CONGRESS OF THE UNITED STATES

House of Representatives
Committee on Oversight and Government Reform

Testimony of
Colvin W. Grannum
President, Bedford Stuyvesant Restoration Corporation

Concerning
Implementation of the Economic Stimulus Package
Of
The American Recovery and Reinvestment Act of 2009

Introduction:

Thank you for the opportunity to submit this testimony concerning the benefits to the local community of the American Recovery and Reinvestment Act of 2009 (ARRA). This testimony is presented in my capacity as the president of Bedford Stuyvesant Restoration Corporation, a community development corporation, and someone with deep personal ties to Brooklyn. My perspective is also informed by my service as a member of the boards of the New York City Workforce Investment Board, Local Initiatives Support Corporation, a national development intermediary, Association for Neighborhood and Housing Developers (ANHD), and Brooklyn Chamber of Commerce. I have also served as a member of the New York City Commission on Economic Opportunity.

For the reasons I set forth in greater detail below, the stimulus package will almost certainly have several beneficial impacts on Central Brooklyn particularly in the areas of infrastructure development, energy efficiency, education and job training. It is less clear that the residents and businesses of Bedford Stuyvesant will directly receive the employment and business opportunities that will be generated by the stimulus spending unless government prioritizes and monitors goals for local employment and minority and woman-owned business utilization.

The Local Community:

Bedford Stuyvesant Restoration Corporation (Restoration) serves the Central Brooklyn community with special emphasis on Bedford Stuyvesant. More than a half million people live in the Central Brooklyn communities of Bedford Stuyvesant, Crown Heights, Brownsville, East New York and Bushwick. Bedford Stuyvesant alone is home to approximately 132,000 residents. More than 85 percent of the residents of Bedford Stuyvesant are people of African or Hispanic descent. While Bedford Stuyvesant has recently experienced an influx of households with annual incomes in excess of $50,000, the community remains one of the lowest income communities in New York City with more than 35 percent of the residents living in poverty. In addition, the residential mortgage foreclosure and unemployment rates in Bedford Stuyvesant exceed the borough and City-wide averages while the high school graduation rate lags behind the borough and City-wide averages.

Restoration is recognized as the oldest community development corporation in the United States. Restoration has been serving the Central Brooklyn community since 1967 when the residents of Bedford Stuyvesant joined with United States Senators Robert F. Kennedy and Jacob Javits to form a comprehensive community development corporation. Restoration partners with residents and business to improve the quality of life of Central Brooklyn by fostering economic self-sufficiency, enhancing family stability and growth, promoting the arts and culture, and transforming the neighborhood into a safe, vibrant place to live, work and visit.

Over the past 42 years, Restoration has attracted more than $500 million of investment to Bedford Stuyvesant. Commercial revitalization initiatives include operating a 300,000 square foot commercial hub, assisting local merchants in strengthening their businesses, attracting new complementary businesses, and creating vibrant, safe and attractive commercial corridors. Residential housing efforts include owning and operating several hundred units of low-income housing, and developing local properties for homeownership, and mixed-income residential properties for a range of household incomes. As a Weatherization services provider, Restoration works to reduce the

consumption of energy by local low-income households. The Weatherization program serves housing ranging from large multi-family properties, including project-based Section 8 properties, to one-family homes.

Restoration also offers services that assist local residents in improving their education, acquiring skills and gaining employment. Our workforce development programs serve a range of clients including chronically unemployed individuals. Last year we launched a new program geared to young people who have been incarcerated or otherwise entangled in the criminal justice system. The program reintegrates the clients into the community, and orients them to the world of work with the end goal of placing each client into a permanent job. Residents are also connected to supplemental income such as the Earned Income Tax Credit, food stamps, and health insurance, just to name a few. Our youth development programs focus on supporting high school students in graduating from high school and moving on to college, post-secondary vocational school or permanent employment. Several hundred youth are also enrolled in Restoration's Youth Arts Academy where they learn performing arts disciplines including dance, drama and musical instruments.

