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REAUTHORIZATION OF THE HOPE VI PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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REAUTHORIZATION OF THE HOPE VI PROGRAM

Thursday, June 21, 2007

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2 p.m., in room 2128, Rayburn House Office Building, Hon. Maxine Waters [chairwoman of the subcommittee] presiding.

Present: Representatives Waters, Cleaver, Green, Clay, Sires; Biggert, Pearce, Shays, and Miller.

Ex Officio: Chairman Frank.

Also present: Representative Watt.

Chairwoman WATERS. This hearing of the Subcommittee on Housing and Community Opportunity will come to order. Good morning, ladies and gentlemen. I would like to thank the ranking member, Mrs. Judy Biggert, and the members of the Subcommittee on Housing and Community Opportunity for joining me for today's hearing on Reauthorization of the HOPE VI Program. And I would like to start by noting that without objection, Mr. Watt will be considered a member of the subcommittee for the duration of this hearing. He is not here yet, but I expect he will be shortly.

Also without objection, all members' opening statements will be made a part of the record.

I am looking forward to hearing from our three panels of witnesses on the important issues related to the reauthorization of the HOPE VI Program, including one-for-one replacement, the right of residents to return to the new public housing development, monitoring of displaced residents, and the use of green building standards in revitalization efforts. Each of these are important issues for the communities where HOPE VI projects are envisioned.

In 1989, the National Commission on Severely Depressed Housing found that 6 percent, or 86,000 units, of the Nation's public housing units were severely distressed. Residents of these units also experienced higher rates of crime, high levels of unemployment, and lacked programs and services to help them obtain self-sufficiency.

In response to these findings, Congress created the HOPE VI Program in late 1992. To date, 237 revitalization and 285 demolition-only grants have been awarded through the program. With these grants, public housing authorities have demolished over

130,000 of the Nation's most severely distressed public housing units.

Given the limited tools available to the Nation's public housing authorities to create quality affordable housing, HOPE VI has provided resources for Housing Authorities to revitalize public housing units that are desperately needed by America's poor families, including the elderly and persons with disabilities.

HOPE VI has also been an important tool for Housing Authorities to provide much needed services to support residents. In many places, HOPE VI resources have been used to provide job training, GED classes, and after school programs. It is clear that HOPE VI is a major Federal housing program that needs to be revitalized simply because of its potential for good and for transforming lives and communities.

However, HOPE VI has had mixed results on the face of the Nation's public housing. As severely distressed public housing developments are replaced with valuable mixed income communities, residents have been displaced, public housing units have been lost, and those units that are newly constructed have been restricted to a limited group of public housing residents. Therefore, in reauthorizing this program, we need to consider the following facts of the HOPE VI dynamic.

First, the HOPE VI Program has directly contributed to the loss of over 30,000 public housing units. This is because the program does not now require one-for-one replacement of hard public housing units. The HOPE VI Program should maintain our stock of public housing units, not deplete it. As we consider one-for-one replacement of these public housing units, let us be clear that it is not the intention of this subcommittee to resegregate or to reisolate public housing residents into areas with high concentrations of poverty or areas that have suffered from historic racial segregation or isolation. We are sensitive to this concern and are open to ways of making sure that public housing units are rebuilt on a one-for-one basis, and that residents have the right to return to those units in a way that does not lead to an increase in the area's poverty, segregation, or isolation.

Second, because of the lack of available units and sometimes too strict screening criteria, families who want to return to the revitalized site are often unable to go back to the communities that they called home. Even though these families are living in substantially better housing in safer neighborhoods, those who are now using Housing Choice Vouchers to rent their housing are having difficulty in making ends meet. We must carefully consider the impact of HOPE VI on these residents, especially those with poor health and those who are hard to house.

Third, in some cases Housing Authorities have not properly monitored and tracked the whereabouts of their displaced residents. I am pleased that Ms. Yvonne Stratford is here to personally testify about her experience with this most troubling issue.

Fourth, another important factor to consider in any reauthorization of HOPE VI is the need for green building standards in future HOPE VI projects. As energy prices and utility costs rise, we need to all do our part to be more aware of the impact we have on the

environment. It is only prudent that these new developments meet these environmentally friendly standards.

Finally, any reauthorization of the HOPE VI Program must take into account the underfunding of the Public Housing Capital Fund, the recent underfunding of the HOPE VI Program, and the resulting increase in the number of severely distressed public housing units. This is a program that should be reauthorized in an amount sufficient to address the growing backlog in much-needed capital improvements and to provide for one-for-one replacement of occupied public housing units.

The Department of Housing and Urban Development has asserted that the HOPE VI Program is too costly and too slow. However, my colleagues and I continue to believe that—in spite of this and other issues—this program is worth reauthorizing.

Again, I look forward to hearing the witnesses' views on this very important program. And now I would like to recognize Ranking Member Biggert for her opening statement.

Mrs. BIGGERT. Thank you very much, Madam Chairwoman, and thank you so much for scheduling this hearing on the reauthorization of the HOPE VI Program. I think since 1993 there has been a lot of progress that has been made in being able to replace some of the most dangerous and dilapidated public housing in the country with what would be the mixed income communities. And while I don't think that there is any in my district, certainly Chicago is a place that this has really been helped. I have to say that in one of my former lives, or several of my former lives, having been in the public housing in Chicago, for one, I was chairman of the Visiting Nurse Association of Chicago, and one of the things that we did was to have—the visiting nurses did a lot of work in some of the public housing, like Robert Taylor Homes. One of the things that we—the way that we got board members was to have our board members go out with these visiting nurses to visit with them where they were. And so many of us spent time in the Robert Taylor Homes, in particular Cabrini-Green, the Rockwell Gardens. And I think to have seen the changes that have taken place in those communities has been astounding with the mixed level, and taking away the huge building that was just the public housing, but to have the mixed units. And I look forward to seeing that happen in New Orleans, for example, where we have been down with our field hearing to see how that could work, and how HOPE VI can really bring a revitalization to those communities. It works in Chicago, and I think it can work a lot of other places. And it has worked.

So I look forward to the hearing and to moving forward with the reauthorization of the HOPE VI Program, and with that I yield back my time.

Chairwoman WATERS. I thank you very much, Ranking Member Biggert. I understand that you may have to leave for another hearing.

Mrs. BIGGERT. That is correct. I do have a markup.

Chairwoman WATERS. A markup, which is really more important, so if you have to leave, we understand. And if there are other members who are present, they will have an opportunity to have opening statements prior to going to our witnesses. So thank you very much.

At this time I would like to recognize the chairman of our Committee on Financial Services, Mr. Frank.

The CHAIRMAN. Thank you, Madam Chairwoman. I am pleased, once again, to be working with you, and I appreciate your leadership on important housing matters. I really believe that one result of this Congress is going to be some very significant improvements in the housing area, and your work has really been exemplary.

It is good that we are here reporting the bipartisan support for HOPE VI. This Administration has kept trying to kill HOPE VI, and I appreciate the fact that in a bipartisan way we have kept it going. And not just kept it going, but we are going to be improving it and working together. We even had an unusual degree, as you know, Madam Chairwoman, of cooperation with the Senate. We met with our colleague, Senator Mikulski. We know, too, that the chairman of the Appropriations Subcommittee, my colleague, Mr. Olver of Massachusetts, is interested in this, so we are determined to go forward.

I do want to note that one of the things we are determined to do is to correct a long-standing bipartisan, bicameral mistake—tearing down more housing for poor people than we build. That is something that began with the original urban renewal program, and there has been this notion that is bizarre, but took root, that if people are living in housing, people of low income are living in housing that the rest of us don't like, well, one of the nice things we can do for them is to tear it down. And it is as if people thought there were a lot of poor people who said, "You know what, I think I will go live in a lousy house, because I don't want to live in a nice one." What ought to be obvious to most rational people is that people will want to live in the best housing they can find and afford. And if you are tearing down the housing they are currently living in because it is not good enough for them, you are sending them to worse housing, not better, because they have not voluntarily given up better housing for where they are.

That is why starting with the hurricane bill, when the chairwoman took very important and very decisive action, and I was glad to be supportive, we have set the rule that you should not, through the government, tear down more housing than you are going to build. Now that has to be done with sophistication. Part of the point of HOPE VI is to avoid excessive concentrations of people, and we don't want to recreate that. But it is clearly within our ability to replace housing without recreating "ghettoization." And that is an important job, and that is very much reflected in the hard work that is going on in this bill.

We are committed to a HOPE VI Program, and people have said, well, you know, the HOPE VI Program is better for the communities. That is true. But I think again, we have had this error in the past where some people have been allowed to say that we are going to improve the community without focusing on improving the lives of all of the individuals. I think we are going to show that those two are perfectly compatible.

So I appreciate, Madam Chairwoman, the work you are doing here, as in other bills. We are going to show that it is not preordained that we have to reduce the amount of housing for people with lower incomes. In fact, we need to increase that, and this bill,

I think, is going to accomplish that. So I am very glad that we are going to be able to move on this, and people should know that this is a serious effort.

We are having this hearing, and a lot of important drafting is going on. I would think that we would be ready to vote on this bill in committee in the month of July when we come back before we adjourn for August. We know the Senate is eager to do it, and I think we will be able to have a bill on the President's desk by the end of this year given the interest that is there. We also have an assurance from at least the Appropriations Committee on this side, but also Senator Mikulski, who is on the Appropriations Committee on the Senate side. People should know that this is no idle exercise; I believe this is a bill that is going to be passed and be funded.

Thank you.

Chairwoman WATERS. I would like to thank you, Mr. Chairman, for all of your leadership and your support and the work that you have done to bring us to the point where we are definitely talking about one-for-one replacement. You have been very, very clear on that and very strong on that, and I appreciate it.

I now recognize Mr. Cleaver for 3 minutes.

Mr. CLEAVER. Thank you, Madam Chairwoman. One of the things I had planned to do today for this hearing, which you and our ranking member are very visionary in calling, is the picture of the housing unit, 405B Bailey, which I lived in. And the relevancy of the picture of the housing project that I lived in is to demonstrate the value of HOPE VI, which I wish had been in existence when I lived in public housing. One of the early mistakes was Pruitt-Igoe right down the street from Kansas City, which you are very familiar with, Madam Chairwoman, in St. Louis. It was a mistake because we piled poor people on top of poor people. And that in my experiences just won't work. I think we went past what HUD had set as a goal, which was demolishing 100,000 units; I think we had gone toward 150,000 units.

And I think with the one-for-one replacement that you support, which I think many of the members on this committee support, it is going to be critically important. I think when people move out of public housing units, for us to make sure that we know where they are going and that we follow them, keep up with them and report on it. Because sometimes if we don't do that, we are going to lose track of people, and sometimes they fall through the cracks. We have to be able, I think, to say that we know what happened to the people who moved.

And the other thing is that I think one of the most controversial things that I experienced as mayor is whenever we started—and we did one of the first projects, one of the first 15 projects done in this Nation, Guinotte Manor, you can see it from city hall, and one of the problems is of course people organize in various parts of the city to say we don't want any HOPE VI projects coming into our community. And I do think that there is a tiny piece of legitimacy. I do think they ought to be dispersed all over the city. And I think it ought to be done with great intentionality. And I think the direction we are going in is the right direction; I think there are a lot of little nuances that we have to consider.

And I appreciate the opportunity to be a part of this committee and to follow your leadership. Thank you.

Chairwoman WATERS. Thank you very much. I recognize Mr. Sires for 3 minutes.

Mr. SIRES. Thank you, Chairwoman Waters. I am happy to be here to listen to the witnesses today on this program. I am somewhat familiar with this program, having been a local mayor, so I have a unique perspective on this program. Its impact on the community is real and it is positive. Beyond the obvious impact of cleaning up distressed public housing units and providing people with housing, HOPE VI generates economic activity in the community, which I have seen firsthand. New housing brings new residents, brings new infrastructure, and business needs for those people. They shop and they dine and they invest in the community. These new businesses hire employees from the area, who also have a positive impact on the economy.

The benefits of this program do not impair. Research indicates HOPE VI increases the per capita income of residents and decreases the unemployment rate. The same research shows that this program decreases the number of households receiving public assistance and decreases violent crime in the surrounding community. I do not dismiss concerns that the program could be better run or more efficiently, but I believe strongly that the program should be reauthorized and strengthened, not cut.

I look forward to hearing from today's witnesses, and I thank the chairwoman for holding this hearing. Thank you.

Chairwoman WATERS. Thank you very much. I recognize Mr. Green for 3 minutes.

Mr. GREEN. Thank you, Madam Chairwoman. I greatly appreciate your calling this most important hearing, and I also thank the chairman of the full committee for his participation. The two of you have absolutely made housing a priority for all of us, and I thank God that you have done so. I am excited about the possibilities. I am excited knowing that we will have an opportunity to extend HOPE VI for a significant amount of time. I am excited because I understand that HOPE VI brings hope to communities. It does more than bring infrastructure, and buildings. It causes communities to have better employment rates. Crime seems to be impacted by virtue of HOPE VI. Persons seem to have a better sense of community, and greater pride in the area. HOPE VI really does provide hope. So I am interested in HOPE VI and excited about it.

I would add, as I close, that replacement is important to me, right-of-return is important to me, and tracking is important to me.

I yield back the balance of my time.

Chairwoman WATERS. Thank you very much. Mr. Watt, do you have an opening statement?

Mr. WATT. Madam Chairwoman, I am just honored to be here, and to be allowed to sit in with your subcommittee. Unfortunately, I didn't have the opportunity to get on the subcommittee this time, but it is not because of a lack of interest in these issues. And certainly I have a very, very heavy interest in the HOPE VI Program, and I have always wondered why, when everybody has acknowledged the success of the program, that the President and this Administration have continuously tried to terminate it, when it is

clear that the original goals of replacing and revitalizing communities in which distressed public housing was situated, the list was made originally, and we are not anywhere close to being through with completing that list. So I never have accepted the proposition that the Administration has tried to advance that HOPE VI has accomplished its mission. It can't be accomplished until those identified public housing communities that were in distressed condition are replaced and revitalized.

So I am just thankful to be here, and I thank the chairwoman of the subcommittee, and the chairman of the full committee, for their leadership on this issue, and I look forward to working with them to come out with a good reauthorization bill and, as importantly, to keep the pressure on the appropriators to find the money to actually fund the programs at a level that will have significant impacts in the local communities.

Thank you. I yield back.

Chairwoman WATERS. Thank you very much, Mr. Watt. And I would like to thank you for all of the work that you have done on HOPE VI. I know that it is a priority interest that you have worked on for quite some time, and I appreciative your getting us to this point where we can have a reauthorization bill that takes into consideration all of the things that you have learned needed to be addressed.

With that, now I would like to introduce our first panel, which consists of the Assistant Secretary for Public and Indian Housing for the U.S. Department of Housing and Urban Development, Mr. Orlando Cabrera. Assistant Secretary Cabrera, I would like to thank you for appearing before the subcommittee today. And without objection, your written statement will be made part of the record. You will now be recognized for a 5-minute summary of your testimony.

STATEMENT OF THE HONORABLE ORLANDO J. CABRERA, ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. CABRERA. Thank you, Madam Chairwoman, Ranking Member Biggert, and members of the subcommittee. Madam Chairwoman, I ask that my written testimony be accepted and entered into the record.

Chairwoman WATERS. Without objection.

Mr. CABRERA. Thank you. My name is Orlando Cabrera, and I am Assistant Secretary for Public and Indian Housing at the Department of Housing and Urban Development. Thank you for inviting HUD to present its views on issues relating to the HOPE VI Program. Our written statement sets forth many of our thoughts on the HOPE VI Program. This oral statement will focus on hope for HOPE VI.

No HOPE VI deal gets done simply on its own as a Federal grant. Many other levels of financing need to be brought into the HOPE VI transaction for that transaction to work and to produce housing. We believe that HOPE VI is hard enough to use and, if the program would be reauthorized by Congress, that the path to success is greater simplicity and not additional complexity.

For example, many States struggled in their policy decision on how to treat HOPE VI deals because of the complexity of HOPE VI deals that prolong the development process, causing the low income housing tax credit to go stale, if you will, thereby hurting States in two ways.

First is lost opportunity; namely, HOPE VI transactions historically demand a lot of tax credits, and so other low income housing tax credit units were not built because a tax credit was committed to the HOPE VI transaction.

And second, often, and particularly early on, the HOPE VI Program applicant was a PHA with scant or no development experience, meaning that the allocation would go unutilized or underutilized because of capacity issues. The good news is the second prong has been remedied in many instances. PHAs have become better applicants and better economic partners. Unfortunately, the first prong has not progressed much. One reason for that is that HOPE VI deals are very complex. As was previously noted, no HOPE VI deal can be funded on its own.

One thought we would suggest in the process of your consideration of the HOPE VI legislation is that simplicity, wherever possible, be the mantra, and to remember that every time something outside of a housing context is added to a HOPE VI deal that deal's viability decreases because its costs are increasing. We would suggest that encouraging certain policy prerogatives would make sense, but that such policy prerogatives be accompanied by answering the following questions.

If we add this requirement, will it make a HOPE VI transaction less viable because it has added costs? And has adding the policy prerogative made the HOPE VI transaction less competitive when it is postured for competition for tax credits, private activity bonds, and/or, if one would want to delve this far down, other State subsidy? This is what we suggest would help the viability of HOPE VI.

My written statement sets forth many of the issues that have most hampered HOPE VI. If and when Congress acts to reauthorize HOPE VI, we believe the approach proffered in this testimony would add value to the program, and accordingly offer it respectfully.

Thank you once again for your invitation to testify before the committee. I would be happy to answer any questions you may have.

[The prepared statement of Assistant Secretary Cabrera can be found on page 44 of the appendix.]

Chairwoman WATERS. Thank you very much. Members, we are going to go right to the questioning. I understand that votes will be taken up on the Floor very shortly, and when we finish this round of questioning, there may be time to break. Did I hear that they had called the vote? So how many minutes do we have? We have 10 minutes left? I think I will start with my questions, and then we will break and go to the Floor following that.

Mr. Secretary, I would like some discussion from you on one-for-one replacement. What do you really think about it? What has been your experience in the past? What difficulty do you see with one-on-one replacement? And do you support it?

Mr. CABRERA. I do not support one-for-one replacement of public housing units for the reasons already articulated. It would actually be counterproductive in terms of the original legislative intent of HOPE VI. The original legislative intent of HOPE VI was to avoid concentration, and that might produce concentration.

That said, one-for-one replacement of affordable units, I think, is a viable thing. What does affordable units mean? Affordable units is something that I believe in this industry, and those who produce units for low income Americans, they would categorize in the following way: Units that are produced using low income housing tax credit that serve the bandwidth between 0 and 60 percent of area median income, units that are produced by the private activity bond program that do the same thing, and units that are produced by State programs that do the same thing. That would broaden the pool, and preserve the original intent of the legislation. But I don't believe that would be the only thing. One of the things that I think would help would be—and this is not the subject matter of this committee, but I offer it just as a thought; I testified to this 2 weeks ago—would be to create a different indicia of ownership for units that are market rate in nature than those that are affordable in nature. And the reason is because at that point you can better strip away and attract capital into HOPE VI deals, and frankly into other affordable deals in order to make them more viable.

The big challenge with HOPE VI comes when you deal with units that are public housing in nature, and for those that develop, that means those that are subject to an annual contributions contract, is that it requires a deep operating subsidy. Just building those units is not enough. You have to also figure out how all of the moving parts are going to function. They don't function well if they are all ACC units for a variety of reasons.

So our suggestion would be to amplify the term not one-for-one replacement of public housing units, but one-for-one replacement of affordable units, which from a policy perspective largely accomplishes the same thing.

Chairwoman WATERS. And I want to be clear about the affordable units that you are alluding to, that would come under the definition of one-for-one replacement. You are talking about affordable units that are built by other entities, State housing agencies, etc., who would be considered providing units for one-on-one replacement, but they would not be public housing units?

Mr. CABRERA. No, let me clarify it another way.

Chairwoman WATERS. Okay.

