

TESTIMONY

of

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**SECOND VICE PRESIDENT
NATIONAL LEAGUE OF CITIES**

before the

**UNITED STATES HOUSE OF REPRESENTATIVES
FINANCIAL SERVICES
SUBCOMMITTEE ON
HOUSING AND
COMMUNITY OPPORTUNITY**

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Madam Chair, and members of the subcommittee, I am John DeStefano, Mayor of New Haven, Connecticut, and Second Vice President of the National League of Cities (NLC). I am here today to testify on behalf of NLC on the importance of the Community Development Block Grant (CDBG) and HOME Investment Partnerships programs to America's cities and towns. Let me tell you why.

Last summer, I was at Helen Powell's house. Helen was celebrating moving into the first home she ever owned. A house just constructed on the site of what had been New Haven's largest public housing project.

It was terrific. Neighbors partying, kids all around, a tranquil corner in a neighborhood – a scene that would have been unthinkable just a few years earlier. Full of the pride that any of us who have been a first time home owner has felt, Helen took me on a tour of the house, room by room – every nook and cranny.

When we were back in her yard I asked Helen about something odd that I had noticed. There was nothing hanging on any of the walls. No pictures, no shelves, not even a clock in the kitchen – although these things were sitting on the floor throughout the house just below where you could see Helen intended to have them placed.

Helen explained to me the reason – and it made sense. You see Helen had lived in the public low rises all her life. Four rooms, four walls, and each of them concrete. It is hard to place a wall hanger, or a nail into a concrete wall. Helen is in a much better place now.

And the fact is that in the year 2001 it is foolish and an act of denial to suggest that more working people like Helen Powell will realize their piece of the promise of America without programs like CDBG and HOME. Without these programs, millions of people – hard working people like Helen – will be condemned to rooms with barren walls and limited possibilities in their lives. And America can do better than that.

The National League of Cities represents more than 1,700 cities and towns, as well as 49 state associations, and is a resource and advocate for 18,000 U.S. cities that serve 225 million people across the United States. As the oldest and largest national organization representing municipal governments throughout the United States, NLC appreciates the urgency of examining the affordable housing shortage.

NLC's goal for every American is a decent home in an orderly neighborhood of families and friends. Between this goal and reality, however, are too many Americans who live in run down buildings in deteriorated neighborhoods, whose working class paychecks cause hard choices every week, and for whom the cost of decent housing is beyond the reality of matching their savings to their bills.

One of the key components of NLC's *Investing in Communities* agenda this year has been to support the availability of affordable low- and moderate-income housing. NLC believes that a housing production program will be an integral component of any strategy

to build a stronger nation of neighborhoods, and we look forward to working with Congress and the Administration to find realistic solutions to this problem.

In partnership with an array of innovative local and state housing initiatives, NLC believes there is a significant role for the federal government in addressing our nation's affordable housing needs. The federal government spends many billions more subsidizing high and medium income housing through home mortgage interest and loan property tax deductions on our federal income tax. So too is there a place for similar investments in low- and moderate income housing. And no two programs provide the flexible resources and outcomes with as much success as CDBG and HOME.

COMMUNITY DEVELOPMENT BLOCK GRANTS

For over 25 years America's cities and towns have used CDBG funds to promote economic growth and preserve affordable housing for the benefit of low- and moderate-income households. Local elected officials know that the CDBG program is a very effective form of federal assistance to mobilize and leverage other resources and address housing needs throughout our country.

CDBG provides annual grants on a formula basis to 1,000 metropolitan cities and urban counties. Between 1994 and 1999, an estimated 14 to 17 million households benefited from the CDBG program. In FY 2000, 31 percent of CDBG funds were used to build nearly 165,000 units of housing.

CDBG funds support a wide range of community development activities, including reconstruction and rehabilitation of residential properties and homeownership assistance. The flexibility of the CDBG program allows communities to respond to their particular development needs and to target assistance to where their low-and moderate-income residents need it most.