Finally, Restoration sponsors a unique combination of cultural assets designed to entertain and educate Brooklyn residents. The Billie Holiday Theatre is one of the oldest African-American operated theatres in the nation. Four to five live theatrical productions are presented each year, many of which employ local playwrights and actors, and raise thought provoking themes. Restoration also sponsors the Skylight Gallery, an art gallery that serves as a forum for presentations by local artists. In addition, as mentioned above, the Youth Arts Academy provides performing arts education for several hundred youth each year. Restoration is also proud to host several other local cultural organizations providing them with space for administrative operations, rehearsals, performances and presentations.

Local Benefit from the ARRA Stimulus Package:

As mentioned above, we anticipate that the stimulus package will have several beneficial impacts on Central Brooklyn particularly in the areas of infrastructure development, energy efficiency, education and job training.

First, we applaud Congress and President Obama for taking proactive measures to stimulate investment and job creation during this severe economic downturn. We also commend Congress and President Obama for strengthening the social safety net for low-income families and for households at risk financially as a result of layoffs due to the ongoing recession.

As mentioned above, many residents of Central Brooklyn and Bedford Stuyvesant are chronically unemployed, low income or low skilled. As such, they and their families are particularly vulnerable to hiring freezes and layoffs, and likewise local businesses are vulnerable because of the reduced income circulating in the community. As a result, stimulus package programs such as the extended unemployment insurance, Social Security Income-One Time Payment, Food Stamp benefit increase and the Making Work Pay Tax Credit are essential to undergird the households and businesses of communities like Bedford Stuyvesant.

Children and teenagers in Bedford Stuyvesant should benefit from the stimulus funding designed to avoid huge cuts in public school services. The City's decision to invest the lion's share of the Workforce Investment Act funding in summer youth employment program will benefit hundreds of Bedford Stuyvesant youth. Young people who work this summer will also be able to use their earnings to supplement family income and attend college. The youth will also acquire work readiness skills that will prepare them for the permanent workforce.

In addition to the safety net programs, residents of Central Brooklyn will benefit from stimulus package spending measures intended to improve the physical conditions in Bedford Stuyvesant and adjoining neighborhoods through spending on transportation

infrastructure, Weatherization Assistance Program, retrofits for Section 8 and public housing developments, and capital improvement expenditures that will remedy years of deferred maintenance in public housing developments.

The transportation infrastructure projects should vastly improve transportation conditions in and around Bedford Stuyvesant so that residents can more effectively engage in business, work, education and entertainment. As the result of the stimulus package, the City of New York has committed to invest $9 million in a streetscape improvement project for the Bedford Stuyvesant Gateway Business Improvement District (BID) -- a project championed by Restoration. The project is designed to increase consumer traffic in the area covered by the Bedford Stuyvesant Gateway BID, a densely populated and heavily trafficked area, by creating a safe and attractive commercial corridor. The project is also intended to serve as a catalyst for attracting private sector investment and new and diverse businesses to the area.

Bedford Stuyvesant residents and businesses will also benefit from "shovel-ready" transportation infrastructure projects outside of Bedford Stuyvesant but essential to the well being of the community including:

- Rehabilitation of the Brooklyn Bridge, the major conduit between Brooklyn and Manhattan;
- Improvements to the infrastructure of the Brooklyn Navy Yard which houses businesses that employ local residents and businesses;
- Improvements to Flatbush Avenue, one of the major transportation corridors in Brooklyn; and
- Reconstruction of Eastern Parkway.

The increased funding for the Weatherization Assistance Program will benefit thousands of Central Brooklyn households. As noted above, Restoration is a well established Weatherization assistance provider. Restoration will weatherize more than 1500 units over the next two years in Central Brooklyn. The Weatherization program assists income

eligible households to reduce their heating and cooling costs and improve the safety of their homes through approved energy efficiency measures. Approved measures include air sealing, wall and ceiling insulation, heating system improvement or replacement, energy efficient lighting, hot water tank and pipe insulation, and refrigerator and air conditioning replacements with highly efficient Energy Star units. Single-family and multi-family projects are eligible for subsidy under the program.

Not surprisingly, a large number of Central Brooklyn families live in project-based Section 8 housing and NYC Housing Authority developments. These families will benefit from the funds slated to be invested in improving public housing developments. For example, NYCHA is designated to receive $405 million to address long deferred maintenance issues. The expenditures should result in improved living conditions for local families.

