with the Federal Government what Congress intended those moneys to accomplish.

Rob, you want to talk about job creation just as a good example.

Mr. WALSH. Well, job creation is one example. Our agency uses a very small portion of the money but it goes a long way. Over the last 3 years we funded over 150 different groups who are out there working to improve store fronts along commercial districts, some of the things you saw today whether it was on 125th Street, 116th Street.

I quickly think of an example on Myrtle Avenue and Brooklyn where we worked with the local development corporation grassroots effort. Over the last 2 years over 40 small businesses moved into the area opening up coffee shops that didn't exist and restaurants and bookstores and other businesses that happened.

When you start thinking about leverage, you look at some of the other development, the private sector development that is taking place. In the case of Myrtle Avenue a local university also moved onto a block which they would have never thought about before. We could not have done that without the money because where else would the grassroots organization get the money.

They could go to the banks. They could go to a number of other groups but it is limited funds. New York City has the most comprehensive local development corporation system in the city. Many of these groups are one, two, three, four blocks of merchants associations that have come together.

What the mayor has done in the last 2 years, as I mentioned to you on the bus, he has taken the Workforce Investment Act money to the Department of Employment and he has linked it with small business services. We are now making links between economic development as you would see in the local stores.

We have set up small business centers throughout the five boroughs. We went by one today on 125th Street. We go after the merchants and we ask about jobs. "What jobs do you have and what jobs are available?" We are now linking that money. We are leveraging other Federal money, other State money, other local money to get people jobs in their communities.

Mr. DONOVAN. I would add on the housing side that you will hear from two folks today in testimony, Mark Willis from JPMorgan Chase who will talk very directly to this issue of leveraging. Every single project that we do we link up with the private sector with a very sophisticated network of banks like JPMorgan Chase and others that bring funding to these projects to leverage the Federal funds.

At the same time you will also hear from Professor Ellen from NYU who will talk about the leveraging effect that these funds, particularly CDBG funds, have had on neighboring property owners.

Very sophisticated statistical analysis that shows that where these investments are made people surrounding those investments improve their properties more than in other areas and the values of those properties rise more than other areas. That shows very directly that there is private investment leveraged by these investments if they are done right as they are done in New York City.

Mr. TURNER. I now recognize Mr. Rangel for his questions.

Mr. RANGEL. Thank you. Mr. Mayor, would you share with the chairman in addition to improving the quality of education and creating jobs how important it is that low and middle-income people be able to gain access to the apartments that are being built in the community?

Mr. BLOOMBERG. The Congressman is part of an effort. He was really the instigator in getting our administration to form a commission of government leaders, of union leaders, of developers, of financiers to try to make sure that one of the biggest growing industries in this city, construction, is open to everybody who lives in this city. We want to make sure that all of our industries and all parts of city government roughly reflect the population of this city. In the past there are reasons to believe that was not the case.

It turns out that by working with the unions and with the developers you are starting to see more and more agreements on big projects that the developers agree to make sure that minority and women-owned businesses, for example, get an opportunity to bid on contract, they have knowledge of them, they know how to bid, and they get the opportunity to partner with bigger companies.

You are starting to see the unions open up and understand that it is in their interest if they want to have the best work force and grow with the city, that they make their programs available to everybody. It is also incumbent on the city to make sure that our education system going forward produces children or young adults that have the skills necessary to compete in the modern world.

Today you go into the construction industry and you have to have a level of academic skills that would have been unheard of just 10 or 20 years ago. Today construction is a job that requires the ability to work together and to use complex technology to build the great buildings. The Congressman has kept our feet to the fire and we have a long ways to go but I am committed to making sure that everybody in this city who wants a good job has the opportunity. All they have to do is to work hard.

This is a city where we don't ask where you come from. We only ask what you can do. While that is probably not true 100 percent it is getting more and more every day. We have an educational system that for a big city is actually pretty good but for a system that produces children with the skill sets required for tomorrow's jobs we have failed too many of our children and we are committed to not doing that anymore.

One of the things I am most proud of is that we started to close the gaps between different ethnic groups, for example, in this city, or different economic groups in terms of the children's ability to read and write at grade level. We still have a long ways to go but the latest results were very encouraging. I want to make sure that whether you want a job with city government or you want a job in

the private sector, if you work hard, that opportunity is available to you.

Mr. RANGEL. Well, the major thrust of my question is how we formulate the rent structure in these buildings so that there will always be set aside a sufficient number of apartments for low and moderate-income people because whenever a community is being improved as fast as we are, it is always the fear that the people who struggle to make it this way will not be able to afford to stay here.

Mr. DONOVAN. What we have done in the properties that we have renovated here in Harlem and the new construction that you see going on all over Harlem under this mayor's administration, we have focused first of all on making sure that existing residents can stay in place and we do that in a couple of different ways.

One is we use a combination of CDBG funds and other Federal funding with Section 8 vouchers which are another incredibly important resource to make sure that rents get set at 30 percent of that individual or family's income and make sure that they are able to stay.

Even more importantly we have an expansive effort. We have now helped close to 20,000 households become homeowners in those city-owned buildings. Not only are they able to stay affordable but they can actually participate in the revitalization of the community through building equity in home ownership.

We actually visited a couple of those, they are called TIL buildings, this morning on our tour of Harlem and they are a very, very important part of our overall strategy to help people stay in the community. In fact, the training that we do in other parts of that TIL Program are funded directly by CDBG so it is a very, very important piece of our overall strategy in terms of helping folks stay in the community and keep that housing affordable.

Mr. RANGEL. Thank you, Mr. Chairman.

Mr. TURNER. Congresswoman Maloney.

Mrs. MALONEY. Thank you for your testimony. You outlined all the wonderful things the city is doing with these grants and we saw it today. One of the justifications the administration uses for eliminating CDBG as we know it was that the program did not score well on the OMB assessment rating test.

Maybe from your perspective you could help the Federal Government define what progress is. How can the Federal Government define what progress is? Do you have a rating system within HPD or within the administrative Executive Office that rates these programs and defines whether or not they are successful?

In other words, the Federal Government wants more accountability and they want a definition of what is success that they can rate. Second, should a city lose grant dollars if they cannot meet the Federal benchmark for success? More importantly, what should be that banner for success that they can objectively look at it so we can answer their concerns?

Mr. BLOOMBERG. Shaun can give you some specifics but I would argue that, in fact, the Federal Government should insist on deliverables, should insist that their money is used intelligently, should measure whether or not there is progress, and penalize

those who don't make progress and reward those that do. Otherwise, it is just verbiage.

If you want some macro numbers as to whether or not Federal programs—it is always difficult to single out the affect of any one of them but I will give you some numbers that say that, in fact, New York City is using Federal moneys intelligently. Our population is at an all-time high. Life expectancy in this city is greater than it is in the country as a whole.

Our bond rating has been raised to the highest it has ever been in history. Our crime rate has declined to where it was back at the beginning of the 1960's. Deaths by fire, deaths by traffic, all of those kinds of public health things the numbers are down to low numbers that nobody ever would have expected.

You can go right down whether it is improving schools or improving quality of life, whether it is measured by people that vote with their feet or measured by independent agencies. You can make the case that we are doing it intelligently—whether it is Federal moneys, State moneys, or city moneys.

Shaun, you want to add specifics?

Mr. DONOVAN. Yes. First, I would just say I think no administration in any city around the country is more focused than the mayor is around this issue of accountability. From what we have done in putting things up on our Web sites to measuring the performance of every single agency throughout the city it has been enormous focus. We would love to be helpful on this issue as you go forward with the specifics of it.

Mrs. MALONEY. Commissioner, have you developed any type of evaluation mechanism specifically for the CDBG grants that show they have been successful that we might be able to use on the Federal level that shows that maybe it is generated more people living in an area, more tax revenue, more community activity?

Mr. DONOVAN. I would say a couple things. First of all, we do have testimony from Professor Ellen that will speak directly to that issue. Very clearly the research that we have done around the city's housing investments has demonstrated substantial increases in neighboring property values, improvements in many, many neighborhood indicators such as crime and others and has actually showed a dramatic return to the city itself in terms of increased tax revenues. On all of those we have very good evidence that shows that these results have been achieved.

What I would also say, however, is that we have to recognize that this program by its very nature and flexibility is a difficult one to measure. We have to retain some flexibility in the measurement systems themselves because of the flexibility of the program. We think that the joint consensus document that has been developed in Washington among a number of groups is a good start in terms of doing that.

Develop some broad categories for performance and rate them within those broad categories. I think beyond that trying to get to a single or a very limited set of indicators on these programs because of its very nature is going to be difficult and really would be a mistake we believe.

Mr. PAGE. I think this question of an objective rating scale, we think that we spend the money very effectively for community de-

velopment but what does that mean? I think it might be helpful to just briefly go down the list. We obviously spend a lot of attention on housing but we spend CDBG money on home repair services for elderly homeowners to prevent abandonment of buildings.

There is a certain amount of money for information provided to the elderly and senior citizen centers on housing. There is daycare in some communities, assistance to crime vehicle victims, improvement of schools, graffiti, vacant lot cleanup and greening of vacant lots. There is a whole broad list of very specific purposes where this money is spent which we think the purposes are successful and effective in building communities and making the city a good place to live.

But a quality rating you need to look at the very specific uses and see how that is working in that community. It is hard to figure how you bridge from this very concrete detail to some sort of cosmic level that is going to be meaningful to Federal OMB. It is going to be a lot of work to do that.

Mrs. MALONEY. OMB also proposed to move CDBG out of HUD to really terminate its housing function and to move it to the Department of Commerce for mainly economic development. From my years on the city council CDBG was housing. It was used to leverage TIL, to leverage investment, to leverage the preservation of historic buildings.

We saw all of that today. I would like the mayor to elaborate and give us some more examples of how CDBG has been used to leverage the money for housing, the newest initiative, the new market place plan, how will CDBG support that, and how has it worked. Another very important part of it is the flexibility which you pointed out in your testimony.

I think that is a very important part of CDBG that it is flexible and that your creative team can work on coming up with new ideas of how to use that and giving concrete examples of how it has been used creatively will help us save the program. There is also a movement in Congress to move it away from a block grant that gives the discretion to a city to more of a formula-driven program and your feelings on whether or not it should remain a block grant flexible program and why.

Mr. BLOOMBERG. Well, for a start, Congresswoman, I think each city has its own unique problems but even more importantly what is a city where the boundaries create the city and create the suburbs vary so dramatically that if the Federal Government has one size fits all kinds of requirements, you will wind up really doing nothing for anybody.

In terms of the economic development, in the end I have always been a believer that companies go where their labor force and their customers want to live. The best thing that you can do to create economic activity is to make a place where everybody says, "That is where I want to raise my family, send my kids to school, have the entertainment of family things together, quality time."

That has been our strategy in this city, reduce crime, make the schools better, improve the parks, keep the street clean, make sure there are cultural institutions. When you do that, companies say, "I don't have any choice. That is where I want to be because that is where the work force I need and my customers are going to be."

Those quality of life decisions are the first decisions generally that people make. Then they go looking for a job.

Mr. WALSH. You will hear later today from Carlisle Towery and I think that is one of the great examples of what Carlisle has done over the decades in Greater Jamaica Development Corp. Obviously there is a lot more work to be done. Rebuilding the retail corridor, improving the transportation, working with the local university, creating jobs.

You will hear about the industrial initiatives going on, saving the manufacturing jobs. The manufacturing and industrial jobs pay more so we should be spending a good amount of money to ensure that there are skilled workers. Congressman Rangel, this is something that you have talked about on the new commission on jobs of training people in those areas. Not only construction but other skilled areas in addition to retail where there is a greater possibility for promotion and opportunity. That is exactly what you are going to be hearing from Carlisle later on.

Mr. TURNER. Thank you, Mayor Bloomberg. I appreciate both your hospitality today and then the tour, your comments here today, and the preparation that you have had for this hearing. Also, it has been great to look at your leadership in community and neighborhood development.

The second and third panel that we are going to have are some of the partners that you have used in formulating some of this redevelopment from the private sector, the nonprofit sector, and also your faith-based partnerships. We are going to be very excited to hear from them.

Before we end this panel, I wanted to give you an opportunity, or any of your staff opportunities, to add to the record anything that we have not asked today that you did want to speak on or anything that you have heard in questions that you would like to embellish before we end panel one.

Mr. BLOOMBERG. I would just like to urge you to listen to Congresswoman Maloney and Congressman Rangel when they argue for more funds for this program and particularly where those funds should be spent. I think they are both highly intelligent, have the interest of the country at heart. You couldn't do better than follow both of them. Incidentally, while you are here, we would love to have you spend more time and spend more money. We need the sales tax revenues.

Mr. TURNER. Thank you. Then we have just some closing remarks from Mr. Rangel.

Mr. RANGEL. I can hardly resist the opportunity to have a candidate running for reelection under oath but I will pass. Thank you for coming, Mr. Mayor. I want to thank the chairman for honoring our community and the work that we have done, and certainly our friend Carolyn Maloney for pointing it out. We are so proud of what we have done and we know we have a lot more to do.

We couldn't have done it without the people in the audience, Mark Willis and certainly Rev. Dr. Calvin Butts. The Harlem community of churches have done such a fantastic job. Before this hearing I made an appointment to visit some people at the Calvary Hospital. As you know, it is a hospital for the terminally ill.

I won't be able to hear the rest of the testimony but in addition to the rebuilding of Harlem, I cannot be more proud of the people that are in this audience that have taken time out to show our appreciation for the Federal Government, local and State officials, for making our community. My mom was born here. I was born here. It is a great deal of pride to be able to see this happen before I leave. Thank you so much.

Mr. TURNER. With that we will take a 2-minute recess as we turn to panel two. The witnesses consist of Carlisle Towery, president of the Greater Jamaica Development Corp.; Ms. Menschel, chairman of the Board of the Phipps Houses; Mark Willis, executive vice president of Community Development Programs at JPMorgan Chase; and Andrew Reicher, executive director of the Urban Homesteading Assistance Board. Thank you.

[Recess.]

Mr. TURNER. If everyone can take their seats, we are going to start with the second panel.

Our second panel of witnesses consist of four representatives from the New York City Development Community. They are F. Carlisle Towery, president of the Greater Jamaica Development Corp.; Ms. Ronay Menschel, chairman of the Board of the Phipps Houses; Mark Willis, executive vice president of community development programs at JPMorgan Chase; and Andrew Reicher, executive director of the Urban Homesteading Assistance Board.

I know that you are all aware that on the table there are lights that will tell you when the 5-minute period has concluded. You also get a yellow warning before it actually concludes. At that point if you could summarize and conclude your comments. If I have mispronounced any of your names, please reintroduce yourselves. Thank you for being here, both for preparing your written testimony and the time that you are taking in sharing your stories with us today.

We will begin with Mr. Towery.

STATEMENTS OF F. CARLISLE TOWERY, PRESIDENT OF THE GREATER JAMAICA DEVELOPMENT CORP.; RONAY MENSCHEL, CHAIRMAN OF THE BOARD OF THE PHIPPS HOUSES; MARK WILLIS, EXECUTIVE VICE PRESIDENT OF COMMUNITY DEVELOPMENT PROGRAMS AT JPMORGAN CHASE; AND ANDREW REICHER, EXECUTIVE DIRECTOR OF THE URBAN HOMESTEADING ASSISTANCE BOARD

STATEMENT OF F. CARLISLE TOWERY

Mr. TOWERY. Thank you, Mr. Chairman, distinguished Members of Congress. We very much appreciate your leadership on this issue and the attention you are giving to New York City.

I am Carlisle Towery from Greater Jamaica Development Corp. This is a wonderful opportunity for us to point out the productive partnership with the city and my organization through CDBG funded contracts with the Department of Small Business Services and the Economic Development Corp.

The staffs we work with in these two dedicated agencies are especially able, innovative and effective. We have had no experience

over my 34 years there of any waste, and I mean that, or any misuse but just talent and dedication and results.

The flexibility of the CD funds have been essential in the undertakings we have had with them, an older downtown in the center of Queens County serving some 600,000 people. A large minority of lower and middle-income populations have been the beneficiary.

In a 10-year period early in our efforts, Jamaica took some huge hits. Economic distress, disinvestment, loss of public confidence all characterized Jamaica between 1975 and 1985. These were the effects from outlying regional malls beginning in the 1960's. By 1972 four large malls encircled downtown Jamaica.

Jamaica has come back since 1985 due largely to a thoughtful, ambitious overall plan backed by consensus and executed with actions and projects enabled by CD funds, leveraged several times over in particular projects providing us with a base of operating support.

Another Federal program, the Community Reinvestment Act [CRA], I want to emphasize, has played with CDBG a fundamental role in Jamaica's recovery and growth. Region-serving public investments were made in Jamaica pursuant to its plan and major private investments have followed.

Our mission is jobs really, economic development, enabling job growth, assisting in retaining and attracting and creating a setting hospitable to jobs and private investment. We undertake a range of activities. I have appended our corporate resume, as we call it, which elaborates and indicates the level of CDBG support for our involvement in each effort.

Note that CD funds have been used in various ways by us and by the city to accomplish a range of projects leveraging substantial public and private dollars. And CD funds for our operations have built our capacity to attract private participation in our work and to generate earned income. Our base operating budget in 1980 was $1.7 million of which 20 percent came from CDBG funds. This past year CD's share of the $8.7 million we spent was 4 percent.

I will reference a few of the 37 projects in that resume in which we were instrumental and which CDBG funds assisted, 34 of the 37 key projects through Small Business Services and EDC and the city of New York. One of the Mid-Block Project with capital costs of $64 million over a 20-year period. It is hard for us to calculate precise CD participation, which we can do, but assuming that 10 percent of our funds were spent over that time, CD participation was $500,000 roughly.

The U.S. Food and Drug Administrationsited an $85 million regional headquarters and lab in Jamaica. The project cost us over the years $800,000 in predevelopment work and $125,000 of that came from CD.

