



**Testimony of Philip H. Downing
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**For the Subcommittee on Housing and Community Opportunity
Committee on Financial Services
House of Representatives
March 24, 2006**

Introduction

Thank you Chairman Ney and Subcommittee members for this opportunity to discuss the Community Development Block Grant and other key programs at the Department of Housing and Urban Development that facilitate

Enterprise is a leading provider of the development capital and expertise it takes to create decent, affordable homes and rebuild communities. For more than two decades, Enterprise has pioneered neighborhood solutions through public-private partnerships with financial institutions, local governments, community organizations and others that share our vision. Enterprise has raised and invested \$7 billion in equity, grants and loans and is currently investing in communities at a rate of \$1 billion a year. Enterprise's two Ohio offices, in Cleveland and Columbus, work statewide with a host of urban, suburban and rural community development partners.

Enterprise plays an important role in the housing and community development finance system. To our grassroots partners, we provide resources, expertise and access to additional capital. To our philanthropic and corporate partners, we offer insurance that funds are invested with maximum impact. To the federal Government we ensure taxpayer dollars are appropriately targeted, efficiently used and leveraged with private financing.

Continued Funding for the Community Development Block Grant Program

In fiscal year 2006, Congress recognized the value of the Community Development Block Grant (CDBG) program by nearly unanimously rejecting proposals in the budget to eliminate the program entirely and transfer authority to the Department of Commerce. This year, while the proposal would leave the program authority at HUD, the proposed budget significantly reduces funding for the program. For a second year running, the Administration has proposed to cut funding for CDBG and several other programs under the auspices of the Strengthening America's Communities Initiative.

The fiscal year 2007 budget proposes just \$2.775 billion in formula funding for CDBG. This is a reduction of \$936 million compared to the appropriated level for FY 2006. To make matters worse, the FY 2006 funding level represented a nearly 10 percent reduction in funding from the appropriated level in FY 2005. Since FY 2001, CDBG formula funding has declined by nearly 16 percent. We have grave concerns about these funding levels and the trend they represent. These reductions have real and harmful consequences for communities across the country.

The CDBG program represents the glue in the community development toolbox. Without the flexible dollars that CDBG brings to affordable housing and community facilities projects in both urban and rural areas, these developments often would not be able to come to fruition. The CDBG statute is very clear: the program's three national objectives are the elimination of slum and blight; addressing of urgent needs that pose an immediate threat to the health or welfare of a community; and addressing the needs of low- and moderate-income families. We have made great strides in the past 30 years toward these objectives, but we have by no means achieved them. CDBG is an essential tool in the rebuilding of communities; without it, much of the progress we have made is in jeopardy.

Even as the CDBG program was slashed in the budget request, both Congress and the Administration have recognized the useful flexibility and strong past performance of the program by channeling \$11.5 billion in Gulf Coast rebuilding funds through it in supplemental appropriations bills. After the trio of hurricanes devastated the Gulf region, America's housing crisis was unveiled for the world to see – and for our own citizens to

recognize. The budget proposal looks the other way as families across our country, seeking stability, struggle to find fit, affordable housing.

This committee and many of your colleagues in the House and Senate deserve the thanks of the community development industry and the low- and moderate-income families we serve for preserving CDBG last year. We hope that you will again join us to ensure that this program can continue its long track record of success.

We urge Congress to fully fund the Community Development Block Grant program CDBG in the fiscal year 2007 budget at \$4.5 billion.

Investing in Communities Through Other HUD Programs

In addition to cuts to the CDBG program, we are concerned about the proposed eliminations of the Brownfields program, the Section 108 loan guarantees and the Rural Housing and Economic Development program. Each of these programs meets a specific need that communities face when tackling their affordable housing and community development problems. We encourage Congress to reject proposals to eliminate these essential programs, as well as to reject proposals to cut funding for the Section 202 Elderly Housing program and the Section 811 Disabled Housing program.

Another key program slated for elimination in the FY 2007 budget request is the Section 4 Affordable Housing and Capacity Building program. The Section 4 program is another critical instrument for revitalizing communities. It equips community development corporations and other neighborhood-based nonprofit organizations with the tools and resources they need to address local needs.

The Section 4 program provides seed capital that community- and faith-based groups use to attract private investment for housing, economic development and other community revitalization activities. It helps local communities use programs like block grants much more effectively. In 2005, each federal Section 4 dollar generated \$67 in community development activities.

HUD administers Section 4 primarily through Enterprise and the Local Initiatives Support Corporation, the nation's two largest nonprofit community development intermediaries. In 2005, Enterprise and LISC used \$30 million in Section 4 investments to help grassroots groups generate \$2 billion to produce more than 12,000 affordable homes and a wide range of other economic development activities.

To provide one example: in Fayette and Fairfield Counties, the Section 4 program supported training that enabled Community Action to expand its service area and self-help housing program from Fayette and Fairfield Counties into Ross County and to complete the second phase of Arbor Village in Washington Court House. Arbor Village is a community of 30 new affordable for-sale homes made possible in part by the buyer's "sweat equity." Additionally, Section 4 funding assisted Fairfield Affordable Housing in developing 50 apartments, as well as provide case management and supportive services, for low-income seniors.

Additionally, Section 4 has provided capital to our local funding intermediary, the Community Development Collaborative of Greater Columbus, leveraging significant resources from financial institutions and philanthropies. This effective private-public partnership has provided capacity-building funds and services to fifteen local community development organizations, catalyzing the construction of thousands of affordable homes and 120,000 sq. ft. of commercial/ retail space in Columbus.

Recent evaluations by the Government Accountability Office (GAO) and the Office of Management and Budget (OMB) cite the effectiveness of the Section 4 Program. GAO found a program that builds the capacity of numerous groups nationwide; attracts substantial private investment; and is well managed and in need of no additional controls. OMB concluded that: "The program mission and program design are clear and HUD oversight is sound. . . . The program has good performance measures, tracking, and evaluations. . . . The program effectively leverages private sources." The Committee should support level funding of \$30 million for Section 4 in the fiscal year 2007 budget.

Conclusion

The bottom line is that community-based organizations across the country are building affordable homes, starting small businesses and developing commercial and community facilities. They are connecting people to jobs, providing childcare and other services and making streets safer. They are building that better world, quite literally, by providing the economic tools people need to pull themselves out of poverty. But they cannot do it alone they need your help.

We at Enterprise strongly believe that Congress should demand performance and accountability of federal programs. We are committed to working with Congress and the Administration to improve the performance these federal policies and programs. We encourage Congress to continue to support and fund innovative models, test new approaches and preserve successful programs.

We are pleased that the Subcommittee has brought this panel together today and hope that this dialogue will continue. We look forward to working with you to ensure the best possible outcomes not only for expenditures of public dollars, but for low- and moderate-income families struggling to find affordable housing in safe neighborhoods across the country.