Mr. CABRERA. A public housing authority, when it undertakes a HOPE VI, with or without a partner, is essentially acting as a developer. So the first presumption in the statement that I made is that the public housing authority is the developer or a co-developer. They are the owner. The next presumption is that the unit that is developed is being developed with some kind of pot of money. It is either being developed with capital fund money, HOPE VI money, with low income housing tax credit, or private activity bonds, or some State money, or HOME, if that were possible in this deal. And so the developer, the public housing authority, would automatically under statute be obligated to offer those units for a period of time. The period of time under the tax program is 15 years

for those folks at 0 to 60 percent of AMI. Most folks undertaking development under those circumstances don't usually get a 15-year affordability period in this climate. Those resources are very scarce. They are very valuable. And most housing finance agencies that allocate the low income housing tax credit are demanding much longer periods of affordability.

So what you are doing is preserving units that are affordable that meet the spectrum of affordability that I think we are all concerned about, accomplishing the objective of HOPE VI, and making sure—and this is for those who develop the most critical part—making sure the units actually get built.

Chairwoman WATERS. And then these units would be managed and supervised by the housing authority?

Mr. CABRERA. Or whoever the housing authority contracts with, yes. Housing Authorities also contract with private—

Chairwoman WATERS. I know, but the idea is that they would still be under the supervision of the housing authority, with all of the services that go along with them.

Mr. CABRERA. Yes. They would be the owner.

Chairwoman WATERS. All right. Thank you very much. At this time I think what we are going to do is we are going to break. I would like to ask you, Mr. Secretary, if you have about another half hour?

Mr. CABRERA. Yes.

Chairwoman WATERS. Thank you very much. We will come back as quickly as we complete this set of votes on the Floor, and complete your panel. We have members here who have some questions for you. And then we will move onto the second and third panels. I appreciate your patience.

Mr. CABRERA. My pleasure, Madam Chairwoman.

Chairwoman WATERS. Thank you very much.

[Recess]

Chairwoman WATERS. The subcommittee will come to order. I would like to thank you, Mr. Cabrera, for remaining. We were a little bit longer than we thought we would be.

I have completed my questions, and I would now like to go to Mr. Shays, who is going to serve as our ranking member.

Mr. SHAYS. Madam Chairwoman, I am happy to wait, because I think some of my colleagues have been here and have heard the testimony. So I am more than happy to wait and it will give me a chance to catch up, so if one of your colleagues wants to go.

Chairwoman WATERS. That is fine. We will go right down to Mr. Cleaver for questions.

Mr. CLEAVER. Thank you, Madam Chairwoman. Mr. Cabrera, thank you for being here. There are a number of issues I would like to raise, but let us focus on the unspent funds. The question of whether or not those unspent funds should be made available has been the subject of a great deal of discussion. What is the most recent figure for the amount of HOPE VI unspent funds? And what are the plans for those funds that HUD has put forth or made—perhaps I am begging the question—has HUD made any plans for the unspent money?

Mr. CABRERA. Of the $5.8 billion that has been granted through the HOPE VI process, as of June 9th of this year, $1.4 billion re-

mains unspent. And of the $1.4 billion, approximately $500 million, in fact, over $500 million—almost $600 million—are for grants that were issued between 1994 and 2001. When I was confirmed, that number was actually $2.4 billion. And so in the last approximately 18 months, the focus for the Office of Public Housing Investment, which is essentially the body within Public and Indian Housing that deals with HOPE VI, has been encouraging grantees to move forward as quickly and as efficiently as possible. That will continue. The act does not provide much room for HUD to do what one might want to be done.

I have been asked previously by this committee on this issue why, for example, we couldn't recapture, and the issue is we don't have the authority to recapture, and that might be one of the things that the committee may want to think about.

Mr. CLEAVER. Well, that was one of the questions that I have for you was whether or not this committee needs to reprogram those dollars, those unspent dollars, and reprogram in terms of complying with what I think the spirit of this committee is in terms of one-for-one replacement.

Mr. CABRERA. I think my visceral reaction would be sure, you can do that. Here is the problem. There are grants currently, and there is always—each grant you have to deal with individually. There are some grants, for example, that have been the subject of a lot of litigation, and they tend to slow up the development process. So trying to say you are going to recapture them is kind of tough. For those grants where there has been no movement at all and there has been no litigation, I would say sure. For those that have actually had pretty valid reasons not to move forward, I would say absolutely that this committee should probably think about giving the Secretary the authority to revisit that, and I mean, one of the things that we would propose, I suppose, or one that could be proposed that could be recaptured and put back into a pot and then be reallocated.

Mr. CLEAVER. What is your best estimate, and I will conclude, your best estimate, Mr. Secretary, of the dollars that are not being contested or in litigation?

Mr. CABRERA. Congressman, I can't give you that information right now because I don't know it. But I am happy to have that research and provide that answer to you for the record.

Mr. CLEAVER. Well, the total would be, I think, important if this committee is going to take some kind of action.

Mr. CABRERA. No. I agree but I just don't know, can't answer the question.

Mr. CLEAVER. If you could get that—

Mr. CABRERA. Absolutely.

Mr. CLEAVER. Thank you.

Chairwoman WATERS. Thank you. Mr. Pearce, for 5 minutes.

Mr. PEARCE. Thank you, Madam Chairwoman. Mr. Cabrera, I would like to focus not on the unspent funds but on the spent funds. If we get a sense—on your testimony, page 2, you are talking about $10 billion over the life of the project and $5.8 billion as of June 9th. What is the difference in those two figures? What is—

Mr. CABRERA. Congressman, may I have a moment? I am trying to refresh my recollection.

Mr. PEARCE. The note probably just says, amount and type of financial assistance. You were awarded $5.8 billion in HOPE VI revitalization funds, and then HOPE VI grants received $10.3 billion. Tell me a little bit about the difference in those. Which means what?

Mr. CABRERA. "Other sources" is a reference to any and all subsidy that was used in order to develop, so that could include private activity bonds, and low income housing tax credits.

Mr. PEARCE. Excuse me. So $10.3 billion is actually the figure of dollars cost?

Mr. CABRERA. The leverage number, yes, that is the leverage number of what was drawn in.

Mr. PEARCE. Now when I am looking at what we got for that, these numbers up in the top paragraph on the second page, 63,885 households that relocated, 87,000 adult supportive services, 62,000 employment preparation, is that correct? Is that—

Mr. CABRERA. The original legislative intent of HOPE VI was the demolition of public housing.

Mr. PEARCE. I just want to know about your numbers, not the law. I want to know if these numbers are what occurred for $10 billion. These numbers.

Mr. CABRERA. Congressman, yes. This is one of the things that occurred.

Mr. PEARCE. So if we were to go back to page 1, and we read that the four areas are household relocation, units demolished, units completed, and units occupied. If those are the four areas that you are basically dealing with, then we have a summation, that it cost us $10 billion to get 63,885 households relocated, 87,235 support services, 62,000 employment preparation placement programs, 11,600 enrolled in homeownership counseling. Did we get anything else for the money that we have spent?

Mr. CABRERA. Well, I don't think it is $10.3 billion.

Mr. PEARCE. Okay. Fine. Let's just use $5.8 billion then. I don't care what number we use. I want to see what we get for what we have spent. That figure seems to be dismally small.

Mr. CABRERA. I don't know if I was unclear. But the $5.8 billion, it was leveraged to be $10.3 billion inclusive of all that.

Mr. PEARCE. So $5.8 billion is the—

Mr. CABRERA. $5.8 billion, excuse me.

Mr. PEARCE. That is still a very large expenditure to counsel 11,600. Is that the period of 10 years? How long did we counsel them?

Mr. CABRERA. That depends on the grant agreement in terms of—

Mr. PEARCE. This is a summation of the whole program, right?

Mr. CABRERA. It is a summation of the general parameters of the program.

Mr. PEARCE. How many years of counseling are involved to get 11,600 homeowners counseled?

Mr. CABRERA. It would depend on the grant agreement. Not all components of HOPE VI include homeownership counseling.

Mr. PEARCE. You don't think that is an accountability that you probably ought to know?

Mr. CABRERA. Well, I am sure we can answer the question.

Mr. PEARCE. But you as a manager, you don't care how many people get counseled? We have 300 million people in the country and we counsel 11,000. I don't know how many poor people we have, but we have a significant number. And we counsel 11,600 people. We are spending billions of dollars here. I am not sure what we are getting. If you would like to tell me what we are getting that substantiates—I think we appropriate money and we expect to get things out that are valuable. We offer services.

Mr. CABRERA. Well, Congressman, you said I could use my metrics. $5.8 billion essentially demolished 150,000 public housing units and rebuilt approximately—

Mr. PEARCE. If I do the math, 5 million divided by 78,000, divided by 64,000, and I know that it is not the only thing it is used for, but let's just take it if it were, that is $78,000 to demolish each one, which is a very high figure. I know the $5.8 billion—

Mr. CABRERA. We also built 503,000 units.

Mr. PEARCE. Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you. Mr. Clay for 5 minutes.

Mr. CLAY. Thank you, Madam Chairwoman. And Mr. Cabrera, welcome back to the committee.

Mr. CABRERA. Thank you.

Mr. CLAY. Let me say that HOPE VI has been a slow vehicle for revitalizing public housing. I do not agree, however, with the notion that the program should be abolished. The HOPE VI program has yielded many positive results in redeveloping communities. St. Louis is one example. I do have questions about the implementation of the program, and my first pertains to the City of New Orleans.

My understanding is that funds are disallowed for community and supportive services or human capital services in New Orleans. We have kids walking around with guns in their belts, and their parents are working and living in Houston or Dallas or some other city. These same kids saw the system fail them and were traumatized watching deaths occur all around them during the terrible storm and the tragedy there. Do you not agree that counseling is needed for these kids?

Mr. CABRERA. Congressman, I think the amounts or the moneys that you are referring to are Community Development Block Grant moneys and not HOPE VI moneys. Those moneys that are being allocated—I hate giving this answer but it is the only one I can legitimately give. I don't have an idea of what the parameter is for the allocation of that money or the use. So within the context of the Community Development Act of 1974, if that is what it requires, I really can't speak to that. I don't think that is HOPE VI grant money though.

Mr. CLAY. But not asking you to do anything that is not consistent with the law, but also looking at what the immediate needs of a community are.

Mr. CABRERA. Congressman, I don't maintain that you are telling me to or asking me to. What I am saying is I can't answer the question because it is a wholly different program that is not under the public—

Mr. CLAY. The funds are allowed for services in cities other than New Orleans. And without these services, don't you think that

these efforts are doomed for failure in a couple of years because of the lawlessness and crimes that are committed?

Mr. CABRERA. In the case of HOPE VI, there is a CSS component, which is community supportive services, and that basically deals with many of the issues that you were just talking about, homeownership counseling, other elements that go with the HOPE VI grant, in the HOPE VI program. That already happens. That happens nationwide. That has not been disallowed in the case of New Orleans. New Orleans has a HOPE VI, and it wasn't disallowed then.

So the reason that I am answering in the way that I am answering is because the funds that you are alluding to are funds that are outside of Public and Indian Housing, and I honestly just don't have knowledge of those programs to give you any kind of indication one way or the other.

Mr. CLAY. Okay. Hypothetically then, if the HOPE VI is approved to revitalize the destroyed areas, then those funds can also be used—

Mr. CABRERA. That is already the case. That is the case nationwide now. It was the case in New Orleans and Florida.

Mr. CLAY. Right now?

Mr. CABRERA. Yes. That is already happening. It has been happening for quite a while.

Mr. CLAY. Okay. Thank you. I yield back, Madam Chairwoman.

Chairwoman WATERS. Thank you very much.

Mr. Miller.

Mr. MILLER. Thank you, Madam Chairwoman. Mr. Cabrera, I enjoyed your talk. And when you said the authority—you don't have the authority to recapture many units, to guarantee one-for-one. I looked at your statement and you say that the Department is open to suggestions on how to redefine public housing revitalization in a matter that is cost effective and efficient in terms of producing units. And I think a lot of times we put ourselves in a box. Now I admit my colleagues—I think HOPE VI has worked, but it has taken a long time to bring very few units on the marketplace. And if you look at the situation, we understood that there are a whole lot of nonprofits out there that are building public housing, and there is a growing role of these nonprofit developers because they can leverage private money into communities either as well or better than PHAs, but PHAs are the only ones who are currently competing for HOPE VI funds. Don't you think there, instead of only using HOPE VI rehabilitated parts of the community owned by PHA, can't we take and look on as an integrated approach where cities, nonprofit housing developers can include a larger area around those PHAs to bring more units online, that we don't have a displacement problem as we do when we are trying to tear down units that a PHA owns and put people out and then bring them back when it is completed. We can do better than a one-to-one. We could actually come back with a two-to-one because you bring additional units in by using HOPE VI dollars to supplement what they can leverage in the private sector, guaranteed units to be served for the same purpose as the PHA.

What is your opinion on that?

Mr. CABRERA. Congressman, to a large degree that is what happens now. What happens within the context of a HOPE VI is there is a HOPE VI component and generally there are other phases to it where you have other subsidies that folks use to develop units.

Mr. MILLER. But only with PHAs.

Mr. CABRERA. I think if I understand your question correctly, and please correct me if I am wrong, what you are saying is why are PHAs the only applicants for HOPE VI grants?

Mr. MILLER. Why can't a nonprofit come in and compete for those HOPE VI dollars on a competitive basis? One could look and say yes, it is a reasonable approach, and they could use those dollars and use private funds that they borrow or that they have to create more units.

Mr. CABRERA. I think the reason is because public housing authorities are State creatures, they are not Federal creatures, and they own their own real property. They actually own title to them. Most PHAs that compete for HOPE VI grants, whatever the grant might be, whether it is demo only and demo and construction, they are usually now these days joint venturing with someone, and that joint venture usually does contain either a nonprofit or for profit. Some PHAs are developing on their own, but at the end of the day the net result I think that you seek is actually already occurring, and that has mostly occurred since 2002.

So I think there is another reason for that, and that is that PHAs are property managers on the whole. They are not, as I call them, natural developers. That sounds more organic than it is intended. But at the end of the day, what we are beginning to see is PHAs are in many cases developing development capacity.

So the short answer is, anything that could be done to encourage development by PHAs in conjunction with the private sector, I think, would be a good thing.

Mr. MILLER. But what would be wrong with a nonprofit that builds and retains housing for the same purpose a PHA does—and you know these are not the same individuals—that I have seen some in the marketplace out there do phenomenal amounts of housing with very few Federal dollars invested, yet those units are restricted for a certain purpose, and the nonprofit manages those units.

Mr. CABRERA. The distinction would be in the case of those units, usually they are single asset entities owned by a nonprofit for a for profit. And that is the exact distinction here. These are public housing-owned—public housing authority-owned property using public housing money that is going to support the units that are being built.

Mr. MILLER. But if you could do the same things on properties contiguous to PHAs in the same neighborhoods that need revitalization, then you could have a nonprofit come in to compete for the same dollars and generate additional units, in many cases rapid fashion. I see people behind you going like this and panicking because it is a new thought that takes it out of government directly. But there is a guarantee on those units that they are going to be serving the people we need to serve. Why wouldn't we do that?

Mr. CABRERA. My sense is that the people who are doing that are doing it for a reason, and it is not an issue of government and pri-

vate sector. The issue is that once those units are built, there is an ACC placed on them, or there is an affordability component to them. In the case of those units that have an ACC placed on them, it means they are receiving operating funds under section 9 of the Housing Act of 1937. Those aren't funds that nonprofits can compete.

Mr. MILLER. But you can do that without receiving those operating funds the private sector is doing today. Madam Chairwoman, I think we should look at opportunities to help people in need in these neighborhoods. We need to bring additional units on, too. I think this is a viable opportunity for us to at least research it and check it out and debate it further.

Mr. CABRERA. Madam Chairwoman, may I be indulged for a minute to explain something really quickly? The Congressman wasn't here when we addressed this. One of the things I mentioned earlier, Congressman, was that the issue for anybody trying to develop affordable units is to define affordable units. So for purposes of this, what you are thinking is exactly correct in our view, which is, you want to create a wider menu of what affordable units are. So they are going to be units that are going to be financed on the operating side, not the construction side, with annual contribution contracts and those that won't. Those that do tend to serve folks of 0 to 30 percent—usually really a little more—of area median income. And those that don't, those tend to be low income housing tax credit units, and those are the units that you were referring to that are around the development. The issue becomes as part of the development plan when you are doing phased development, that that be married well. And as I understand you, that is what you are proposing.

Mr. MILLER. I propose that we can do what a PHA does through the private sector, and I will talk to the chairwoman later when I have more time. Thank you.

Chairwoman WATERS. Thank you. Mr. Green.

Mr. GREEN. Mr. Miller, would you like for me to yield a minute to you?

Mr. MILLER. I appreciate that. I have heard this debate so often, and I have heard members on my side say that HOPE VI didn't work. I think HOPE VI worked. I think we just were not creative enough with the concept of HOPE VI to make it work today. And if we look at what has happened with the HOPE VI Program, so few units are developed and many of them are developed so slowly that people on both sides are saying, something is wrong here. We have to—we have an opportunity with the program that we have seen benefit from but the benefit is not being created as rapidly as we should be. In some cases it is because we have restricted what we have before us to so few people rather than going out and being creative because I have watched this industry change with the nonprofits in recent years, and I have seen more and more nonprofits being started by good people trying to serve the same people that PHAs are trying to serve, and they are doing it with far less government dollars than we ever dreamt about doing it with, and they are managing these units, they are keeping these units online and they are maintaining these units, and it is working. And all I am saying is from our perspective, if we are looking at a HOPE VI Pro-

gram, we are trying to create opportunity for depressed areas and for people to have affordable housing in these areas like PHAs do, why not look at options available around those PHAs that the private sector would love to get involved with, and let's see if there is some way that we can do a situation where it is a partnership, you know, HOPE VI coming into some funds, lenders are coming in with some funds but we are creating lenders out there that are serving the people we would like to serve.

Mr. GREEN. I reclaim my time.

Mr. MILLER. I would be happy to yield back. Thank you, sir.

Mr. GREEN. Let's go to the right to return, Mr. Secretary. What is your opinion with reference to the right to return in terms of persons having to have employment?

Mr. CABRERA. Again, Congressman, it already exists. The right of return for someone who is in public housing already exists for those who are relocated subject to Federal law. And Federal law says if something happens in the interim, if you are a convicted felon between the time that you were relocated and the time you come back, then you cannot relocate. But aside from that, the opportunity to relocate for those who choose to relocate exists, and in fact in most cases folks do relocate back to the HOPE VI developed unit.

Mr. GREEN. My understanding is that in some units persons are not allowed to return unless they have employment. You can leave without employment but you can't come back unless you have employment.

Mr. CABRERA. I don't recall that being a component, and I am not going to say that is not the case, but that is not my understanding. If it is the case, I am happy to answer that as being a possibility. But I don't recall that being the case.

Mr. GREEN. Finally, with reference to the demolition only grants.

Mr. CABRERA. Congressman, you mean the community service component? Or do you mean actual employment?

Mr. GREEN. No. No. Actual employment.

Mr. CABRERA. Okay.

Mr. GREEN. But let's come to the demolition only grants. Your thoughts on those, please.

Mr. CABRERA. Most PHAs that are undertaking a HOPE VI grant I believe would say that—and you will have one PHA come up in just a little bit. I think they would say that demolition only is an indispensable part of HOPE VI because very often they can—all they really need is help demolishing an obsolete development, and they will use other pots of money to develop units there, not necessarily HOPE VI money. And the reason that they think that or they want that is because it is a much faster development for them. HOPE VI and marrying HOPE VI with different pots of money tends to add time to development. Time, adding time to development is what kills developments. That is what makes developments not go up. So essentially limiting or actually prohibiting demo only would be an imposition to public housing authorities trying to develop affordable units generally.

Mr. GREEN. Thank you. I think my time has expired. I yield back.

Chairwoman WATERS. Thank you very much. Mr. Shays.

Mr. SHAYS. Thank you. Mr. Green, you were so generous with my colleague. I am not going to use my full 5 minutes. Would you like to ask another question?

Mr. GREEN. I thank the gentleman, but I yield back.

Mr. SHAYS. Thank you for your graciousness. I just wrestle with one thing. I understand it takes a long amount of time with the HOPE VI grant. But in the end, isn't the product pretty impressive?

Mr. CABRERA. When it gets built.

Mr. SHAYS. So what is the negative of it taking long? Is money getting wasted?