Intermodal Infrastructure Improvements with Congressman Meeks who is another very able Congressman in community development, and Senator Schumer using U.S. DOT CMAC funds. We did vision, planning, and implementation project in which we have raised $21 million from State and Federal funds toward a $50 million project.

We had an interesting Clearance and Improvement plan, a city urban renewal plan. We did some high visibility improvements for

flat parking and a farmer's market. We spent $200,000 of CD funds. We ended up acquiring from the city their municipal parking facilities and just recently built a garage $11 million of which the architectural design fee for that garage, $220,000, came from CD funds. They also underwrote demand and feasibility analyses of $75,000.

CD funds capitalized $375,000 to startup in 1980 a small business revolving loan fund, U.S. EDA funds and private funds. We have loaned $5.6 million in small deals leveraging $24.4 million from private sources creating 540 jobs and retaining 780. I am happy to report scarce business for our fund in recent years which I attribute to the exceptionally good work of several commercial banks cooperating with, and often exceeding, Community Reinvestment Act objectives.

We created four Special Assessment Districts that cost about $250,000 over several years to launch, create, and hand off four business improvement districts. The annual budgets of those four are now about $1.2 million. I hope that indicates some of the leverage factors that we have in specific projects.

CD funds have been an essential element that allowed us to work with government for Jamaica's economic recovery. I want to highlight, please, the remarkable multiplier effects of CD funds skillfully administered by this city for local and economic development. Thank you very much.

[The prepared statement of Mr. Towery follows:]

STATEMENT

F. Carlisle Towery
President, Greater Jamaica Development Corporation (GJDC)

to

House Committee on Government Reform
Subcommittee on Federalism and the Census

Field Hearing on the Community Development Block Grant Program (CDBG)

July 25, 2005
Bronx Community College
New York City

I am Carlisle Towery, President of a private not-for-profit organization founded in 1967 by business civic and community leaders dedicated to the growth and revitalization of Jamaica, Queens, and to the rebuilding of its downtown. This older downtown serves some 600,000 people in 22 communities. Our founders were challenged by Mayor John Lindsay to join government in addressing the changes facing Jamaica and in responding to the recommendations of Regional Plan Association that Jamaica had the potential to become a modern metropolitan center of commerce and industrial employment, higher education, shopping, government services, improved housing and transportation, and the arts. -- enlarging people's choices and public access to resources.

We are one of the four "grandfather" local development organizations in the City. I have been at this position for over 30 years, practicing in partnership with business, government and the community. I reference two of my convictions from this experience: 1. the viability of a downtown and the health of its community environs are inter-dependent, and 2. urban development requires a public-private partnership and energetic intermediary "brokering", engaging and managing the participations of the two sectors.

Thank you for this opportunity to offer comments in the context of those three decades of pioneering, perseverance and active, productive partnership with the City, principally through CDBG-funded contracts with the Department of Small Business Services and the Economic Development Corporation. The staffs we work with in these two dedicated agencies are especially able, innovative and effective. And the flexibility of CD funds has been essential in their undertakings with us.

In a ten-year period early in our efforts, Jamaica took some huge hits, losing all three of its department stores, two headquarter banks, a regional newspaper, its largest industry and dozens of smaller enterprises linked to those anchors. Economic distress, abandonment, disinvestment, social doldrums, and loss of public confidence all characterized Jamaica between

1975-1985. These were the effects from outlying regional malls, beginning in the 1960's. By 1972, they encircled downtown Jamaica, siphoning off consumers from its once expansive trading area and, concurrent with rapid demographic change, leaving Jamaica with a smaller shopping shed -- about one-third of its pre-mall size -- of poorer, fewer, less mobile residents.

Jamaica has come back since 1985, due largely to a thoughtful, ambitious overall plan, backed by consensus and executed with strategic actions and projects directly enabled by CDBG funds, which were leveraged several times over in particular projects and which provided us a base of operating support. Another federal program -- the Community Reinvestment Act (CRA) -- has played, with CDBG, a fundamental role in Jamaica's recovery and growth. Region-serving public investments from government at all levels were made in Jamaica pursuant to its redevelopment plan, and major private investments have followed.

Our mission is economic development, with the bottom line of jobs -- enabling job growth, assisting in retaining and attracting jobs, creating a setting hospitable to jobs. Under that over-arching goal, we undertake a range of activities: • planning, feasibility and pre-development work to facilitate major projects; • development and operation of small strategic projects; • provision of financial services and technical assistance for local small business; • marketing and promotion; and • image-building for a community where conditions -- the reality -- are far more favorable than the general public perceives. I have taken the liberty to append Greater Jamaica's "corporate resume", which elaborates on our efforts and indicates the level of CDBG support for our involvement in each effort.

You will note that CD funds have been used in various ways by us and by the City to accomplish a wide range of projects supportive of our mission; they have leveraged substantial public and private dollars. And CD funds for our operations -- provided consistently over the years -- have built our capacity to attract private participations and support for our work, and have enabled us to generate earned income which is now our predominant source of funds. Our base operating budget in 1980 was $1.7 million of which 20% was from CDBG. This past year, CD's share of the $8.7 million we spent was 4%.

I will describe several key projects in which Greater Jamaica was instrumental -- our role varying from direct sponsorship or ownership to support activities -- and which CDBG funds assisted at one level or another, through DSBS and EDC.

- **Mid-Block**. Planning and sponsorship for improvements in a centrally located but marginally used four-block area. Capital costs of $65 million, incrementally accomplished since 1986 under a lease agreement with EDC.

We facilitated owner occupancy of vacant buildings for two non-profits and tenancy for four others in vacant buildings we acquired and rehabilitated, securing landmark designations for two; restoration and re-use of a vacant 15,000 square foot former firehouse; renovation of a 60,000 square foot office building; new construction of Jamaica Market, of 180 new market-rate apartments and a 400 car parking garage; and reconstruction of a street section. Assuming 10%

of the CD funds we received since 1986 were devoted to this project, CD's participation was $530,000.

- **USA Food and Drug Administration.** Planning, site and developer selection, lease procurement through GSA for development of a new $85 million regional headquarters and state-of-the-art laboratory. Completed in 2001, this project cost the Corporation $800,000 over several years, of which about $125,000 was CD funds.

- **Intermodal Infrastructure Improvements.** Community visioning, planning and implementation, including securing federal and state funds of $21 million toward the $50 million project; GJDC engaged engineering and design consultants and supported by CD funds, acts as client in coordinating inter-agency actions.

- **Clearance and Improvement** for interim use **of urban renewal land** for flat parking and for an open-air, tail-gate farmers market; CD funds of approximately $200,000. These two experimental, high-visibility projects were "keep-the-faith" initiatives undertaken in the mid-seventies, at a time of great local uncertainty. They led to the now-permanent, enclosed Jamaica Market -- an $8 million food-court/office/conference facility/outdoor seasonal market -- and to Jamaica First Parking, our new non-profit parking operation that acquired and upgraded the City's four deteriorated municipal facilities, and that just completed construction of a fifth -- development costs of $11 million for which CD funds paid the architectural design fee of $220,000. (JP Morgan Chase provided the credit enhancement for the IDA bonds). CD funds underwrote demand and feasibility analyses -- about $75,000 -- for both the Market and the Parking projects.

- **Services to Small Businesses.** CDBG funds ($375,000) capitalized the start-up in 1980 -- a time of red-lining in Southeast Queens -- and later recapitalized our revolving loan of U.S. EDA and private funds. All told, we have loaned $5.6 million in small deals (our average participation, usually in second position, is $84,000) leveraging $24.4 million from private sources; this created 540 jobs and retained 780. I'm happy to report scarce business for our Fund in recent years, which I attribute to the exceptionally good work of several commercial banks cooperating with -- often exceeding -- Community Reinvestment Act objectives.

- **Special Assessment Districts.** CD funds enabled GJDC to assist promotionally, technically and with start-up management in conceptualizing and organizing four self-help entities along three key commercial Streets and one industrial street. Each district took us about three years to launch and hand off. We spent perhaps $250,000 of CD funds for this purpose. These "Business Improvement Districts" (BIDs), administered by DSBS (there are 51 in the City), use self-initiated real estate tax increments to supplement municipal services, to market and promote their businesses, and to act collectively on common aims. Our first district was modeled after Nicollett Mall in downtown Minneapolis, formed to help counter the huge competitive advantage of regional malls with their mall charges. The annual budgets of the four now total $1,140,000.

• **Brownfields Opportunity Area Program**. Our application to the State of New York for financial assistance to analyze older, toxic sites in the downtown was successful. We received a $420,000 grant for the second phase in a three-phase planning program that will result in a Final Nomination report to the State. The Nomination designates priority sites for redevelopment and recommends likely development projects for the sites. Our staff, partially supported by CD funds of approximately $30,000, did preliminary work and prepared the application.

Conclusion. In conclusion, in Jamaica, like other older towns and cities, the critical need is often to focus on retention and expansion of existing business activity, and on business attraction by undertaking planning and predevelopment work before development projects (and consequent new jobs and investment) can be realized.

Whether by re-using underutilized properties, clearing and assembling land, performing financial feasibility and marketing analyses, strengthening and empowering local small businesses through special loans and special service districts, or by improving parking and public infrastructure, CDBG funds have often been the essential element that allowed GJDC to do the work necessary to generate jobs and economic benefits here, and to revitalize wasted assets, ultimately resulting in area-wide economic recovery. The remarkable multiplier effects of CDBG funds, skillfully administered by the City, have brought attention and credibility to the private sector, and substantial resources, services and amenities to an underserved area that would otherwise have been written off.

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Mr. TURNER. Thank you.
Ms. Menschel.

STATEMENT OF RONAY MENSCHEL

Ms. MENSCHEL. Thank you, Mr. Chairman. Thank you Congresswoman Maloney and Congressman Rangel for having this hearing. It is very important to New York City.

I want to focus my remarks on two communities that we are deeply involved with in the South Bronx because I think it best illustrates the impact of the CDBG funding in New York City.

The first is one in Morrisania where Phipps Houses, which I might add is not-for-profit, 100 years old. We own 4,100 units of housing. We have been involved in community development for 100 years. The properties that we rehabilitated through the city's vacant cluster program were the vacant In-Rem properties that sort of symbolized the decay of the South Bronx in the 1970's.

The city at that point in the late 1980's provided funding so that these buildings could be rehabilitated. Subsequently we, through another city program that has been assisted by CDBG, and that is the Neighborhood Redevelopment Program, has taken over partially occupied buildings. Most important we were able to integrate the tenants of these buildings into the programs that we had established, the human services, educational, social services programs that were established in the community through both our vacant cluster program and the community redevelopment.

A second community where we have invested for approximately 30 years we run a Beacon School and that, too, is a program that has been assisted by CDBG. The importance of this Beacon School investment is that it has encouraged us to leverage from the base of the Beacon School further investment in the community. We raised through charitable support money for educational programs, Head Start, After School, a whole host of programs to help our residents move forward on the base of sound housing which we provide in the community.

CDBG has helped and assisted the Bronx River Alliance. It has provided assistance to a local community arts group. It has provided assistance through Green Thumb. As you see in my written statement, a lot has been done with the community in building up the fabric of the community through a whole host of programs. I think that really points to the importance of CDBG and that is the flexibility of funding a variety of programs, the sum of which is much greater than just adding up each individual part.

The administration asked Mayor Bloomberg about the effectiveness, I think, of the administration's management of the programs. They have been very effective. The mayor has put communities and affordable housing four square in his agenda. I have remarked to myself right now whenever we have rezoning, and that is a major portion of his agenda, it is no longer a question of whether there is to be affordable housing. The argument is over what the percentage of affordable housing there is to be.

The mayor is looking for affordable housing in all of these communities. This, of course, is the result of providing funds directly but also providing incentives for private development for that affordable housing.

Let me go back to West Farms, the question of where the money is going and the needs of the communities to which it is going. West Farms, that is our South Bronx community where we have this Beacon School, is one of the poorest communities in the area.

We lost something like half of the housing in the 1970's through abandonment and through drug problems. The community now is home to immigrants. Sixty-three percent of our families speak a language other than English and 20 percent are linguistically isolated households.

These communities are homes to immigrants and my pitch to you is that the needs of these families are a national concern and, thus, justify Federal resources being devoted to community building in communities of immigrants as well as communities of families who need further assistance to advance economically and socially in this country. Thank you.

[The prepared statement of Ms. Menschel follows:]

TESTIMONY BY RONAY MENSCHEL, CHAIRMAN OF THE BOARD OF PHIPPS HOUSES BEFORE THE HOUSE GOVERNMENT REFORM SUBCOMMITTEE ON FEDERALISM AND THE CENSUS, Monday, July 25, 2005

New York City is seen by the nation as a huge metropolis. It is that, but more telling is to look at it as a constellation of neighborhoods. The strength of our communities, to which residents are tied, is what makes any large metropolis work. The Community Development Block Grant program has played a major role in the ongoing preservation and renewal of neighborhoods. What we of Phipps Houses do in the Melrose, West Farms and Morrisania communities of the Bronx is critical to our residents and ultimately important to the viability of the entire City.

CDBG is in its 31st year . CDBG has made possible the transformation of many New York City communities from massive abandonment to thriving neighborhoods. Not only do our buildings look better when you drive in from the airports, but the social capital of these neighborhoods is far healthier. The flexibility of CDBG's administration, giving the City a broad range of decision making authority, has made this program so valuable to every municipality in the country. Admittedly, our task is not done – in the case of New York City, we have a new generation of properties to preserve and new housing to build to address the City's housing crisis, particularly for low and moderate income families. But, there is no question that CDBG has been the lynchpin in the broad revitalization of New York City's neighborhoods in the past quarter of a century, complementing the major City capital investment in affordable housing launched by the Edward I. Koch Administration in 1986.

Phipps Houses has been in the low and moderate income housing business for 100 years. We were founded with a million dollar gift by Henry Phipps, an associate of Andrew Carnegie, in 1905. The purpose was to build housing that met building standards and yet was affordable to what were then called the "working classes". Henry Phipps was prescient in his understanding of the social value of well maintained (while modest) housing to people as they pursued education and better economic circumstances for themselves. Since 1905 Phipps Houses has built housing through several generations of federal, state and city housing programs. We now own over 4100 units in The Bronx, Manhattan and Queens, and we continue to add to our portfolio. Importantly, we stay with the housing we build and invest in the community.

In the past fifteen years we have built an extensive human services program to support the educational and economic aspirations of our residents; we have led community planning and revitalization efforts. Our work mirrors the objectives of CDBG and in a number of instances, our residents receive assistance from CDBG funded programs.

One of New York City's programs aided by CDBG is the Neighborhood Redevelopment Program, providing financing to locally based not-for-profit organizations that acquire and rehabilitate occupied City-owned buildings. In the early 90's we assumed

responsibility for five such properties in the South Bronx Morrisania community surrounding Crotona Park where earlier we had successfully completed the rehabilitation of 20 vacant buildings (through the City's Vacant Cluster Program) and established a strong community through our social services program. The five NRP buildings were partially occupied when we assumed responsibility for them. A combination of tax credits, City capital and CDBG funding enabled us to transform the five properties into 107 homes for mostly low income families. This meant significantly improved housing for the 107 families, *and* integration into our Crotona Park community for whose residents we provide social, economic and educational assistance. Many of the services are sponsored by Phipps Community Development Corporation, our social service affiliate: Head Start, GED and ESL training, assistance in locating jobs, adult literacy, and specialized assistance for seniors. These programs are both privately and publicly funded. In addition, we refer people to other agencies for specialized care. Some of these agencies are funded by CDBG: assistance for mental health issues, immigrant legal assistance, domestic violence intervention and prevention, and youth leadership programs. This entire mosaic of services, closely tailored to the needs and cultural traditions of a particular community, is critical to making our communities viable. Today, both the original 20 buildings opened in 1993 after rehabilitation and the five NRP buildings added in 2000 are in excellent condition, reflecting careful property management and the strong social fabric of the community.

As part of our human service investments in our neighborhood, we also run a "Beacon School" -- in West Farms, another South Bronx neighborhood. The Beacon Schools are administered by the Department of Youth and Community Development; they provide comprehensive youth and community development services to both youth and adults in the community. CDBG funds a number of the City's Beacon Schools. We received our first Beacon School grant in 1993.

Our Beacon School is located in our second major South Bronx community, West Farms where Phipps Houses has owned housing since 1973. In total we own approximately 1200 units of housing in West Farms, including a new building we call Honeywell, which we are now tenanting. Our receipt of the Beacon School designation, and the $400,000 grant that came with it, was a major impetus to our organization to look more broadly than we had in the past at programs we could bring into the community to revitalize it and assist residents. (The community had been hard hit by drugs and abandonment in the '70s and '80s). Having the Beacon School enabled us to move a small after-school program we had operated in our buildings to the local school and thereby serve a broader community through after-school, weekend, and other programming. It also became the base for community planning, more effective communication between residents and the local police, and a drive for numerous physical improvements in the neighborhood. The result is that over the past 15 years a new Park has been built in the heart of West Farms; major improvements were made to a second park along the Bronx River so it could be used by residents and not drug dealers; and with the community and Green Thumb (CDBG funded), we transformed a large debris filled lot behind our Beacon School into a community oasis and environmental learning center. We have been a participant in the

Bronx River Project (funded by CDBG); and, The Bronx River Art Center and Gallery (CDBG funded) is a major cultural resource located across the street from the Beacon.

Further, as an organization – again with the impetus of having the Beacon School designation – we attracted Montefiore Hospital to locate a Family Practice medical center near-by, and over the years we have sponsored job development, computer training, and GED/ESL programs which I am proud to say have been successful. The Technology Center is giving youths state of the art computer training in a professional environment. The Center has received major assistance from Congressman Jose Serrano.

A footnote to this community building picture is the home ownership opportunities that have been made possible through the New York City Partnership's home building program— and the loans for first time home purchasers supported by CDBG. Homeownership in contiguously built two and three family homes has been an important stabilizer in New York City communities – something that we see in both West Farms and Morrisania.

