

March 12, 2002

Dear Representative Roukema and Members of the Committee on Financial Services and the Subcommittee on Housing and Community Opportunity:

I am pleased to have the opportunity to present this testimony regarding the FY 2003 Administration budget Proposal on the CDBG program and on H.R. 1191, the Community Development Block Grant Renewal Act.

I want to share with you the importance Community Development Block Grant Program to the City of Newton, especially for low and moderate-income persons seeking housing opportunities. I would also like to inform you of how my nonprofit organization as well as others in the city of Newton has utilized CDBG funds to create affordable housing opportunities over the past decade. In addition, our agency has been and is currently utilizing CDBG funds to increase our capacity.

The juxtaposition of Newton to Compton, CA in the OMB report does a disservice to both communities because it doesn't tell the whole story. While the per capita income of Newton is approximately 3.5 times that of Compton, the average home sale price in Newton is approximately 4.25 times that of Newton. Does that mean that a resident of Compton has a greater chance of purchasing a home than one from Newton – probably not. I would suggest that the OMB report should have included data on the number of low/moderate income individuals benefiting from CDGB funds.

Despite Newton's high per capita income there are many individuals and families who fall below the 80% area median income. Many of them are elder homeowners who are house rich but live on fixed incomes; yet others are young people who have chosen to pursue careers in areas in which satisfaction is derived not from high salaries but rather from helping people (daycare workers, teacher aides, nurses aides, etc.) and individuals with special needs. Also included in that income range are many city employees. Indeed, our greatest challenge, as a community is to create housing affordable to individuals and families who fall within the 65% to 80% of the area median income. Stated in terms of income and occupation that means an unmarried new teacher with an income between \$25,950 and \$40,800 or a married policemen or firefighter with two children with a family income between \$37,100 and \$58,300.

Newton has always prided itself on its economic diversity. Over the years its citizens have recognized that to preserve that diversity it is necessary to provide lower cost rental and ownership housing opportunities. Advocacy groups have formed nonprofits to create

affordable housing and successfully lobbied the city to donate excess schools and land for that purpose. There have periods of dormancy, but the surge in real estate costs over the past five years has renewed the community's sense of urgency and commitment to preserving and creating more affordable housing.

Our citizens and elected officials have come to realize that the escalating housing costs in our city from a median sales price of \$250,000 for a one-family residence in 1995 to a \$550,000 in 2001 have placed us in jeopardy of losing that economic diversity, as well as creating a housing affordability crisis. The concern over the loss of affordable housing led to the recent approval of a ballot referendum to provide funds for the creation of affordable housing. Those of us who are housing advocates and nonprofit developers began to feel, optimistically, that we were now in a better position to address the problem.

Part of that optimism was due to our belief that the new funding coupled with other resources such as CDBG, would help us to leverage additional federal and state housing funds as well as conventional loans and foundation grants. The cost to create affordable housing in Newton cannot be supported by rental income; therefore private developers won't build such housing. In order to meet the affordable housing needs in the community nonprofit agencies such as CAN-DO must use a combination of grants, conventional loans, private donations and rental subsidies. Over the years CDBG funds have been crucial to meeting the housing needs of low/moderate income families. Indeed most of Newton's CDBG housing funds have been awarded to non-profits such as CAN-DO to provide housing that serves individuals and families with incomes below 50% of the area median income.

The President's goal to help low income families achieve their goal of safe, affordable and decent housing cannot be limited to residents of poor communities. Consistent with the 1937 Housing Act our nation's challenge must continue to be to provide safe, decent, and affordable housing to all our citizens no matter where they live. If we don't help low income residents of wealthier communities to achieve those goals in the communities in which they live they will be forced to either move into poorer neighborhoods or forced into homelessness. Conversely, if wealthier communities are not encouraged and given funding incentives to create greater housing opportunities for their low income residents, the problems of the poorer communities will be exacerbated by those forced out of the wealthier communities into their communities.

The President proposes a HUD budget that among other things seeks to end chronic homelessness over the next decade, to strengthen housing assistance programs and to promote self-sufficiency efforts. I concur in all those goals and in Newton we have used CDBG funds to meet those goals.

Allow me to share with you how my organization, CAN-DO is using CDBG in a current project. The project will create five units of housing for single mothers and their children. These young women, all of whom have incomes below 50% of the area median income, take part in a program sponsored by a Newton social service agency. That

receives CDBG funding for social services. We purchased a very large single-family historic house, built in 1883, for \$500,000. The purchase was funded by a grant of HOME funds, McKinney funds and a conventional mortgage. We will renovate the house to create five units of transitional housing at a cost of approximately \$ 300,000 per unit. Approximately \$ 500,000 in CDBG funds has been committed to the project in the form of a lead and asbestos abatement grant, a forgivable historic grant to maintain the historic architectural features; and a low interest loan for part of the renovations. In addition, we will borrow additional funds from a conventional lender; use a state grant and private grants to support the renovation. Project-based Section 8 vouchers, thus providing us with sufficient income to properly manage the building and pay the two mortgages, will subsidize the rents.

While no one will argue that these acquisition and renovation costs are very high, they reflect the costs of construction in the metro Boston area and the high cost of real estate in Newton. Because of the commitment of CDBG funds, and other funds, by the end of this calendar year, five young families will be provided with housing for at least two years while the mothers are learning skills that will provide them with the opportunity to become self-sufficient. The property has a deed restriction that ensures that the property will be used in this manner for at least forty years, so that at the very least 100 families will benefit from the housing- not a bad return.

This project is similar to another project CAN-DO created in 1996 using CDBG and other funds. In that case we purchased a three unit building to provide housing for women and children who were the victims of domestic violence. Prior to moving into our house, the women and children lived in a domestic violence shelter, supported in part by CDBG funds. Over the past five and one half years, at least sixteen families have lived in the house for two or less years. Many of them have been able to find permanent housing in Newton in a safe environment. The children have been given an opportunity for a first rate education in a community known for its excellent schools. Without affordable housing, many of the families might have been forced to relocate to an area where housing might be available but the opportunity for a good education would be less.

During the past decade Newton has used its CDBG housing funds to provide grants and /or loan to nonprofit agencies to leverage other resources to create hundreds of units of housing for low/moderate income individuals and families. In some instances the funds have been used to fill a gap. Much of the housing created has been for special populations, such as the mentally and physically disabled, and the elderly. CDBG funds have also been provided to individuals living in substandard housing, to provide rehabilitation grants to elderly income eligible homeowners to make their homes accessible and for lead paint removal. Newton recently established a First-time Homebuyer Program utilizing CDBG funds. Without such a program it would be impossible for allow/moderate income family to purchase a home in Newton.

In closing, I ask you to recognize that the city of Newton has been a good steward of its CDBG funds allocated for housing and has used those funds to improve the lives of many low income individuals and families. I respectfully request that you recommend to your

colleagues in the House and Senate that no changes be made to the CDBG allocation formula that would preclude communities such as Newton from providing housing opportunities for low/moderate income families. If changes are to be made let the focus be on ensuring that the funds are being used more efficiently to maximize the production of housing to serve all low-income families no matter where they live. Don't force low-income families to move out of safe and decent housing in communities with good schools into poorer communities with lesser opportunities. The opportunity for low-income families to live in and be part of wealthier communities increases the likelihood that their children will receive good educations and thus increase their economic opportunities. Again thank you for the opportunity to submit these comments and speak to you.

Respectfully Submitted

Josephine A. McNeil  
Executive Director