Mr. CABRERA. No. People are unwilling to invest. The negative is that when you have a HOPE VI grant and then you have a PHA compete for tax credits, because of the rules in section 42 of the Internal Revenue Code, you only have so much time to get your last unit, not your first unit, your last unit placed in service. You only have so much time to get your first takedown. It is a very time constrained system. So most housing finance agencies really don't have a lot—they don't have the warm fuzzies about HOPE VI because they consume a lot of tax credit and they don't get product, which means they have lost the opportunity to develop a unit somewhere else. And what winds up happening if you don't use your tax credits is they wind up in a national pool, and they can be distributed to all the other States except you.

Mr. SHAYS. The people who are putting out, if they don't want it, no one makes someone apply for a HOPE VI. So if it takes longer and they risk losing tax credits, it is still, you know, as grownups their decision. But it gives them an option.

Mr. CABRERA. The party that is losing—the party that is losing most there isn't—well, it is the PHA that doesn't get the unit, and it is also the folks in the community who don't get a unit. That is who loses really the most. But one important part—

Mr. SHAYS. Somebody is getting it. It is not like from a national.

Mr. CABRERA. No, no. Someone is getting it somewhere else.

Mr. SHAYS. Yes. But they are. And the community is willing to take the risk because the payback is so significant. I mean, for me, I have seen—and admittedly, maybe some communities benefit more than others. But we have seen part of Stamford, Connecticut, transformed by Federal dollars and private dollars. We are seeing kids basically—and when they see someone driving a Mercedes or BMW for a deal, it is not a drug deal. It is they are going to UBS. We are having young kids be in a facility that has not just moderate income or upper moderate income or—we are seeing some pretty wealthy people staying at an exact same unit. We are seeing kids in swimming pools who are swimming right next to someone who is paying market rent, and making a significant sum of money. So I look at the result and I say, this is awesome. You are telling me it takes time. Then I respond and say, yes. It takes time. And then some lose, and the community, and it goes somewhere else. But the community is willing to take that risk.

Mr. CABRERA. No, not the HOPE VI goes somewhere else. The other resources that are married to the HOPE VI.

Mr. SHAYS. I understand. That is their decision.

Mr. CABRERA. No, Congressman. But that is the problem. If you have one area of Connecticut that absorbs an enormous amount of tax credits, that means someone else in the State of Connecticut—

Mr. SHAYS. You are talking about a different issue. You are talking about it takes a lot of tax credits. That is a different issue than saying that—I think it is a different issue, isn't it?

Mr. CABRERA. No. I think that is one of the issues. I think one of the things that I suggested earlier when I provided my oral statement was, the issue here would be simplicity and ease of marriage with the other—

Mr. SHAYS. Well, let me just with the remaining time I have, let's deal with simplicity, let's deal with making this program better. But I would tell you on a scale of 1 to 10, these HOPE VI grants have been a 10 for the community. I have been in public life for 32 years, and it is one of the best programs I have seen, despite the fact it may take longer than what you or I want.

Mr. CLEAVER. Mr. Shays, would you yield for a moment?

Mr. SHAYS. Absolutely.

Mr. CLEAVER. I know that you didn't mean to imply that drug dealing and public housing are synonymous. But as a resident of public housing who can stand up, you know, on national TV and say I have never used drugs and never worried about being—

Mr. SHAYS. Let me be clear, and if you would indulge me, because I want to be very clear. In our public housing, we basically had poor folks. We didn't have people who worked, they were basically not working, and kids were being raised by parents who did not have regular jobs. So no, I said pretty much what I meant, at least in our area. But we have transformed it, and we have public housing integrated with market-rate housing and it has made a world of difference.

Chairwoman WATERS. Thank you very much.

Mr. Watt?

Mr. WATT. Madam Chairwoman, I have one question. Is the Department planning to support the reauthorization of HOPE VI?

Mr. CABRERA. No. Congressman, when I started the oral statement, I essentially said that the Administration does not support the reauthorization of HOPE VI. But in light of the fact that this Congress is considering it, these would be some thoughts that we had.

Mr. WATT. I yield back. Thank you.

Chairwoman WATERS. Thank you very much. Mr. Secretary, we would like to thank you for your patience and for your presence and for your participation. The Chair notes that some members may have additional questions for you, which they may submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to this witness and to place responses in the record. This panel is now dismissed, and I would like to welcome our second panel.

Thank you very much.

Mr. CABRERA. Thank you very much.

Chairwoman WATERS. I would like to introduce our distinguished second panel, and I will start with our first witness, someone whom I know, Mr. Rudy Montiel, executive director of the Housing Authority of the City of Los Angeles. Since his appointment as execu-

tive director at the end of 2004, Mr. Montiel's leadership has been instrumental in the financial turnaround of the Housing Authority of the City of Los Angeles. Under his guidance, the Housing Authority has turned a $25 million operating loss at the end of 2004 into net operating income in 2005. Prior to coming to Los Angeles, he successfully led the Housing Authority of the City of El Paso for 3 years. His strong private sector experience includes engagements with Fortune 500 companies such as General Motors, Delphi, and the IT group. He is a licensed professional engineer in Texas and sits on the boards of the Housing Authority Insurance Group, the Public Housing Authority Directors Association, the Council of Large Public Housing Authorities, and the Hispanic Engineers National Achievement Awards Corporation.

Thank you, and welcome, Mr. Montiel.

Mr. MONTIEL. Thank you, Madam Chairwoman.

Chairwoman WATERS. Mr. Watt, I see there is someone here you may want to introduce, Mr. Woodyard.

Mr. WATT. Thank you, Madam Chairwoman. I am pleased to be able to introduce Charles Woodyard, who is the CEO of the Charlotte Housing Authority, which is in my congressional district. I am hesitant to say all of the good things I could say about him for fear it will expose him on a national basis, and he will be secreted away from us to some other part of the country. But I will say that he has his bachelor of arts degree in political science and his master's degree of public administration from the University of North Carolina at Chapel Hill. He has been in public service for 20 years: 13 of years with the City of Charlotte; 2 years prior to that with the City of Greensburg, which is also in my congressional district on the northern end. And he has been with the Charlotte Housing Authority for 7 years, first as vice president for planning and development, and then as chief operating officer in November of 2000, acting chief executive officer in April of 2002, and finally, chief executive officer since October of 2002. We are honored to have him. He has done a great job, and been an important part of my congressional district and our local community, and we welcome him here.

I appreciate the chairwoman allowing me the honor of introducing him.

Chairwoman WATERS. Thank you very much. And now Mr. Shays, I understand that you have someone that you would like to introduce.

Mr. SHAYS. Thank you, Madam Chairwoman. I would just like to welcome Richard Fox, who is the executive director of the Stamford Housing Authority. He was the assistant executive director in Trenton, New Jersey, the executive director in Carteret, New Jersey, and the executive director in Plainfield. Since 1980, he has been in this business and was educated at my alma mater at New York University Grad School of Public Administration and Rider College and he has just been a wonderful addition to the Fourth Congressional District in Stamford. He has made me a real believer, he and his team, in HOPE VI grants. I am delighted, Madam Chairwoman, that you invited him to testify.

Chairwoman WATERS. Thank you very much. And the next gentleman on our panel with us today is Mr. Kelly, who is executive director of the District of Columbia Housing Authority, and I do

know that he is a member of the same organization as Mr. Montiel, the Council of Large Public Housing Authorities, and I have had an opportunity to interact with him, and had the opportunity to speak before that group not so long ago, and I welcome him here today.

Thank you very much. All right, Mr. Montiel. We will start with you. You may proceed with your testimony for 5 minutes.

STATEMENT OF RUDOLF C. MONTIEL, EXECUTIVE DIRECTOR, HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

Mr. MONTIEL. Madam Chairwoman, Ranking Member Biggert, and members of the committee, thank you for the invitation to speak before this House subcommittee on such an important issue as HOPE VI reauthorization. What I would like to do first of all is sketch a broad vision of the affordable housing crisis that we have in Los Angeles today, and then lead into how HOPE VI reauthorization, and the activities that we would like to pursue in Los Angeles, would help address that situation.

First, some general remarks about Los Angeles and the affordable housing crisis; it is arguably the most challenging in the United States. Skyrocketing rental costs—a majority of Angelenos families today spend more than 40 percent of their income for rent. Increasing population—whereas many cities in the Nation have actually reduced in size in the last decade, Los Angeles continues to grow. Today, there are over 4 million people living within the City limits. Lengthy commutes—Los Angeles is known for traffic, and those lengthy commutes have impact not only on quality of life but on quality of life for the people who live in the City, vis-a-vis pollution and other aspects. Occupancy rates—the recent USC Casden forecast on the multifamily situation in Los Angeles shows us that today in Los Angeles, the City is occupied at 97.5 percent in every submarket. That means that Los Angeles is full from a rental housing market, whether it is Brentwood to Boyle Heights and from Westwood to Watts. Against this backdrop, the City of Los Angeles has 8,000 public housing units, a very small public housing inventory when compared to much smaller cities throughout the country. And we have those in primarily 16 large family sites, although we also have some senior units.

Interestingly, the situation, the physical condition of our public housing stock shows that we have about a $500 million backlog in deferred capital needs. But this only speaks to the easy part of resolving our public housing situation, and that is fixing the buildings, fixing the real estate. That is really the easy part. The much tougher problem is how do we transform the lives of the roughly 8,000 families who live in public housing today? Our occupancy rate is 99 percent plus. And we are talking about the opportunity for HOPE VI to represent filling that vital self-sufficiency gap for those families trying to fight their way out of poverty against incredible obstacles.

Let the numbers tell the story. Residents of public housing in Los Angeles make on average about 18 percent of area median income in one of the wealthiest cities in the country. Some public housing communities have an unemployment rate of 85 percent. Graduation rates from high school are less than 50 percent, and the children

who live in public housing face some of the most daunting challenges when it comes to their personal safety.

There is inadequate health care, inadequate child care, and inadequate elder care, in our public housing. But there is hope. And we believe that we have a window of opportunity today in Los Angeles to begin a citywide redevelopment effort, but we will definitely need HOPE VI to make it a success.

Our mayor, Antonio Villaraigosa, is an ardent proponent of transforming public housing. The councilmen and women with large public housing developments in their districts are very supportive of redevelopment. And even our congressional representatives will support redevelopment if it is done right. And what does that mean? In Los Angeles it means that we redevelop with mixed income and mixed use. It means a one-to-one public housing replacement.

Yes, this is challenging. Yes, this will require additional subsidy and additional capital moneys. But it is the only right thing to do in a city that has only 8,000 public housing units to serve a population of 4 million. Transit-oriented where possible. We have public housing developments that are within walking distance, of very short walking distances of the green line, the blue line, these are Metro lines, and would be ideal places for transit-oriented development. What does right mean? It means that residents in general will not face forced relocation and will have the right to return after redevelopment.

It means significant investment in jobs. Yes, you may have local hiring agreements. You want to have the opportunity to hire as many local residents as you can, working closely with the unions to get these young men and women into apprenticeship programs. It means family self-sufficiency and homeownership opportunities. It means partnering with educational organizations to improve the educational quality as well. And finally, it means for our City, redeveloping not just on the south side but also on the east side. The leadership of our board of commissioners and Chairperson Bea Stotzer, the board has set the bar high.

Chairwoman WATERS. I am sorry. Your time is up.

Mr. MONTIEL. Thank you.

Mr. SHAYS. She is tough.

Chairwoman WATERS. Not really.

[The prepared statement of Mr. Montiel can be found on page 80 of the appendix.]

STATEMENT OF CHARLES WOODYARD, EXECUTIVE DIRECTOR, CHARLOTTE HOUSING AUTHORITY

Mr. WOODYARD. Good afternoon, Chairwoman Waters, Ranking Member Biggert, and members of the subcommittee. First, allow me to thank you for the opportunity to give testimony on the benefits of the HOPE VI Program and to present compelling reasons why the Program, with some refinement, should continue.

The HOPE VI Program's original mandate of eliminating distressed units of public housing across the Nation and replacing them with mixed income communities represents a formidable task. Add to that task the additional goal of deconcentrating poverty, plus eliminating urban blight, and you have a complicated

public policy goal that impacts real people and the health of American cities.

To the extent that cities are a collection of people and commercial economies that thrive or suffer as a result of market forces and government intervention, HOPE VI can be seen as an attempt to grow and stabilize America's economy. To the extent that cities are a collection of diverse people, diverse cultures, and children who are the foundation of the country's future, HOPE VI can be seen as an attempt to raise the minimum standard of living for more Americans.

Whatever your take on HOPE VI as a public policy might be, it is important to understand that the public policy must also have a measurable impact on the lives of Americans and the health of American cities. With this in mind, it would be helpful to understand the nature of Charlotte, North Carolina and how HOPE VI is used as a growth strategy, a community building strategy, a way to impact the self-sufficiency efforts of very low income families. Charlotte's real estate market is one of the most vibrant in the country. Unemployment is low, home prices are rising rapidly despite the national trend, but income increases are not quite keeping pace with housing and energy cost increases. The result is that over 11,000 very low income families in the community either live in substandard housing or pay more than 30 percent of their income for housing.

In short, Charlotte is suffering from growing pains. A major catalyst for the idea of a new way of providing affordable housing as a growth strategy was the City's first HOPE VI grant. Earle Village was a 400-plus unit public housing complex in the heart of uptown Charlotte. This low income housing community dominated the entire quadrant of the uptown area and was a major source of crime, the perception of crime, the lack of housing development in uptown and the suppression of property values in uptown. The award of the City's first HOPE VI grant meant that mixed income housing and mixed use development would be the norm for development in our City. The HOPE VI site was transformed into a diverse community with different housing types and incomes nearly along the entire spectrum of incomes.

The next logical question then is what happened to all those families in Earle Village and the other families in HOPE VI communities? The Charlotte Housing Authority has received four HOPE VI revitalization grants and one demolition grant for a total of over $122 million. The five communities directly impacted by the HOPE VI grants total over 1,500 units of severely distressed crime-ridden apartment homes that were breeding grounds for social disorder. The HOPE VI grants eliminated those distressed communities and replaced them with 13 mixed income family communities, 5 public housing senior communities and 474 Section 8 vouchers. These new communities contain 1,366 public housing units, 974 affordable moderate income units, and 978 market-rate rental units, along with 85 homeownership units that were developed on the original HOPE VI sites for former public housing families. All told—and this is the transformation summary—1,531 housing opportunities for 30 percent AMI and below families were transformed into 1,729

housing opportunities in mixed income environments or Section 8 vouchers in neighborhoods of the family's choice.

I mentioned earlier that Charlotte was experiencing growing pains. And according to our own local research, the affordable housing problem in Charlotte impacts low income families more than any other income level. The need for 11,000 additional units in Charlotte for families earning at or below 30 percent of AMI is the only income level in the City that demonstrates a shortage of units. In a city with this demography, one-for-one replacement is essential public policy. Charlotte's Housing Authority is subjected to tremendous local pressure to commit one-for-one replacement when vitalizing our community under HOPE VI. And as a part of the community's initiative, we are replacing more than one-for-one.

[The prepared statement of Mr. Woodyard can be found on page 116 of the appendix.]

Chairwoman WATERS. Thank you very much. Mr. Fox.

STATEMENT OF RICHARD FOX, EXECUTIVE DIRECTOR, STAMFORD HOUSING AUTHORITY

Mr. FOX. Thank you, Madam Chairwoman. My name is Richard Fox, and I serve as the executive director of the Stamford Housing Authority. My testimony today is in support of the renewal of the HOPE VI Program. I would like to thank Chairman Barney Frank and Chairwoman Maxine Waters as well as Ranking Members Baucus and Biggert for the opportunity to speak today. I would also like to thank and commend Representative Christopher Shays for his commitment to the HOPE VI Program and for the actions he has taken to ensure its continued success.

Stamford Housing Authority is a progressive medium sized public housing authority located in a city of 120,000 residents in southwestern Connecticut. In its evolution as a successful sponsor and developer of mixed income housing, the Stamford Housing Authority and the community that it serves have benefited substantially from the HOPE VI Program. This program has enabled the authority to create various development models that are uniquely suited to the needs of the City.

Based upon my experience with the program, I would like to offer comments on two features of the proposed reauthorization, the right of return provision and one-for-one replacement provision. The Stamford Housing Authority believes that the right of return for residents of the original site is an important program element. However, returning residents should have a one-time opportunity to reoccupy the development, providing they meet locally established rehousing criteria. Once a resident has selected his/her housing option, a person on the waiting list who does not have housing should be offered the opportunity to move into the subject property. In addition, it is important to recognize that residents often wish to make other housing choices which may be of benefit to them, as well as to the broader community.

The Stamford Housing Authority has achieved success with assisting public housing residents to become first-time home buyers. We anticipate placing more than 150 working families into their own permanent homes. This transition serves a dual benefit by also

making the rental unit available to a new family, thus freeing up a unit of affordable housing.

Stamford's landmark one-for-one replacement ordinance, passed in 2001, grew in large part out of a local affordable housing crisis and was precipitated by resident fears of displacement. The Stamford Housing Authority helped to craft this ordinance, and by standing alongside residents successfully promoted its passage. The Stamford one-for-one replacement initiative was instrumental in building essential trust and cooperation between public housing residents and the Stamford Housing Authority, enabling us to become a successful HOPE VI practitioner.

We feel that the provision of one-for-one replacement should receive consideration in any proposed bill. However, it should not be required of every HOPE VI development. A community may not support a HOPE VI development that must have one-for-one replacement, thus foregoing an opportunity for the residents. This provision should be fully vetted in the community. A one-for-one replacement requirement on all HOPE VI developments will mean that individual HOPE VI grant amounts need to be significantly increased in order to maintain the desired mixed income nature. While increasing the number of public housing replacement units, we would need to add market-rate units. This will require more land and financial resources. The need to acquire property for off-site development will add complications and potential delays to already complex projects.

In any event, a requirement to increase the number of replacement units must include the ability to deliver them through non-ACC funding mechanisms such as project-based Section 8 units. Replacement units should further the objective of deconcentrating poverty consistent with fair housing laws.

The overwhelming success of the HOPE VI Program has been to promote mixed income communities wherever practical. The Stamford Housing Authority is in support of the reauthorization of HOPE VI through 2015. It is perhaps the best program in the Nation for addressing the accumulated capital needs of the public housing program, which was estimated at $20 billion in a study commissioned by HUD. By leveraging Federal funds with private and other public capital, usually on a four-to-one basis, HOPE VI has proven to be an effective catalyst in the redevelopment process.

Thank you.

[The prepared statement of Mr. Fox can be found on page 54 of the appendix.]

Chairwoman WATERS. Thank you very much. Mr. Kelly.

STATEMENT OF MICHAEL P. KELLY, EXECUTIVE DIRECTOR, DISTRICT OF COLUMBIA HOUSING AUTHORITY

Mr. KELLY. Good afternoon, Chairwoman Waters, Ranking Member Biggert, and other members of this very important subcommittee. My name is Michael Kelly, and I am executive director of the District of Columbia Housing Authority. I am also the vice president of the Council of Large Public Housing Authorities, the vice chairman of the National Organization of African Americans in Housing, and I serve on the Housing Committee of the National Association of Housing and Redevelopment Officials. I am honored

to have an opportunity to join you today to discuss the housing authority here in the District's HOPE VI efforts.

As a housing authority, our core mission is to care for and manage 8,000 units of public housing and administer over 12,000 vouchers. We carry out this mandate with the quiet confidence that only skill and the many years of collective experience bring. Given the substantial funding cuts to the National Public Housing Program, the District of Columbia has to struggle to maintain basic property management services to our clients. We are most thankful to your leadership and the leadership of Congress for securing additional resources for public housing this year, and I ask for that support to continue.

The housing authority is fortunate to have six HOPE VI grants totaling over $160 million. These grants have leveraged an additional $695 million in other public and private funding. These sites, combined with our other redevelopment efforts, have generated about $2 billion worth of economic development, and we have increased the number of low income families served at these sites from about 2,400 in 1995 to over 4,000 today. Of our six HOPE VI sites, two are complete, one is 50 percent complete and occupied, and three are in various stages of construction.

Every HOPE VI plan includes a community of support of service program designed to meet the unique needs of our households. Our approach to supportive services had a real impact on the economic and social well-being of our families. Many have received job training and job opportunities, some are now homeowners, and families now live in a safer, more livable environment.