Investments that organizations like ours have made have stimulated improvements by owners of private real estate in the surrounding areas. The maintenance of these investments, however, requires eternal vigilance. This is why the City's inspection/code enforcement program, emergency repair program, anti-abandonment and 7A programs, while not applied to our properties, are so important in preserving the physical fabric of our neighborhoods. The alternative of deteriorating buildings in one part of the neighborhood adversely affects all of us – it is part of the same phenomenon that we as building managers face in not letting graffiti remain on the walls, or a destructive tenant remain in the property, both serving to undermine the safety and habitability for other residents.

Different from some other so-called "anti-poverty" programs, CDBG has been successful because of the decision making authority vested in the locality, and the number of locally responsive investments it affords – all coordinated to achieve a value larger than the sum of its parts. These investments are broader than local commerce – and appropriately administered through the federal agency that best knows community development, HUD. It is appropriate that the federal government provide this support to communities with low income residents, many of whom are recent immigrants to our country or people who need additional assistance to enter the economic mainstream. The needs of these people must be a national concern and thus receive national support.

Mr. TURNER. Mark Willis.

STATEMENT OF MARK WILLIS

Mr. WILLIS. Thank you. Members of the committee, good morning. Thank your for the opportunity to speak to you today.

My name is Mark Willis and I head the Community Development Group at JPMorgan Chase. The Community Development Block Grant Program has played a critical part in allowing us to provide over $3 billion in financing for affordable housing and community economic development in New York City over the last 10 years.

In addition to our community development loans and investments, JPMorgan Chase has also provided over $5 billion in home mortgages and small business loans in New York City's low and moderate income neighborhoods in just the last 5 years. Without the city's commitment to rebuilding these communities and without the flexible dollars that come from the Community Development Block Grant Program we would not have been able to infuse these types of dollars in these communities.

I want to just take a second. You were nice enough before, Mr. Chairman, to mention the previous tour by Living Cities. I do wear a couple of the hats here, one of which is co-chair of Living Cities which is a consortium of national foundations, financial institutions, and Federal Government agencies working together to increase the vitality of America's cities and quality of life in urban neighborhoods.

Over 15 years it has invested more than $370 million in cities across the country helping to leverage over $11 billion. All of that, again, would not have been possible without the kinds of support that come to cities through the Community Development Block Grant Program. Wherever I look and talk about what is important in communities, you see the incredible importance that Community Development Block Grant money makes.

I also serve as co-chair of Housing First! coalition in New York city of over 300 nonprofit and for-profit developers, community-based organizations, religious institutions, civic groups, businesses, banks and labor unions that support a 10-year, $10 billion housing plan. You can see what tremendous gains and support we have gotten from the mayor here.

Again, when you look at what the sources of money are and the ability of the Federal Government to help in the city's housing program you see the importance of the Community Development Block Grant Program.

From a bank's point of view, and I guess I am the one that is going to speak from the perspective of the financial services industry, it is important where we invest to have communities that are stable and where people, projects, businesses can afford to borrow money and be able to pay that money back.

The role of Community Development Block Grant Programs here, you have heard many other examples in stabilizing communities here. It has been incredibly important for us to be able to invest, to lend that $3 billion that I mentioned before, to invest over a quarter of a billion dollars in the New York Equity fund which works under the Low-Income Housing Tax Credit Program to create affordable housing in all five boroughs.

If you want to make a difference in communities, you want to be able to attract large amounts of private capital. The building blocks of that start with programs like the Community Development Block Grant Program.

I am very fortunate at JPMorgan Chase to head a unit that specializes in working in low and moderate-income communities that brings a very specialized and knowledgeable set of experts to be able to be, what I sometimes call using the shorthand, investment bankers to low and moderate-income communities. There is no way we could do that in isolation, again, without the kind of investment that this city has made and so much of that goes back to what is available as a result of the Community Development Block Grant Program.

There are lots of examples you are hearing from other people about the way these flexible dollars have been able to help to stabilize communities, help them then rebuild themselves and grow and prosper. I think the message that I would like to leave here is obviously healthy neighborhoods benefit all of us and government plays a key role in turning around our intercity neighborhoods.

This flexible program that you have, the Community Development Block Grant Program, has been key to this work. Without these types of investments by the public sector, the private sector institutions like JPMorgan Chase would not be able to do what they do best, invest in the future of our communities, the people, the housing, and the businesses. Thank you very much.

[The prepared statement of Mr. Willis follows:]

Testimony of Mark A. Willis
Executive Vice President, JPMorgan Chase Bank, N.A.
Before the
House Government Reform Subcommittee on Federalism and the Census
July 25, 2005

Members of the Committee, good morning and thank you for the opportunity to speak to you today. My name is Mark Willis and I head the Community Development Group at JPMorgan Chase. I am here to talk about the important role that the Community Development Block Grant (CDBG) Program has played in allowing us to provide over $3 billion in financing for affordable housing and community economic development in New York City over the last 10 years. In addition to our community development loans and investment, JPMorgan Chase has provided over $5 billion in home mortgages and small businesses loans in New York City's low- and moderate-income neighborhoods in just the last five years alone.

Before talking in more detail about how this has all been made possible, I should note two other hats that I wear since my experiences in these organizations have also impressed upon me the importance of CDBG dollars as well as other Federal programs in helping rebuild America's cities. First is Living Cities: the National Community Development Initiative which I co-chair. Living Cities is a consortium of national foundations, financial institutions, and federal government agencies working together to increase the vitality of America's cities and quality of life in urban neighborhoods. Over the last 15 years, it has invested more than $370 million in cities across the country, helping to leverage over $11 billion of additional investment from commercial interests,

nonprofit organizations, and government at all levels—a leverage ratio of almost 30 to one. While the Living Cities program itself directly benefits from Section 4 Funds, the work done by the community-based organizations it supports in 23 cities across the country relies on investments by local governments using dollars such as those available under the CDBG program.

I am also co-chair of the Housing First! coalition here in New York City. Housing First! is a broad-based coalition of 300 nonprofit and for-profit developers, community-based organizations, religious institutions, civic groups, businesses, banks and labor unions, that support the creation of a long-term, 10-year, $10 billion dollar housing program for New York City. Housing First! knows the critical importance of CDBG funds for housing programs in New York and has identified the serious impact that a cut in funding could have in limiting the City's ability to address the continuing shortage of affordable housing.

My involvement in community development began 19 years ago when I was asked to join Mayor Koch's team as it launched a 10-year housing program of $5.1 billion of public funds. At the time, many people had written off large areas of the City and wondered if the only solution were to close those neighborhoods down—so-called "planned shrinkage." Mayor Koch had another idea and charged his Department of Housing Preservation and Development to carry out his plan. Resources from a number of different sources—including from the CDBG program—were coordinated and the result is what you see today where every neighborhood in the City has not only stabilized but

has, in many cases, rebounded. As Deputy Commissioner for Development, I saw first-hand the importance of having flexible dollars to use to preserve housing and to invest in communities.

As a result of that investment by the public sector, banks like JPMorgan Chase have been able to fund a wide range of housing and community economic development projects. For banks, the lending and investing process begins with an assessment of risk. Banks are tasked with managing risk, taking neither highly uncertain nor unnecessary risk. Similarly, communities are not built upon foreclosures and bankruptcies so it makes no sense to lend to people, projects or businesses that cannot repay their debts. This brings us back to the important role the City of New York is playing in stabilizing neighborhoods. For neighborhoods to come back, they need to be able to attract significant amounts of private capital and nothing does that better than a track record showing that such investments make good business sense. And it is as a result of the City's investment in its neighborhoods that JPMorgan Chase has been able to lend nearly $3 billion dollars for the construction of affordable housing and commercial development in what were once seen as declining, if not disappearing, neighborhoods and to invest a quarter of a billion dollars in the New York Equity Fund under the Low Income Housing Tax Credit program to create affordable housing in all five Boroughs.

The Community Development Group at JPMorgan Chase was set up to help strengthen historically underserved communities by partnering with community–based organizations, developers, and local governments. We have sought to expand access to

capital by creating a highly skilled team of loan and investment officers who can bring a full range of banking skills to our local communities. As a shorthand, I sometimes refer to us as the investment bankers to low- and moderate- income communities. We have been doing this work since the 1980's and have seen the results—communities have been reborn; more families live in decent housing; more people own their own homes; and small businesses are thriving.

Today, CDBG money continues to play an important role in the stabilization of New York City's neighborhoods, thereby allowing the redevelopment process to progress. CDBG helps to preserve buildings that might otherwise deteriorate and become a blight on their communities, pulling down the rest of the neighborhood with them. CDBG helps to clean up lots that have become illegal dumping grounds and improve the environment so others will want to stay and fix up their own properties. CDBG helps community groups on the front line in the battle to save and preserve their neighborhoods. CDBG helps the families in those neighborhoods improve their lives. Put this all together and CDBG helps to create an environment where public dollars leverage private ones to benefit not just that street and neighborhood, but to benefit the whole city and metropolitan area. As our inner cities recover, the competitiveness of the whole metropolitan area improves. Ultimately, this enhances the competitiveness of our country as a whole.

That is the message I want to leave you with: Healthy neighborhoods benefit all of us, and government plays a key role in turning around our inner cities. As you can see

clearly here in New York, government plays an important role in the vitality of all its neighborhoods and in ensuring affordable housing. Without federal programs like the Community Development Block Grant Program that help to stabilize communities, this work would not be possible. And without these types of investments by the public sector, private sector institutions like JPMorgan Chase would not be able to do what they do best: invest in the future of our communities—the people, the housing, and the businesses. Thank you.

Mr. TURNER. Mr. Reicher.

STATEMENT OF ANDREW REICHER

Mr. REICHER. Good morning. Thank you for your interest and concern for the Community Development Block Grant Program and I am pleased to have the opportunity to appear before you this morning. I want to talk a little about UHAB and I want to talk about CDBG-funded program, the TIL Program which you have heard some about already.

This program has been central to my work and my organization for the past 27 years. I am Andrew Reicher and I serve as executive director of UHAB, the Urban Homesteading Assistance Board. UHAB was founded in 1973 in response to New York City's housing abandonment crisis.

Sponsored by the Cathedral Church of Saint John the Divine, UHAB was founded on the simple notion that these abandoned buildings were opportunities and not problems and that given the right resources and technical assistance, neighborhood residents could help meet their own housing needs through the rehabilitation and ownership of these buildings.

UHAB's early work was Urban Homesteading providing technical assistance and training to groups of low-income residents, homesteaders, undertaking the self-help rehab of vacant city-owned buildings and purchasing them as limited equity co-operatives with their own sweat equity.

As you no doubt heard this morning, in the early 1970's disinvestment and non-payment of taxes and landlord abandonment continued to grow throughout the 1970's affecting up to 20 percent of the city's housing stock and over 40 percent of the housing in some low-income neighborhoods.

In 1977 Local Law No. 45 was enacted. This allowed the city to begin foreclosure after just 1 year of non-payment of taxes instead of 3. This new In-Rem law intended to stop landlord abandonment resulted in the city taking ownership of buildings before they were vacant and abandoned.

Between 1978 and 1979 the city vested title to 14,000 buildings with nearly 40 percent still occupied. What had been a crisis of vacant, abandoned and often burned and devastated property was now a management and fiscal burden. The newly created Department of Housing Preservation and Development accepted a proposed solution from the Task Force on City Owned Property, a coalition of elected officials and housing advocates and city-owned building residents, to create a series of alternative management programs that became the Division of Alternative Management Programs [DAMP].

These programs were designed to repair and dispose of the properties often as tenant-owned co-operatives. Chief among these programs is the Tenant Interim Lease Program. The TIL Program was designed to give tenants an opportunity to learn how to own and operate their own building during an interim period lasting 3 to 5 years. The buildings remained in city ownership and were leased and managed by the Tenant Association.

TIL is a people program, not bricks and mortar. The Community Development Block Grant money is invested in staff, both city and

UHAB, to help build strong co-op organizations. The HDFCs you saw this morning are a good example. UHAB under a Community Development Block-funded project provided training, series of manuals and class materials, and technical assistance.

Tenant Associations opened a bank account and began collecting rents, paying bills, making needed repairs, employing staff, and undertaking all the functions of the day-to-day management of a New York City apartment building.

HPD monitors progress and oversees buildings; receives monthly financial and management reports. Rehab plans are developed by HPD. Then the residents are temporarily relocated while the building undergoes extensive rehabilitation utilizing city Capital and HOME Funds. Once rehab is completed UHAB converts the building to co-operative ownership selling the apartments for $250 per apartment.

The sale and co-op conversation trigger a new set of issues, skills and knowledge for the tenants and leaders. The co-op corporation takes on all the responsibilities of home ownership, management and co-perative governance.

Through our CDBG-funded contracts UHAB provides an array of training courses, seminars focused on these co-ops that build on the TIL experience. Follow-on technical assistance remains available as help the Tenant Associations to make the transition to co-operative and to help with whatever issues they may face in the future.

Community Development Block Grant-funded training, technical assistance, and ongoing support both from UHAB and HPD staff has been essential for the success of the TIL Program for nearly 27 years. The manuals, training materials, and technical assistance methods developed for the TIL Program have been used by organizations undertaking similar development in cities throughout the country from Alaska to Texas, Vermont to California including Iowa, Nebraska, New Jersey, Washington, DC, Chicago, Boston, Minneapolis. Groups in Russia and South Africa have built upon the method, materials and capacity that this CDBG-funded program has developed.

As for the success of this Community Development Block Grant Program, research has shown that over 1,000 co-ops resulting from TIL and other alternative management programs are the best managed and best maintained when compared to similar housing. The co-operatives over time are more affordable and have lower levels of drug and crime activity than buildings in their neighborhoods.

Given a choice residents prefer the TIL Program than other programs that lead to co-operative home ownership over rental development and disposition programs. Residents involved with the TIL Program are reported to learn skills and confidence that results in improved employment, increased education attainment, higher levels of civic participation, and a high likelihood of voting.

The TIL Program and the resulting co-ops have been effective tools overcoming the impact on neighborhoods of abandonment, disinvestment, and preventing displacement of low-income residents in hard economic times and will in the future prevent displacement due to gentrification in the current housing market. CDBG and the TIL Program provide much more.

The knowledge, experience, materials and processes developed through this effort serve as the basis for local residents, community organizations, banks, housing developers and others to undertake co-operative home ownership as part of new housing programs like the Third-Party Transfer Program to meet the city's current housing situation.

Co-op home ownership based on the success of the TIL Program has become an important tool in the efforts to preserve nearly 200,000 units of existing affordable housing that is at risk today in New York City.

Thank you.

[The prepared statement of Mr. Reicher follows:]

Testimony of Andrew Reicher
Executive Director
Urban Homesteading Assistance Board

The House Government Reform Committee on Federalism and the Census

The New York City Experience:

How has the Community Development Block Grant Program Shaped the Big Apple

July 25, 2005

Good Morning! I thank you for your interest and concern for the Community Development Block Grant (CDBG) Program and am pleased to have the opportunity to appear before you this morning and discuss a CDBG funded program that has been central to my work and my organization for the past 27 years. I am Andrew Reicher and serve as the Executive Director of UHAB, The Urban Homesteading Assistance Board. UHAB was founded in 1973/4 in response to New York City's housing abandonment crisis. According to New York City journalist Neil F. Carlson: *From 1970 to 1978, the city lost an average of 3,274 units of housing units per month...*!

Sponsored by the Cathedral Church of Saint John the Divine, UHAB was founded on the simple notion that these abandoned buildings were opportunities and not problems and that, given the right resources and technical assistance neighborhood residents could help meet their own housing needs through the rehabilitation and ownership of these buildings.

UHAB's early work was Urban Homesteading. Providing technical assistance and training, UHAB helped groups of low-income residents, interested in preserving their neighborhoods, to acquire vacant, abandoned multi-family *in rem* buildings that had been foreclosed by the City for real estate taxes. These properties were redeveloped through the self-help efforts of the homesteaders using a combination of sweat equity and contractor labor; and utilizing a combination of government, private and philanthropic financing. Upon completion the buildings were owned and operated by the homesteaders as limited equity cooperatives.

But the disinvestment, non-payment of taxes and landlord abandonment continued to grow affecting up to 20% of the of the City's housing stock and over 40% of the housing in some low-income neighborhoods. In 1977 Local Law #45 was enacted. This allowed the city to begin foreclosure after just one year of non-payment of taxes instead of three. This new *in rem* law, intended to stop landlord abandonment resulted in the City taking ownership of buildings before they were vacant and abandoned. Between 1978 and 1979 the city vested title to 14,000 buildings with nearly 40% still occupied. What had been a crisis of vacant, abandoned and often burned and devastated property was now a

management and fiscal burden. The newly created Department of Housing Preservation and Development (HPD) accepted a proposed solution from the Task Force on City Owned Property – a coalition of elected officials and housing advocates and city-owned building residents – to create a series of alternative management programs that became the Division of Alternative Management Programs (DAMP). The programs were designed to repair and dispose of the properties often as tenant-owned cooperatives. Chief among these programs was the Tenant Interim Lease or TIL Program.

The TIL Program is designed to give tenants an opportunity to learn how to own and operate their own building during an interim period lasting 3-5 years. The buildings remain in City ownership but are leased and managed by the Tenant Association. City staff and UHAB, under a CDBG funded contract, provide training and technical assistance. Once the building and tenant association are organizationally, financially and physically ready the property is sold to the tenants as a limited equity cooperative.

The TIL Program begins with an application supported by a petition signed by 75% of the Tenants. Tenant Association officers were then required to complete five evenings of training offered by UHAB that included an introduction to the program and its requirements, bookkeeping and reporting, maintenance and repair and management operations. Upon completing training, Tenant Associations opened a bank account and could begin collecting rents, paying bills, making needed repairs, employing staff and undertaking nearly all the functions of the day-to-day management of a NYC apartment building. Buildings in the TIL Program are self-managed by the residents and rarely employ professional outside management. To support this self-management UHAB, under our CDBG funded contract, has developed a comprehensive set of manuals, an extensive curriculum of formal training courses followed up by direct technical assistance either on-site or in our office to help the tenant association put their training into practice and deal with problems, tasks and emerging issues. In 2004 UHAB conducted over 260 training classes and an average of 100 site visits per month from our offices in Brooklyn, Harlem and Lower Manhattan. HPD staff also provides assistance and oversight and more recently training.

