

March 22, 2006

The Honorable Bob Ney, Chairman  
Subcommittee on Housing and Community Opportunity  
U.S. House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

**RE: Testimony for the Field Hearing on “Strengthening Rural Ohio: A Review of the Community Development Block Grant Program” Friday, March 24, 2006, Knox County Commissioners Hearing Room, 117 East High Street, Suite 161, Mount Vernon, Ohio**

Dear Chairman Ney,

Thank you for the opportunity to testify at the above-referenced hearing on the Community Development Block Grant (CDBG) Program.

CDC of Ohio is a small community development consulting firm that has assisted small and rural communities for almost 40 years. Since the inception of the CDBG program in 1976, our firm has successfully obtained over \$83 million in federal grants for our clients for various housing, economic development and community development projects. I have personally been with CDC of Ohio for almost 22 years and took over ownership of the firm in January 2003, along with my partner John Cleek.

During my tenure, I have seen dramatic results from the use and flexibility of CDBG funds in many rural communities throughout Ohio. When I started in 1984, rural communities were just finishing up \$3 million multi-year CDBG grants administered by HUD. These grants were soon replaced by \$1 million two-year Comprehensive Housing/Neighborhood Revitalization Grants administered by the State. Both of these grants targeted a neighborhood or small village and focused on demolition and replacement housing, housing rehabilitation and related neighborhood improvements such as storm sewers, sidewalks, streets and parks. These programs made a very visible and substantial impact, however, they were very competitive and only a very limited number of communities were able to receive the funds.

Beginning in 1993, the focus began to shift. The Home Investment Partnership Act was passed and the activities undertaken through the competitive housing programs were greatly expanded. In order to be eligible to receive the CDBG and HOME competitive housing funds, communities were required to complete a Community Housing Improvement Strategy (CHIS). This long-term planning study examines the overall housing needs of the Community’s low-income population and establishes a plan of action to address these needs. Once the CHIS was approved by the state, a community was eligible to apply for a \$500,000 Community Housing Improvement Program (CHIP) grant. The new CHIP grants are funded through CDBG, HOME and Ohio Housing Trust Funds and include low-income owner-occupied housing activities and infrastructure, as did the previous programs, but also expand on the flexibility of the programs by undertaking public rehabilitation, rental rehabilitation, tenant-based rental payment assistance, downpayment assistance, housing for special needs populations such as MR/DD, mental health and transitional housing and related public service activities. These activities can be very beneficial to the community by providing resources where none other exists. More communities are able to participate in the CHIP program than the earlier programs, however, \$500,000 in 2006 funds doesn’t go nearly as far as \$3 million in 1980 funds.

President Bush's continued proposed additional cuts to the CDBG program would be devastating. With construction costs escalating, population increasing and communities getting older and having increased needs, reduction in CDBG funding would result in the decline of America's infrastructure. The elimination of the Section 108 Loan Guarantees, Rural Housing and Economic Development and the Brownfields Economic Redevelopment Initiative and moving these functions into the already crowded CDBG budget would greatly reduce the impact, intent and focus of the CDBG program. Due to the existing cuts in the CDBG program, the Ohio Department of Development has determined that public infrastructure activities will no longer be eligible under the CHIP program. It will strictly be a housing program, thus totally eliminating the original intent of neighborhood revitalization.

Ohio expects to receive \$48,995,436 in CDBG funds in 2006. This is 14.2% less than 2004. In addition to the housing activities outlined above, Ohio offers small and rural communities several avenues to the CDBG funds. The first is the CDBG Community Development Program. In 2006, Ohio has \$18,896,000 to divide between 80 non-entitlement counties and 84 small cities. This is a 10% decrease from 2005 and a 15% decrease from 2004 funding levels. In 2004, 116 small cities were eligible to receive a direct allocation.

Ohio also allocates CDBG funds statewide through a competitive Water and Sanitary Sewer Grant Program that has been reduced by 11% since 2004, an Economic Development Program that has seen a 14% reduction, a Downtown Revitalization Program which has been reduced by 4%, and only \$3 million is allocated to a Community Distress Program.

If the proposed cuts for 2007 are enacted, Ohio as a whole would see an additional 25% decrease. If the national formula for distributing the funds is revised, Ohio stands to lose a substantial amount more. In 2004, Ohio had 80 counties and 116 cities eligible to receive a direct allocation of CDBG funds. The recent and proposed cuts would eliminate funding to 58 of these cities. This is horrific. These are the smallest communities with the least amount of resources to make up for the loss in the CDBG funding.