There is one common thread that runs throughout each of our sites, and it is the fundamental reason for our success in the District in HOPE VI, and that is the participatory approach to redevelopment. From the first days of our planning process, the housing authority places a premium on the input and realtime feedback of our residents and the community.

For example, before submitting our HOPE VI application for East Capitol, we held over 100 community meetings and resident training sessions. Our process is transparent and inclusive. We encourage thoughtful discourse and we are responsive to the needs of the community. Our residents also play a role in determining the re-entry criteria at each of our sites. Each HOPE VI site has a government steering committee composed of key stakeholders, including the residents. This committee opines on many policy issues, including the re-entry criteria. This criteria covers areas such as credit, criminal activities, and basic tenant activities, such as the payment of rent and housekeeping habits. While the criteria has been slightly different for each site, the common goal has been creating parameters that will promote the return of former residents, while still cultivating a healthy and vibrant community.

Several years ago, the District Housing Authority decided to build back every unit of low income housing we demolished. This commitment to one-for-one replacement was first manifested in our Capper/Carrollsburg site, which is near the new baseball stadium here. We will be able to achieve the one-for-one there because of the value of the land, given its location, the City's aggressive housing market, and our capacity to greatly expand the density of the

site which we need to truly create a truly mixed income community. The HOPE VI grant will pay for the replacement of the public housing units.

We are fortunate to bring these units back, but it is important to note that this policy may not be possible at other HOPE VI sites throughout the country, given the potential weaker market conditions, impediments to replacement of housing, and HOPE VI grant amounts.

Our job is far from over, though. The housing authority has embarked on an aggressive plan to reposition our developments to be viable into the future. We secured over $80 million 2 years ago in bond funding to address the long-term maintenance and system needs at 31 of our sites. But despite our successful HOPE VI efforts and this bond modernization work, there are at least 14 sites, 14 developments that still have comprehensive physical and social needs. We simply do not have the money to revitalize these sites, so the need for HOPE VI continues.

Madam Chairwoman, I am sure you have seen HOPE VI sites throughout the country, particularly those piloted by my able colleague from Los Angeles, who is here today. But I invite you and your staff and other members of this committee to tour the housing authority sites right here in the District as you consider the reauthorization program that has changed the landscape of urban America.

Thank you again for this tremendous opportunity to testify before you. I request that my written testimony be submitted for the record, and I am available to respond to any questions that the committee may have.

[The prepared statement of Mr. Kelly can be found on page 58 of the appendix.]

Chairwoman WATERS. Thank you very much. I would like to begin the questioning by first stating—rather than starting with a question, I would like to state that resident involvement is very, very important to me and to a number of other members of this committee. And I am very pleased to hear Mr. Kelly talk about the 100 meetings or so that they held prior to your development of the HOPE VI project.

I would like to ask each of you about resident involvement. Do all of you feel the same way? Do you have other ways by which you have accomplished making sure the residents are involved?

If so—Mr. Fox, what do you do?

Mr. FOX. We started with, of course, a series of hearings prior to the application in the neighborhood, and soliciting residents who live in the complex—neighbors and also the political representation of the neighborhood—and we actually had them participate in committees that helped in the design of HOPE VI, consultation about the architectural aspect, consultation about the management plan, and consultation about how we would effectively also lobby together for funds, State funds to help the HOPE VI Program. We have State funds in it.

Chairwoman WATERS. Thank you very much.

Let me just get to Mr. Woodyard before my time is up.

Mr. WOODYARD. Thank you. We do all of those things, Madam Chairwoman. And we also have the residents participate in the de-

sign charrette, where they have given us great ideas on how to design the community from a public safety standpoint, child care standpoint, a transportation standpoint, and an economic development standpoint.

We also have currently on our board—our resident representative is a member of our latest HOPE VI community, and she has been invaluable in giving us feedback about our revitalization efforts.

Chairwoman WATERS. All right. Let me just quickly ask about some of these local requirements for getting back into the HOPE VI developments. What is this about credit checks? Is that true?

Mr. WOODYARD. That is one of our requirements.

Chairwoman WATERS. Why do you require a credit check?

Mr. WOODYARD. We have a requirement for a family self-sufficiency program in our HOPE VI sites, and we actually repair a family's credit. We help repair the credit if they do not meet the credit requirements initially.

So typically what we do is put the person in a credit repair program, and before they get back into our communities—it could take a year or two, and we may have to relocate the family more than one time, but we get them ready to get back into the community.

Chairwoman WATERS. Why is it important for you to do that?

Mr. WOODYARD. We believe that public housing is transitional. And one of the things that we found out about our private partners is that the mixed income approach works better when we have families actively engaged in self-sufficiency activities.

As a matter of fact, we have had a good success rate with repairing credit, and we have—

Chairwoman WATERS. Do you think that you are keeping people out who may not be able to get in for a year or two while you do the repair?

Mr. WOODYARD. They will be living in public housing.

Chairwoman WATERS. Let me just ask you this. There are people who perhaps, you know, lose their jobs—

Mr. WOODYARD. Yes.

Chairwoman WATERS. —and they may have been working, they may have been middle class. They fall on hard times. They need public housing because they have fallen on hard times, and usually when you fall on hard times, you can't pay your bills—

Mr. WOODYARD. Right.

Chairwoman WATERS. —and you have to, you know, get yourself back together. So they need public housing.

How is it that someone who may be in difficulty, who has fallen on hard times, can't pay their bills, needs to get into public housing, how is it you keep them out because they can't pay their bills right now?

Mr. WOODYARD. We don't keep them out of public housing. They are in public housing or have a Section 8 voucher, but in order to return to a mixed income HOPE VI community, we attempt to help them repair their credit.

Chairwoman WATERS. Does anyone else do that?

Mr. FOX. We do something different.

Chairwoman WATERS. What do you do?

Mr. FOX. What we designed with the residents association is a Family First Program which—a key component of it is education, where we let residents know all of the educational facilities.

Chairwoman WATERS. But do you let them in with bad credit? Do you check their credit first?

Mr. FOX. No. They are already residents. They are already residents.

Chairwoman WATERS. Well, that is the right of return. But what I am hearing is, in this so-called "right of return" they may be stopped in your project, Mr. Woodyard, because they don't have good credit.

Is that true with you, Mr. Fox?

Mr. FOX. No. They are not stopped from coming in, but we do have an educational program—

Chairwoman WATERS. Okay.

Mr. FOX. —to try to improve it. Also to make the family aware of what educational facilities are available for children.

Chairwoman WATERS. That is good.

Mr. Kelly, in your project, if someone who is sitting on the panel to determine whether or not the people can get back in the HOPE VI, do they all have good credit?

Or what happens if they fall on hard times and their credit is bad? They are sitting in judgment. How do they do that?

Mr. KELLY. Well, the credit repair effort begins on day one. It actually begins early on. Much as there is the participatory approach in the design effort, the community supportive service component begins long prior to the actual building being done.

So the timeframe is such that we recognize—we tell everybody on the front end, this is a new dawn. We are really looking for folks to take advantage of the convenience and supportive service component of it, and credit repair is an important component of it.

No one is displaced by bad credit. And the credit standard that we have here is actually lower than the credit standard that our private partners have in the same development.

Chairwoman WATERS. All right. I am going to have to cut you off now. My time is up.

And I am going to go to Mr. Shays.

Mr. SHAYS. I am happy to yield to one of my colleagues, and then I will be happy to go.

Chairwoman WATERS. All right. Would you like to go, Mr. Cleaver?

Mr. CLEAVER. Thank you, Madam Chairwoman. Mr. Cabrera is gone, but maybe your expertise can assist me.

I looked at the HOPE VI statute, and it says if a guarantee under this section does not proceed within a reasonable timeframe, and there is a determination of the Secretary, the Secretary shall withdraw any grant amount under this section.

It goes on and says, the Secretary shall redistribute any withdrawn amounts to one or more other applicants eligible for assistance under this section. And my understanding from the Assistant Secretary was that wasn't possible. Maybe I just didn't read this in a way that wouldn't confuse me.

So I am wondering, in your PHAs, have you spent all of your HOPE VI money that was allocated? And if not, do you have any idea of what has happened to it?

Mr. WOODYARD. Congressman, we have spent all of our original grant, which was a 1993 grant. The other three grants that are revitalization grants are on schedule, and our funds are being expended according to the schedule that we agreed to with HUD. So we are not in danger of having any funds recaptured.

Our latest grant, the latest guidelines say that you have 4 years, and we are on schedule and actually a little under budget in our expenditures right now.

Mr. KELLY. If I can, sir, a recognition: I think it is important for the committee to note that from the time of appropriations to the time of award to the time the housing authority is actually getting the dollars, there is quite a bit of time that runs where the authority doesn't even have the dollars to deal with it. So I just want to add that to the discussion, the research, when you talk about the timeframe of it.

And if I can, one other important note for the committee's consideration, the District of Columbia Housing Authority was under some criticism for not meeting a timeline benchmark at one of our sites. And our position was, that is okay, because we were dealing with a very humanistic approach to relocation. And if we were to be dinged by HUD because of an arbitrary benchmark on time, it was something—we felt it was something worthy.

Because, I tell you, at the end of the day, there were no lawsuits. We had an opportunity for folks who wanted to return to express that opportunity, for the community buying into it; and at the end of the day, that is much more valuable than arbitrary timeframes.

Mr. FOX. Let me mention that we are meeting all of our benchmarks, and meeting them on time. However, it is a substantial challenge to meet them because we are juggling about five grants at one time.

You bring on the HOPE VI Program, you have to get the tax credit within the cycle of the State tax credits. You also have to apply for debt with your housing finance agency. You are working with the city to bring on grants, and they have timetables. And you are also working with homeownership programs and with syndicators.

All those items have to be balanced—and deliver the construction on time, and still facilitate excellent communications with the neighborhood; and that sometimes—by having those excellent communications and not going faster than the people are ready for, for the next phase, that can slow you down.

But even with all of that, we have been able to meet our benchmarks, stay on time, expend the money, and be in the correct phases.

But it is a challenge in the HOPE VI Program, because you are leveraging the HOPE VI money, which may be around $20 million, two, three and four times which, in private industry that isn't always done. But we in public housing, remarkably, are quite often able to leverage our money three and four times in the real estate community at large. That is excellent.

Mr. MONTIEL. Congressman, in Los Angeles we only have one open grant, and we are about halfway done with that. The other grants have been closed, finished out.

Mr. CLEAVER. Mr. Miller is not here now, but he had mentioned or suggested that there were private developers who would be anxious to do this. We did four HOPE VI projects in Kansas City when I was mayor, and maybe I overlooked the private developers who were beating on the door to get in.

Are you finding that the private developers are hounding you about participation?

Mr. FOX. We have found that we have had excellent participation with private developers where we have been the asset manager, and also where we have jointly been co-developer. And I want to say that we have also had nonprofits actually put proposals in to us to do a certain phase of the development where, under our asset management, they will manage the property and receive certain fundings; so that there is a partnership already in the public housing program with private developers and with nonprofits.

Chairwoman WATERS. Thank you very much.

Mr. Shays?

Mr. SHAYS. Thank you. I would like to ask each of you to add to the Secretary's testimony any response to any questions, anything that each of you would like to just highlight as something you agree or disagree with, to start.

Mr. MONTIEL. I think what I agree with, Congressman, is that in Los Angeles, we will have nonprofit and for-profit partners, and we will seek to triple the number of units by adding a workforce and market rate component to our public housing component.

Mr. WOODYARD. The only thing I would add is a partial answer to Congressman Cleaver's question, and that is that there are not private developers clamoring to do HOPE VI without a public housing authority partner.

And that is a segue to this comment: that the body of regulations and bureaucracy associated with the HOPE VI grant process is extremely complicated. It is not just the financial mechanism. So the idea of jumping through the regulatory hoops is something that most private sector partners do not want to do, and we would suggest that the program be simplified.

Mr. SHAYS. Thank you.

Mr. FOX. I heard the Secretary say that this program should not be funded. I find that hard to understand. With HUD's own study of a $20 billion backlog of modernization needs in the public housing of America and HUD's own study, out of the 80 million renters in America, 5.9 million, as reported in the New York Times the other day, are distressed in that they live in substandard housing or housing where they pay more than 50 percent of their income. This is an excellent model to go forward and have a housing production program in America.

Could I point out to the Congressmen and Congresswomen today that we don't have a production—a housing production program for affordable housing in America other than the tax credit program.

Mr. SHAYS. Thank you.

Mr. Kelly.

Mr. KELLY. If I can echo my colleague's comments of a moment ago, it is worth it. The Secretary talked of simplicity, and I totally concur.

The Secretary also referenced the community-supported service component of it. That is critically needed, especially in light of the loss of the Public Housing Drug Elimination Program funding. And here in the District and, I think, across the country, the capital grant dollars—not enough; the development program—not in existence.

Without this program, there is still very much a gap between what we have done and what we still need to do. And I think—the colleagues that I have across the country have now developed the expertise, we have developed the relationships with the private development community in terms of respect and the ability to do this stuff. And we really just need to have a program like HOPE VI reauthorized to get it done.

Mr. SHAYS. The thing that just kind of confuses me a bit is that my Republican colleagues talk about how we should have the private sector, and we don't want a government program running things. And this is this magnificent program that marries everyone together and eliminates what I think is the worst part of the traditional public housing, where we just warehouse the poor.

And so at every level it would seem to me that instinctively my Republican colleagues would be the most enthusiastic about this program. Besides that, they are not saying the program doesn't run well, they are not saying there is a lot of waste; they are just saying that it takes too long. That is their one criticism.

So I appreciate all of you staying with it, and I yield back my time.

Chairwoman WATERS. Thank you very much.

Mr. Green?

Mr. GREEN. Thank you, Madam Chairwoman.

It seems to me that the Administration doesn't want a HOPE VI Program. They would like to have a Hope Zero Program, because zero is the amount of money that they proposed to allocate for the program. And that is very unfortunate, it really is, because I think by most standards this program has been a success. And most of the people who are where the rubber meets the road would like to see the program continue and expand upon the program.

I question where the Administration acquires its intelligence such that it concludes that this program is not worthy of continuation. It really is something that baffles me.

But the good news is, we have a chairman who believes in the program, and we have a subcommittee chairwoman who believes in the program. I am just grateful that these persons are in place, and hopefully, with them, we will move forward in a positive direction.

Now, having said that, Mr. Woodyard, and I appeal to you, because when the Chair addressed the question of credit, I too was baffled as to how is it that a person can be creditworthy for a Section 8 voucher, but not creditworthy for a HOPE VI dwelling. I don't see the connectivity.

I don't see the nexus between the credit and living in the HOPE VI project.

Mr. WOODYARD. For Charlotte, HOPE VI is synonymous with an effort to move towards self-sufficiency. So by its very nature, in our City, once you become a nonsenior resident of a HOPE VI community, you have made a commitment to, in 5 to 7 years, move up and out of public housing. So it really is a push to move people toward self-sufficiency.

Now, if the credit ratio doesn't meet our standards, or whatever the index is for credit doesn't meet our standards, we work with them strongly for credit repair. So their credit may be okay for public housing in a 100 percent public housing community or a voucher community, but you have not committed to, in those cases, a movement toward self-sufficiency.

So we work with you, because at the end of the day, we have a Homeownership Institute for our families; and we have a success rate that we are very proud of—when people graduate from our institute, and are living in a HOPE VI community, they are mortgage-ready and going to buy homes. So that is our goal, not just to house them, but also to move them out of public assistance.

Mr. GREEN. And you have statistical information to validate a success ratio that you—

Mr. WOODYARD. I do. It is not in my written testimony, but I can provide that.

Mr. GREEN. I would be interested in seeing your statistical information, the empirical data that supports your contentions.

Mr. WOODYARD. Yes.

Mr. GREEN. Now one more thing. I understand that some housing projects require persons to be employed before you can re-enter as well. If you have such a requirement, would you kindly extend your hand into the air?

Mr. Woodyard, let us talk about the employment facet.

Mr. WOODYARD. It is actually the same answer as the credit repair answer.

Mr. GREEN. All right. Thank you, Madam Chairwoman. I yield back.

Chairwoman WATERS. I am sorry, we were back here commenting on the credit problem. So I am going to move to Mr. Watt now for 5 minutes.

Mr. WATT. Thank you, Madam Chairwoman. And I really would like not to take 5 minutes, but I do want to explore one aspect of what we are trying to do, something that Mr. Fox and Mr. Kelly touched upon in their comments; and I know that it is an issue that all of us are wrestling with. That is the issue of one-for-one replacement.

I think Mr. Fox and Mr. Kelly both indicated that it may not be possible in every one of these to provide for one-for-one replacement. I am not sure that I think that is an option. But I do want to assure them that we are very seriously concerned about how this one-for-one replacement issue plays out.

We know that, for example, in Charlotte, if we play it out in the way that would require constructing the one-for-one low-income replacement unit in every community that is a HOPE VI community we would run afoul of some litigation that has taken place there, because the courts have prohibited—because of concentrations of public housing, they have prohibited constructing more public

housing in some sections of our city until that is spread around, which is consistent with our public policy to spread poverty and public housing around to other parts of the community.

It is not because people don't want it in their backyard, it is because we know that we have to force some people on the opposite side of town to take it in their backyard, whether they want it or not.

We know that, as either Mr. Fox or Mr. Kelly indicated, it is also a function of the amount of the HOPE VI grant and the size of the project, because if you are taking out 100 public housing units, it may be easier to put 100 public housing units back in a 500- or 400-unit development, HOPE VI development. But if you are able to put back in only 100 units, all you have done is reconcentrated poverty, and that undermines the original objective.

So I am not sure we can get where Mr. Fox and Mr. Kelly said we might need to get on this as a public policy issue, where you don't require one-for-one replacement. I think a number of us are absolutely unequivocally committed to that.

But it may be possible to define one-for-one replacement in different ways, not necessarily in the HOPE VI redevelopment itself, in a larger community context, maybe some consideration of Section 8 vouchers in appropriate circumstances. But the wording of that has to be very carefully crafted, and maybe, in some extreme circumstances where a housing authority could justify not doing one-for-one replacement, some kind of waiver system that once they demonstrated that it is entirely impossible or inconceivable to do one-for-one replacement in a reasonable timeframe.

But the bottom line is, I have invited a number of people to try to craft language that encapsulates all of those things. And I hope you will be actively encouraging people within the next day or so to give us that language, because we are at a critical juncture in this process now. And it gets more difficult to change the language once it is in a bill and the bill has been introduced than it is to try to get it right in the original bill.

So I hope you all will aggressively push to come up with some language that would meet all of the considerations that I have just outlined to you here, and invite you to do that.

I thank the chairwoman and I yield back.

Chairwoman WATERS. I thank you very much, Mr. Watt. And I would like to thank our panel for coming today and providing us with such valuable information. I want to thank you for your patience also.

And I think Mr. Watt's advice about getting information to us that you think would be important to make this a stronger bill is very important. Let me just add a little bit of a warning on this; and that is that one-for-one, as Mr. Watt said, is extremely important to many of us. And number two, I don't think that I am working hard on HOPE VI just for people who are employed and have good credit. So be careful with that. Thank you.

Some members may have additional questions for this panel which they wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record. And thank you again.

On our next panel, we will have Dr. Susan Popkin, principal research associate at the Urban Institute; Ms. Yvonne Stratford of Miami, Florida—Ms. Stratford is the leader of Low Income Families Fighting Together, and a former resident of the Scott/Carver Homes Public Housing Development, a HOPE VI grant site—Mr. George Moses, chair of the board of directors of the National Low Income Housing Coalition; and Ms. Doris Koo, president and CEO of Enterprise Community Partners. So, without objection, your written statements will be made a part of the record, and you will now be recognized for a 5-minute summary of your testimony.

With that, we will go to our first witness, Dr. Susan Popkin.

STATEMENT OF DR. SUSAN J. POPKIN, PRINCIPAL RESEARCH ASSOCIATE, THE URBAN INSTITUTE

Dr. POPKIN. Chairwoman Waters, and members of the committee, thank you for inviting me to testify at this hearing on the proposed reauthorization of the HOPE VI Program.

My remarks today are based on findings from the Urban Institute's HOPE VI Panel Study. This research is the only national study of outcomes for HOPE VI families, and addresses basic questions about where residents move and how HOPE VI affects their wellbeing overall. This study has tracked the experiences of a sample of about 900 residents from five developments across the country that were slated for redevelopment in 1999 and 2000; I am going to give you some of the highlights.