The Tenant Associations self-manage under their interim lease for a period that typically lasts from three to five years. During this period the tenant association strengthens and improves its organization, its financial and management skills- essentially learning and practicing everything they will need to become successful homeowners. This includes: leadership, communications, running meetings, bookkeeping, payroll and reporting, hiring contractors, supervising repairs, collecting rent and going to landlord-tenant court, banking and budgeting, overseeing regular maintenance and supervising employees, dealing with tenants' problems and problem tenants, buying supplies and fuel and paying bills, dealing with government agencies and finally the process of becoming a co-op.

HPD for its part, monitors progress and oversees the buildings; receiving monthly financial and management reports. Rehab plans are developed by HPD. In the early years rehab was limited to essential systems. More recently, residents are temporarily relocated while the building undergoes extensive rehabilitation utilizing City Capital

funds and HOME Funds. Once the rehab is completed HPD converts the building to co-operative ownership selling the building for $250 per apartment.

The sale and co-op conversion trigger a new set of issues, skills and knowledge for the tenants and leaders. The new co-op corporation takes on all the responsibilities of home ownership, management and co-operative governance. They have to become familiar with their new operating budget that includes taxes, insurance, reserves and other expenses that were not part of TIL expenses. The role of the board and officers, selection of new shareholders, buying and selling apartments, reserves and asset management, and legal issues as arcane as dealing with the estate of deceased shareholders all become important. UHAB provides an extensive array of training courses and seminars focused on these co-ops that build on the TIL experience. Follow-on technical assistance remains available as well to help the tenant association make the transition to co-operative and to help with whatever issues the co-op my face in the future.

Training, technical assistance and on-going support are an essential part of the success of the TIL Program. Susan Saegert and Lymari Benitez of the City University of New York Graduate Center) in their report for the Taconic Foundation, state: *Shareholder education and leadership development training are critical and must continue thorough out the life of a LEC (Limited Equity Cooperative).* ("Limited Equity Cooperatives, A Review of the Literature", June 20003). To assure this key element of the program, UHAB has been under contract since 1978 to developed and deliver the TIL Training and Technical Assistance to all of the tenant associations in the TIL Program and to all the resulting co-operatives from TIL and other DAMP programs. This contract has been funded through CDBG for nearly 27 years.

In 1978 in the first months of the TIL Program about 20 tenant associations signed up for the program and began attending classes and about the same each month after. By the end of the first year almost 200 buildings were part of the program. Today 1,062 buildings have become low-income limited equity co-ops providing affordable home ownership to nearly 26,000 households who had no other opportunity for home ownership. Today, while there are no new city owned properties, there are still 313 buildings in the TIL Program working their way toward co-op home ownership. The manuals, training materials and the training and technical assistance methods developed for the TIL Program with CDBG support have served as models for other organizations undertaking similar co-op development in cities through out the country from Alaska to Texas, Vermont to California, including, Iowa, Nebraska, New Jersey, Washington, DC, Chicago, Boston and Minneapolis. Groups in Russia and South Africa have built upon the method, materials and capacity that the TIL Program developed with CDBG support.

As for the buildings and the residents. Professor Susan Saegert's research provides some interesting insights. Much of her analysis employs data from two large surveys of residents in various types of low-income housing in New York City in the mid-1990s. The surveys consisted of interviews with individuals in more than 6,000 households, primarily in the Bronx and Brooklyn. The interviewers targeted buildings that were

currently or formerly City-owned, and spanned five different ownership options: tenant co-operative ownership (TIL), community group ownership, private landlord ownership, continued City ownership, or transfer to Housing Authority ownership. Saegert found:

> *"The program that performed the best was tenant co-operative ownership. It was head and shoulders above the others in terms of management quality and building services, had many fewer problems with drugs and crime, showed the greatest tenant satisfaction, and was comparable to other sales programs in terms of preserving rent affordability."*

Saegert's research looks closely at the benefits of co-op housing. These include **empowerment, increasing civic participation, developing social capital, increasing job opportunities and wealth accumulation.**

Empowerment has been defined as "a mechanism by which people, organizations and communities gain mastery over their own affairs." This mechanism is clearly at work in the buildings UHAB assists. Dr. Saegert has found:

> *"Residents who participated in the conversion of their buildings not only substantially improved their building conditions, but also very often changed in their sense of control over their lives, their ideas about how effective they could be in social and political processes and in their expectations for the future of their communities."*

In the debate about community development in low-income neighborhoods, the concept of social capital has become widely used in recent years. It has been defined as "the features of social organization, such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit." Social capital theorists propose that besides financial and human capital, social capital enables individuals to achieve economic goals and provides an essential foundation for a democratic society. Saegert sees social capital as the currency of co-operative housing:

> *"Our ethnographic studies suggest that co-ops provide social capital that acts as the first line of defense in times of crisis. In almost every co-op we have studied closely, residents also provide encouragement and practical assistance to each other in pursuing education and employment opportunities. It is also common for some co-op residents to use the skills they learn running a building to advance both their education and their employment status."*

Besides creating education and employment opportunities, the tenant co-op process encourages the development of a mixed-income population in inner-city neighborhoods. Theorists like William Julius Wilson have argued that the flight of employed, middle-class African-Americans and Latinos to the suburbs concentrates inner-city poverty and leaves these residents without role models for educational and employment success. Tenant-owned co-ops counter this trend. By offering a very affordable home ownership opportunity, they anchor employed, educated residents in areas like Harlem and the South

Bronx. These residents use their skills to improve their community instead of leaving it for more middle-income surroundings. Studies by Saegert in the mid-1990s have shown:

Compared to other types of low-income housing, the average resident in a low-income co-op has a slightly higher income of $14,782.

Compared to other types of low-income housing, a higher percentage of the residents in tenant-owned co-ops are employed: 58 percent.

It could be argued that since residents in tenant-owned co-ops have slightly higher incomes and a higher level of employment, that a process of self-selection occurs where buildings with a more stable, working population are the ones that choose the tenant co-op process. However, research by Saegert suggests that while this is sometimes the case, another process is more common. She posits that taking part in the tenant co-op process encourages wealth accumulation.

Saegert's research has shown that the average income in a City-owned building was $9,709. After these buildings join the Tenant Interim Lease (TIL) program, which is a bridge to home ownership, the average income rises to $11,948. And the average income for residents in tenant-owned co-ops, as stated earlier, rises again to $14,782. Saegert states that this data suggests:

> *"...that residents' incomes improve during the course of the TIL program or after it is completed."*

It could be argued that incomes improve during the tenant ownership process because lower-income residents are displaced and replaced by higher-income newcomers. Saegert counters:

> *"The fact that the tenant cooperatives show the longest lengths of residency of any of the programs—and the fact that canonical correlations indicate that higher income tenant cooperatives have the longest lengths of residency—suggest that displacement is much less likely as an explanation than* ***upward economic mobility*** *of the existing residents."*

In fact, wealth accumulation by co-op residents is a common sense explanation for the rise in incomes. The average monthly housing cost in a tenant-owned co-op in the mid-1990s was$325. Even for tenants with a modest income, this sum enables them to have a large portion of their income available for other purposes that increase their economic mobility: for higher education, for starting a business, for child care, for transportation, for savings. In this way, tenant-owned co-ops clearly contribute to wealth accumulation in their communities.

While the TIL Program and the resulting co-ops have been effective tools in overcoming the impact on neighborhoods of abandonment and disinvestment and preventing displacement of low-income residents in hard economic times the future is in preventing displacement due to gentrification in the current housing market. Saegert and Benitez elaborate further in their report for the Taconic Foundation: *In addition to being resilient during difficult economic periods, LECs appear to provide a bulwark for low*

and moderate income residents against displacement in gentrifying neighborhoods. A recent study of LECs in a midtown neighborhood of Manhattan (Clinton, AKA Hell's Kitchen) found that, while the area produces more ground rent per square foot than 77% of New York City, with 2 of the 6 census tracts having higher ground rents than 96% of the city, LEC charges remained very low. LECs appear to account for much of the affordable housing left. Artists, actors, musicians, teachers, and public agency employees make up a sizable proportion of residents.

The cooperatives created through the TIL Program and their leaders were often the foundation on which many of New York's most devastated neighborhoods were rebuilt. Staying in place and rebuilding their homes served sent a powerful message. Today these cooperatives face new challenges as their neighborhoods, now rebuilt, are gentrifying. Costs and taxes are escalating and the rising price of housing puts enormous pressure on co-op leaders as they work to preserve their housing as affordable. As both the buildings and the leadership ages there is the need for repairs and upgrades as well as leadership transition. The new leaders need the old training and old leaders need help with new issues: the new lead law, green buildings, electronic bookkeeping, rising energy and insurance costs, reserves and asset management. UHAB's on-going CDBG funded contract allows us to help the cooperatives face these new challenges.

While today NYC no longer takes ownership of tax delinquent properties UHAB continues to assist tenant associations in 313 buildings on the path to cooperative homeownership as well as more than 1062 cooperatives providing on-going affordability to over 20,000 households through our CDBG funded TIL Program contract. But CDBG and the TIL Program have provided much more. The knowledge, experience, materials and processes developed through this effort serve as a basis for local residents, community organizations, banks, housing developers and others to undertake co-operative homeownership as part of new housing programs to meet the City's current housing situation. The 90 co-op projects with more than 1,200 apartments in just UHAB's development pipeline show that co-op homeownership is often a consideration for residents and has become a part of the Third Party Transfer Program, and an important tool in efforts to preserve affordable housing.

Attachments

"2004 Program Highlights"

"UHAB Comes of Age:
Thirty Years of Self-Help Housing in New York City"

Mr. TURNER. Well, I want to thank each of the members of our second panel again. You are practitioners, if you will, in the area of community development. You bring to the table a great amount of expertise and knowledge of community development. But I want to commend you also because we know that because of your hard work you are making a difference in communities and in people's lives. You are changing the opportunities for communities and, therefore, the people that live there by the partnerships and the efforts that you put together.

We have heard some great stories from you today in your testimony on partnerships on capacity building, on leveraging, on the need for flexibility. I am going to talk for a minute about the criticisms that we have heard of the CDBG Program, areas where it has had vulnerabilities and attempts to try to close the program. And a little bit about some of the issues where HUD could improve its administration that might help us in advocating the program.

One of the criticisms against the CDBG Program was that it was ineffective. In the argument of its ineffectiveness the Office of Management and Budget looked to how success is measured. HUD's response is that every community is required to do a comprehensive plan. In the comprehensive plan they must detail eligible uses for the funds. If the community spends those funds consistent with the consolidated plan, then it is deemed effective.

OMB sought a little bit greater analysis of even if you spend it consistent with how you say you are going to spend it, what are you achieving? How is the community changing? What can we see that has occurred in the community that would not have occurred without these funds?

My question to you is going to go to the consolidated plan process because HUD's initial response was in the community the practitioners, if you will, and the community leadership have an opportunity to participate in the consolidated plan and thereby formulated an impact of the description of what the uses are for.

Many people consider that to be insufficient, that we need a greater justification, greater measurement to be able to show all of your results. I wonder if you might speak for a moment if any of you in your organizations have participated in New York City's process of formulating its consolidated plan or, as HUD has said, in looking at whether or not the funds in the local community are being spent consistent with the consolidated plan.

Mr. TOWERY. Mr. Chairman, I have been there quite a while in this business of practitioner of economic development. I can't remember the number of times I have participated with the city in planning and discussing numerous times. I do not recall a precise focus on the consolidated plan but we are planners in Jamaica and we participate all the time with the planners from the city on both the economic side and the city planning side.

We are not short on planning and we are not short on result measurement. We are held accountable by DSBS in our reports for what we have done with their funds on an annual basis. I think it would be quite easy for me just with my little turf to report on the effectiveness of the funds. There is no question in my mind that there are many, many things that otherwise would not have hap-

pened or would have taken much longer. I would love to have a crack at justifying all of our projects that we have worked on.

Ms. MENSCHEL. My experience has been really HPD has had ongoing consultation with our organization and other organizations on what is happening, what the needs are in our communities. Furthermore, we have headed up local planning initiatives working with the residents of our communities to determine what is needed and that, too, is fed through the network of community boards that the city has and the reports of those community boards I know is very important in developing the CDBG plan.

If I may just make one additional comment, I think that sort of the proof is in the pudding. Prior investments by the Federal Government and housing restoration and just building up housing does not prove nearly as successful as what you have seen in the last 25, 30 years. For me it marks back to the Koch housing plan in 1986 in which Mayor Koch launched a 10-year investment by the city. Those were city dollars but what CDBG did was to provide resources that complimented that capital investment.

Furthermore enabled the city to maintain and gradually graduate into the NRP programs and other programs, all this housing stock the city had taken ownership in. Then from our point of view having invested significantly both our private equity and our city capital dollars, the inspections and the maintenance of properties has been terribly important.

Finally, the compliment of social services has been important in maintaining those neighborhoods so the fact of the matter is that you see neighborhoods that investments have been made over the last 25 years and you don't see them going into a period of deterioration. The fact is they are getting better and better. You saw it out here today. That in a sense is the most telling indicator, if you will, of success.

One other indicator. When welfare reform was approved, our communities were supportive of people who needed to get off of welfare and find employment. Even as the time periods expired, even as the economy became more difficult, people did not go back onto welfare. Our welfare rolls, I think, are probably the lowest they have been in years. There, too, is another success of the construct that is providing flexible multi-program support for our communities.

Mr. WILLIS. I would like to make a couple comments here thinking about the program and evaluating it, one of which is here, as Ronay and others have said, Mayor Koch started this plan in 1986. We are here almost 20 years later. It is a great time to be talking about all of the successes that we can see really in almost every, if not in every, neighborhood across the city.

The point of that is this is longer term. It isn't like you can come up with something that is going to change in 6 months. I was at one point Deputy Commissioner for Development and we went through the first year and a half of the Koch plan and nothing happened that people could see at all. Yet, a whole infrastructure was being put in place. A pipeline was being developed. The conversations and consulting with the community was going on.

One of the things that I would caution here in coming up with a criteria that you don't want just what are the inputs. I under-

stand that. If you are looking for long-term change you can't ask for short-term results and make the dollars depend on that. I am sure I don't need to mention to the chairman here. He has seen many other cities as I have including his own where he was previously the mayor.

They may not be having all the prosperity that New York City is and may not be seeing what we are seeing in the turnaround in almost all, if not all, of our neighborhoods. I think this is very, very hard to be able to come up with criteria. We keep talking about the flexibility and the flexibility across cities and across this 20 years as to what the money has been used for and to measure the progress.

One thing that I would mention, I know in New York City it did leverage the 10-year Koch plan. $5.1 billion here in Community Development Block Grant Program and the activities. As talked about before, we would not have been able to have the impact we have today.

Mr. REICHER. I would echo it. I mean, in terms of participating in the city planning, I mean, our contracts that we had for 27 years now we report meticulously to the city. In that reporting we also find a lot of things that we learn so that over time we changed our approach. We have adjusted this and changed that. We measure both the success and things that didn't work so well are able to change.

The city for its part is receiving incredible amounts of information each month and each year from us that goes into their specific planning as well as sort of comprehensive looks that we take periodically of all the buildings that we have worked with to see where they are going, trying to understand what are the indicators of success and so forth.

One of the great things about Community Development Block Grants is that while there are lots of sort of bricks and mortars, you know, financial kinds of numbers that you can look at, the other things that are much harder to quantify are the successes over time of building the people who live in these buildings, the skills that they learn and the tasks that they undertake and the accomplishments that they make.

The success of the TIL buildings to become co-ops has little to do because in the early years very little rehab was done. It has to do with the efforts and the desire of residents to sort of remain in their buildings and then the skills that the Block Grant-funded contracts and literally the city Block Grant-supported staff are able to support them and provide so that they can do this work. It is not something that we do. It is not something really that the city does. It is a way of facilitating others.

That is going to be very hard to measure, I believe. It is something that while being accountable measuring, doing all those kinds of things are going to be important, the program and its flexibility and the success, at least, from what we have done could easily be lost if we had to be accountable for a dollar in and a dollar out kind of thing because there is a lot of unmeasurables that we need to, I guess, either learn how to measure or articulate in other ways.

Mrs. MALONEY. I want to thank all of you for your life-long dedication to affordable housing. I had the honor of working with all of you when I was on the city council and it is truly great to see you again.

Andy, one of my personal favorites was the Homesteading Program and we worked very hard in East Harlem with you and others in HPD to save housing. I know you said it is very hard to get an accurate measurement tool but we have to do it because if we don't do it and help come back with a measurement tool, they are going to keep coming at us.

I just would join the chairman in really asking the same question that later in writing if you could come back with a perspective of how to pursue an accurate measurement tool. Obviously in the TIL Program it could be the number going into ownership. Just living in the apartment is saving the building. It is very, very important.

Mark, you raised the point, which I thought was a very good one, that you have to look at it long-range. Housing is not something that you do, and you know more than any of us on the whole panel, over night. It takes long-term planning and thinking to get the financing together. I believe deeply and strongly in CDBG. What we saw today shows it works. It has literally revitalized entire neighborhoods not only with commerce but housing. It is incredibly important. We have to come up with it.

Ronay, congratulations on your 100th anniversary of Phipps Houses which happens to be located in the district that I represent and we have been honored to represent you. And, of course, Mr. Towery, you probably hit every single program out there that you got involved.

One of the things, and my question is to ask you to think about how we document and work with HPD so that we can come back with a document before they cut us again next year so that we can come in and ask for more money and not just try to maintain our position.

