

**ERIC GARCETTI**  
COUNCILMEMBER  
PRESIDENT, LOS ANGELES CITY COUNCIL

April 11, 2006

U.S. House of Representatives  
Committee on Financial Services  
Subcommittee on Housing and Community Opportunity  
2129 Rayburn House Office Building  
Washington, DC 20515

Honorable Members of the Subcommittee on Housing and Community Opportunity:

I'd like to thank the Subcommittee Chairperson Ney and Congresswoman Maxine Waters for bringing this hearing to the City of Los Angeles. As President of the Los Angeles City Council and a member of the Council's Housing Community and Economic Development Committee, it is my pleasure to provide testimony as requested on the City's CDBG Program.

**Communit7 Development Block Grant**

Los Angeles is a large and diverse city with roughly 4 million residents. Angelinos speak over 140 different languages and dialects and hail from all over the country and the world. According to 2000 Census figures, 148,000 families and 294,000 children are living at or below the poverty line; The City is also faced with a growing homelessness crisis. The Los Angeles Homeless Services Authority conducted a Greater Los Angeles Homeless Count in 2005. The Count found that there are an estimated 48,000 homeless individuals in the City of Los Angeles on any given night. Only 14% of these individuals are able to find emergency shelter beds.

CDBG is one of the most important tools the City has to combat poverty, crime, and homelessness. The City has great community and economic development needs that far exceed the Block Grant dollars we have available. The City uses CDBG funding to sustain innovative programs such as the City's Affordable Housing Trust Fund and our Individual Development Account (IDA~ demonstration program. Both of these programs leverage additional government and private funds. The City's Affordable Housing Trust Fund leverages an average \$4.77 in non-city dollars for every dollar invested by the Trust Fund. The result is net commitment of 3,522 affordable rental units in the City.

The City has been creative and innovative in its use of CDBG to improve living conditions and communities, provide and preserve affordable housing, and expand economic opportunities and reduce poverty. But the City's work is threatened by lost CDBG dollars, cuts to CDBG, and spending limits.

The Census Bureau estimates that in the 2000 Census the City of Los Angeles' undercount was 76,800 people, mostly minorities. The City estimates that we lose \$242.76 in CDBG and state funds for every missed person. When multiplied over the 10-year period that the census data is used, the City of Los Angeles will lose over \$180 million in funding, of which over \$60 million is lost CDBG.

In addition to lost funds due to Census undercounting, the City of Los Angeles has faced drastic cuts to CDBG. From the 30<sup>th</sup> Program Year (04/05) to the 31<sup>st</sup> Program Year (05/06) the Federal Entitlement was reduced by 15%. During this current Program Year (06/07) the Federal Entitlement was reduced by an additional 11%. At the same time applications for CDBG dollars increased. The City received 215 applications for 32<sup>nd</sup> Program Year funding totaling \$254 million. Our Federal Entitlement for the 32<sup>nd</sup> Program Year was \$73.8 million.

These cuts are even deeper when adjusted for inflation. The Los Angeles Community Development Department estimates that when adjusted by the Consumer Price Index the cuts in federal funds have been roughly 44% over the past 12 years. These reductions have a direct impact on the City's ability to reduce poverty.

The City cannot afford to face any deeper cuts in CDBG or any loss in flexibility. The President's FY 2007 budget proposal does not take into account the realities of poverty in metropolitan areas. The costs of basic necessities (health care, housing, etc.) have increased while wages have remained stagnant. The result is increased need for anti-poverty programs. While we reduce support for services as a result of Federal cuts, service providers are telling us that demand for services is dramatically increasing. Not only can we not cut these services further, we need to increase support for these vital safety nets.

Any required tightening of low-income targeting or dedication of funds for ownership programs would have a detrimental impact on our low-income communities. These two initiatives are in direct conflict with each other. While home ownership is an important goal, it is rarely an option for our lowest income residents. The current housing market in Los Angeles simply makes it impossible to provide large enough subsidies to provide home ownership assistance for low-income individuals and families. The City needs flexibility to ensure that these dollars reach the communities that need them the most. The Mayor and City Council have worked together to target dollars for innovative programs. Any loss of flexibility will stifle innovation and result in a loss of services.

The City has faced an additional challenge from spending limits in the *Public Services* category. Following the 1992 civil unrest, the Federal Government lifted spending limits in this category. During the 30<sup>th</sup> Program Year (04/05) the Federal Government required the City to limit spending in this category to 15%. This spending cap significantly limits the City's ability to fund anti-poverty, anti-crime and anti-

homelessness programs. For the past four months the Housing Community and Economic Development Committee has heard testimony of the effect of the cuts and public services cap. We have heard testimony of domestic violence shelters closing their doors, homeless shelters cutting beds, after-school programs reducing the number of students served, gang intervention programs limiting service, and health programs, such as AIDS prevention and nutrition programs, cutting services.

The City will be unable to stem the tide of poverty if these trends continue.

Lastly, the Brownfields Economic Redevelopment Initiative and Section 108 Loan Guarantees are two programs that have greatly benefited Los Angeles. The Brownfields Economic Redevelopment Initiative has allowed the City to transform blighted brownfields site in my district into a beneficial park. The Section 108 program has provided support for a number of economic development projects in the City that have revitalized neighborhoods and provided desperately needed jobs. Maintaining the integrity of these two programs as separate programs is essential to their success.

### Recommendations

- Oppose any cuts to CDBG and restore CDBG finding, in real dollars, to its prior year 2000 levels.
- Oppose increased income targeting and dedicated funds for ownership.
- Eliminate the spending cap in the *Public Services* category.

Ensure that the 2010 Census does not undercount low income Los Angeles residents.

- Protect the integrity of the Brownfields Economic Redevelopment Initiative and Section 108 Loan Guarantees.

Thank you for your consideration of these comments. If you would like to discuss any of these points further please feel free to contact me or my staff member Molly Rysman at (213) 473 7013.

Sincerely,



Eric Garcetti  
President, Los Angeles City Council