First, most of the residents in our study have not yet moved back. The largest number, 43 percent, have received Housing Choice Vouchers. Another third have moved to traditional public housing developments. Some of those are still in their original development. And only 5 percent are living in mixed income communities. These sites are not yet complete, and the number of returning residents will likely increase over time. But there are simply fewer public housing units for them to return to, and some sites have imposed screening criteria that exclude some former residents.

On the positive side, many of the residents who have moved on are satisfied with their new housing, and are not interested in returning. Voucher movers and those in mixed income communities report substantial improvements in housing quality and are living in lower poverty neighborhoods. They are living in conditions that are far safer than their original developments.

Nearly all of them reported big problems with crime and drug trafficking before they moved; only 16 percent of them report such problems now. These improvements in safety have had a profound impact on their quality of life. They can let their children play outside, they are sleeping better, and are feeling less worried and anxious overall. There is no question that the enormous improvement in safety and reduction in fear of crime has been the biggest benefit for most moves.

Children who have moved to these safer neighborhoods are also doing better in important ways. However, those who have been left behind in traditional public housing, especially teenage girls, are struggling and increasingly likely to be involved in delinquent behavior.

While residents who have moved with vouchers are doing well overall, many are having trouble making ends meet, and are struggling to pay their utilities. Poor health is an extremely serious problem for these residents. They suffer conditions like hypertension, diabetes, and depression at rates more than twice the average for black women nationally. And the death rate of HOPE VI residents far exceeds the national average for black women, with the gap increasing dramatically at older ages. Residents' health problems impede their ability to work.

Because of these barriers, we find HOPE VI had no impact on employment rates overall. Indeed, helping residents manage their health challenges could be a more effective self-sufficiency strategy than job training or job placement alone.

Hope IV did not increase homelessness. Less than 2 percent of these residents experienced homelessness at some point during the 4 years that we tracked them. Another 5 percent were precariously housed, which means they were doubled up with friends or family. These figures are comparable to those from other studies of public housing populations.

And, finally, HOPE VI is not a solution for the hard-to-house—families who are coping with problems such as mental illness, severe physical illness, substance abuse, poor work histories, and criminal records. Hard-to-house families are more likely to end up in traditional public housing than the private market, and so are little better off than they were before HOPE VI revitalization.

Housing authorities should offer meaningful relocation counseling to help residents make informed choices and should provide long-term support to help more families succeed in the private market or return to mixed income housing. Housing authorities should provide effective case management and better supportive services for the most vulnerable residents—children, the elderly, and those with health problems—during and after relocation.

In conclusion, HOPE VI has done much to improve the living condition of many former residents, but there are still tens of thousands of public housing units that are severely distressed. The families who live in these developments face the same daily fears and threats as those in the Hope VI Panel Study who have not been able to move on. These findings clearly indicate the need to continue to fund revitalization of the remaining stock of distressed public housing.

[The prepared statement of Dr. Popkin can be found on page 89 of the appendix.]

Chairwoman WATERS. Thank you very much.

Ms. Stratford?

STATEMENT OF YVONNE STRATFORD, FORMER RESIDENT OF SCOTT/CARVER HOMES, MIAMI, FLORIDA

Ms. STRATFORD. I would like to thank Chairwoman Maxine Waters, Ranking Member Biggert, and the other members of the subcommittee for inviting me to testify on HOPE VI.

My name is Yvonne Stratford, and I am a resident of Annie Coleman's Public Housing Project in Miami, Florida. I have been living there for 5 years. I am here as a LIFFT member—Low Income Families Fighting Together—a nonprofit organization and grass-

roots organization of public housing and other low-income residents in Miami.

LIFFT members have a very personal experience with HOPE VI. I am one of many members who lived in Scott/Carver Public Housing Project, an 850-unit project that was demolished in 2003 as part of a HOPE VI project. My family was one of the first ones to be forced out.

As a result of our experience with the Scott/Carver HOPE VI Project, we have very serious concerns with the program. Our HOPE VI Project is supposed to better our lives, but it has failed us. It failed the 1,178 families who were moved out. Many were made homeless, and no new public housing has been built. I have still have not been able to return home. After all of us were relocated in 2002 and 2003, the building was demolished, and nothing was built for years.

The Scott/Carver HOPE VI Project is only going to replace 80 of 850 units of public housing, so many people cannot go back. As you can see, the HOPE VI Program did not work for us.

But the new leaders of the Miami-Dade Housing have changed. They have agreed with LIFFT's suggestions. I am glad that they are working with us, with the former Scott/Carver residents. They are putting the people back into houses.

What we learned from HOPE VI in Miami allowed us to make suggestions for a better HOPE VI around the United States. First, LIFFT believes that HOPE VI must require replacement of all public housing units with new public housing. Second, we believe that the residents who lived there before should be able to return without new requirements. Third, we believe that the homes should be rebuilt in phases, and people should be able to move back in over time. Also, replacement houses should be built before all housing is torn down, so that families are not lost while they are waiting to return to their neighborhoods. Finally, we believe that the residents who do take Section 8 should get a lot of help in relocation.

We understand that the committee is considering these requirements, and we want to thank you and urge you to include them.

Thank you again for inviting me to testify, and I would be happy to answer any questions that you have.

[The prepared statement of Ms. Stratford can be found on page 112 of the appendix.]

Chairwoman WATERS. Thank you very, very much.

Next we will hear from Mr. Moses.

STATEMENT OF GEORGE MOSES, CHAIRMAN, BOARD OF DIRECTORS, NATIONAL LOW INCOME HOUSING COALITION

Mr. MOSES. Good afternoon. I would like to thank Chairwoman Waters, Ranking Member Biggert, and the rest of the subcommittee for inviting me here today.

My name is George Moses, and I am chairman of the board of directors for the National Low Income Housing Coalition. The Coalition is dedicated solely to ending the affordable housing crisis. I have served as board chairman since 2006. I am also on the board of directors of the Housing Alliance of Pennsylvania, which is a statewide housing organization dedicated to homes within reach for all Pennsylvanians, and I am a member of the Southwestern Penn-

sylvania Alliance of HUD Tenants. That is a tenant organization that provides good information to project-based housing coalitions and also public housing communities.

I am here today to talk about the HOPE VI Program in Pittsburgh, Pennsylvania. There are three HOPE VI Projects in Pittsburgh. The two I will reference are called Aliquippa Terrace, now known as Oak Hill, and Bedford Dwellings, now known as Bedford Hill, both located in the historic Hill District of the City of Pittsburgh.

The residents at the beginning were not engaged in the planning process. The housing authority already brought a plan to them and said, let's do this plan. They were told that there would be no one-for-one replacement, and if they took a Section 8 voucher, they would not be able to return to the property. In the case of Aliquippa Terrace, now known as Oak Hill, 400—let me say that again—400 persons vanished. They don't even know where they are to this day.

And furthermore, the Oak Hill Resident Council had just sued the Housing Authority of the City of Pittsburgh to complete the HOPE VI deal that was promised in 2000. Therefore, we approached the possibility of reauthorization of the HOPE VI with considerable caution.

We very much appreciate the subcommittee's intentions to improve the HOPE VI Program, and we will work with you to make that happen. I lived in project-based Section 8 housing on and off from 1990 until last year. One of the places I lived was Federal American Properties, located in the East Liberty section of Pittsburgh. The owners of these properties were from Fort Lauderdale, Florida. We called them absentee landowners.

After being frustrated in attempts to organize those residents to stand up and fight for their rights, I moved. That hurt, and it was a big mistake. We were viewed by many officials—property owners, managers, and local HUD—as a bunch of complainers. When the property eventually fell into complete disrepair, HUD foreclosed and sold to a nonprofit. The nonprofit they sold it to was not the nonprofit that the residents had selected to buy the property and be their partners.

When this project is completed, there will be a number of units rebuilt, but not in the amount that were there when the project was foreclosed upon. There is a shortage of over 10,000 housing units in the City of Pittsburgh, as I speak.

People in public housing have experienced the same things that these people have experienced, not being part of the process, not being given good information about housing choices, no one-for-one replacement, and not being able to return to the development. The National Low Income Housing Coalition urges a major reform to the HOPE VI Program, and I have outlined those in my recommendations and the testimony I submitted.

We believe that resident participation is crucial to the process, and it must begin at the beginning, before the plan is even submitted. We believe that there should be one-for-one replacements, because if you take a Section 8 voucher in Pittsburgh and you try to move to a nonracial-impacted neighborhood, you can't. You are therefore forced to move back to another racial-impacted neighbor-

hood, limiting your choices, and the ability of your kids to move on to a better life. Overall, public housing is in desperate need of additional funding.

I originally came here yesterday to participate in a rally for more capital and operating funds for public housing authorities, and many people came from the State of Pennsylvania, as well as all over. The rally was intended to urge and gather more funding for public housing operating and capital funding.

I thank you for giving me the opportunity to speak to you today, and I will be available for questions afterwards. Thank you.

[The prepared statement of Mr. Moses can be found on page 83 of the appendix.]

Chairwoman WATERS. Thank you very much.

Ms. Doris Koo.

STATEMENT OF DORIS W. KOO, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ENTERPRISE COMMUNITY PARTNERS, INC.

Ms. KOO. Thank you, Chairwoman Waters, and distinguished members of the House Financial Services Committee for the opportunity to speak before you today. My name is Doris Koo, and I am president and CEO of Enterprise Community Partners.

We are a national nonprofit that brings development capital and expertise into helping build low-income housing. In the last 25 years, we have built 215,000 units of housing, investing about $8 billion in grants, loans, and equity. Our investment portfolio includes more than 20 HOPE VI developments across the country.

Before I joined Enterprise, I was deputy director of the Seattle Housing Authority, and we took on four HOPE VI developments of our public housing complexes. Seattle Housing Authority was unique in the sense that we were one of the few housing authorities that voluntarily committed to one-for-one replacement housing and full residents opportunities to return. We replaced all of the housing that had been torn down since 1994. Every one of them had been replaced, both on and off-site, in scattered sites, in partnership with the private sector, nonprofit sector, and faith-based developers. We leveraged $135 million in HOPE VI dollars into $600 million in private investment.

We are now trying to do the same and replicate these principles and best practices in New Orleans with a partner to rebuild the Lafitte Public Housing. As you have heard, HOPE VI is a principle, but the implementation is subject to the skill set and the commitment of housing authorities all around the country. So it will be advisable to have in the reauthorization some stronger policy guidance on four principles, and I can sum them up as follows: equity; opportunity; sustainability; and preservation.

The first principle has to be ensuring equity and fairness in the redevelopment. Residents must be full partners in the HOPE VI process before, during, and after. They must have access to adequate and appropriate support services, from relocation counseling, health care, job training, child care. They be must be apprised of their choices, housing options, and provided an opportunity to return if they so choose. And to the greatest extent possible, residents must be given the assurance that they have the ability to

come back to a vibrant community, as opposed to in those situations that we heard, scattered to other impacted communities.

Secondly, opportunity. We feel that from our experience that schools serving these communities' children must be of high quality. We know that better schools attract families to neighborhoods and boost property values. But better schools are needed for our own public housing residents, who need that opportunity to get up and out of poverty by accessing quality education. Again, in some of the HOPE VI projects that we have taken on, we have included an alignment with local public housing and local school systems so that you work in sync to support both improved schools as well as improved communities.

Third is the question of sustainability. HOPE VI promises to create mixed income viable and sustainable communities. They provide the best possibility for incorporating design, support services, as well as long-term green building practices. Energy costs rise very high and fast, especially for low-income households, who spend a disproportionate amount of their income on paying energy bills, and also suffer disproportionately illnesses such as asthma and lead poisoning.

If you think of HUD's energy budget, it is $4 billion in utility allowances every year; 10 percent of its budget is spent on utility allowance. If we can just save 5 percent of that spending, in 5 years we would have saved a billion dollars of new investment for one-for-one replacement housing. I can talk more about those examples that we have, but we have at least two HOPE VI projects that are done, fully compliant with green standards.

Finally, the whole question of preservation and one-for-one. One-for-one must not be done to further impact concentration of poverty. So the principle of one-for-one is to preserve affordability as opposed to just the physical location of units. We have good examples that we can share with the committee how to replace affordable units in partnership with others throughout the city and in different developments.

So, in conclusion, these four principles—equity, opportunity, sustainability, and preservation—must be embedded in policy recommendations and strictly adhered to as we reauthorize the HOPE VI Program. And we strongly recommend full reauthorization of the HOPE VI Program with these principles embedded. Thank you very much.

[The prepared statement of Ms. Koo can be found on page 72 of the appendix.]

Chairwoman WATERS. Thank you very much.

I appreciate the time that you have put in today and your patience. Let me begin again with a statement.

It has taken me some years to basically believe that HOPE VI was going to be the kind of program that I could support. I have always been worried about HOPE VI, and at times I thought that it was a program that was designed to get rid of so-called "problems" in public housing, to thin out public housing and to basically have a development that is problem free and would make life a lot better for the public housing authorities.

I have since come to believe that we can make HOPE VI work. And it is not simply the way I thought of HOPE VI in the begin-

ning. I am committed to the proposition that we can have HOPE VI, and it can be the kind of a program and development that should do what was intended for people who are low-income, people who are in need of support from their government, people who may not be working, people who may have had some problems in the past, people who want to get their lives together. And I think that whether we are talking about public housing as we know it, or HOPE VI, we should not lose sight of the mission for public housing.

I think that none of it works without the support services, and we have not had the support services in public housing that are needed traditionally. And HOPE VI certainly holds out great possibilities for having that kind of support.

But again, I am going to reiterate—and my public housing directors, I really want them to hear this—I am not about to work to develop letter-perfect HOPE VI Programs that house employed people and people with good credit and people with no problems, because maybe they don't need public housing in the way that people who are unemployed, who have had some problems, and who have bad credit may need public housing.

So I have some real problems with what appear to be regulations or policies that are being developed at the local level about who can and who cannot live in HOPE VI projects. And I am wondering whether or not we are going to have to spend some more time writing into our bill some protections against some of the policies and practices that I am hearing.

One of the things I am sure I am going to try and do is to write more specificity into resident involvement. It seems to differ all over the place. And some people think resident involvement is a public meeting where you have as many people as you can get to come out, and you kind of tell them what you are going to do, and then you just go about your business and do it.

Other people believe that it is a series of meetings, with as much involvement as you can get, that it is not a one-time thing, that it is really involving people in design and other kinds of policies, and I tend to believe that.

I am not one who is fooled by hand-picked resident councils or boards that are the favorites of the directors who do what they are told. I am really, really—I know the difference. I have worked with public housing long enough to know that.

So I am really thinking about what we can do to develop some guidelines for some real resident involvement. And of course I will be talking with my colleagues about the elimination of some of the policies that others will argue that the residents would like to have.

I just think that requiring good credit before you can live in HOPE VI projects flies in the face of trying to help people when they need you most. So I just want to say, so that word will get out that Maxine Waters said some things, and that some people may not like it, and there are going to be problems, and all of that. But I do wish to be as honest and as frank as I can possibly be about my very strong feelings about some of that.

And having said that, I have gone way over my time, and I will call on Mr. Cleaver.

Mr. CLEAVER. Madam Chairwoman, thank you. The hour is late, and I know some of you have better things to do than to talk to me, and it won't hurt my feelings.

But if we had sufficient time—and I think we are going to have a vote in few minutes—Ms. Koo, I would really like to have some discussion with you about the greening of HOPE VI. And actually—I mean, we need to—I hope PHA chairs will start becoming intentional about hiring green PHA directors. If we don't do that—I mean, one of the criteria ought to be, you know, in the qualifications "green thumb." I mean, if we don't have a green thumb director in 2007, it means that the poorest people are going to live in the most costly units for energy, and the Federal Government is a participant.

So I thank all of you for all of the time and effort you put into coming here to be with us. It is very helpful as we are trying to formulate this legislation. And I will, for good or bad, be with Chairwoman Waters in this legislation. Thank you.

Ms. KOO. Thank you, sir.

Chairwoman WATERS. I would like to thank you very much. And I thank again this panel for being here. I know that some members may have additional questions for this panel that they will submit in writing. And without objection, the hearing record will remain open for 30 days for members to submit written questions to the witnesses and to place their responses in the record.

I would like to now say to you, please feel free to contact me, or to contact our staff. We want to work with you. We want your ideas. We want your input. And let's see if we cannot work together to get a bill that will help satisfy the concerns from different ones of us. I thank you very much for being here.

We need unanimous consent to submit all of the written statements into the record. With that, the panel is dismissed. And thank you very much.

Ms. STRATFORD. Excuse me. Could I give you this? Because there is some stuff that I did leave out of here. Because as of now we are still finding people. We found the people, my organization. They lost 116 people—

Chairwoman WATERS. Okay.

Ms. STRATFORD. —the county. And we had to go in the street and find those people.

Chairwoman WATERS. Well, that is exactly what we want to prevent. And we don't want the kind of policies, like I said, that are designed to lose people, to thin it out, or to get rid of people. So, yes, leave your statement with us, and we will put it in the official record. Thank you very much.

[Whereupon, at 5:31 p.m., the hearing was adjourned.]

A P P E N D I X

June 21, 2007

STATEMENT OF ORLANDO J. CABRERA

Assistant Secretary for Public and Indian Housing
U.S. Department of Housing and Urban Development

Hearing before the Subcommittee on Housing and Community Opportunity

United States House of Representatives

"Reauthorization of the HOPE VI Program"

June 21, 2007

Chairwoman Waters, Ranking Member Biggert, and members of the Subcommittee, my name is Orlando Cabrera and I am the Assistant Secretary for Public and Indian Housing at HUD. Thank you for the opportunity to discuss the HOPE VI program. Since the creation of this program in 1992, we have learned many things about public housing revitalization. I will share our progress in implementing HOPE VI over the last 15 years and address a number of issues that are often raised by members of Congress and housing advocates as possible changes to the program.

Demolition, Construction and Completed Developments

The HOPE VI program has proven to be a slow vehicle for revitalizing distressed public housing. Of the 237 HOPE VI Revitalization grants awarded by HUD, only 72 (30%) sites are complete (100% of total unit construction and rehabilitation completed), with another 30 nearing completion (80% or more of total unit construction and rehabilitation completed). While progress continues to be slow, the number of completed sites has increased by 176% since 2003 when only 26 sites were completed. Additionally, 183 (77%) sites have completed tenant relocation and 197 (83%) sites have achieved 100% of planned demolition.

As of the second quarter of FY 2006 (the most recent quarter that data is available), 78,115 public housing units have been demolished under HOPE VI Revitalization grants, with an additional 10,354 planned for demolition. Grantees plan to construct 103,637 public housing, low-income housing tax credit (LIHTC), and market rate units to replace demolished public housing units. In addition, 56,524 tenant based housing vouchers have or will be provided under the HOPE VI Revitalization and HOPE VI Demolition-only grant programs as replacement housing. When combining all housing types, including vouchers, 160,061 housing units will be provided as a replacement to the 88,469 units that have been or will be demolished under the HOPE VI Revitalization grant program, plus additional units demolished under the HOPE VI Demolition-only grant program. This is a net gain of 71,592 housing units, most of which target public housing eligible families.

The HOPE VI program has annual productivity goals in four areas: household relocation, units demolished, units completed (new construction and rehabilitation) and units occupied. In FY 2006, the Department exceeded its goals for each of these areas, with the exception of Units Demolished due to partial data. Grantees relocated 2,962 families (205% of the goal), demolished 2,305 units (89% of the goal), constructed 7,085 (109% of the goal) and occupied 8,081 completed units (128% of the goal). These figures are based on partial year data and the Department expects to exceed all annual productivity goals after the remaining data is collected for FY 2006.

The HOPE VI program office continues to emphasize timelines and accountability in the implementation of HOPE VI grants in order to achieve its goals. The Department stresses vigilant management and monitoring of grants by grant managers, PHA accountability across deadlines and program schedules, and risk assessments.

Relocation and Community and Supportive Services

Under the HOPE VI Revitalization grant, housing authorities are required to provide eligible residents with relocation benefits and community and supportive services. Since 1992, HOPE VI grantees have provided relocation services to 63,885 households, and offered community and supportive services to 87,235 adult residents and their children. In particular, over 62,000 residents have participated in employment preparation and placement programs, and over 11,600 have enrolled in homeownership counseling programs, including 2,559 residents who have purchased a home. In addition to these efforts, HOPE VI grantees are also required to track residents throughout the life of the grant and to provide them with information on reoccupancy of the HOPE VI site and services that are available to them.