I love cities. I think cities are so important for ideas, for the strength of the country. Yet, I see many of our funding formulas hurting cities. I think a major question of the 21st century is going to be who pays for the cities of the aging infrastructure, the many, many challenges that are unique to cities. Yet, the support federally has been dwindling for cities.

Instead of sitting there and waiting for what happens, which is another cut back in CDBG or cut back in Section 8 or in public housing support, what ideas are created anew that you think we should take back and try to implement and come forward with aggressive new ideas as opposed to just sitting there and trying to defend the housing programs that have been in place that are now literally being chipped away every single year.

How can we confront who pays for the cities? What are the great ideas to save our cities? You can get back to us in writing or anyway that you think we could respond. You are wonderful examples. You have all done incredible work and we'll take that back to Congress with our report.

Mr. WILLIS. I'll just do something that the mayor if he were here would probably say. One thing is it would be nice if we weren't sending so much more to Washington than comes back here. It is

not just ignoring but really I think that there is a great deal of economic engine here that needs to be allowed to do its own work without having a net drain.

Mrs. MALONEY. Any other ideas? Are you having any problems with interacting with HUD or regulations that you feel need to be modernized?

Ms. MENSCHEL. Maybe I will just say that I think HUD, some of its regulations and dealing with community groups could be streamlined. I think that is one of the virtues of CDBG is that there is this block grant and there is the flexibility of local decisionmaking and there is a lot of value to that as opposed to a bureaucracy often driven from Washington that is making things very complicated and it is taking a lot of time and that cost money.

Mrs. MALONEY. Well, we will take that back.

Mr. WILLIS. I would just say from, again, the financial services sector in order to be able to put the investments we have in the community, we need a reliable partner and I think a lot of this discussion about this program and many others are making it more questionable about whether that public/private partnership can actually work so that we can bring the kinds of dollars that we have into the neighborhoods that you have seen today.

Mrs. MALONEY. Are you accessing the Treasury Department's financial services programs that they have for communities? Are you working with them, too?

Mr. WILLIS. We would like to think we have one of the best CDFI programs in the country for everybody, Community Development Financial Institutions. We just got a low-income housing tax credit allocation so we would be working with that program as well. And BEA, another acronym for people, Bank Enterprise Act, is also something else we have been able to take advantage of. There are many problems.

I guess the most important one really in Treasury is the Low-Income Housing Tax Credit Program which we are one of the largest investors in the country in that program. Not just here in New York City but obviously a lot of other places as well so those are programs. The nice thing about low-income housing tax credit, "Here are the rules and you follow those and here is what you get." I think there are other programs that because they are subject to annual appropriation and the kind of debate we are having here make it hard for us to do long-term—get involved in long-term projects that require public/private leverage.

Mrs. MALONEY. I must say that after HPD cut the Section 8 program I literally had one community group that was afraid they cut their 202 even though they had it and did not want to go forward with it. What you are saying is that the disruption and reliability of the program is causing huge problems in the partnership. I think that is an extremely valid point you made.

Mr. REICHER. One of the things that I would mention is that I see a striking parallel in sort of the early days when the city was facing sort of abandonment In-Rem housing crisis and sort of recently identified crisis that we are facing in HUD funding projects which are the buildings that are failing out of their inspections, the distressed HUD subsidized buildings.

We have identified 70 to 90 buildings with 17,000 units in New York City alone and this is a nationwide phenomenon of buildings that are severely distressed under HUD financing. There are a lot of lessons to be learned of the TIL Program and the other CDBG-funded programs that the city used to redevelop these programs. We have actually been able to turn nine of these buildings over to residents and to local community groups, Abyssinian being one of them, and some of them right in this neighborhood.

But there is another 70, 80, 90 buildings in the city alone and HUD's response and the ability for them to move properties in the proper direction and provide the support and so forth has a lot to learn from what we learned over these last almost three decades with the In-Rem properties in New York City. I think it is a place where we are going to preserve housing. This is some of the kind of housing we already know how preserve. We just need a willing partner in Washington.

Mrs. MALONEY. Thank you. My time is up. I congratulate all of you for your extraordinary achievements in affordable housing.

Mr. TURNER. I want to thank you also. Your stories are inspiring and your critical expertise is obviously necessary for the success that is here and other communities certainly can benefit from what you are accomplishing and using the best practices and the models that you have here and the efforts they are taking in their communities.

Before we go to our next panel, I just want to give you one opportunity if you have any closing comments on anything that we have not asked you that you did want to say to give you an opportunity to put that on the record now.

Mr. TOWERY. Mr. Chairman, I realize that I didn't mention that I am not sure that anything we are doing or have done is replicable. They are sort of unique. There is no handbook for how you do it in a place like this except that my experience was when I went there, this place had deteriorated or was in a level of problem where it was too bad for the private sector to invest and stay and stick with it and not quite bad enough compared to other parts of New York City for government to really have programs. It was never a model city under Lyndon Johnson. It wasn't bad enough to be a model city.

There is something to be said about nonprofit brokers and advocates who work with both sectors and speak out of both sides of their mouths and say to government, "Look how bad it is," and to Mark Willis, "Look how good it is," so that you can put together the public and private sectors around specific objectives.

I don't know if that is replicable or not but when you are devoted to a particular place and you have a plan and you have consensus behind it, you really do need the flexibility of either sector agent or broker who can put it all together and stick with it and persist and glue it together.

I think that is a lesson that—I don't know how you would do it otherwise without CDBG funds. We probably wouldn't be here if when we got our first CD money our board had left essentially from the private sector, was disinvesting and moving out to the suburbs.

We probably could not have managed to operate and continue that role without the CDBG contract. It matched what we already

had and challenged us to raise more. As I told you, now it is a very small portion of our income that we do raise. This is tooting my own horn but in a generic way, please. Thank you.

Ms. MENSCHEL. Maybe just further on your question about looking at the cities in the future. I think that what we have seen in recent years is far more integration, as we have all started to say, of both private investment and public investment. Shaping programs that are going to encourage private investment and facilitate it as opposed to undermining it is important. A lot of that is timeliness and predictability of the government side of things.

The second is the role of not-for-profit in communities. Not-for-profits often are the organizations that are there for the long haul. That is very important for community stability and protection of the investments that are made.

Mr. TURNER. Any closing comments?

Mr. WILLIS. I am fine. Thank you.

Mr. REICHER. I know that one of the areas that is also at issue is the funding of city staff. I should say that our ability to accomplish what we have accomplished in our program comes in a partnership with HPD. Our ability as a nonprofit and our relationship with residents in buildings and the co-ops is of one nature and HPD staff has their role to play.

Without both of them it is a much more difficult one. I think that the overall impact of the program needs to be looked at. I know this comes up, and came up, and will continue to come up. I think that it would diminish the success of the program to sort of say absolutely you can't have it one way.

Mr. TURNER. Thank you. Well, we thank you very much and we will take a short recess as we seat the third panel.

[Recess.]

Mr. TURNER. Thank you. We will reconvene to hear our third panel. We have Rev. Dr. Calvin Butts, pastor of the Abyssinian Baptist Church; Mr. Chris Kui, executive director of Asian Americans for Equality; and Dr. Ingrid Gould Ellen, associate professor of public policy and urban planning at the New York University Furman Center for Real Estate.

Dr. Butts, we will start with you.

STATEMENTS OF REV. DR. CALVIN BUTTS, PASTOR OF THE ABYSSINIAN BAPTIST CHURCH; CHRIS KUI, EXECUTIVE DIRECTOR OF ASIAN AMERICANS FOR EQUALITY; AND DR. INGRID GOULD ELLEN, ASSOCIATE PROFESSOR OF PUBLIC POLICY AND URBAN PLANNING AT THE NEW YORK UNIVERSITY FURMAN CENTER FOR REAL ESTATE

STATEMENT OF REV. DR. CALVIN BUTTS

Dr. BUTTS. Good morning. Thank you. I want to commend the House Government Reform Subcommittee on Federalism and the Census on conducting this hearing. I want to again greet and welcome to Harlem and Thurgood Marshall Academy the Honorable Michael Turner from the Third District of Ohio, the great city of Dayton. Thank you very much for being here.

And, of course, to say hello to our dear friend Representative Carolyn Maloney. We also appreciated the appearance of Congress-

man Rangel, our Congressman. And I am pleased to have an opportunity to testify on such an important matter.

The successful and sustainable revitalization of our urban centers has been and is a driving principle of my personal efforts for well over 30 years. In addition, I now lead a nearly 200-year-old institution, the Abyssinian Baptist Church. By the way, Mr. Chairman, I want to say that the chairman of our deacon board and many of our members who reside in this community and elsewhere have been a part of this hearing throughout its entirety. I want to thank them for being here because they know the importance of this very important hearing.

The Abyssinian Baptist Church has been at the forefront of social justice issues since its inception. Abyssinian has also been a leader in the development of Harlem from its birth as the African American business, social, and cultural capital of the world over 80 years ago through its development and revitalization today.

You have and will hear a lot of statistics about the importance of the Community Development Block Grant Program. My task today is to breathe life into these numbers and to give you a sense of the flesh and blood impact the Community Development Block Grant Program has had on the heart and soul of one of the most important communities in the United States of America, the community of Harlem.

I believe Harlem is a fitting community to examine and evaluate the past success and the future of such an important national program. The story of Harlem's decline and its revitalization of a community world renown for its rich cultural legacy has been constantly elevated as the story that most exemplifies the story of our Nation's urban centers for its triumphs and its tragedies. Federal policy has always played a critical role in the development as well as the destruction of our communities.

Adam Clayton Powell, Jr., one of the great leaders of the Abyssinian Baptist Church, one of the great leaders of the Harlem community, and one of the great leaders of our nation, understood the impact of Federal legislation on our communities and, as such, sponsored and co-sponsored more than 50 measures of responsible Federal legislation. We here in Harlem have also felt the impact of Federal policy designed sometimes intentionally and sometimes not to dismantle, disempower, and destroy our communities.

We well remember the Housing Act of 1934 which established the Federal Housing Authority with the intention to improve housing conditions and standards which in actually promoted segregation and through the Federal Homeowners Loan Corp. defined black integrated and racially changing neighborhoods as not credit worthy. Actually drew maps coloring these neighborhoods red. Federal policy red-lined our communities early on and choked out economic development and home ownership and other wealth-building opportunities for its inhabitants.

Another appalling example is the Housing Act of 1949 which was founded on slum clearance. And the Interstate Act of 1956 which allowed local municipalities to use imminent domain to pay through communities of color. I mention these Federal policies today to underscore the critical importance of your deliberation

about the future of the Community Development Block Grant Program.

Much of Adam Clayton Powell's sponsored legislation was directed to correct those destructive policies of this investment. Those policies led directly to the blight and decay in Harlem that was present when I came to Harlem in 1972.

After nearly five decades from 1910 to 1950 of immigration and an extraordinary growth of the African American population, central Harlem's population peaked at 226,000 persons in 1950.

Beginning in 1960 to 1990 the trend of the previous five decades was reversed to population decline and central Harlem lost 54 percent of its population during this same period. With the abandonment of residential and commercial properties and red-lining by financial institutions between 1970 and 1980 central Harlem had its largest single population loss of 34 percent within one decade.

By 1990 the area's population had declined to its lowest count of 98,747. The first increase in population since 1950 did not occur again until the recent census of 2000 reporting a population of 107,178, a modest gain of 8,431 residents over the previous 1990 census count.

Mr. Chairman, I want to continue with this because those who have gathered, and I know you already have the testimony, this is so important when considering this Federal program that is in jeopardy. When I came to Harlem in 1972, 2 years before the Community Development Block Grant Program was initiated, it became apparent that the Federal Government had to step in and try to deter the widespread abandonment.

It is difficult to describe the socioeconomic climate of Harlem at the inception of the Community Development Block Grant in 1974. Plainly, a Federal aid package with its housing initiatives and commitment to creating viable communities could not have come at a better time.

Harlem was badly damaged during the civil unrest of the 1960's, a situation that was exacerbated by the city's financial crisis in the 1970's. There was blight and devastation perpetuated by decades of disinvestments marked by an exodus of residents suffering from unbearable economic and societal factors, a pandemic of poverty which included soaring crime and increased substance abuse.

Not only were the residents who remained in despair isolated and discouraged but a neighborhood that was once renowned for its residential housing was ravaged by decades of arson and abandonment thereby creating a housing stock that was deplorable and without dignity and a homeless population that was escalating daily.

Over 60 percent of the housing stock in Central Harlem was owned by the city of New York. Owners of buildings simply walked away and did not pay property taxes, water and sewer taxes, no maintenance, utilities, electricity in common areas, no heat and hot water, living conditions that were dangerous to life, health, and safety. Community residents were suffering.

The city of New York was able to use Community Development Block Grant funds to maintain these buildings. Although no municipality ever has the intention of becoming a principal landlord because of the loss of income through tax roles, the city could have

condemned the buildings, displaced hundreds of thousands of people.

Yet, the city of New York to its credit took a bold move and decided not to displace people. With Community Development Block Grant funding the city of New York maintained these buildings and the character and fabric of this community which directly impacted future successful sustainable development and laid the foundation for the comprehensive community development initiatives that are implemented today.

Preserving housing is a beachhead against neighborhood decline. When you are fighting a war, which is what we are in, against neighborhood decline, you need beachheads, a position or foothold on an enemy shoreline captured by troops in advance to further an invading force and comprehensive community development was that invading force and without Community Development Block Grant Funding to preserve those buildings for future development, Harlem would be a footnote in history books.

In fact, a symbol of Harlem's rebirth, one that could not have been possible without the preface of Community Development Block Grant funding is the construction of the building in which we sit right now, the Thurgood Marshall Academy for Learning and Social Change. This very building, 90,000 square feet, state-of-the-art facility is the first new high school to be built in Harlem in more than a half century.

In addition, Abyssinian Development Corp. built over 1,000 units of affordable housing for low and moderate-income families and some were completely vacant buildings that the city was able to maintain, architectural jewels of the pre-war housing stock. Some were occupied by families that held on as the beachhead was becoming secure. Every one of these buildings was preserved and maintained using Community Development Block Grant funds.

ADC pushed forward and began to reach out to more residents in need of supportive housing, educational opportunities, small business development, large commercial enterprises, job development, social services, home ownership opportunities, and the building of community capacity through civic engagement.

We could not have created successful sustainable community development without addressing community decline and poverty through a holistic approach matching every aspect of societal ills with appropriate solutions all of which need an inputting of resources. Community Development Block Grant funding is integral in this process as it is flexible enough to allow local communities to decide what their needs are and how they should be met.

The primary objective of the program was to establish a broad network for urban revitalization efforts while providing maximum flexibility on a local level, essentially the original framework for the successes we can account for today.

Since so much has been accomplished, why do we need Community Development Block Grant and Community Services Block Grant Programs today? Quite simply for the same reason we needed community development block grants in 1974. The broad objectives of the Community Development Block Grant Program to establish and maintain viable urban communities with decent hous-

ing and suitable living environment and economic opportunities for persons of low and moderate income are still critical today.

Harlem is at a pivotal crossroads today. Much attention has been given to the incredible increase in housing production, housing prices, and commercial development. Rent increased by 46 percent from 1990 to 2000 compared to 11 percent in New York City overall and 21 percent in Manhattan over the same period and property values have tripled in Harlem.

A common price for a brownstone is well over a million dollars. Commercial rents along 125th Street, the main commercial corridor, is approximately $125 per square foot. In Harlem the dismal ownership rate is 9 percent as compared to New York City where about one in three households own their own homes.

The vacancy rate is 3 percent and apartments with an asking rent of less than $500 have a vacancy rate of just 1½. The median household income in Central Harlem is only $19,920, approximately 52 percent of the citywide median income and only 42 percent of the median income of Manhattan taking into account that there are households with incomes of less than $15,000 computed in that average.

The poverty rate is 36.4 percent and 24 percent of the population pays more than 50 percent of their income toward rent putting shelter in competition with food and other necessities. The rate of unemployment in Central Harlem is extremely high at 12.4 percent while the New York City overall rate is 6½ and the community services side, as studies suggest, that over 50 percent of African-American males are not in the labor force.

Why not just let the market work? That is what some argue. It is the very nature of economic market forces to push out low and moderate income families unless systems are in place to prevent misplacement. Harlem residents that persevere through the unbearable conditions to fight for their children, their community, and respectable living conditions will be pushed out just as the market bulldozed them in 1974 when the Community Development Block Grant funds were first used to maintain and build that beachhead.

The market forces at work are encouraging landlords to deny residents decent places to live hoping that they will become frustrated and they will move out so that when they do, property owners can cash in by leasing at market or above-market rates for units that were originally allocated for low and moderate-income families.

Much of the Community Development Block Grant funding today is used for inspectors to make sure that buildings are operating at code and for litigators to hold landlords accountable. An epic example of how property owners are being driven by market forces is demonstrated in the Ennis Francis houses, a 231-unit complex that due to extreme neglect by the landlord was in serious disrepair and needed both immediate and long-term work.

Among the 250 housing code violations cited investigated with Community Development Block Grant funding were lack of heating, leaking ceilings, dangerous peeling lead paint. The Tenant Association which formed in 2003 after a week without hot water and the collapse of an underground sewage pipe leaving a 20-foot by 8-

foot festering pit of human waste in the community room. On November 1st ADC was assigned as the legal administrator for Ennis Francis Houses and managed the building and ensured that basic services were restored.

ADC was able to purchase the Ennis Francis Houses and now provides a full array of comprehensive programs for the tenants who no longer have to live in fear that their homes will be sold to the highest bidder. Ennis Francis Houses is one example of far too many landlords that are trying to encourage their low to moderate-income residents to live elsewhere as affordable rental restrictions are expiring including expiring Section 8 contracts, low-income housing tax credit restrictions, and municipal restrictions on affordability.

Community Development Block Grant funds are as important as they were in 1974 in preserving and protecting communities. This deliberation is critically important. Thousands of individuals will be impacted and this committee has the ability to alter the characteristics of entire communities across the country.