Without the CDBG funds, rural communities would not be able to meet a number of substantial needs. In order to most effectively utilize the limited funds, the Ohio Department of Development mandated local communities to develop a Community Assessment Strategy (CAS). Communities are required to examine all of the needs in the low- to moderate-income neighborhoods and population in general, prioritize the needs and select Target Areas that include highly distressed areas with the greatest needs. Communities must then request to use CDBG funds for activities in the Target Areas and prioritized in the CAS. This ensures that communities use the funds for well thought out priority needs.

As have many rural communities in Ohio, Knox County and Mount Vernon have benefited greatly from the CDBG program. Since Fiscal Year 2000 Knox County has received \$1,169,200 in CDBG funds and Mount Vernon has received \$2,236,500. The majority of these funds were obtained through the competitive programs. Since 2004, Knox County's direct allocation has decreased 15% from \$148,000 to \$126,000. Mount Vernon's has decreased 15.3% from \$85,000 to \$72,000. The proposed cuts would decrease these allocations another 25% to \$95,000 and \$54,000 respectively.

Below is a description of several activities that have been completed or are currently being undertaken in Knox County and Mount Vernon that would not have been possible without the use of the CDBG funds:

- **Taylor, Wooster, McGibney Road Improvements**

The project utilized Knox County and Mt. Vernon CDBG funds, Mount Vernon and Clinton Township General Funds, and State Issue 2 funds to provide safe pedestrian access along Taylor, Wooster and McGibney Roads between Dan Emmett Elementary School and Hiawatha Park and Municipal Swimming Pool. A Total of 6,127 L.F. of storm sewer and 5,650 L.F. of sidewalk

were constructed. The improvements primarily benefited the 732 people who live in the area and walk to the school and swimming pool. A staggering 93.3% of the residents are low- to moderate-income (80% or less of Knox County Median Income).

Project Funding:

Mt. Vernon Competitive CDBG Community Distress Grant	\$300,000
Mt. Vernon FY 2000 CDBG Formula	70,000
Mt. Vernon FY 2003 CDBG Formula	70,000
Knox County FY 2003 CDBG Formula	12,460
Clinton Township Funds	12,460
Mt. Vernon General Funds	47,460
State Issue 2 Funds	298,000
Total Project Costs:	<u>\$810,380</u>

**\$452,460 CDBG Funds Leveraged \$357,920 in Other Funds and Benefited 732 people.**

- **New Directions Domestic Abuse Shelter Rehabilitation**

New Directions Domestic Abuse Shelter provides safe housing for approximately 75 abused and battered women and children on an annual basis. The shelter provides support services for over 500 people annually. Knox County used CDBG and local funds to substantially rehabilitate the shelter so it could continue to serve the domestic violence needs of the County for years to come.

Project Funding:

Knox County FY 2002 CHIP/CDBG	\$31,000
The Mount Vernon/Knox County Community Trust	10,267
Licking/Knox Community Mental Health & Recovery Board	20,795
Knox County General Funds	10,000
Total Project Costs:	<u>\$72,062</u>

**\$31,000 CDBG Funds Leveraged \$41,062 in Other Funds and Benefited 500 people.**

- **Mount Vernon West End Neighborhood Improvements**

The City of Mount Vernon has recently received a \$300,000 FY 05 CDBG Community Distress Grant, an \$80,000 FY 05 CDBG Formula Grant and a \$500,000 FY 05 CDBG/HOME/Ohio Housing Trust Fund (OHTF) CHIP Grant. The funds will primarily benefit the City's West End Neighborhood which includes 2,747 people of whom 63% are low- to moderate-income. Specific activities being undertaken include: the installation of 2,400 L.F. of storm sewer, 15 catch basins and 1 culvert; improvements to Riverside Park including rehabilitation of the park's shelter house, 3 new drinking fountains and 1,200 L.F. of sidewalk; assistance with the conversion of the B&O Railroad Depot to a community center including 325 L.F. of sidewalk, water and sewer laterals, a new HVAC system and Americans with Disabilities Act compliance; and the resurfacing of 8,225 L.F. of streets. In addition, 14 low- to moderate-income homeowners will receive needed home repairs; 4 households will receive Downpayment/ Rehabilitation assistance to help them purchase a home; Habitat For Humanity of Knox County Ohio Inc. will build 1 home and 12 very low-income households will receive tenant-based rental assistance.