In terms of relocation outcomes, studies by the Urban Institute over the last 10 years show that most relocated residents live in better, safer neighborhoods after relocation. These studies also found that very few families became homeless as part of this process. A 2007 Urban Institute study on relocation outcomes at five HOPE VI sites found that only 1% of 715 relocatees experienced homelessness over the duration of the grants.

Amount and Type of Financial Assistance Provided

As of June 9, 2007, HUD has awarded $5.8 billion in HOPE VI Revitalization funds, and housing authorities have expended $4.4 billion (76%) of these funds. This is an increase of 28% in the ratio of expended to appropriated funds from 2003, when only 48% of all appropriated funds were expended. The amount expended across all other funding sources as of March 31, 2006 is $5.8 billion, including the following sources:

- $906,622,231 in other public housing funds;
- $539,073,672 in other federal funds;
- $4,005,174,373 in non-federal funds (including equity from tax credits); and
- $395,323,275 in HOPE VI Demolition-only funds.

The total amount of funds expended, including both HOPE VI funds and other sources, across all 237 HOPE VI grants is $10.3 billion. Funds expended means the actual amount of funds expended as of June 9, 2007 for HOPE VI funds and the second quarter of FY 2006 for other sources. Therefore, these figures do not necessarily reflect all resources that are committed to the projects.

Programmatic Issues

Over the last several years, a number of programmatic changes for the HOPE VI program have been debated in Congress and among industry advocates. I would like to take this opportunity to comment on several of these issues, including elements in a Senate bill (S. 829) to reauthorize the HOPE VI program.

HOPE VI and School Reform Efforts

The quality of schools in HOPE VI neighborhoods has long been considered an unaddressed collateral issue that undermines the outcomes for children living in HOPE VI developments. In addition, as the program emphasized mixed-income neighborhoods, including market rate tenants, poor neighborhood schools became a liability in attracting these tenants to the new development and surrounding neighborhood. Today, many believe that good schools in HOPE VI neighborhoods are central to the success of a revitalization effort because they are a critical variable in creating opportunities for low-income children, attracting market rate residents with children to the community and in supporting both the short and long-term outcomes for HOPE VI families. Following from these assertions, Senate Bill 829 stipulates that school reform efforts should be a required component of the HOPE VI Revitalization grant, and that housing authorities and HUD should implement this component in targeted neighborhoods.

HUD agrees that the quality of neighborhood schools can be an important factor in the success of a HOPE VI revitalization process and improved outcomes for HOPE VI children and families. However, it may not be possible for many housing authorities to develop school reform plans as part of the HOPE VI application process. Potential grantees may need planning grants to fund the development of these strategies, ensuring that they have adequate resources for developing these plans (which could take several years) and that they are ready to implement effective plans at the start of the HOPE VI revitalization process.

After the plan is established, the Department also recognizes the difficulty many housing authorities might have in implementing this vision as part of the HOPE VI revitalization process, given the challenges that some housing authorities have in staying on schedule under the current program. As such, timelines and closeout dates established by HUD would likely need to be flexible and open for extension. Another option would be disentangling the timelines for school reform (which may not include HOPE VI funds) and the HOPE VI revitalization process, setting each to an individual schedule and planned completion date.

On another level, HUD lacks the expertise to devise and administer a program to improve local schools. This falls under the mission of the Department of Education (DoED), which provides federal assistance for school reform for Title I schools. The subcommittee should seek DoED's expertise on defining how best to address this issue.

Mandatory site visits as part of application process

Senate Bill 829 also stipulates that site visits should be a mandatory component in the review of HOPE VI funding applications. This would be a significant departure from the current competition process. Site visits as part of the competition process would clearly improve the quality and quantity of information available to HUD staff in making funding decisions, and may increase the readiness of housing authorities and revitalization plans. However, it would also add to the time from submission to approval, increase costs associated with the review process and reduce the amount of time HOPE VI grant managers have to work on their active projects.

The Department receives approximately 30 HOPE VI grant applications under current funding levels, and in the past received over 100 grant applications when funding levels were $500 Million or more. The process for receiving, reviewing and awarding HOPE VI funds takes up to three months at the current funding level. Adding mandatory site visits to this process would triple the amount of time required to select and award HOPE VI grants. Applicants would have to wait up to nine months for notification and award of funding.

Even if these activities were coordinated with local field offices, the time required to conduct site visits with over 30 applicants would slow the award process significantly. The staffing and travel costs associated with these visits would also be significant. Although HOPE VI receives set aside money for travel (it does not come out of the general HUD Salaries and Expense funds), there would still be increased costs that would reduce the amount available for grants.

In addition, the time commitment from HOPE VI grant managers for this process would be such that work on existing grants might be interrupted, delaying approvals and undermining the timely completion of projects. Given these realities, HUD would only be able to conduct site visits with a small sub-set of applicants scoring in the top tier in any grant cycle.

Performance benchmarks

The Department currently requires grantees to establish milestones and production checkpoints to track and monitor performance for development activities, relocation and community and supportive services. These performance measures are tracked by staff through a reporting system. HUD monitors housing authority progress in meeting their performance milestones and develops corrective action plans for those that miss these milestones. In cases where corrective actions are not taken, housing authorities have been subject to a range of punitive actions including suspension of funds, fines, default letters, and in extreme cases alternative administration of the HOPE VI program.

Although the Department now uses its own discretion in imposing a range of possible sanctions, Senate Bill 829 stipulates that the Secretary should be required to impose a range of sanctions for grantees that fail to meet their performance milestones. This reduces the amount of flexibility afforded the Secretary in situations where circumstances outside the control of a grantee precluded them from meeting grant milestones. The Department feels strongly that the Secretary should have discretion in deciding whether to levy sanctions in such situations, rather than creating statutory requirements that force the Department to impose a sanction regardless of the situation.

HOPE VI and the LIHTC Program

The Low-income Housing Tax Credit (LIHTC) Program represents a major resource to affordable housing developers. Between 1987 and 2004, the most recent date that data is available, nearly 25,500 tax credit projects were developed and placed in service, representing

more than 1 million affordable housing units. These credits are an important development resource for low-income housing programs in the Department, particularly public housing and supportive housing for the elderly (Section 202).

Public housing authorities are eligible to apply for LIHTCs, and the program requirements for this funding source are consistent with the mission of these agencies. Housing authorities can use LIHTCs to both increase the supply of affordable housing in their community and to revitalize existing developments that are obsolescent or distressed. Moreover, when combined with public housing resources, such as capital funds, HOPE VI funds and rental subsidies, LIHTCs can be used by housing authorities to serve very low-income families at or below 30% of AMI.

Across these projects, LIHTCs are an especially important form of leverage for HOPE VI developments. Since the inception of the HOPE VI program, 127 housing authorities have received 237 HOPE VI Revitalization grants. HOPE VI proposals are rated on their leveraging, with LIHTCs providing one of the major sources.

By 2005, 649 rental phases of development were planned across HOPE VI developments. Most (76%) of these phases included LIHTCs. HOPE VI developments account for 64% of all LIHTC projects managed by housing authorities. It should be clear from these statistics that LIHTCs are a nearly indispensable resource for the HOPE VI program. In fact, the phase closing schedules for most HOPE VI projects are built around the allocation timetables for LIHTCs.

Some have argued that the Secretary should accept proposed LIHTC allocations as if they were already awarded during the HOPE VI application process. In other words applicants would not be required to have their LIHTC funding in place prior to grant award. This runs contrary to competition requirements instituted by the Department that increase grantee readiness and speed project completion.

Grantees with funding in place generally start construction sooner and have replacement units available earlier than grantees that lack solid funding commitments. Although the Secretary could rescind funding if LIHTC allocations that were claimed in the application are not received after grant award, the likelihood is low that Congress and the Department would reclaim these funds post-award. The Department would then be left with a low-performing, under funded grantee, that may take years to complete the first phases of construction.

One-for-One Replacement

Public housing advocates have long argued for one-for-one replacement requirements under the HOPE VI program, either on the footprint of the development or in adjacent neighborhoods. However, this would be unfeasible in many communities and would likely increase the cost and time to complete a HOPE VI development.

The footprint of the development is often not large enough to accommodate one-for-one replacement without reconcentrating poverty and undermining the mixed-income model.

Moreover, available land and site control are significant barriers to in-fill development in surrounding or adjacent neighborhoods, which would cause delays and increase cost. In many cases, it would be impossible for a public housing authority to provide replacement housing in surrounding or adjacent neighborhoods because of these issues.

Others have added that a one-for-one replacement model should include requirements to complete the replacement units within a year of demolition. This timeline would be particularly unrealistic for many grantees, given the time it takes to construct a HOPE VI unit and the recommendations to build these units in areas proximate to the original development and not reconcentrate poverty.

It is difficult to quantify the total amount of additional funding that would be required in order to purchase land to accommodate a one-for-one replacement strategy that does not reconcentrate poverty. However, averages from the HOPE VI program can be extrapolated to provide an example of how a one-for-one replacement strategy could impact the amount of federal funding needed for construction as part of a public housing revitalization effort. A conservative estimate is that HOPE VI funding would have to increase by at least 33% to accommodate a one-for-one replacement model.

Across all HOPE VI program years and units (public housing, affordable, market rate and homeownership), the estimated average cost of completed units, including hard construction costs, demolition, planning/professional services and site improvements, is $153,441. On average, HOPE VI funds paid for less than half of the development costs ($63,114 per unit). The balance of the costs is covered by other federal, state, local and private sector funds in the form of debt and equity.

HOPE VI grantees plan to demolish 88,469 public housing units (88% of these units have already been demolished). They plan to replace this with 103,637 units across all housing types, including public housing, affordable, market rate and homeownership. Of the original 88,469 public housing units, grantees plan to build back 57,131 public housing rental or replacement homeownership units. This amounts to 65% of what was demolished. The total amount of HOPE VI funds awarded to support these activities is $5.8 billion. An additional $12 billion in other federal, state, local and private sector funds in the form of debt and equity are planned to cover the balance of the costs. The total amount budgeted across all sources is $17.6 billion.

Under a one-for-one replacement model, all of the 88,469 public housing units demolished under the HOPE VI program would have to be rebuilt. This would require the construction of an additional 31,338 public housing units. Using the cost per unit average of $153,441, this would require an additional $4.8 billion across all sources. Assuming that HOPE VI funds would only pay for an average of $63,114 per unit, constructing these units would require $1.9 billion in new HOPE VI funding and $2.9 billion in outside funding. This represents a 33% increase in HOPE VI funding. These calculations assume that no other housing types would be constructed. If one-for-one replacement is combined with a mixed-income model involving market rate units or other housing types, this would increase the number of units that

are constructed, as well as the amount of additional funding from other sources (but not the HOPE VI contribution - which can only be used for the construction of public housing units).

Elimination of Demolition-only grants

Since 1996, the HOPE VI program has awarded 285 Demolition-only grants to 127 housing authorities for the demolition of severely distressed public housing units. The grants have provided housing authorities with resources to raze distressed developments and relocate impacted families. The result is a cleared site that more readily attracts federal or private resources for the revitalization of the property.

Some have argued that these grants should be eliminated. However, Demolition-only grants are an especially important resource for housing agencies that do not have a HOPE VI revitalization grant, but have access to other funding sources such as LIHTCs. Without funding for demolition, a housing authority's ability to use LIHTCs combined with its Public Housing Capital Funds becomes limited.

Green Community and LEED Compliance

Green Community and LEED requirements in residential and non-residential construction are important variables that impact both time and cost estimates for a development. HUD recognizes the importance of these requirements, but some have recommended that HOPE VI grantees comply with both mandatory and non-mandatory elements of the Green Community and LEED criteria. This would increase the cost per unit for constructing public housing under the HOPE VI program. HUD works closely with housing agencies to keep total development costs (TDC) for public housing units in-line with federal standards, and these requirements could put many developments over TDC thresholds.

Notices of Intent and Resident right of return

HUD requires housing agencies to involve residents in the grant application process, development efforts, relocation, and community and supportive services. Under additional requirements in the Uniform Relocation Act (URA), which all HOPE VI grantees are obligated to follow, a housing agency must issue a notice of intention to redevelop a site and the right of residents to relocation benefits, among other notices related to the development of the property.

Some have suggested that separate requirements, beyond the URA, be established in HUD regulations to require housing authorities to submit a "notice of intent" to apply for a HOPE VI grant to residents 12 months prior to submission of the HOPE VI application. However, this may be a needless addition to current requirements given existing regulations under the URA. Moreover, most housing agencies do not decide to apply for a HOPE VI grant more than 12 months prior to the application deadline. The "notice of intent" requirement would thus make these housing authorities ineligible for funding.

In terms of reoccupancy, HUD currently requires that all HOPE VI grantees provide original residents first right of return to the revitalized site. However, first right of return is only open to residents that remain in good standing with the housing authority. In many cases, residents are in bad standing with the agency because of criminal activity on the site, lease violations or other issues that undermine public safety and community stability. Across most HOPE VI developments, resident leaders are in support of these screening efforts and request very strict return criteria to address these issues in the hope of establishing new standards for their community.

Some argue that screening and return criteria ought to be eliminated, and that all original residents, regardless of their standing with the housing authority should be allowed to return to the completed development. However, this would limit resident and housing authority efforts to screen tenants and define the standards of their community consistent with local concerns.

Number of distressed units remaining in the inventory

The number of units that require treatment under the HOPE VI program is open for debate. The totals often cited in Senate Bill 829 are estimates that were reported in an Urban Institute study released in 2004. In that study the authors estimated that there were between 46,900 and 81,900 units that might be "likely candidates for designation as severely distressed" based on adjusted Real Estate Assessment Center (REAC) scores. The authors further asserted, "that these indicators are not put forward as a true or complete definition of severely distressed public housing." In other words, the authors did not say that there are between 46,900 and 81,900 distressed units, instead they stressed that these units were only candidates for possible designation.

While the total number of units that require immediate treatment is debated, the estimates provided by the Urban Institute and the existing capital backlog in the public housing inventory ($18,000,000,000, with a $2,000,000,000 annual accrual) support the claim that some number of public housing units are severely distressed. The Department recognizes the importance of addressing distressed units and the capital backlog within the public housing inventory. However, HOPE VI is not the only program or funding vehicle for addressing these problems. In most cases this need can also be met through other modernization programs operated by the department e.g., the Capital Fund Financing, Section 30, and Mixed-Finance development. The Department will continue to encourage housing authorities in need of this assistance to also submit project proposals to these programs.

Conclusion

Madam Chairwoman and members of the Subcommittee, the Department has made great strides in increasing HOPE VI production and the number of completed developments over the last five years. Despite these efforts, the program remains a slow vehicle for public housing revitalization with a high cost per unit

The mission of the HOPE VI program, as originated in 1992, was to bring down 100,000 non-viable public housing units and replace them with less dense, well constructed mixed-income units. That mission has been completed, at least in terms of funding, in FY 2003. Since then, the Administration has proposed to terminate the program. Congress has decreased annual funding from $500-600 million to roughly $100 million per year. If the program were terminated tomorrow, HUD's management of the program would continue over several years as the large unspent balances ($1.4 billion as of June 9, 2007) would be slowly drawn down as these projects are built and finally completed.

I have addressed a number of proposed changes that have been suggested by housing advocates and Congress over the last several years. Many of these suggestions are unrealistic, or would further slow the construction of public housing units under the HOPE VI program, and undermine efforts to complete existing developments. Having said this, the Department is open to suggestions on how to redefine public housing revitalization in a manner that is both cost effective and efficient in terms of producing units.

Thank you and I look forward to your questions.

REAUTHORIZATION OF THE HOPE VI PROGRAM

Comments By: Stamford Housing Authority, 6/21/07

My name is Richard Fox and I serve as the Executive Director of the Stamford Housing Authority. My appearance is in support of the renewal of the HOPE VI program. I would like to comment on my experience as a HOPE VI practitioner and offer suggestions on how the program might be improved. I would like to thank Chairman Barney Frank and Chairwoman Maxine Waters, as well as Ranking Members Spencer Bachus and Judy Biggert for the opportunity to speak today. I would also like to thank and commend Congressman Christopher Shays for his commitment to the HOPE VI program and for the actions he has taken to ensure its continued success. I commend this Committee for the work that it has undertaken on behalf of housing programs and for the impact it has begun to achieve during the past 6 months.

Introduction

The Stamford Housing Authority is a progressive, medium sized public housing authority located in a city of 120,000 residents in Southwestern Connecticut. Stamford is a vibrant community that has enjoyed a consistently strong commercial base and has recently emerged as a key North American center of international banking. In part as a result of its economic success, housing prices in Stamford have escalated during the past 10 years such that the barriers to entry have become formidable. The city suffers from a chronic lack of housing that is affordable for low and moderate income households, and it has been recognized by the National Low Income Housing Coalition as the most costly rental market in the nation. This condition puts enormous pressure on the city's existing affordable housing stock, and it has led the Stamford Housing Authority to assume a leadership role in its development and preservation. The Authority has implemented two HOPE VI public housing revitalization grants, beginning in 1998 and 2004 respectively, to revitalize its two oldest complexes- Southfield Village and Fairfield Court. It has also achieved passage of historic state enabling legislation and obtained significant state bonding support to revitalize its portfolio of state-assisted public housing.

In its evolution as a successful sponsor and developer of mixed-income housing, the Stamford Housing Authority – and the community that it serves - has benefited from the HOPE VI program. This program has enabled the Authority to create various development models that are uniquely suited to the needs of our city. I would like to describe two of the successes of Stamford's HOPE VI efforts along with suggestions for overcoming challenges which have hampered the program.

Successes

Program Flexibility: The two HOPE VI efforts implemented by the Stamford Housing Authority are markedly different, with each attuned to the needs of a distinct resident population. The Southfield Village complex had housed a population of low income, working families. In revitalizing the complex, we worked with a seasoned group of resident leaders to create a mixed-income family development with features and amenities that are suited to the needs of working adults and a large contingent of children. The redevelopment is now complete and labeled a "stunning success". Its acceptance in the market is a testament to its true mixed-income concept. By contrast, the Fairfield Court complex had historically housed a population of single adults, many of whom suffer from physical or mental disabilities. Working with an array of care providers and a partnership with the Corporation for Supportive Housing, the Authority has created replacement units in three distinct supportive housing communities. By integrating

well designed physical facilities, including fully accessible apartments and service spaces with on-site case management and room for 3rd party providers who offer services ranging from health care management to vocational training, residents who were once isolated from society are now in a safe and socially integrated environment. The inherent flexibility of the HOPE VI program not only allowed for these unique approaches to succeed but actually encouraged this type of tailored application. The HUD Office of Public Housing Investment has proven to be invaluable in its offering of technical assistance and information concerning useful *best practice* approaches.

Resident Leadership: In both of our HOPE VI endeavors, the Stamford Housing Authority has been committed to foster resident involvement and participation at all levels of the development program. We have done so largely because it made *good business sense* at the local level. Achieving meaningful resident involvement by fully informing and listening to our residents has improved the accountability of the Authority toward our community and added stability to our development activities. We feel that this has worked to connect the residents and the Authority at a local level more effectively than a rigid statutory requirement could have done. At Southfield Village, we tapped into a long standing history of resident activism. Residents there were involved from *day one*, reviewing RFP's, assisting in the selection of a developer and key players and by helping to oversee resident service providers. Ultimately, the resident council was named as a co-general partner in the real estate owner entity and remains involved in all aspects of the management and resident services components of the completed development. At Fairfield Court, we were required to overcome initial reticence of the residents due, in large part, to their highly vulnerable status as extremely low income, disabled residents living in an extremely competitive housing market. By building on a foundation of shared goals, we eventually forged a relationship of trust, entered into a succession of memoranda of understanding and achieved consensus on such key documents as the tenant relocation plan and management plan which will govern the new developments. HOPE VI has provided the opportunity for residents, who have not traditionally participated in community activities, to have a vital hand in shaping the future of their housing complexes and, by extension, their neighborhoods.