Community Development Block Grant funding will be integral in ensuring that the most vulnerable are not displaced. That those who remain in Harlem and communities like it can continue to afford living here in decent and dignified living standards.

Thus, Mr. Chairman, I implore you to think carefully and seriously about the impact that your decisions will have not only on the Harlem community but communities like Harlem across the country. The loss of Community Development Block Grant funding will have detrimental affects on entire neighborhoods and will destabilize the progress that we have managed to achieve since 1974.

No one is as happy as I am, Mr. Chairman, to see you here today. You can't imagine how important it is to have you from the great State of Ohio that has produced tremendous leaders for our Nation to come and hear from us about how important this is. I know you will be successful because God is on your side. Thank you very much.

[The prepared statement of Dr. Butts follows:]

House Government Reform Subcommittee
on Federalism and the Census Field Hearing
Monday, July 25, 2005 – 10:00 a.m.

Testimony of Rev. Dr. Calvin O. Butts, III
Pastor, The Abyssinian Baptist Church,
Founder, Abyssinian Development Corporation

Good Morning. I commend the House Government Reform Subcommittee on Federalism and the Congress on conducting this hearing. I greet and welcome to Harlem, and the Thurgood Marshall Academy, Honorables Turner, Shays and Maloney.

I am pleased to have an opportunity to testify on such an important matter. The successful and sustainable revitalization of our urban centers has been and is a driving principle of my personal efforts for well over [30] years. In addition, I now lead a nearly 200 year old institution — The Abyssinian Baptist Church — that has been at the forefront of social justice issues since its inception. Abyssinian has also been a leader in the development of Harlem, from its birth as the African American business, social and cultural capital of the world over 80 years ago, through its redevelopment and revitalization today.

You have and will hear a lot of statistics about the importance of the Community Development Block Grant Program. My task today is to breathe life into those numbers, to give you a sense of the flesh and blood impact, the impact the Community Development Block Grant Program has had on the heart and soul of one of the most important communities in the United States of America today, the community of Harlem.

I believe Harlem is a fitting community to examine in evaluating the past success and the future of such an important national program. The story of Harlem's decline and its revitalization, a community world renowned for its rich cultural legacy, has been constantly elevated as the story that most exemplifies the story of our nation's urban centers, for its triumphs and its tragedies.

Federal policy has always played a critical role in the development, as well as the destruction of our communities. Adam Clayton Powell, Jr., one of the great leaders of The Abyssinian Baptist Church, one of the great leaders of the Harlem Community, and one of the great leaders of our nation, understood the impact of federal legislation on our communities, and as such, sponsored and co-sponsored more 50 measures of responsible federal legislation.

We here in Harlem have also felt the impact of federal policy designed - sometimes intentionally, sometimes not – to dismantle, disempower and destroy our communities. We well remember the Housing Act of 1934, which established the Federal Housing Authority with the intention to improve housing conditions and standards, which, in actuality, promoted segregation and through the Federal Homeowners Loan Corporation, defined black, integrated and racially changing neighborhoods as not credit worthy [actually drew maps coloring these neighborhoods red.] This federal policy "red-lined" our communities early on and choked out economic development and homeownership and other wealth building opportunities for its inhabitants.

Another appalling example is the Housing Act of 1949 which was founded on "slum clearance", and the Interstate Highway Act of 1956, which allowed local municipalities to use *eminent domain* to pave through communities of color.

I mention these federal policies today to underscore the critical importance of your deliberation about the future of the Community Development Block Grant Program. Much of Adam Clayton Powell's sponsored legislation was directed to correct those destructive "policies of disinvestment." Those policies led directly to the blight and decay in Harlem that was present when I came to Harlem in 1972.

After nearly five decades from 1910 to 1950 of in-migration and an extraordinary growth of the African-American population, Central Harlem's population peaked at 226,000 persons in 1950. Beginning in 1960 to 1990 the trend of the previous five decades was reversed to population decline and Central Harlem lost approximately 54% of its population during this same period. With the abandonment of residential and commercial properties and red-lining by financial institutions, between 1970 and 1980 Central Harlem had its largest single population loss of 34% within one decade. By 1990, the area's population had declined to its lowest count of 98,747. The first increase in population since 1950 did not occur again until the recent census of 2000 reporting a population of 107,178, a modest gain of 8,431 residents over the previous 1990 census count.

When I came to Harlem in 1972, two years before the Community Development Block Grant Program was initiated, it became apparent the Federal

Government had to step in and try to deter the widespread abandonment. It is difficult to describe the socio-economic climate of Harlem at the inception of the Community Development Block Grant in 1974. Plainly, a federal aid package with its housing initiatives and commitment to creating viable communities could not have come at a better time. Harlem was badly damaged during the civil unrest of the 1960s, a situation that was exacerbated with the city's financial crisis in the 1970s. There was blight and devastation perpetuated by decades of disinvestments marked by an exodus of residents suffering unbearable economic and societal factors, a pandemic of poverty, which included soaring crime and increased substance abuse. Not only were the residents who remained in despair, isolated and discouraged, but a neighborhood that was once renowned for its residential housing was ravaged by decades of arson and abandonment, thereby creating a housing stock that was deplorable and without dignity, and a homeless population that was escalating daily.

Over 60% of the housing stock in Central Harlem was owned by the City of New York. Owners of buildings simply walked away, and did not pay property taxes, water and sewer taxes, no maintenance (systems etc.) utilities, no electricity in common areas, no heat and hot water, living conditions that were dangerous to life, health and safety. Community residents were suffering.

However, the City of New York was able to use CDBG funds to maintain those buildings, although no municipality ever has the intention of becoming the principal landlord because of the loss of income through tax roles, the City could have condemned the buildings and displaced hundreds of thousands of people.

Yet, the City of New York took a bold move and decided not displace people. With CDBG funding, the City of New York maintained these buildings and the character and fabric of this community, which directly impacted future successful sustainable development, and laid the foundation for the comprehensive community development initiatives that are implemented today.

Preserving housing is a beachhead against neighborhood decline, and when you are fighting a war against neighborhood decline you need beachheads, a position or foothold on an enemy shoreline captured by troops in advance to further an invading force.

Comprehensive community development was that invading force and without CDBG funding to preserve those buildings for future development, Harlem would be a footnote in history books. In fact, a symbol of Harlem's rebirth, one that could not have been possible without the preface of CDBG funding, is the construction of The Thurgood Marshall Academy for Learning and Social Change (TMA) in 2004. This very building in which we hold this hearing today. TMA is a 90,000 sq. ft., state-of-the-art facility, and is the first new high school to be built in Harlem in more than half a century.

In addition, Abyssinian Development Corporation built over 1,000 units of affordable housing for low and moderate income families, and some were completely vacant buildings that the City was able to maintain, architectural jewels of the pre-war housing stock, and some were occupied by families that held on as the beachhead was becoming secure—and every one of those

buildings was preserved and maintained using CDBG funds. ADC pushed forward and began to reach out to more residents in need of supportive housing, educational opportunities, small business development, large commercial enterprises, job development, social services, homeownership opportunities and the building of community capacity through civic engagement.

We could not have created successful sustainable community development without addressing community decline and poverty through a holistic approach matching every aspect of societal ills with appropriate solutions, all of which need an inputting of resources. CDBG funding is integral in this process as it is flexible enough to allow local communities to decide what their needs are and how they should be met. The primary objective of the program was to establish a broad framework for urban revitalization efforts while providing maximum flexibility on a local level, essentially, the original framework for the successes we can account for today.

Since so much has been accomplished, why do we need the Community Development Block Grant and Community Services Block Grant Program today? Quite simply for the same reasons we needed the Community Development Block Grant in 1974. The broad objectives of the Community Development Block Grant Program – to establish and maintain viable urban communities with decent housing and a suitable living environment and economic opportunities for persons of low and moderate income – are still critical today.

conditions to fight for their children, their community and respectable living conditions will be pushed out just as the market bulldozed them in 1974 when the CDBG funds were first used to maintain and build that beachhead.

The market forces at work are encouraging landlords to deny residents decent places to live, hoping they will move so that when they do, property owners can "cash-in" by leasing at market or above market rate for units that were originally allocated for low and moderate income housing. Much of CDBG funding today is used for inspectors to make sure that buildings are operating at code and for litigators to hold landlords accountable.

An epic example of how property owners are being driven by market forces is demonstrated in The Ennis Francis Houses, a 231-unit complex that, due to extreme neglect by the landlord was in serious disrepair and needed both immediate and long-term work. Among the 250 housing code violations cited, investigated with CDBG funding, were lack of heating, leaking ceilings and dangerous peeling lead paint. The tenants association formed in August 2003 after a week without hot water and the collapse of an underground sewage pipe leaving a 20 foot by 8 foot festering pit of human waste in the community room. On November 1, 2004, ADC was assigned as the legal administrator for the Ennis Francis Houses and managed the building and ensured that basic services were restored. ADC was able to purchase the Ennis Francis Houses and now provides a full array of comprehensive programming for the tenants, who no

Harlem is at a pivotal crossroads today. Much attention has been given to the incredible increase in housing production, housing prices and commercial developments. Rents increased by 46% from 1990 to 2000 (compared to 11% in New York City overall and 21% in Manhattan over the same period and property values have tripled in Harlem.) A common price for a brownstone is well over a million dollars, and commercial rents along 125th Street, the main commercial corridor, is approximately $125 per square foot. In Harlem, the dismal homeownership rate is 9% as compared to NYC where about one in three households own their own home. The vacancy rate is 3%, and apartments with an asking rent of less than $500 have a vacancy rate of just 1.5%. The median household income in Central Harlem is only $19,920—approximately 52% of the citywide median income and only 42% of the median income of Manhattan, taking into account that there are households with incomes of less than $15,000 computed in that average. The poverty rate is 36.4% and 24% of the population pays more than 50% of their incomes toward rent, putting shelter in competition with food and other necessities. The rate of unemployment in Central Harlem is extremely high at 12.4% while New York City's overall rate is 6.5%, and the Community Service Society study suggests that over 50% of African American males are not in the labor force. (The racial composition of Harlem is 81.3% African American.)

Why not just let the market work? It is the very nature of economic market forces to push out low and moderate income families unless systems are in place to prevent displacement. Harlem residents that persevered through the unbearable

longer have to live in fear that their homes would be sold to the highest bidder. Ennis Francis Houses is one example of far too many landlords that are trying to "encourage" their low to moderate income residents to live elsewhere as affordable rental restrictions are expiring (including expiring Section 8 contracts, Low Income Housing Tax Credit restrictions and municipal restrictions on affordability). CDBG funds are as important as they were in 1974 in preserving and protecting communities

This deliberation is critically important. Thousands of individual lives will be impacted and this committee has the ability to alter the characteristics of entire communities across the country. CDBG funding will be integral in ensuring that the most vulnerable are not displaced, that those who remained in Harlem can continue to afford living here in decent and dignified living standards.

Thus, I implore you to think carefully and seriously about the impact of your decisions on not only the Harlem Community, but communities like Harlem across the country. The loss of CDBG funding will have detrimental affects on entire neighborhoods and will destabilize the progress that we have managed to achieve since 1974.

Thank you.....

Mr. TURNER. Thank you very much for that very impassioned presentation.

Mr. Kui.

STATEMENT OF CHRISTOPHER KUI

Mr. KUI. Good afternoon, Chairman Turner, Congresswoman Maloney, and guests. Thank you for traveling to New York to hear our testimonies and see our communities firsthand.

My name is Christopher Kui and I am the executive director of Asian Americans for equality [AAFE]. When AAFE opened its door in 1974 Chinatown was an insular ethnic enclave. Founded more than 100 years before by immigrants from China, it became the hub of social, cultural, and economic life in New York's Asian community.

Most of the immigrants did not speak English. They had to adjust to an entirely different culture than that which they had left behind. Naturally, they lived in Chinatown where they felt more at ease. At first the community consisted of working men employed in restaurants and service industries. The liberalization of immigration laws in the 1960's caused immigration to swell which resulted in enormous social pressures for the community such as lack of housing and decent employment.

Increasingly, more and more people came to AAFE for help with affordable housing and adequate living conditions which had reached a crisis point. Many local residents lived in rundown tenement buildings dating from the 19th century. Others were crowded into non-residential spaces that were illegally subdivided into tiny rooms.

The high demand for living space caused many landlords to ignore housing codes and occupancy standards, and to demand illegal key money from renters. As downtown neighborhoods became fashionable, unscrupulous landlords tried to evict their low-income tenants, sometimes resorting to extreme tactics like harassment and intimidation.

In partnership with HPD our eviction prevention programs have helped our clients in very immediate ways. We have actually many clients from Chinatown in the back that traveled all the way from Chinatown to Harlem today to really show their support for the CDBG Program. I would like to point them out in the back.

In December 2004, a few days before the Christmas holidays, an anxious Chinatown resident whose building had no heat or hot water for more than 2 months came to AAFE for help. The tenant, a senior citizen who spoke practically no English, complained that he and his neighbors live in misery because temperatures dropped below freezing. The tenants were afraid to notify housing authorities for fear of retaliation.

AAFE was able to step in immediately advising the tenants of possible action and provide legal assistance. Meanwhile, our staff convened a meeting with HPD and other State agencies, the tenants, local elected officials, and the building owner onsite. We arrived at an agreement and the tenants had heat and hot water in time for the holidays.

To increase housing opportunities AAFE has developed more than 500 units of affordable and senior housing. Working with the

Enterprise Foundation and HPD AAFE first began developing housing in 1986 with the construction of New York City's first Federal low-income housing tax credit project called Equality House.

All of us at AAFE felt particular pride and strong emotional attachment to this historic project. Equality House enabled the Lee family among many such families to provide their three children with the stability and opportunity that they needed to make a better life. Fifteen years later today one son is a police officer, the other son is a nurse, and the daughter is an urban fellow pursuing her masters degree at the local college.

Our most recent project, Norfolk Apartment II, was the first low-income housing project to be developed after September 11th in lower Manhattan in partnership with the city and State of New York. Norfolk Apartment II has a total of 52 units. When the project was announced in 2003 more than 10,000 families around the city submitted applications.

CDBG funding has also enabled AAFE to provide core immigrant services that continue to include the capacity of the Asian-American community to address its own needs. AAFE helps new immigrants overcome language and cultural barriers and participate more fully in American society.

Our affiliate, AAFE Community Development Fund, has counseled more than 5,000 perspective homeowners and have helped secure over $155 million in mortgage financing from private banks for 1,200 families to purchase their first home. Thousands of other residents come to AAFE every year for English-as-a-second-language instruction, naturalization information, and citizenship education.

The flexibility of CDBG funds has allowed AAFE to respond to emergencies as well. Immediately after September 11th AAFE was able to address the request for assistance to help guide affected clients to government agencies such as FEMA. More than 500 clients were assisted with Medicaid applications and 300 emergency applications were filed for assistance and temporary housing in the first month alone after September 11th.

Meanwhile, as partners in the Lower Manhattan Development Corp.'s $300 million Residential Grant Program, our staff helped over 20,000 residents receive housing assistance all across Lower Manhattan neighborhoods. Having latitude in the type of projects and activities in which we can engage has allowed AAFE to serve the role of "social firehouse," responding to a crisis quickly and effectively in our community.

In conclusion, a very large part of AAFE's work has been possible thanks to funding from the CDBG program. CDBG funds have allowed us to respond creatively and with flexibility to meet the changing needs of our immigrant community. We have been able to provide affordable housing and prevent blight, generate new economic investment and create a more significant role for our community in the city's decisionmaking process.

With more than 30 years of experience, AAFE has redoubled its commitment to help new immigrants achieve the American Dream. Not only has CDBG allowed us to preserve and rebuild the physical environment, it has furnished the tools to educate and inform our community.

Chairman Turner, Congresswoman Maloney, help Chinatown, help Harlem, and thousands of other communities across the United States to maintain and expand the CDBG programs so we can preserve our neighborhoods and serve our constituents. Thank you.

[The prepared statement of Mr. Kui follows:]

ASIAN AMERICANS FOR EQUALITY

The Impact of Reorganizing the CDBG Program on Asian American Communities
in New York City
House Subcommittee on Federalism and the Census,
Committee on Government Reform
U.S. House of Representatives
July 25, 2005

Good morning, Chairman Turner, distinguished members of the Committee and guests. Thank you for traveling to New York to hear our testimony and see our communities first hand. My name is Christopher Kui and I am the Executive Director of Asian Americans for Equality (AAFE).

I am here today because community-based organizations such as mine are concerned about the future of the Community Development Block Grant program. My colleagues in the field and I are here to fervently advocate for the CDBG program, which has allowed us to utilize the skills, knowledge, and abilities of local communities to strengthen the fabric of our cities.

INTRODUCTION:

Three decades ago, Asian Americans for Equality was born out of a grassroots movement organized to fight for the rights of Asian Americans workers. Since then, our organization has grown and evolved, adapting to the ever-changing landscape of New York and to the needs of successive waves of immigrants who have come to our city to make a better life. Today, AAFE serves more than 20,000 low- and moderate-income individuals and families and employs more than seventy professional staff with expertise in housing counseling, preservation and development, homeownership, immigration services, entitlement assistance, and small business assistance. We now have offices in Chinatown/Lower East Side and Flushing, Queens, and serve the needs of New York's 800,000+ Asian American community.

When AAFE opened its doors in 1974, Chinatown was an insular ethnic enclave. Founded more than 100 years before by immigrants from China, it quickly became the hub of social, cultural, and economic life for New York's Asian immigrant community. Most of the immigrants did not speak English; they had to adjust to an entirely different culture than that which they had left behind. Naturally, they felt compelled to live in Chinatown where they felt more at ease among their own kind. At first the community consisted of working men employed in garment factories, restaurants, and services. The liberalization of immigration laws caused immigration to swell, now allowing wives and family to join the men. The population explosion that resulted brought enormous social problems for the community. In the early days of the organization, volunteers assisted community members with work, housing, and immigration issues.

