



UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES

“Community Development Block Grants (CDBG): The Impact of
CDBG on Our Communities”

General Deputy Assistant Secretary Nelson Bregón

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Good morning Chairman Ney, Ranking Member Waters, and Members of the Subcommittee:

Thank you for the opportunity to be here this morning as part of the Subcommittee's examination of community and economic development activities for the City of Los Angeles. My name is Nelson Raphaël Bregón, and I am the Deputy Assistant Secretary for the Office of Community Planning and Development.

I am here today on behalf of Secretary Martínez and Assistant Secretary Bernardi to discuss one of HUD's most important tools for community and economic development -- the Community Development Block Grant (CDBG) program. As you are aware, State and local governments depend on HUD and its system of grants to support community and economic development projects that revive troubled neighborhoods and spark urban revitalization. We at HUD are working to support and strengthen these core programs by ensuring that grantees have even greater flexibility to address locally determined priorities and maintain long-term prosperity. Our goal is to make these programs more effective by studying ways to reward communities that commit to results-oriented, outcome-based performance plans.

This year HUD requested nearly \$ 4.5 Billion for the CDBG program to meet local community and economic development needs in more than 1,000 eligible cities,

counties and states. More than \$ 146 million for Los Angeles and Los Angeles County the Second largest recipient of CDBG program dollars in the Nation.

We are all aware that one of the most important reasons for the success of the HUD sponsored CDBG program is its reliance on local community leaders to identify key revitalization priorities. CDBG activities are initiated at the local level based on a community's identified local needs, priorities, and benefits to the community, as identified in its Consolidated Plan submitted to HUD in conjunction with CDBG, HOME, and certain other HUD programs.

Entitlement communities such as Los Angeles may use CDBG funds for a variety of community, housing and economic development activities focused on neighborhood revitalization, economic development and the provision of improved community facilities and services for low- and moderate-income residents. Those communities receiving a grant are free to determine what activities to fund as long as certain requirements are met, including that the activity is eligible and meets one of the following three national objectives:

- 1) Benefits low- and moderate-income persons;
- 2) Aids in the prevention or elimination of slums or blight;
- 3) Meets urgent community needs that the community is unable to finance on its own.

In addition, seventy percent (70%) of an entitlement grantee's CDBG funds (including section 108 loan guarantee proceeds and EDI and BEDI grants) must primarily benefit low and moderate income persons, calculated in accordance with HUD regulations on a one, two, or three year basis and certified by the grantee.

The responsibility for ensuring that local CDBG programs meet Federal requirements rests initially and primarily with the executive authority (e.g., Mayor, County Commissioner) of each CDBG grantee, subject to monitoring by representatives of HUD's Office of Community Planning and Development and audit by HUD's Office of Inspector General.

Working with local governments, nonprofit organizations are an important and statutorily authorized conduit for neighborhood-based program delivery. Nonprofit organizations are often asked to undertake projects that are inherently risky because of factors such as location, crime, poverty and disinvestments. Cities utilize nonprofits because they have specialized skills and neighborhood acceptance. It is important to note, however, that the primary responsibility for ensuring that CDBG funds are used to revitalize low- and moderate-income neighborhoods belongs to the CDBG grantee.

The CDBG program statute and regulations require that grantees identify eligible activities that will provide benefits to communities, especially low- and moderate-income communities. The flexibility of the CDBG program allows grantees to implement community development activities based on local decisions. Communities may choose to provide assistance to nonprofit organizations for neighborhood development initiatives, as they deem necessary. But, the success of any community development initiative must

include accountability for use of program funds to create tangible results in its neighborhoods.

Working together with local leaders, state officials and Members of Congress, we, at HUD, have forged a partnership that has made CDBG a shining example of how government can work.

Thank you very much and this statement concludes my opening remarks.