Challenges

Application Period: Assembling a HOPE VI application that is responsive to a Notice of Funding Availability (or "NOFA") is a monumental undertaking that is very costly in terms of human and monetary resources. To submit a credible response, applicants are required to demonstrate, among other things, feasibility, capacity, physical and social need, financial commitments, resident involvement, municipal acceptance, multiple social service provider partnerships, site control, land use approvals and proposed design; in short, most of what a seasoned private developer, often doing what is far less complex, would take a few years to accomplish. The application period – from publication of the NOFA to submittal deadline - lasts usually just a few months in duration. What usually happens is that public housing agencies file applications in successive years, starting with a *dry run* and then a string of increasingly desperate attempts, until achieving success or exasperation. This process, for which the selection criteria, funding level and likelihood of program survival change from year to year, is extremely challenging for an authority that might otherwise benefit from program participation. Because the average cost of preparing a HOPE VI application routinely exceeds $200,000, prospective applicants, especially smaller agencies, must undertake a high-stakes gamble absorbing increasingly scarce public housing resources. In future years, the HOPE VI program will benefit from establishing more consistent selection criteria, setting an application period that is sufficient to prepare a well crafted application and assuring some certitude of program continuance from year to year.

Reauthorization of the HOPE VI Program

I would like to highlight and comment upon some key provisions of proposals which have been raised in this Committee, the Right of Return provision and the One for One Replacement provision.

Right of Return: The Stamford Housing Authority believes that the right of return for residents of the original site is an important program element. However, returning residents should have a *one-time* opportunity to reoccupy the development, provided they meet locally established rehousing criteria. Once a resident has selected his/her housing option, a person on the waiting list who does not have housing should be offered the opportunity to move into the subject property. In addition, it is important to recognize that residents often wish to make other housing choices which may be of benefit to themselves, as well as to the broader community. The Stamford Housing Authority has achieved success with assisting public housing residents to become 1st time homebuyers. By participating in such programs as personal budgeting, Family Self Sufficiency, homeownership counseling and pre and post purchase training, many residents have purchased homes utilizing a variety of forms of HOPE VI homeownership assistance. Offering a range of newly constructed *hard units* and flexible downpayment assistance programs, we anticipate placing more than 150 working families into their own, permanent homes. Residents of public housing, that have been fortunate to have rental rates limited to 30% of their household income, are often in a better position to make the transition to homeownership than someone with comparable income that has struggled in the private housing market. This transition serves a dual benefit by also making the rental unit available to a new family, thus freeing up a unit of affordable housing.

One-for-One Replacement: Stamford has a landmark local ordinance requiring one-for-one replacement of any assisted housing unit. This measure, passed in 2001, grew in large part out of the local affordable housing crisis and was precipitated by resident fears of displacement. The Stamford Housing Authority helped to craft this ordinance and, by standing alongside residents, successfully promoted its passage. Stamford's one for one replacement initiative was instrumental in building essential trust and cooperation between public housing residents and the Stamford Housing Authority enabling us to become a successful HOPE VI practitioner. We feel that the provision of one-for-one replacement should receive consideration in any proposed bill. However, it should not be required of every HOPE VI development. A community may not support a HOPE VI development that must have one-for-one replacement, thus foregoing an opportunity for the residents. This provision must be derived from a response to local conditions and be fully vetted in the community planning and local legislative processes. A one-for-one replacement requirement on all HOPE VI developments will mean that individual HOPE VI grant amounts need to be significantly increased to produce the requisite replacement units, thereby reducing the number of potential awardees. It will also require stepped up participation by local grant, tax credit equity and soft debt funding agencies because the additional public housing replacement units will not leverage hard debt. Any costs in excess of HUD's Total Development Cost limitations must be fully funded by other grant sources. In order to maintain the desired mixed-income nature while increasing the number of public housing replacement units we would need to add market rate units. This will require more land and financial resources. The need to acquire property for off-site development will add complications and potential delays to already complex projects. In any event, a requirement to increase the number of replacement units must include the ability to deliver them through non-ACC funding mechanisms such as project-based Section 8 units.

Somewhat linked to the Right of Return Issue, any requirement for One for One Replacement must provide for flexibility in locating replacement units where they may further the objective of deconcentrating poverty consistent with fair housing laws. The overwhelming success of the HOPE VI program has been to promote mixed-income communities, wherever practicable.

The Stamford Housing Authority is in support of the reauthorization of HOPE VI through 2015. It is perhaps the best program in the nation for addressing the accumulated capital needs of the public housing program, which was estimated at $20 billion in a study commissioned by HUD. By leveraging federal funds with private and other public capital usually on a 4 to 1 basis, HOPE VI has proven to be an effective catalyst in the redevelopment process.

Testimony of

Mr. Michael P. Kelly

Executive Director

District of Columbia Housing Authority

before the

Subcommittee on Housing and Community Opportunity

Maxine Waters, Chairperson

June 21, 2007

Good afternoon, Chairwoman Waters and the other members of this very important subcommittee. My name is Michael P. Kelly and I am the Executive Director of the District of Columbia Housing Authority (DCHA). I am honored to have the opportunity to join you today to discuss the efforts and accomplishments of the DCHA, particularly those we have made in our local HOPE VI program. Today, I will share with the subcommittee details about our revitalization efforts and how HOPE VI has dramatically improved our overall portfolio and the availability of affordable housing for low-income families here in the District of Columbia.

As a housing authority, DCHA's core charge is the care and management of over 8,000 public housing units and the administration of over 12,000 vouchers here in the nation's capital. We carry out this mandate with the quiet confidence that only skill and many years of collective experience bring. Despite substantial funding cuts to the national public housing program, DCHA has struggled to maintain basic property management services for our residents. We are most thankful to this Congress's leadership in securing additional resources for public housing this year, but I am sure that you have heard from housing authorities in your respective districts about the destabilizing impact of our below subsistence funding levels. We cannot sustain the nation's precious housing safety net without the continued support of you, this committee and the leadership of this Congress.

In addition to our core mission, over the past twelve years, the D.C. Housing Authority assumed two other major roles....that of a real estate developer and a community builder. With six HOPE VI sites and several other revitalization efforts throughout the city, DCHA, and our partners, have generated over $2 billion in economic development. We have done so with the leadership of a committed Board, the

dedication of a strong staff, the know-how of our business partners, and the patience and trust of our residents. Today, I am pleased to share with the Committee our lessons learned over the past decade to help inform you as you shape the HOPE VI of the future.

Of our six HOPE VI sites, two are fully complete and occupied, one is 50% complete and occupied, and three are in various stages of construction. Every HOPE VI plan includes a Community and Supportive Services Program (CSSP) designed to meet the unique needs of the individual community, developed after a comprehensive needs assessment of all families impacted by the redevelopment has been conducted. CSSP plans provide for economic development and self-sufficiency programs, such as job training and placement, GED classes, business development and home ownership opportunities. Additional support services include day care, transportation, violence prevention, after school programs for youth and medical services for elderly residents. Each DCHA HOPE VI project provides homeownership opportunities for low-income families through unit subsidies and mortgage write downs. Residents are encouraged to join the homebuyers program early in the redevelopment process to learn about the responsibilities of being a home owner, address issues related to poor credit and build savings toward a potential purchase.

CSSP case managers are trained social workers, experienced with serving low-income families. Resident progress is closely monitored to ensure success under the CSSP and their greatest opportunity to return to the redeveloped site, as well as the effectiveness of the program overall.

Below is a summary of each HOPE VI project.

The Town Homes on Capitol Hill, not very far from the Capitol itself, is completed and has been occupied for over eight years now. As the former Ellen Wilson Dwellings, this 134-unit development, built in 1941, stood abandoned for eight years between 1988 and 1996. It was a blight on a strong and vital neighborhood until a $26 million HOPE VI grant was received in 1993. Today, in the place of 134 distressed public housing units stand 134 beautiful cooperative townhomes which blend into the neighboring Capitol Hill architecture. Residents began to move onto the new site in February, 1999 and the units are 100% occupied with a lengthy waiting list for vacated units. The units serve a mixed-income population as follow:

- 67 families at 50% to 115 % of median income
- 34 families at 25% to 50% of median income
- 33 families at 0% to 24% of median income

In 2004, 13 lots were developed and sold as fee simple market rate town-homes. The sale of these homes paid for the construction of a beautiful neighborhood community center that houses resident services and hosts certain community events.

The award-winning **Wheeler Creek**—a remarkable blend of home ownership, rentals and senior dwellings—is located east of the River and stands in the place of two distressed federally subsidized developments, Valley Green, a public housing property built in 1959, and Skytower, a foreclosed FHA insured property built in 1960. Before the HOPE VI work began, this area was a wasteland of mostly empty walkups, harboring a culture of crime, drugs and violence. The future of this 403-unit community looked as

bleak as anywhere in the nation until its 1997 grant application in the amount of $20.3 million was approved by HUD.

The Wheeler Creek of today is a 314-unit development consisting of 48 low-income family rental homes and 100 elderly rental apartments, both subsidized by public funds, 32 market-rate rental units, 30 lease/purchase units and 104 homes for purchase. Amenities include a 13,000 square foot community building and a daycare center to support the needs of residents. The public housing and market rate units are intermixed and physically indistinguishable from one another.

Several of the low and moderate homeownership units were sold to returning residents. The HOPE VI project resulted in individual career employment assessment and skills training for 130 residents and full-time, living-wage employment for 80 people. Additionally, employment services provided by the Wheeler Creek CDC generated $500,000 for the CDC and resulted in the employment of 65 public housing residents in construction related activity.

At **Henson Ridge**, a $29.9 million HOPE VI grant was leveraged to provide a total of $110 million in development funding for the revitalization of Frederick Douglass and Stanton Dwellings, two public housing developments with a combined 650 units, located on parcels across the street from one another, in the heart of Anacostia and Congress Heights, East of the Anacostia River. Built as temporary housing for World War II workers, Frederick Douglass had been deemed uninhabitable in 1998 and left vacant. Stanton Dwellings, with its poor site design and history of neglect, offered substandard housing in a community that ranked among the lowest in the District on

economic indicators such as income and home ownership. The $29.9 million HOPE VI grant was leveraged to provide a total of $110 million in development funding.

The redevelopment plan calls for the a new, 600-unit community with all new infrastructure (streets, sidewalks and alleys), a new community center, new parks and open spaces as well as significant investment in neighborhood schools, including the building of a new elementary school. The development includes 320 home ownership units targeted to households with a range of incomes. The 280 rental homes will serve a mix of public housing and moderate-income families. The housing mix includes 42 senior bungalows, 28 stacked-flat apartments and 530 townhouses.

Of the 160 completed rental units, 95, or 59 percent, are occupied by former relocated residents. Of the 72 affordable home ownership units that are complete, 13 have been purchased units by returning relocated residents, one by a former public housing resident from another development and 22 by participants in the Housing Choice Voucher Program.

While Frederick Douglass was vacant at the time the HOPE VI application was submitted, DCHA researched and located 249 residents to ensure they had the opportunity to benefit from the redevelopment of the site, including participation in the Community and Supportive Services Program, the large scale economic development program that is part of every HOPE VI grant. Of the 249 former residents of Frederick Douglass, 68 were relocated to other public housing properties, 115 moved into private housing with the support of a Housing Choice Voucher (formerly Section 8), 49 moved into non-subsidized housing by choice, 1 was evicted for non-payment of rent and 16 are

deceased. Through a computerized tracking system, the Housing Authority is able to account for all persons moved from the site and continues to maintain contact with them through the provision of ongoing case management services.

At **Capital Gateway**, DCHA was awarded a $30.8 million HOPE VI grant in 2002 for the redevelopment of two public housing developments, East Capitol Dwellings and Capitol View Plaza, and a vacant HUD foreclosed property, Capitol View Plaza II, located on a contiguous boundary of the site, with a combined 1,107 units. The $30.8 million HOPE VI grant was leveraged with an additional $130 million in funding and services through commitments of funds from the D.C. Housing Finance Agency, Department of Housing and Community Development and the Department of Employment Services, DCHA non-federal sources, tax exempt bonds, low income housing tax credits, a FHA up front grant, private equity and other substantial private investment.

Once complete, this redeveloped site will include 761 units of beautifully constructed, mixed-income units, including 86 family rental units, 140 family homeownership units, 290 multi-family rental units, and a 93-unit for sale condominium building. Construction was completed on a 152 unit senior building in late 2004. This building includes wrap around services for seniors to assist in their ability to live independently.

Of the 27 completed family rental units, all, or 100 percent, are occupied by former relocated residents. Of the 18 affordable home ownership units that are complete, 4 have been purchased by returning relocated residents, 3 by former public

housing residents from another development and 5 by participants in the Housing Choice Voucher Program.

DCHA received a $34.9 million grant award for the revitalization of **Arthur Capper/Carrollsburg** in October 2001. The plan for the revitalization of Arthur Capper/Carrollsburg represents one of the most ambitious HOPE VI projects undertaken nationwide. The $34.9 million grant award has been leveraged to provide a total of over $424 million for the creation of 1,562 rental and home ownership units, office space, neighborhood retail space and a community center.

The housing strategy, which includes one for one replacement of public housing units, will replace the demolished units with 707 public housing units, 525 affordable rental units and 330 market rate homes for purchase, for a total of 1,562 new units. This site is the first where DCHA made a major policy decision to replace each public housing units one-for-one. We are able to do so here because of the value of the land -- it sits in one of the city's hottest growth areas and very near the new baseball stadium -- and our capacity to greatly expand the density on the site. While the HOPE VI grant paid for the replacement of 300 public housing units, the value of the land will help pay for the cost of constructing the additional low income units. The project achieves high density on-site because of the marketability and value of the land. Without this developable density, we could not achieve a true mixed income community and achieve one-for-one replacement. We are fortunate to be able to bring each unit back, but this investment may not be possible at other HOPE VI sites throughout the country given the potential of weaker market conditions and impediments to denser placement of housing.

The plan also calls for up to 600,000 square feet of office space and 20,000 to 40,000 square feet of retail space. In addition to the stabilizing influence on the larger community, the development will provide permanent employment opportunity to neighborhood residents. The economic development program for Arthur Capper/Carrollsburg is focused on maximizing training, employment and home ownership opportunities. Currently, 105 residents are employed as the result of the CSSP, 265 are participating in employment preparation and placement programs, 82 are in job skills training, 209 are participating in counseling programs, 95 are studying for high school equivalency certificates and 143 are enrolled in the homeownership program.

DCHA was awarded a $20 million HOPE VI Grant for **Eastgate** in 2004. Prior to HUD-approved demolition, the old Eastgate Gardens was severely distressed and served as a blighting influence on the surrounding neighborhood. Thirty-four buildings of the poorly designed, inappropriately sited, 230-unit Eastgate development were demolished in 1998, and the remaining three buildings were removed in 2002. Many residents suffered in severe poverty and lived in unhealthy, isolated and dense conditions. The District of Columbia Housing Authority (DCHA) will leverage this $20 million HOPE VI grant to produce $74.9 million in total investment.

The key features of the plan include:

- 108 for-sale units, including 12 lease-to-purchase units, geared toward low- and moderate-income families, infusing mixed-income owner occupancy into the neighborhood while alleviating a critical shortage of affordable, quality, for-sale homes.

- 61 on-site public housing replacement rental units, sufficient to accommodate the former Eastgate residents who have indicated an interest to return to the site.
- 75 off-site public housing replacement rental units and 25 tax credit units in a senior building recently constructed on a cleared parcel located approximately one mile from New Eastgate.
- A community arts center that will house the Community and Supportive Services Program (CSSP), providing young people with productive, enticing outlets, both creative and vocational, while generating real opportunities for community economic development on-site and in the surrounding neighborhood.
- An innovative funding plan devised by the D.C. Deputy Mayor for Planning and Economic Development to replace or upgrade all three schools in Marshall Heights with $65 million in public funds, the first installment of which will come from $19 million in debt secured by revenues from a special taxing district.
- A redevelopment plan that will further stimulate the revitalization of the Marshall Heights community.

Demonstrating the power of HOPE VI to contribute to neighborhood revitalization, DCHA has entered into a partnership with the Distict of Columbia Public School Department (DCPS) that will result in every public school located near a HOPE VI site being rebuilt using creative financing, primarily through leveraging bonds, and through financial resources from DCPS.

There is one common thread that runs throughout each of our sites; it is the fundamental reason for our success during the implementation of these revitalization efforts. And that is our participatory process. From the first days of our planning process to the re-occupation of our sites, DCHA places a premium on the input and realtime feedback of our residents and the community. For example, before submitting our most recent HOPE VI application for Eastgate, we held 24 community planning meetings and resident training sessions. Our process is transparent and inclusive. We encourage thoughtful discourse on even the thorniest of issues, and we are responsive to the needs of the community, sometimes to the point of jeopardizing our benchmarks with HUD. This inclusiveness also extends to our strong relationship with the city's leadership. We have nurtured and maintained a solid working relationship with the Mayor's office, his housing staff, and the city Council. We have earned their confidence and their respect and they have rewarded our efforts with a steady infusion of public funds to support our redevelopment efforts. We have brought about this process not merely as a commitment to our residents—which is as firm as any we could mount—but as a demonstration to all of the District of Columbia of our commitment to be a good and respected neighbor.

Our residents also play a role in determining the re-entry criteria at each of our sites. As I mentioned earlier, each of our sites has or had a steering committee that guides policy making during the construction phase, this included the creation of sub-committees tasked with creating and vetting the re-entry criteria. The criteria covered area such as credit, criminal activities, and basic tenant activities such as the payment of rent and the housekeeping habits. While the criteria has been slightly different for each

site, the common goal has been creating parameters that will promote the return of former residents while still cultivating a healthy, vibrant community.

In addition to these core tenets, a couple years ago, DCHA's Board of Commissioners created a set of "redevelopment principles" that guides our decisionmaking when a new housing deal is on the table or when we are approached by interested developers. These principles include, among others:

- A minimum of one-for-one replacement of deep subsidy units, preferably on the DCHA property or in the same neighborhood, and ACC replacement units are the preferred means of achieving one-for-one replacement of deep subsidy units;.

- Private Developers must be willing to include DCHA or one of its subsidiaries in a profit sharing arrangement in proportion to the relative equity investment and risk considerations. DCHA equity shall include land contributed to the redevelopment/development project as well as other public funds;

- Site design should employ principles of defensible space including clear delineation of public and private spaces, eyes on the street, and connectivity with the surrounding community;

- New replacement family units shall be in a mixed-income setting and generally comprise no more than 1/3 of the new development. The mixed income requirement does not necessarily apply to senior developments;

- DCHA's investment in each development project shall be leveraged in a variety of ways with private funds such as Low Income Housing Tax Credits (usually 4% in conjunction with tax exempt financing) and other public resources; and

- DCHA carries out its redevelopment activities in a highly participatory manner with stakeholders, which includes but is not limited to input from residents and the surrounding neighborhood as well as its development partner

Our redevelopment work has enhanced access to affordable housing. HOPE VI is usually critiqued for decreasing the net amount of units for low-income families; here in DC that is not the case. While our one-for-one replacement policy plays a key part in sustaining this housing, our efforts over the past decade has increased the number of hard units available for low income families. When DCHA began this journey several years ago, many of our public housing units were distressed and unoccupied. By rebuilding these public housing communities, we increased the number of actual units that are habitable. This, coupled with the creation of other low-income units funded by tax credits or the project-basing of units, has increased the number of affordable units here in the District of Columbia. Through DCHA's combined redevelopment efforts, which include non-HOPE VI redevelopment projects, we have increased the number of low-income families served in the properties included in the redevelopment portfolio from 2,449 in 1995 to 3,986 today, excluding the families served by our moderate and market rate housing opportunities.

Our job is far from over, though. DCHA has embarked on an aggressive task to prepare our developments for the 21st century. We secured over $80 million two years ago in bond funding to address the long term maintenance and system needs of 31 of our developments. This work is underway and includes major system replacements, common area improvements, and targeted enhancements in our units. But within our portfolio we do have 14 sites that could greatly benefit from the level of revitalization that only a HOPE VI effort achieves. Four of these sites are currently targeted for a locally funded, HOPE VI-like program called "New Communities". This local program includes most of the major precepts of the federal program, such as creating a mixed-income population, the incorporation of supportive services, and the leveraging of public funds. We are thankful to former Mayor Williams for spearheading this program, and to Mayor Fenty and the city council for their continued support. The remaining developments which includes such sites as Woodland Terrace, Benning Terrace and Potomac

Gardens, which is near here on Pennsylvania Avenue, each meet the definition of a HOPE VI distressed site. Each site is fully occupied and the revitalization of each site will have a major, positive community impact. Additionally, the residents of these sites would benefit from a focused, outcome-driven infusion of supportive services.