As time went on more and more people were coming to AAFE for help with housing issues. Living conditions in Chinatown had reached a crisis point. Many local residents still lived in rundown tenement buildings dating from the 19th century. Others were crowded into non-residential spaces that were illegally subdivided into tiny rooms. The high demand for living space caused many landlords to ignore housings codes and occupancy standards, and to demand elevated rents and additional feels. As downtown neighborhoods such as SoHo and the Village became fashionable, unscrupulous landlords tried to evict their low-income tenants, sometimes resorting to extreme tactics like harassment and intimidation. In 1984, in response to the increasing need, AAFE was transformed from an all-volunteer group into a nonprofit organization with a full-time staff.

CDBG DOLLARS AT WORK

A very large part of AAFE's work has been possible thanks to funding from the Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program. CDBG funds have allowed us to

respond creatively and with flexibility to meet the needs of our community. We have been able to provide affordable housing and prevent blight, generate new economic investment, and create a more significant role for communities in the City's decision-making process.

CDBG dollars enabled AAFE to develop more than 500 units of affordable and senior housing. AAFE began developing housing in 1986 with the construction of New York City's first Low-Income Housing Tax Credit project, called Equality Housing. Since then, AAFE's Planning and Development team has leveraged more than $60 million in financing to **produce housing** for low-income tenants, continuing our efforts to revitalize low-income neighborhoods. Our most recent project, Norfolk Apartments II, was the first low-income project to be developed after 9/11. When the project was announced, more than 10,000 families from around the City submitted application for the 52 units of affordable housing, illustrating the high demand for housing.

AAFE and its affiliate AAFE Community Development Fund have counseled more than 5,000 perspective **homeowners** and have helped secure $155 million in mortgage financing for 1,200 clients to purchase their first home. Meanwhile, Renaissance Economic Development Corporation, an affiliate of AAFE, has provided affordable loans, counseling and technical assistance to more than 2,500 **small business owners and entrepreneurs** since 1997.

CDBG dollars have been successfully used in the City's anti-abandonment agenda. Initiatives such as the **7A receivership** and **In-Rem** programs, which transferred properties to non-profit community-based housing groups, helped stabilize properties and neighborhoods. Additionally, the **Neighborhood Preservation Consultant Program**, launched in 1995, funded community-based organizations such as AAFE to focus on abandonment prevention activities. The

NPCP has enabled many contracted community-based groups to sustain housing preservation activities, including tenant education, counseling, and organizing.

These programs have helped our clients in very immediate ways. In December 2004, a few days before the Christmas holidays, we received word from an anxious Chinatown resident whose building had had no heat or hot water for more than two months. The tenant, a senior citizen who spoke practically no English, complained that he and his neighbors (largely senior citizens) were fearful, as temperatures dropped below freezing. The tenants had not notified housing authorities for many reasons. Primarily, though, with little English and misapprehensions about the function of government, they were afraid. Additionally, they were uncertain of their rights confronting an unscrupulous landlord, who might retaliate. AAFE was able to step in immediately. While our social services counselors and attorney advised the tenants on possible action and provided legal assistance, our Deputy Executive Director and Director of Government Affairs contacted local elected officials and government agencies. Our staff convened a meeting of the City housing agencies, the tenants, elected officials, and the owner's representatives on site. Together we walked through the building, assessing conditions and possible repairs. We arrived at an agreement for short-term solution that would allow the tenants to get through the immediate cold emergency, and made plans for a permanent resolution. The tenants had heat and hot water in time for the holidays. Thanks to our CDBG-funded, eviction-prevention program, AAFE was able to overcome the linguistic and cultural barriers that prevented the tenants from getting the assistance they needed.

Moreover, CDBG funding has enabled AAFE to provide **core immigrant services** that will improve the capacity of the Asian American community to address its own needs. AAFE helps new immigrants overcome language and cultural barriers, navigate bureaucracy and red tape, and participate more fully in

American society. Thousands of residents come to AAFE every year for fair housing legal services, eviction-prevention assistance, English-as-a-Second-Language instruction, citizenship education, and assistance with government benefits and entitlements. In conjunction with our Housing and Social Services program, our Advocacy and Community Education program has the task of informing and educating our community to become more fully participating members of American society and help many new immigrants to work with local, state, and federal government agencies on immigration, housing, and quality-of-life issues. Our programs, funded with CDBG dollars, also have strengthened civic participation through naturalization and voter registration drives. In 2004, AAFE and other immigrant groups led a voter-participation campaign that resulted in a 25 percent increase in voter turnout in the core Chinatown area.

The flexibility of CDBG funds has allowed AAFE to respond to emergencies. For example, Immediately after the 9/11 disaster, AAFE's Housing and Legal Services Department was able to address requests for assistance to help guide clients through government agencies, including the Federal Emergency Management Agency (FEMA) and other relief agencies. More than 500 clients were assisted with Medicaid applications in the first months, and 320 emergency applications were filled for assistance in temporary housing and other government services. Meanwhile, as partners in the Lower Manhattan Development Corporation's $300 million Residential Grant Program, our staff helped thousands of tenants receive housing assistance across Downtown neighborhoods. In addition, CDBG's model of partnering disperse government agencies with non-profits working on the ground allows programs to be targeted to specific populations and their needs. In Chinatown, these characteristics have accounted for successful outcomes.

CONCLUSION

With more than thirty years' experience, AAFE has redoubled its commitment to help new immigrants achieve the American Dream. Our role is to further self-empowerment by assisting our constituency to develop the skills and act on the opportunities that will improve their own lives. Not only has CDBG allowed us to preserve and rebuild the physical environment, it has furnished the tools to educate and inform our community. Thanks to the flexibility and variety of uses of CDBG funds, the program has allowed us to successfully target the needs of immigrant populations. As grantees we have great latitude in the type of projects and activities in which we can engage. In fact, this latitude has helped AAFE serve the role of "social firehouse," responding to a crisis quickly and effectively. As such, AAFE has been able to undertake myriad activities ranging from the "bricks-and-mortar" of constructing affordable housing to offering services that educate new immigrants about the rights and responsibilities of citizens. Thanks to the Community Development Block Grant program, we can facilitate the Asian American community's integration into American society.

Thank you.

Mr. TURNER. Dr. Ellen.

STATEMENT OF DR. INGRID GOULD ELLEN

Dr. ELLEN. Chairman Turner and Congresswoman Maloney, thank you for the invitation to speak to you today about the community benefits of New York City's housing and community development efforts. During the 1970's as a result of large population loses, rising landlord cost, and stagnant tenant incomes, entire neighborhoods in New York City were devastated by arson and abandonment.

By 1979 the city had taken ownership through tax foreclosure of over 60,000 housing units and vacant buildings and another 40,000 units in occupied buildings. Over the past two decades or so, through the course of the city's housing efforts, virtually all of these properties have been stabilized, rehabilitated, and turned over to responsible private owners.

Together with colleagues at New York University, I have written a number of research papers that document these efforts, and more importantly, they examine the extent to which these investments generated spill-over benefits and contributed to neighborhood revitalization.

We have consistently found significant neighborhood benefits. Actually identifying the neighborhood benefits generated by housing investment is quite difficult. One challenge is what metric to use to capture these neighborhood impacts. In the series of papers we have written so far, we have relied on changes in property values as a summary measure of neighborhood improvements. Simply if a neighborhood becomes a better place to live, people will be willing to pay more to live there.

Another fundamental challenge is that we can never know for sure what would have happened to property values in the absence of the housing investment and different statistical models make different assumptions about this counter-factual situation. Intuitively what our basic approach has been is to assume that housing prices would have grown at the same rate of prices of comparable properties that are in the very same neighborhood but just a little bit further away from the housing investment.

I would like to highlight two of our results briefly today. The first focuses on the neighborhood effects of abandoned buildings. We find that the vacant abandoned properties that the city had taken over for tax foreclosures significantly depressed the value of surrounding properties.

Specifically, we find that prior to rehabilitation properties located right next to these abandoned vacant properties sold for significantly less, on the order of about 28 percent, than comparable properties that were located further away but still in the very same neighborhood.

Property abandonment, in other words, can seriously hamper neighborhood development and may be costly for local governments which may lose tax revenues as a result.

The second result I would like to highlight, and maybe a somewhat more important result, is that New York City's investment in these abandoned, tax-foreclosed properties appears to have yielded significant, positive benefits. We find that the gap between prices

of properties near to assisted housing sites and those in the surrounding neighborhoods narrows dramatically after the housing investment is completed. Moreover, we find that these impacts grow over time perhaps as families move in and the population grows.

As for the magnitude of these neighborhood benefits, we find they are substantial. Indeed, a simple analysis of approximate cost and benefits suggest that New York City's housing investments delivered a tax benefit to New York City that exceeded the cost of the city's subsidies provided and amounted to some 75 percent of the total public investment which includes both State and Federal dollars. This, of course, does not include the benefits enjoyed by the individual households who actually get to live in the housing. What was captured here is simply the community spill-over benefits.

In summary, I think our results offer strong evidence that the investments that New York City has made over the past 20 years or so to stabilize vacant and abandoned properties and to rebuild them as affordable housing for members of the community have generated significant improvements in the surrounding neighborhoods.

More generally, I think our results suggest that publicly funded housing investments targeted strategically at distressed urban properties cannot only create new affordable housing units for qualified recipients but also help to revitalize urban neighborhoods. Thanks.

[The prepared statement of Dr. Ellen follows:]

The Impact of Subsidized Housing Investment on New York City's Neighborhoods

Ingrid Gould Ellen
Associate Professor of Public Policy and Urban Planning
Wagner Graduate School of Public Service
New York University

Testimony Before the Subcommittee on Federalism and the Census
Congressman Michael R. Turner, Chairman
July 25, 2005

Mr. Chairman and Members of the Committee, thank you for the invitation to speak to you today about the community benefits of New York City's housing and community development efforts. Since the mid 1980s, New York City has engaged in a massive effort to rebuild its housing stock, funded through a mix of city, state, and federal dollars. In total, the city's programs have built or rehabilitated nearly 200,000 housing units in the city's most distressed neighborhoods.

During the late 1970s, as a result of large population losses, rising landlord costs and stagnant tenant incomes, entire neighborhoods in the city were devastated by waves of abandonment and arson. By 1979, New York City had taken ownership through tax foreclosure of over 60,000 units in vacant buildings and another 40,000 units in occupied buildings. Over the past two decades or so, through the course of the city's housing efforts, virtually all of these properties have been stabilized, rehabilitated, and turned over to responsible private owners.

Together with colleagues at New York University, I have written a number of research papers that document these efforts, and more importantly, examine the extent to which these investments generated positive spillover benefits and contributed to neighborhood revitalization.[1] We have consistently found significant, positive impacts.

Neighborhood revitalization is a concept with no precise definition. Positive community

1 See Ingrid Gould Ellen and Ioan Voicu, "Non-Profit Housing and Neighborhood Spillovers," *Journal of Policy Analysis and Management*, forthcoming; Amy Ellen Schwartz, Ingrid Gould Ellen, Ioan Voicu, and Michael H. Schill, "The External Effects of Subsidized Housing," NYU Furman Center for Real Estate and Urban Policy, January 2005. Michael H. Schill, Ingrid Gould Ellen, Amy Ellen Schwartz, and Ioan Voicu, "Revitalizing Inner-City Neighborhoods: New York City's Ten Year Plan for Housing," *Housing Policy Debate* 13(3), 2002: 529-566; Ingrid Gould Ellen, Michael H. Schill, Amy Ellen Schwartz, and Scott Susin, "Building Homes, Reviving Neighborhoods: Spillovers from Subsidized Construction of Owner-Occupied Housing in New York City," *Journal of Housing Research* 12(2), 2002, pp. 185–216. Reprinted in Eric Belsky, ed., *Low-Income Homeownership: Examining the Unexamined Goal.* Washington DC: Brookings Institution Press, 2002.

outcomes can include improved schools, lowered crime rates, increased commercial activity, and removal of physical decay. But because land is immobile, to the extent that any of these outcomes occur, they should be capitalized into, or reflected in higher property values. Put simply, if a neighborhood becomes a better place to live, people will be willing to pay more to live there. Thus, we measure neighborhood benefits by increases in the value of surrounding properties.

One of the key ways that housing investment can catalyze neighborhood revitalization is by improving existing, blighted structures in need of rehabilitation. These blighted structures can be a significant drag on a neighborhood's economic health. Dilapidated, abandoned buildings are not only eyesores, but they are also unsafe and can serve as havens for drug activity. Moreover, the disorder they represent may signal that the community is disorganized and that criminal activity will go largely unchecked.[2] The stabilization of these blighted structures and their transformation into stable, occupied housing units is thus critical. It can increase population, fuel commercial activity, reduce crime, and encourage nearby owners to rehabilitate their properties.[3]

Actually identifying the neighborhood spillover effects generated by housing investment is quite difficult. The fundamental challenge is that we cannot know for sure what would have happened to property values in the absence of the housing investment. Different statistical models make different assumptions about this counterfactual. Intuitively, our basic approach is to assume that housing prices would have grown at the same rate as prices of similar properties that are in the very same neighborhood, but a further distance away from the investment. That said, we also experiment with several other assumptions to test for the robustness of our results.[4] We use a technique called hedonic regression analysis to control for the characteristics of the properties that sell and to ensure that we are comparing the sales prices of similar properties.[5]

As mentioned above, I have co-authored a number of research papers examining the neighborhood spillover effects of the city's housing investments. I would like to highlight two of our key results here. The first is that prior to rehabilitation, these city-assisted housing sites – which were typically vacant, abandoned properties that the city had taken over for tax foreclosure – appear to have significantly depressed the value of neighboring properties. Specifically, as shown in Figure 1, we find that for the typical city project, prior to rehabilitation, properties located right next to the original, abandoned properties (distance = 0) sold for 28 percent less than comparable properties located further away but still in the same neighborhood. The reduction in price was typically larger for larger sites and as expected, it declined with distance from the site.

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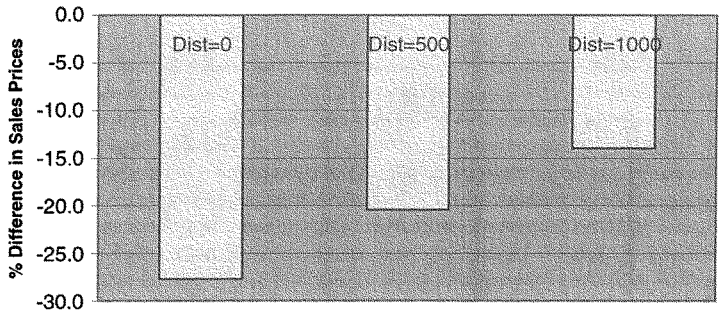
2 See James Q. Wilson and George Kelling, "The Police and Neighborhood Safety: Broken Windows," *Atlantic Monthly* 127 (1982): 29-38. See also Wesley Skogan, *Disorder and Decline: Crime and the Spiral of Decay in American Cities.* Berkeley: University of California Press, 1990.
3 See Amy Ellen Schwartz, Ingrid Gould Ellen, Ioan Voicu, and Michael H. Schill, "The External Effects of Subsidized Housing," NYU Furman Center for Real Estate and Urban Policy, January 2005.
4 See Amy Ellen Schwartz, Ingrid Gould Ellen, Ioan Voicu, and Michael H. Schill, "The External Effects of Subsidized Housing," NYU Furman Center for Real Estate and Urban Policy, January 2005.
5 For more on hedonic regression analysis, see Denise DiPasquale and William Wheaton, *Urban Economics and Real Estate Markets.* Englewood Cliffs, NJ: Prentice Hall, 1996.

Nonetheless, as the figure also shows, we still find significant, price reductions 1,000 feet away from assisted housing sites. Specifically, the prices of properties located 1,000 feet from assisted housing sites (distance = 1,000) were 14 percent lower than the prices of comparable properties selling at the exact same time in the surrounding neighborhood. The negative effects generated by these vacant, abandoned properties typically appear to extend to about 2,000 feet.

Figure 1:
Baseline Differences in Prices Between Properties Located Close to Subsidized Housing Sites and Surrounding Neighborhood*



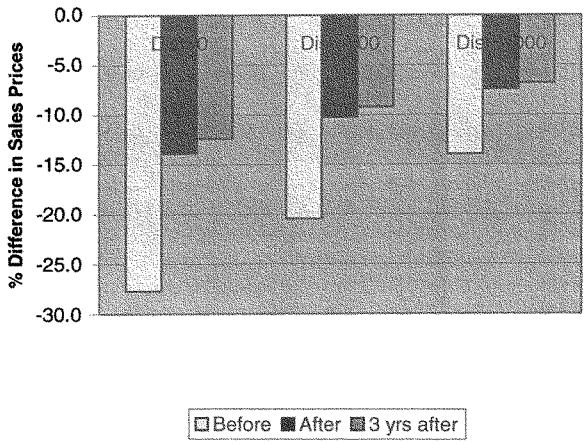
* Estimates are for the "average" subsidized housing project, defined as the project in the vicinity of the average sale in a 2,000-foot ring surrounding a subsidized housing site. This is a project of 250 units, out of which 55.5% are multi-family, rental units.

I hope this figure shows clearly that property abandonment can have grave effects on communities. Moreover, it shows that property abandonment may be extremely costly for local governments. Property tax revenues may decline not only as a result of the failure of the abandoned properties themselves to pay taxes, but also from reductions in the assessed value of neighboring buildings.

The second result I would like to highlight is that New York City's investment in these abandoned, tax-foreclosed properties appears to have yielded significant, positive benefits. As shown in Figure 2, we find that the gap between prices of properties near to assisted housing sites and those in the surrounding neighborhood narrows dramatically after the new housing investment is completed. Immediately after completion, we find

that the gap between prices of properties right next to city-assisted housing sites falls from 28 percent to just 14 percent. Moreover, we find that impacts grow over time, perhaps as families move in and the population rises. Impacts shrink with distance from the new housing, as one would expect, but the figure shows significant effects at 1,000 feet away from subsidized housing investment as well. Building more units appears to bring a greater benefit, though this marginal effect declines as the number of units increases.