Finally, Central Brooklyn communities are among those communities experiencing the highest rates of foreclosure in the City. Foreclosures not only separate families from their homes and wealth but also destabilize the communities where they occur by creating abandonment and disrepair. ARRA's Neighborhood Stabilization Program should help to stabilize communities like Bedford Stuyvesant where the foreclosure rate is high, and there is substantial nonprofit capacity to participate in the acquisition, rehabilitation and resale of foreclosed homes.

Job Creation and Opportunities for Local Businesses and Minority and Women-Owned Businesses:

Despite the billions of dollars that will be invested in the New York State, and more specifically in Brooklyn, widespread concern exists regarding whether residents of Bedford Stuyvesant and comparable areas will benefit from the jobs that will be created and whether business owners will benefit from the business opportunities. Some of the provisions of ARRA, such as the requirement to spend the funds within two years, and the prevailing wage requirement, may unintentionally limit the number of local residents and minority-owned businesses engaged by the stimulus spending.

The ARRA mandate for the stimulus funds to be spent within two years under penalty of forfeiture may limit opportunities for minority and woman-owned businesses. The requirement to spend the stimulus funding in quickly has caused many agencies to consider relying almost exclusively on existing contractual relationships in order to comply with the law. In procurement areas where the federal agency, state or municipality is currently doing little to contract with minority-owned businesses or community based organizations, little time exists to qualify new providers and develop new contractual relationships. In a limited number of program areas such as the Weatherization Assistance Program, the existing contractual relationships include community based organizations and minority-owned businesses. Even here, however, there is little time for firms not already certified in the field to gain certification and begin competing for contracts.

The prevailing wage requirement may limit the number of minority-owned firms and local workers who are employed on projects receiving stimulus funding. The prevailing wage requirement will increase the per unit costs of projects that currently are not subject to the requirement and thereby either limit the number of projects that otherwise would have been performed or jobs created. Fewer new jobs will result in fewer employment opportunities for chronically unemployed local residents or low-skilled workers. The prevailing wage requirement also may limit access of small and minority-owned firms that do not currently participate on projects that have prevailing wage requirements. These contractors are unlikely to have the organizational infrastructure to administer the prevailing wage compliance and reporting process.

ARRA is intended to reach disadvantaged residents and businesses but it does not explicitly identify local hiring and contracting with minority and woman-owned businesses as priority objectives. Specifically, ARRA does not impose any numerical goals for local hiring and contracting with minority and women-owned businesses. As a result, federal agencies and state and local governments that currently do not prioritize these objectives may not see a clear need to do so. We are aware that the Obama

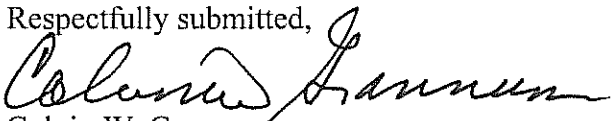
administration may be moving to address this issue and reinforce that ARRA prioritizes local hiring and contracting with minority and woman-owned businesses. A memorandum dated April 3, 2007, from Peter Orszag, the Director of the Office of Management and Budget sets forth ARRA implementation guidance including that the Act is intended to promote "equal opportunity laws and principles, support small businesses including disadvantaged business enterprises, engage in sound labor practices, promote local hiring and engage community based organizations." We trust that Congress and the administration will continue to communicate the importance of local hiring and contracting with minority and woman-owned businesses and monitor the spending of stimulus funding for compliance with these objectives.

In brief, sharp focus and vigilance will be required to ensure that residents and businesses of Bedford Stuyvesant and comparable low-income areas directly receive employment and business opportunities generated by the stimulus spending.

Conclusion:

We applaud the Chairman Towns for holding this field hearing concerning the impact of the stimulus package on local communities. I am thankful for the opportunity to present my assessment. We are hopeful that the ARRA will not only reverse the current economic downturn but also usher in a new era of opportunity for low- income residents and minority and woman-owned businesses.

Respectfully submitted,



Colvin W. Grannum
President
Bedford Stuyvesant Restoration Corporation
1368 Fulton Street
Brooklyn, New York 11216