

**Written Testimony of George Mensah
Director of the Department of Housing and Community Development, Miami, FL
On Behalf of the National Community Development Association**

**The Subcommittee on Housing, Community Development, and Insurance
Virtual Hearing – Flexible Federal Funding: Examining the Community Development Block
Grant Program and Its Impact on Addressing Local Challenges**

June 16, 2021

Chairman Cleaver, Ranking Member Hill, and distinguished members of the Subcommittee, thank you for the invitation to testify before you today. I am testifying today on behalf of the National Community Development Association (NCDA) which represents nearly 500 local governments that administer the Community Development Block Grant (CDBG) program. NCDA is an association of people committed to assist local governments to achieve high quality, locally responsive programs for making communities better places in which to live.

CDBG Program

Created in 1974, the Community Development Block Grant (CDBG) Program provides annual funding to over 1,200 states, local jurisdictions, and insular areas to provide decent housing, a suitable living environment, and expand economic opportunities for low- and moderate-income persons. Program grantees use CDBG funding to invest in low- and moderate-income people and neighborhoods through a variety of activities that focus on four major areas: affordable housing, infrastructure, services, and economic development. While the program allows communities to design and implement strategies tailored to meet local needs and priorities, reforms are needed to make the program more flexible.

NCDAs CDBG Reform Working Group

In June 2020, NCDAs formed a working group of Latinx and Black community development administrators to examine the CDBG program to make recommendations for improving the program to better serve communities of color. I participated in the working group. The working group developed five recommendations for improving the CDBG program.

1. Substantially increase the authorized funding level for the program.
2. Let CDBG grantees determine the public services cap.
3. Provide more flexibility for grantees to use their CDBG funds for new construction of housing.
4. Provide more flexibility for grantees to use their CDBG funds for fair housing activities.
5. Support local nonprofit partners through technical assistance and capacity building.

Increase the Authorized Funding Level for the CDBG Program

CDBG funding has diminished significantly over time. The program was authorized at \$2.473 billion in 1974 and reached its highest funding level of \$4.4 billion in FY2001 – twenty years ago. The program has remained relatively stagnant in recent years (hovering at \$3.4 billion).

CDBG funding has not kept pace with inflation and with program need. The program has never been adjusted for inflation even though program costs increase annually. Grantees report that requests for funds consistently outweigh available grant dollars.¹ The number of grantees

¹ CDBG Impact and Funding Need: A Report of the CDBG Coalition, July 2019.

receiving CDBG funds has increased from 594 grantees in 1975 to 1,245 today, a 47.7% increase. Immediate and long-term investment in programs like CDBG would help address underinvestment in communities of color and other low-income communities. We recommend that CDBG funding be expanded significantly to meet the inflation-adjusted value of the program, estimated to be \$12 billion, and be adjusted annually to reflect the rise in inflation. For example, the City of Miami's annual CDBG allocation has been reduced from \$12.8 million in FY2001 to \$5.6 million in FY2021. This decrease in CDBG funding has greatly affected our ability to fund all activities and program requests.

Let Grantees Determine the Public Services Cap

Allow grantees the discretion to decide the amount of public service dollars needed to address their community needs. The public services category within CDBG covers many important activities that support and benefit low-income communities, but it is limited by a 15 percent cap which means the total amount of CDBG funds obligated for public service activities cannot exceed 15 percent of the annual grant allocation. Grantees use CDBG funds for a wide range of public service activities such as job training, daycare assistance for low-income working families, food banks, youth services such as summer employment for young adults and afterschool programs for low-income youth, health services, services for seniors, and other vital services.

We urge Congress to eliminate the current 15 percent public services cap requirement and allow CDBG grantees to determine their public services cap as part of the Consolidated Plan

process. For example, the City of Miami could use more CDBG public service dollars to expand its meal program to elderly low-income residents, many of whom only receive the minimum social security benefit. As precedent, the CARES Act waived the public services cap to allow grantees utmost flexibility to respond to COVID-19.

Provide More Flexibility for Grantees to Use CDBG Funds for New Construction of Housing

America is facing an affordable housing crisis. Stable, decent, affordable housing is critical to improving communities and economies. Local governments and their partners need resources to expand and preserve the supply of affordable housing. CDBG can be used for new construction of housing but only in extremely limited circumstances (e.g., if the new construction is carried out by a CBDO as part of a comprehensive local neighborhood revitalization plan). This narrowly restricted use impedes communities from using CDBG to increase the local supply of affordable housing. While HOME Investment Partnerships Program (HOME) funds can be used for new construction of housing, *597 (48%) of the 1,245 CDBG grantees do not receive HOME funds* and for those communities that received HOME dollars, the level of funding has remained flat. Local governments need to be able to use all the available tools to address the affordable housing crisis and the use of CDBG for new construction is one tool that most communities have available.

We urge Congress to broaden the CDBG statute to allow new construction of housing as an eligible program activity without restrictions.

Provide More Flexibility for Grantees to Funds Fair Housing Activities

Currently, funding of fair housing activities can be accomplished only under the public service or administrative cost categories, both of which are subject to caps. We urge Congress to establish fair housing as an eligible independent CDBG program activity to provide grantees the utmost flexibility and resources to fund fair housing planning and activities that affirmatively further fair housing. There is precedent for exempting activities from the public service cap. Several years ago, direct homebuyer assistance (down payment and closing cost assistance) was removed from the public service category and made a free-standing eligible activity within CDBG.

Support Nonprofit Partners through TA and Capacity Building

Capacity building of non-profit organizations is key to sustaining long-term sustainability of CDBG-funded projects. Capacity building is about developing community non-profits to operate effectively and deliver program resources well, now and into the future. It is an investment in the community.

Non-profit organizations carrying out neighborhood revitalization or economic development activities can receive CDBG-funded technical assistance or capacity building assistance, but CDBG assistance to non-profits carrying out other CDBG activities is subject to the program's administrative cap. CDBG grantees need more flexibility to use their grant funds to provide organizational, educational, financial, and staff capacity to their neighborhood-based nonprofit partners to ensure successful program implementation and delivery of activities and to support

the inclusion of neighborhood-based nonprofits of color. We urge you to amend the CDBG statute to allow technical assistance and capacity building of non-profit organizations carrying out any CDBG activity as an eligible program activity.

We further support the establishment of a national source of TA and capacity building funding to further develop and support neighborhood-based nonprofits of color.

Thank you for the opportunity to speak with you today. I look forward to your questions.