Figure 2:
Differerence between Prices Located Close to Subsidized Housing and Surrounding Neighborhood, Before and After Housing Completion*



*Estimates are for the "average" subsidized housing project, defined as the project in the vicinity of the average sale in a 2,000-foot ring surrounding a subsidized housing site. This is a project of 250 units, out of which 55.5% are multi-family, rental units.

I think these analyses offer strong evidence that the investments that New York City has made over the past twenty years to stabilize vacant, abandoned properties and to rebuild them as affordable housing for members of the community have generated improvements in the surrounding neighborhoods. While there are plausible alternative explanations for these price patterns, the evidence does not support them. As an example, although city officials may have wanted to pick winning sites where prices were going to appreciate anyway, even in the absence of investment, they had little latitude in their selection. By the end of our study period, virtually all available sites in New York City had been developed. Moreover, the results are robust to various different specifications and statistical techniques.

As for the magnitude of these neighborhood benefits, we find that they are substantial. Indeed, a simple analysis of approximate costs and benefits suggests that New York City's housing investments delivered a tax benefit to the city that exceeded the cost of the city subsidies provided and amounted to some 75 percent of total public investment, which includes both state and federal dollars.[6] It is worth emphasizing that in these calculations we have not considered the benefits enjoyed by the households that actually get to live in the new subsidized housing. Adding such individual benefits would only make the estimates look more favorable.

In summary, these estimates show that publicly-funded housing investments targeted strategically at distressed urban properties can deliver significant neighborhood benefits. Thus, cities may be able to use housing subsidies to serve two purposes – to create new, affordable housing units for qualified recipients and to revitalize urban neighborhoods. Further, the rise in property values in the vicinity of the new housing suggests that a city may to some extent re-coup the investments that it makes in housing through an increase in property tax revenues.

6 For more detail on these tax benefit estimates, see Amy Ellen Schwartz, Ingrid Gould Ellen, Ioan Voicu, and Michael H. Schill, "The External Effects of Subsidized Housing," NYU Furman Center for Real Estate and Urban Policy, January 2005.

Mrs. MALONEY. I want to thank the audience. I mean, you are really cheering for the right thing, more affordable available housing. You have been the best audience I have ever had the opportunity to be before.

Rev. Calvin Butts, your emotional and intelligent history and focus and passion. Your remarks were right there and pointed out really the importance that your church has really played in the revitalization of Harlem.

Chris Kui, of course, and your organization, we worked so closely after September 11th and you are doing so many other things. I would like to put all of your testimony into the Congressional Record. Next time CDBG is attacked, I want all of you up there in Congress talking to our colleagues, setting the record straight. You have the stories and the histories.

Dr. Ingrid Gould Ellen, you have really started to document how this investment pays off in improving the quality of life, people's lives, and really the livelihood of a community. I certainly would like the HPD and really our staffs in Washington to work with you if we could come up with an alternative way to counter OMB's measurement because obviously the program is working incredibly well.

I can't thank you enough. The chairman tells me we have to get back to Washington. If we miss our planes, we will miss our votes tonight. I can't tell you how much it was a great honor to be home. The worse part about my job is that I have to be in Washington all the time and it is greater to be here to see the people's faces and what the programs mean to them. It has been a great honor for me to be here. Congratulations on this new school and everything you are doing to work together. Thank you so much, Chairman Turner.

Mr. TURNER. Before we close, I want to thank Congresswoman Maloney for her leadership and her interest in holding this hearing and inviting me to come to the community and giving everyone the opportunity to see firsthand what has been accomplished here, but also to get into the Congressional Record the important experiences that you all have that are direct ties to what the CDBG Program is important. I would like to thank Carolyn Maloney one more time for her efforts in bringing us here today.

Mrs. MALONEY. Thank you very much. Thank you.

Mr. TURNER. I want to thank all the members of this panel. Rev. Butts, thank you for your leadership in your community. Clearly your efforts go well beyond just bricks and mortar as you look to lead the community. I appreciate the faith-based aspect of your participation. We know that is both important for the fabric of the community and for the success of many of the social services that you are providing. We certainly see a tremendous impact that you are having.

Mr. Kui, I thank you for your participation and your efforts. You can hear in your testimony and in your voice that this is not just about a community but it is also about people. When you talk about the experiences of the people that you have been able to intervene on behalf of, you can tell that this is obviously a labor of love and not just an issue of a neighborhood's boundaries but the

people who reside in the homes and the lives that you are impacting. I thank you for your dedication to that.

Dr. Ellen, I really appreciate your bringing an academic and scientific view to what we all see as community development. It was so funny in reading Office of Management and Budget's criticisms and critique of CDBG, the first thing that they said was, "Community development is an undefined term."

Well, community development is something we feel in addition to something that we have to measure. Your efforts to measure it I do know is difficult. You and I were talking just briefly about housing development that we had undertaken in the city of Dayton when I served as mayor. I hope to get you out to the city of Dayton to see those programs.

There in trying to justify housing redevelopment investment, we even had to argue against individuals that looked at measurement of housing property values where they averaged the property values sales where a property that was sold in its unrehabilitated condition was averaged against its final sale price as the incremental impact whether than just looking at the overall net impact of the end results.

I appreciate your looking at this in a manner where other people can review the work and who don't necessarily see the feeling of community development but can see its numbers.

I want to thank obviously the audience for participating. You have been incredible for giving your time for this. And for all of the panel members including the mayor who have shown tremendous effort and commitment to this. You are changing your community and you are being leaders for people throughout the country who look to your city and your neighborhoods for examples. Thank you.

[Whereupon, 1:32 p.m. the subcommittee adjourned.]

[The prepared statement of Hon. Carolyn B. Maloney and additional information submitted for the hearing record follow:]

Remarks
Rep. Carolyn Maloney
July 25, 2005
Committee on Government Reform
Subcommittee on Federalism and the Census
Field Hearing: "The New York City Experience: How has the Community Development Block Grant Program Shaped the Big Apple?"

Thank you, Mr. Chairman. I am very pleased that we are holding this field hearing to highlight the enormous contribution that the Community Development Block Grant program has made to New York City over the past 30 years.

Your consistent and strong leadership on CDBG issues and your deep appreciation for the value of CDBG based on your own experience as a former Mayor are invaluable. Thank you for holding this hearing.

I would also like to specially welcome my constituent, Mayor Bloomberg, and our

witnesses from Phipps Houses and JPMorgan, both of which are in my district, and all our witnesses. I thank them for appearing here today.

One of the most impressive aspects of the CDBG program is that it has done so much good for so many, for so long, despite the vagaries of national and local politics and economic and demographic changes. Nowhere is that more true than in New York. In the House, we have historically had strong bipartisan support for CDBG, because each Member understands the benefits that this program brings to a wide variety of districts, urban and rural alike.

This year, the Administration attempted to essentially dismantle CDBG by proposing to slash its budget, move the program out of HUD to the Department of Commerce, and effectively exclude housing from the scope of the program.

I am happy to say that a bipartisan majority of the House strongly rejected this attempt to eviscerate CDBG and funded CDBG within HUD in that agency's appropriations bill. In this effort, Chairman Turner played an important role and I think we should all thank him for his work.

One of the justifications the Administration advanced for eliminating CDBG as we know it was that the program did not score well on the OMB assessment rating test. While supporters of CDBG rightly contested that result, and the immediate threat to the program has been relieved, all of us who support CDBG would be foolish if we imagined that the opponents of the program will give up and go home. We can expect another attack on CDBG next year at the latest and we need to be ready.

So we need to come up with a way to measure the results of CDBG that demonstrates the benefits it has provided. I hope we can work

with these witnesses do find a scientifically solid measurement to put up against the Administration's test.

Also, because the program remains under funded while more and more communities become eligible and apply to it, we face an ever-shrinking pie and that situation will intensify questions of fair share. As representatives of this community, we each need to make the case for New York City. No one who has spent any time reviewing the numbers can contest that New York has significant needs and that the City has directed its CDBG funding to those who need it most. But we need to make that case as strong as possible.

Those who seek to gut CDBG will be looking for instances of abuse, misallocation, or unfairness. We must not give them ammunition. CDBG has a strong record of accomplishment, especially here in New York. That record makes it easy for those of us who represent the City

to fight for the CDBG program, and for New York City to get a fair share to meet its needs.

I appreciate our witnesses coming here to make that record even stronger. Thank you and I look forward to the testimony.

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July 25, 2005

The Honorable Michael R. Turner
House of Representatives
1740 Longworth Building
Washington, DC 20515

Dear Representative Turner:

I had planned to testify at today's Subcommittee on Federalism and the Census public hearing at the Thurgood Marshall Academy in Manhattan; however, my staff was advised that, due to very strict time constraints, the Speakers List is closed. Therefore, I would appreciate your including my prepared testimony as part of the record of this hearing concerning the positive impact the Community Development Block Grant Program has had on the Borough of the Bronx,.

Thank you for your favorable consideration.

Sincerely,

Adolfo Carrión, Jr.

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Statement

of

BRONX BOROUGH PRESIDENT ADOLFO CARRIÓN, JR

REGARDING THE NEW YORK CITY EXPERIENCE—HOW HAS THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM SHAPED NEW YORK CITY

SUBCOMMITTEE ON FEDERALISM AND THE CENSUS

CHAIRMAN TURNER, REPRESENTATIVES MALONEY AND SHAYS. I APPRECIATE THE OPPORTUNITY TO TESTIFY ON THE IMPACT THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM HAS HAD IN NEW YORK CITY DURING ITS THIRTY-ONE AND A HALF YEAR LIFE.

OVER THE YEARS NEW YORK CITY HAS UNDERTAKEN A NUMBER OF INITIATIVES APPLYING COMMUNITY BLOCK GRANT DOLLARS. THE MAIN TARGET HAS, AND CONTINUES TO BE, HOUSING

PRESERVATION. IN FACT, IT HAS BECOME THE STALWART ELEMENT IN OUR EFORT TO STABILIZE NEIGHBORHOODS THAT WERE AND ARE PRECARIOUSLY BORDERING ON SERIOUS DETERIORATION. WITH OUR ABUNDANCE OF OLDER RESIDENTIAL BUILDINGS, THIS PROGRAM HAS ENABLED US TO EFFECTIVELY CONTAIN THE ONGOING PROBLEM OF HOUSING DETERIORATION. IT HAS PROVIDED VARIOUS HOUSING INITIATIVES, NAMELY HOUSING ASSISTANCE, BUILDING CODE ENFORCEMENT, REHABILITATION, DEMOLITION, IN-REM PROPERTY MANAGEMENT AND REPAIR; ALTERNATIVE MANAGEMENT OF CITY-OWNED MULTIPLE DWELLINGS THROUGH PARTNERSHIPS WITH PRIVATE MANAGEMENT COMPANIES AND TENANT ORGANIZATIONS; BUILDING CODE ENFORCEMENT; EMERGENCY REPAIRS AND HOMEOWNER DOWN PAYMENT ASSISTANCE. AS A RESULT, THIS PROGRAM HAS HELPED THE BRONX MAINTAIN AND PRESERVE OUR TOWN'S AGING HOUSING STOCK AND HAS STRENGTHENED MANY LOW AND MODERATE INCOME NEIGHBORHOODS. THE EXECUTION OF THESE PROGRAMS HAS AFFORDED NEW YORK CITY THE OPPORTUNITY TO INCREASE THE SUPPLY OF AFFORDABLE AND SPECIAL NEEDS HOUSING WITHOUT INCREASING THE PROPERTY TAX BURDEN OR EXCEEDING THE CITY'S ABILITY TO PROVIDE ESSENTIAL SERVICES TO ALL OF OUR RESIDENTS.

THESE HOUSING RELATED PROGRAMS ARE TYPICAL EXAMPLES OF CDBG FUNDED INITIATIVES THAT HAVE BEEN EXCEPTIONALLY EFFECTIVE. THIS SYNERGY HAS SIGNIFICANTLY CONTRIBUTED TO THE STABILITY OF OUR DIVERSE LOWER AND MODERATE INCOME NEIGHBORHOODS.

NEW YORK CITY HAS FORMULATED AND IMPLEMENTED A NUMBER OF OTHER PROGRAMS USING CDBG FUNDS, SUCH AS NEIGHBORHOOD VACANT LOT CLEANING, THROUGH THE EFFORTS OF THE CITY, AND ON MANY OCCASIONS WITH BLOCK ASSOCIATIONS AND OTHER COMMUNITY-BASED GROUPS; COMMUNITY RECREATION PROGRAMS; HEALTH CARE AND SOCIAL SERVICE PROJECTS INCLUDING CHILD DAY CARE SERVICES; STUDENT TARGETED EDUCATION INITIATIVES; OPEN SPACE DEVELOPMENT; SENIOR CENTER IMPROVEMENTS, AND LOCAL ECONOMIC DEVELOPMENT ASSISTANCE.

FROM MY PERSONAL EXPERIENCE AS AN URBAN PLANNER, COMMUNITY BOARD DISTRICT MANAGER, NEW YORK CITY COUNCIL MEMBER AND BRONX BOROUGH PRESIDENT, I CAN UNIQIVICALLY SAY THAT THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

IS ONE OF THE FEDERAL GOVERNMENT'S MOST SUCCESSFUL AND EFFECTIVE LOCAL GOVERNMENT ASSISTANCE INITIATIVES. WITH THE INVALUABLE SUPPORT OF CDBG FUNDS, NEW YORK CITY HAS DEVELOPED VIABLE URBAN NEIGHBORHOODS BY PROVIDING DECENT HOUSING, AN ACCEPTABLE QUALITY-OF-LIFE LIVING ENVIRONMENT, AND ECONOMIC OPPORTUNITIES, PRINCIPALLY TO PERSONS OF LOW-AND MODERATE-INCOME.

UNQUESTIONABLY, NEW YORK CITY'S PRUDENT USE OF CDBG FUNDING, TOGETHER WITH THE IMPLEMENTATION OF SOUND MANAGEMENT PRACTICES, HAS RESULTED IN THE EFFECTIVE ADMINISTRATION OF THIS ESSENTIAL FEDERAL GRANT PROGRAM.

I WOULD LIKE TO TAKE THIS OPPORTUNITY TO HIGHLIGHT A NUMBER OF RECENTLY FUNDED CDBG PROJECTS THAT HAVE CONTRIBUTED TO THE RESURGANCE OF A BOROUGH THAT SUFFERED THROUGH ROUGH TIMES DURING THE 1960S' AND 1970S' AND TODAY HAS BECOME A MODEL FOR URBAN RENEWAL:

- **New York City Housing Authority Claremont Village Anti-Crime Program –** funds staff to educate, provide referrals, escorts & emergency shopping.
- **Beacon School –** Bronx Schools at IS 116 & 117.
- **Empowerment Zone Administration –** technical assistance & job creation for the Bronx Overall Economic Development Corporation.

- **Industrial Areas Improvement Program –** funds to stabilize Bronx industrial neighborhoods by improving properties by renting graffiti and cleanup equipment, establishing graffiti-free zones and collaborating with Welfare Employment Placement workers.

- **Satellite Small Business Service Centers –** funds small business technical assistance program.

- **Micro Enterprise Program –** funds entrepreneurial development for low-moderate income persons.

- **7A Financial Assistance Program -** funds loans & grants for long-term systems repair & renovation, also funds counseling & financial assistance.

- **New York City Housing Authority Bronx Public Housing Modernization -** Improvements to Baychester, Castle Hill, Marble Hill, Murphy & St. Mary's Park Houses.

- **Commission on Human Rights, Neighborhood Rights Program -** borough wide service center providing community education, fair housing information, public outreach, bias prevention & response, and planning activities.

- **Senior Resident Advisor Program -** funds crisis intervention & support in New York City Housing Authority buildings. at Bronx River Addition, Randall-Balcolm Houses & West Tremont Avenue.

- **Day Care Center Services –** As the Twig is Bent (355 East 185th Street), Concourse Day Care Center (100-20 East Mount Eden Avenue), Highbridge Advisory Council, (880 River Avenue).

- **Bronx River Project –** Funds education program, outreach, technical assistance, ecology, management & Greenway.

- **St. Mary's Recreation Center** – funds staff, security & lifeguards Van Cortlandt/Pelham Bay Parks Special Administrator Offices- funds offices providing education, outreach, planning, service delivery, Summer Youth Employment Program and volunteer management.

- **Safe Horizon -** funds for counseling, lock repair, legal assistance, medical care, etc for domestic violence victims in the Bronx.

- **Hunts Point Recreation Center –** funds staff and security Minipools- funds for Bronx River Houses Playground Pool.

I FIRMLY BELIEVE THE GOAL OF THE COMMUNITY DEVELOPMENT BLOCK GRANTS IS TO PROVIDE LOCAL GOVERNMENTS WITH THE FINANCIAL ASSISTANCE NEEDED TO CONSERVE AND IMPROVE THE PHYSICAL, ECONOMIC, CULTURAL AND SOCIAL CONDITIONS AND OPPORTUNITIES OF NEIGHBORHOODS CONSISTING OF PRIMARILY LOW AND MODERATE INCOME HOUSEHOLDS. THE PROGRAM AS CURRENTLY STRUCTURED GIVES MUNICIPALITIES THE NEEDED FLEXIBILITY TO ACHIEVE THIS GOAL.

THIS PROGRAM IS A VALUABLE CORNERSTONE IN HELPING CITIES THROUGHOUT OUR NATION REBUILD OUR NEIGHBORHOODS. I URGE CONGESS TO HOLD STEADFAST IN PROTECTING THE FUNDING OF THIS IMPORTANT COMMUNITY DEVELOPMENT INITIATIVE. PERSERVING THIS PROGRAM WILL HELP PERSERVE OUR CITIES.

THANK YOU.

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