Project Funding:

Mt. Vernon FY 2005 CDBG Community Distress Grant	\$300,000
Mt. Vernon FY 2005 CDBG Formula Grant	80,000
Mt. Vernon FY 2005 CHIP Grant	500,000
• CDBG = \$290,000	
• HOME = \$190,000	
• OHTF = \$20,000	
Mt. Vernon General Funds	86,000
Private Donations	104,000
Habitat For Humanity of Knox County Ohio, Inc.	40,000
Kno-Ho-Co Community Action Agency HWAP Assistance	6,400
Downpayment Private Mortgages	300,000
Total Project Costs:	\$1,416,400

**\$670,000 CDBG Funds Leveraged \$746,400 in Other Funds and Benefiting 2,747 people.**

- **Village of Danville Improvements**

The Village of Danville is located in northeastern Knox County and according to the 2000 Census contains 1,104 people of whom 57.9% are low- to moderate-income (80% or less of Knox County Median Income). The village primarily serves the adjacent farming community and Amish. There are no large employers or substantial tax base. The village has an extremely limited general budget.

Due to the village's large low-income population, limited budget and distressed housing and infrastructure, Knox County has targeted a substantial amount of its CDBG funds to the village. Danville was the primary target area for the County's FY 2002 and FY 2004 CHIP grants, as well as a recipient of the County's FY 2002 and FY 2004 CDBG Formula funds. Activities completed or being undertaken include: 1,864 L.F. of storm sewer and 30 catch basins; 14 water valves and 16 fire hydrants installed; 31 low-income home repairs; 2 new homes constructed by Habitat For Humanity; and 1 household will be provided with Downpayment/Rehabilitation Assistance.

Project Funding:

Knox County FY 2002 CHIP	\$285,388
• CDBG = \$267,635	
• HOME = \$17,753	
Knox County FY 2004 CHIP	381,471
• CDBG = \$283,471	
• HOME = \$48,000	
• OHTF = \$50,000	
Knox County FY 2002 CDBG Formula	17,184
Knox County FY 2004 CDBG Formula	62,000
Habitat For Humanity of Knox County, Ohio	100,000
Village of Danville	20,000
Downpayment Private Mortgages	66,000
Kno-Ho-Co Community Action HWAP	8,400
Total Project Costs:	\$940,443

**\$630,290 CDBG Funds Leveraged \$310,153 in Other Funds and Benefiting 1,104 people.**

- **Mount Vernon Downtown Revitalization Activities**

Mount Vernon has received \$1.2 million in competitive CDBG Downtown Revitalization funds since 1994. The City's most recent grant was in 2001 for \$400,000. The FY 2001 grant resulted in 1,170 L.F. of streetscape improvements and 32 buildings were improved. The grant leveraged a total of \$1.821 million in private and city funds.

**\$400,000 CDBG Funds Leveraged \$1.821 Million in Other Funds and Benefiting 54,500 people.**

In addition to the specific activities outlined above, the CDBG program has enabled Knox County and Mount Vernon a means to complete numerous smaller projects where no other funding was available. One example of this is compliance with the Americans With Disabilities Act. In order to comply with the mandates of this Act, the City and County have retrofitted elevators, doors and restrooms, built new ramps and curb cuts and installed costly wheelchair lifts in public buildings and public areas throughout the City and County. Without the CDBG funds, these projects would not have been possible.

All of the CDBG activities undertaken by Knox County and Mount Vernon directly benefit low- to moderate-income persons and the benefit can be easily identified. As outlined above, the projects are tracked by the number of units repaired or the number of lineal feet installed, etc. In order to better meet President Bush's Performance Measurements Objectives, the Ohio Department of Development is revising the way local grantees report the specific outcomes. These new measures should be in place by 2007. However, a walk through Mount Vernon's vibrant downtown or a walk along the sidewalk on McGibney Road or a discussion with local service providers will provide a testament to the incredible benefits of the CDBG program and its vital role in community development.

As a consultant, I work with rural communities throughout Ohio. Every community can demonstrate the tremendous benefits of the CDBG program. Every community can also provide a list of distressed areas and millions of dollars worth of unmet needs. The CDBG program is critical to meeting these needs of the low-income population of rural Ohio. Any cuts in the CDBG program or any change in the funding formula would be devastating to rural Ohio and would greatly increase the distress and unmet needs. Without the CDBG program fully funded, low-income community revitalization and housing efforts will cease to exist.

Thank you again for this opportunity to testify.

Sincerely,

CDC OF OHIO, INC.

Amy W. Schocken, Partner

Encl.

AWS/cr