NLC believes the federal government must maintain CDBG as a separate block grant program to ensure that its distinct eligible activities are not compromised. NLC continues to support a program that is flexible, accountable and administered efficiently with sensitivity to local conditions. NLC opposes any set-asides in CDBG funding that diminish the funding levels for entitlement communities.

In particular, NLC opposes efforts to place more restrictive targeting requirements on CDBG for low-income households. While we believe that CDBG can and should be targeted to benefit low- and moderate-income people, increasing low-income thresholds would limit local flexibility and potentially erode support for this program in Congress. And CDBG is a program that works.

HOME INVESTMENT PARTNERSHIPS PROGRAM

HOME funds have also been a powerful tool in New Haven and throughout America in providing decent, safe and affordable housing. In my city we have used HOME funds to leverage multiples of investment from banks, Yale University, local foundations and a host of contributors to not only build housing, but to build a sense of connectedness between people, places and organizations that together build a fabric called neighborhood.

Living together is a choice. Associating with each other, taking advantage of each other's skills and talents, is the foundation and defining characteristic of this immigrant nation. HOME funds leverage the kinds of partnerships and create the self interests that heal and make whole people and places into neighborhoods where people care about each other.

Since HOME was created, it has committed to producing more than half a million affordable homes for low-income families and provide tenant-based rental assistance to more than 68,000 households. Almost 90 percent of HOME-assisted rental housing benefits families at or below 50 percent of area median income. Projects funded with HOME funds range from homeownership and rental housing developments, to rehabilitation, acquisition and new construction. This variety reflects the diversity of housing needs across the nation, and HOME's ability to meet such needs.

As with CDBG, NLC opposes set-asides within the HOME program. Of particular concern to our organization is the Administration's proposed \$200 million set-aside for down payment assistance in this year's HUD budget request. Down payment assistance is already an eligible activity under HOME, and set-asides only serve to limit local decision-making flexibility. If the Administration and Congress want HOME to be a significant vehicle for homeownership, then funding levels should be increased to achieve that goal.

HOME represents one of the most effective federal programs for addressing local housing needs. Although NLC remains dedicated to debt reduction and fiscal restraint, we believe that the current HOME allocation of \$1.8 billion just does not adequately reflect the housing needs in our nation's cities and towns. NLC supports an increase in HOME funding to \$2.25 billion as one way to help alleviate the shortage of affordable housing, and of our sense of community as well.

CDBG AND HOME IN NEW HAVEN

You know, back in New Haven I am a member of the school board, and I appoint the other members of the board, so I am pretty involved in what happens to about 21,000 kids who are in classrooms back home today. And probably like a lot of you in this room, I spend a fair amount of time in those classrooms talking to – and learning from – these kids.

You know, the kids tend to ask a lot of questions – especially the younger ones – that on face value might seem naïve or silly: what kind of car do you drive, do you know the President, how much do you make? But they ask some pretty tough ones as well: why don't you do something about the drugs, why doesn't my mom have a job, why can't you fix up those ratty old houses next door to me?

But you know, there is an optimism in all their questions that says that there is not any problem that is beyond our ability to solve in America. That there are some things like drugs, like the dignity of work and like decent, safe, affordable housing that are just so obvious that we just ought to get the job done.

In New Haven, and in thousands of communities like us (and some not like us), CDBG and HOME are getting the job done.

You know, when I visit those kids I always make them a promise – a promise about this country. A promise that while everyone does not start at the same place in America, that it is the promise of this nation, of America, that everyone gets the chance to finish at the same place.

CDBG and HOME are two programs that do help us keep that promise.

Madam Chair, subcommittee members, thank you for your work in helping keep the promise of America. That we can look these kids in the eye – and ourselves in the mirror each morning - and truthfully and honestly say that they do have a fair chance.

CONCLUSION

Madam Chair, thank you for this time and thank you for all that you for all that you do to make America a better place for our families. NLC believes that the affordable housing crisis merits immediate attention from Congress and the Administration. CDBG and HOME are excellent models that provide localities with flexibility and resources that can be used to leverage additional funding and create effective partnerships between the public, private, and nonprofit sectors. NLC looks forward to working with you to explore ways to strengthen these programs and help improve the availability of quality, affordable housing throughout the country.