Madam Chairwoman, I am sure that you have seen HOPE VI sites throughout the country, particularly those piloted by my able collegue from Los Angeles who is here today. But I invite you and the other members of the committee to tour DCHA's sites as you consider the reauthorization of this program that has changed the landscape of urban America. As you know, your actions over the next several months will shape the future of thousands of needy families in years to come. We offer our assistance as you move forward.

I thank you again for this tremendous opportunity to testify before you and hope that the information I shared will help guide your future decisions which impact so many families here in the District and across the nation.

Testimony of Doris W. Koo
President and Chief Executive Officer
Enterprise Community Partners, Inc.

On "Improvements to Public Housing"
Subcommittee on Housing and Community Opportunity
House Financial Services Committee
June 21, 2007

Thank you Chairwoman Waters, Ranking Member Biggert and distinguished members of the House Financial Services Committee. My name is Doris Koo and I am the president and chief executive officer of Enterprise Community Partners. Enterprise appreciates the opportunity to share with you our policy recommendations for the reauthorization of the HOPE VI program, as informed by on-the-ground development and investment experience.

Enterprise is a leading provider of the development capital and expertise needed to create decent, affordable homes and rebuild communities. For a quarter of a century, Enterprise has pioneered neighborhood solutions through private-public partnerships with community organizations, financial institutions, local governments and others who share our vision. Enterprise has raised and invested $8 billion in equity, grants and loans to support the creation of 215,000 affordable homes, and is currently investing in communities at a rate of $1 billion a year.

We commend Representative Waters for holding this hearing and for her work to craft a comprehensive reauthorization bill with the needs of community residents as its primary focus. Reauthorization of this program represents an opportunity to renew the federal government's commitment to supporting comprehensive approaches to revitalizing our nation's most distressed communities, beginning with outdated and dilapidated public housing.

Over the years, Enterprise has been fortunate to partner with city governments, community-based organizations and the private sector on many comprehensive public housing redevelopment efforts facilitated by the HOPE VI program. Having directed the Seattle Housing Authority's successful HOPE VI redevelopment efforts from 1994 to 2000, I can unequivocally say that this program has made a tangible difference in communities formerly plagued by concentrations of poverty and lack of access to transportation, services and quality schools. Where monolithic high-rises once stood, healthy, vibrant mixed-income communities of opportunity now exist. It is worthwhile, however, to examine even the most successful public policy or program occasionally when market conditions, community needs and development experience indicate there may be useful modifications.

Taking a Comprehensive Approach to Community Revitalization
HOPE VI has represented a dramatically different approach to public housing in this country, a welcome departure from our country's sad history of warehousing the poor and

isolating them from the very tools necessary to move up and out of poverty and into the mainstream of American life.

The tools for large-scale redevelopment that HOPE VI provides are more critical now than ever. Housing challenges are worsening for low-income families in this country, whose incomes simply cannot keep pace with rising housing costs. The Joint Center for Housing Studies estimates that almost 15 million American households earning median income or less are severely burdened by housing costs – that is, paying more than 50 percent of their income for housing. And over the course of a year, more than 3.7 million people in the wealthiest nation in the world experience some form of homelessness or live in some form of substandard housing. Many of these individuals work full- or part-time at minimum wage jobs. In city after city, low-income families have limited housing choices and are often confronted with challenging conditions like poor performing public school systems. It is a downward spiral fueling intergenerational poverty, largely segregated by race and class.

Nowhere was this more evident than in New Orleans in the wake of Hurricanes Katrina and Rita. In the aftermath of these devastating storms, Enterprise is currently partnering with the state of Louisiana, the City of New Orleans and our community-based partners to help with what is essentially the most intensive rehabilitation effort our nation has ever encountered. Taking a comprehensive approach to rebuilding the Gulf is not only advisable, but quite necessary.

Enterprise and our partner, Providence Community Housing, are working with former residents of the Lafitte public housing complex in New Orleans to rebuild a new and stronger community. While not a HOPE VI redevelopment, this large-scale effort and many like it across the Gulf Coast bear similarities to HOPE VI projects, and HOPE VI has provided many essential best practices and lessons learned to inform this work.

Enterprise and Providence will redevelop up to 1,500 affordable homes on the site of the dilapidated Lafitte public housing development and adjacent communities. We have pledged to five principles that we believe should be the cornerstone of any large-scale redevelopment of mixed-income housing such as that facilitated by the HOPE VI program:

- Transformation of public housing into mixed-income, healthy communities that are equitable, affordable and sustainable;
- One for one replacement of occupied units, both on and off site, to eliminate concentrations of poverty and facilitate the development of mixed-income communities;
- Opportunity for all former residents to return to better quality homes and a healthier neighborhood;
- Resident participation in the planning and development processes; and
- Provision of intensive wrap-around services for families, including health care, mental health services, youth development, childcare, literacy programs, formal job training and employment placement.

To this end, I would like to outline five major recommendations for enhancing the HOPE VI program.

More Fully Address Needs of Community Residents
Residents must be supported through the planning and relocation process. According to the Urban Institute,

> *"There is substantial evidence that the original residents of HOPE VI projects have not always benefited from redevelopment, even in some sites that were otherwise successful. This can be partly attributed to a lack of meaningful resident participation in planning and insufficient attention to relocation strategies and services. As a consequence, some of the original residents of these developments may live in equally or even more precarious circumstances today."*[i]

Community and supportive services for public housing residents are critical – before, during and after any relocation. The purpose of affordable housing is more than building roofs and walls. Resident services are critical to provide the link between shelter and life, housing and community, physical assets and human potential.[ii]

As HOPE VI redevelopments begin, residents must be fully apprised of their range of housing options. Congress must provide for effective temporary and permanent relocation of families. We encourage the Committee to more explicitly state that former residents will be provided an opportunity to return, if they so choose, to affordable housing in or around the public housing site, to the greatest extent possible. Certainly experience has shown that some families will permanently relocate elsewhere, but those who wish to return should be provided the opportunity to do so. All residents should be supported with relocation and other supportive services that will allow them to maximize their options and move toward self-sufficiency.

Enterprise calls for to the preservation of affordability via rental subsidy whether as part of HOPE VI or federal expiring use. The principle of one for one replacement subject to appropriations means preserving the number of rent-supported units regardless of the location of those units.

In Enterprise's experience, resident participation in the planning process has been critical. In the mid-1990s Enterprise undertook the revitalization of the former Valley Green and Skytower housing projects in Southeast Washington, DC, funded by a HOPE VI award. Both these developments were plagued by drug abuse, gang violence, inadequate health services and substandard living conditions. The remaining tenants actively participated in decisions affecting their new community from the beginning, from electing the resident council and hiring an executive director for a new community development corporation (CDC) formed to help revitalize the area. Resident participation allowed them a say in what kind of services they needed. Today, the on-site community center at Wheeler Creek houses the CDC's Community Self Sufficiency program, which provides services for employment, education, health, social services, financial literacy and small business training.

We support an increased emphasis on wrap-around services for community residents. Additionally, we recommend no cap placed on HOPE VI resources allowable for resident services costs..

Create Sustainable and Healthy Communities

While we are thinking literally about geography and direct services needs, it is also critical to think more broadly about long-term sustainability and how we ensure that communities are able to remain healthy and viable over time.

Energy costs have increased much faster than incomes for low-income households in recent years. Today a family earning minimum wage pays more than four times as much a share of their income for energy as a median income household.

A recent national study documented the brutal choices that poor families make when faced with unaffordable home energy bills. The study found that during the prior five years, due to their energy bills: 57 percent of non-elderly owners and 36 percent of non-elderly renters went without medical or dental care; 25 percent made a partial payment or missed a whole rent or mortgage payment; and 20 percent went without food for at least one day.[iii]

HUD spends an estimated $4 billion a year on energy, more than 10 percent of its annual budget, through utility allowances in connection with rental assistance payments to low-income renters and indirect operating subsidies to public housing authorities. A savings of just 5 percent a year over five years could generate $1 billion to invest in affordable housing, including efforts to achieve greater energy reductions.

Large scale, catalytic redevelopments like HOPE VI provide the best opportunity and rationale for sustainable development, including environmentally smart siting, energy efficient building and healthier indoor and outdoor environments.

There are several excellent examples of energy-efficient, healthy and environmentally sustainable HOPE VI developments across the country, from High Point in Seattle to Tremont Pointe in Cleveland. Enterprise is proud to have invested in both these developments through our national Green Communities initiative, which is the first national green building program focused entirely on affordable housing. We believe very strongly that low-income people and communities have the most to gain from living in housing that not only cuts down on their monthly utility bills but also is a healthier place to live.

A growing body of research shows how the built environment can have "profound, directly measurable" physical and mental health outcomes, "particularly adding to the burden of illness among ethnic minority populations and low-income communities." Low-income and minority communities are more likely to live in worse environmental conditions and experience greater rates of disease, limited access to health care and other health disparities. Moreover, "Studies have shown that negative aspects of the built environment tend to interact with and magnify health disparities, compounding already distressing conditions."[iv]

I encourage this Committee to support and advance the green building provisions included in the HOPE VI Green Building and Technical Assistance Act, H.R. 2536. We commend Transportation-HUD Appropriations Subcommittee Chair John Olver for introducing this legislation, and commend Chairwoman Waters, Chairman Frank and all the bill's cosponsors for endorsing it.

This bill would require that new HOPE VI developments meet energy-efficient and environmentally sustainable criteria for residential buildings and commercial buildings. As sustainable development is generally a new approach for many affordable housing developers and public housing agencies, the legislation would also provide planning and technical assistance grants to applicants. HOPE VI is well-suited to incorporate sustainable development criteria because the developments are typically large, which enables efficiencies and economies of scale, and because they integrate site planning and vertical development, which is how the best sustainable projects usually are conceived.

This is sound and responsible policymaking as our nation is enmeshed in much broader conversations around energy independence and climate change, and as housing is increasingly unaffordable to low-income families, who have the most to gain from living in energy-efficient and healthy homes.

Link Physical Redevelopment with School Reform

There is an obvious symbiotic link between the health of a neighborhood and the quality of its schools. Better schools attract families to neighborhoods and boost property values; deteriorating schools exacerbate the cycle of disinvestment and population loss. Community revitalization strategies that incorporate school reform are more successful and sustainable than those that take a siloed approach. Community developers must work with public school systems to address the issue at the heart of so many families' real estate decisions of where to send their children to school.

Enterprise recognized that we cannot build housing without addressing the quality of the neighborhood schools. We have been working in the Sandtown-Winchester community in Baltimore for more than ten years, since an extensive community planning process identified education as a primary priority for community residents. We and our partners have improved the physical surroundings of two neighborhood schools while working within the school system to hire principals, introduce a research-based curriculum, implement an early-childhood education program and open community resource centers open to children and adults alike.

In short, best practices in school improvement were combined with best practices in community development – mixed-income housing, both homeownership and rental opportunities and excellent design – to create a much-improved neighborhood anchored by a much better school.

Enterprise took our lessons learned in Baltimore to Atlanta, where with the generous support of the Annenberg Foundation, we founded the Mechanicsville Community Learning Collaborative (MCLC) in 2001. This initiative is based in the Mechanicsville

neighborhood's Dunbar Elementary School, the lowest-performing school in the Atlanta public school district in 2001-2002. The surrounding area was among Atlanta's most distressed. Nearly 70 percent of Mechanicsville residents were unemployed. The poverty rate was 87 percent. The median household income was $9,401. Almost 20 percent of the neighborhood's 450 acres were vacant, and the existing buildings were largely vacant and the epitome of blight.[v]

Enterprise began our engagement with the Mechanicsville community in the hope that the school could serve as that essential anchor organization, one that could catalyze a stronger, healthier and safer place. MCLC had three goals: to improve students' academic achievement by strengthening the public schools that educate them; to build community capacity by enhancing the social and civic fabric of the community; and to support revitalization of the community's physical infrastructure.

First, Enterprise worked with school personnel and community residents to determine needs and ways to meet them, and then developed and managed these new programs, which ranged from afterschool programs and professional development for teachers to a new computer lab and funding a school security officer position.

Second, we reached out to the community, facilitating skills training for adult community members, who subsequently increased their participation in the labor force. Consistent and meaningful parental outreach resulted in Dunbar's Parent-Teacher Association's growth from five members to more than 300 in a few short years.

Finally, Enterprise worked in partnership with local partners and community development corporations to invest in affordable housing and physical redevelopment in the community. We helped to renovate the school building and its campus, providing a modern school facility conducive to teaching and learning.

This is a particularly salient example as seventy percent of Dunbar's students lived in the adjacent McDaniel Glenn public housing development prior to its closure in preparation for demolition as part of a HOPE VI effort. Consider this: in 2006, Enterprise commissioned a study of four public schools in Atlanta serving communities undergoing HOPE VI-related redevelopment. Three of the four schools studied experienced precipitous decline in the enrollment of the students who originally attended the school as well as a sharp decrease in student achievement as measured by standardized tests. When the public housing was closed and subsequently demolished, these schools' test scores improved after the community was repopulated with students from higher income families. But this trend did not manifest at Dunbar. Due to heightened community and parental involvement as well as increased early interventions facilitated by MCLC, Dunbar's academic gains continued even as McDaniel Glenn closed – and the achievements were those of existing students, not a new population.[vi]

As this example illustrates, when public housing agencies and school systems consult more fully on how public housing redevelopment impacts community schools, transitions are more seamless and negative impacts of redevelopment more easily mitigated.

We strongly encourage the House to support the provisions in the Senate HOPE VI reauthorization bill, S. 829, to closely align strategies for school reform and physical redevelopment in distressed communities. While both Sandtown-Winchester and Mechanicsville still face challenges, we believe Enterprise's experience with MCLC in Atlanta is among the models, along with Atlanta's East Lake community, Portland's New Columbia HOPE VI development and others, for large-scale revitalization that successfully and concurrently improves housing and educational opportunities for community residents.

The bottom line is that to maximize revitalization efforts, we must intentionally combine best practices in school reform with best practices in community development. Achieving school-centered revitalization is difficult. It is complex and challenging to overcome entrenched barriers to successful alignment of school reform and community revitalization. Sstubborn facts remain that for families with children, choices about housing and neighborhood are linked to schools. The two systems reinforce one another. Poor schools drive families out; strong schools help create communities of choice.

Expand Scope and Partners in HOPE VI Developments

The intent of the HOPE VI program is to transform severely distressed public housing into mixed-income communities where all families have access to opportunity. There is certainly continued demand for HOPE VI – estimates are that there are still nearly 82,000 severely distressed public housing units in the country. But there is also an increased need to redevelop other HUD-assisted housing, including deteriorating and antiquated units part of the FHA inventory. Units developed under the Section 236, Section 221(d)(3) and older Section 8 project-based vouchers, for example, are becoming deteriorated and distressed. We encourage Congress to either expand the HOPE VI program or find other funds to provide for redevelopment of other assisted properties, to the benefit of individual families looking for affordable and decent homes, as well as whole communities struggling to overcome disinvestment and blight.

Public housing agencies and their for- and non-profit development partners deserve commendation for their excellent work facilitated by the HOPE VI program. We recommend that either HOPE VI or another flexible grant program be expanded to make resources available to state and local entities and qualified nonprofits owning or operating other assisted housing.

Fully Fund HOPE VI and Related HUD Programs

Finally, even at its highest funding level of $625 million in fiscal year 1999, HOPE VI was a relatively small program in HUD's budget. Dramatic cuts since then have reduced it even further, to just $99 million in fiscal year 2007. While not this committee's jurisdiction, we urge Appropriations Committee members to provide the maximum amount possible for the HOPE VI program in the fiscal year 2008 appropriations process and in subsequent years. We also encourage the Appropriations Committee to fully fund Section 8 Housing Choice Vouchers and other related HUD programs that work in tandem with HOPE VI resources to provide families with the broadest range of housing options and opportunities.

[i] S. Popkin et al, "A Decade of HOPE VI: Research Findings and Policy Challenges" (Washington, DC: Urban Institute 2004).
[ii] Tony Proscio, "More Than Roof and Walls: Why Resident Services are an Indispensable Part of Affordable Housing" (Columbia, MD: Enterprise Community Partners, 2006), p. 21
[iii] National Energy Assistance Directors' Association, *2005 National Energy Assistance Survey*, (Washington, DC: National Energy Assistance Directors' Association, 2005), pp. i-iv.
[iv] Ernie Hood, "Dwelling Disparities: How Poor Housing Leads to Poor Health" *Environmental Health Perspectives*, May 2005.
[v] Leslie T. Fenwick, "Putting School and Community on the Map: Linking School Reform, Neighborhood Revitalization and Community Building" (Atlanta, GA: Enterprise Atlanta, 2006), p. 7.
[vi] T. Boston, "An evaluation of the Mechanicsville Community Learning Collaborative (MCLC) (Atlanta, GA: MCLC, 2006).

TESTIMONY OF
RUDOLF C. MONTIEL P.E.
EXECUTIVE DIRECTOR
HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

OF THE COMMITTEE ON FINANCIAL SERVICES

JUNE 21, 2007

HOPE VI Testimony, House Sub-Committee on Housing and Community Opportunity, June 21st, 2007

Rudolf C. Montiel, P.E.
Executive Director
Housing Authority of the City of Los Angeles

Madam Chairperson Waters, Ranking Member, members of the committee thank you for the invitation to speak before the House Sub-Committee on Housing and Community Opportunity on the reauthorization of full funding to the HOPE VI program.

What I would like to do today is first sketch our broad vision to address the affordable housing crisis in Los Angeles. I shall then go on to discuss our vision for public housing redevelopment citywide. My testimony will show how a strong HOPE VI program is vital to the future of affordable housing not only in Los Angeles but nationwide. I truly believe this program makes good on its acronym: Housing Opportunities for People Everywhere.

Let me begin with some general remarks on our role in addressing the affordable housing crisis in Los Angeles. The city is facing some of the most challenging housing issues in the nation. These include:

- Skyrocketing rental costs, a majority of Angelenos pay more than 40% of their income for rent.
- Increasing population in a city with fewer affordable units citywide. Last year Los Angeles saw a net decrease largely because of conversion of apartments to condos.
- Lengthy commutes, workers in Los Angeles endure some of the longest commutes in the country, and finally
- Occupancy rates of 97.5% in every sub-market according to the recent USC Casden Multi-family Forecast.

Yes, Los Angeles is full from Brentwood to Boyle Heights and from Westwood to Watts.

Against this backdrop the HACLA, has 8,000 public housing units, primarily in 16 large family developments. These developments have a combined deferred capital need of almost $500 million. But this only speaks to the easy part of the problem, fixing the real estate or buildings.

The much tougher part of the problem is transforming the lives of the 8,000 families living in these units. This is where HOPE VI represents vital self -sufficiency gap funding for families fighting their way out of poverty against incredible obstacles. Let the numbers tell the story:

- Residents of public housing in LA make only 18% of the AMI for the city as a whole.
- Some public housing communities have an 85% unemployment rate. .
- Graduation rates from high school are less than 50%, and their children are subjected to some of the highest crime rates in the city.

They also lack adequate health, child, and eldercare.

But there is HOPE! We believe we have a window of opportunity to begin redevelopment of public housing citywide in LA. Mayor Antonio Villaraigosa is an ardent proponent of transforming public housing. The council men and women with large public housing developments in their districts support redevelopment and our congressional representatives will support redevelopment if it is done "right."

What does "right" mean? In LA it means:

- Redevelopment with a mixed income and mixed use approach.
- 1:1 replacement of public housing units (or their income strata equivalent tax credit units).
- Transit oriented where possible.
- Residents in general will not suffer forced permanent relocation and will have the right to return
- after redevelopment.
- Significant investment in jobs, educational (including on-site schools where possible).
- Family self-sufficiency, and homeownership opportunities for residents.
- And finally, it means starting redevelopment in Watts and East Los Angeles.

Through the leadership of our Board of Commissioners and Chairperson Bea Stotzer, they are setting the bar high. Together we have a goal of tripling the number of units in HACLA's portfolio of affordable housing by utilizing a blend of 1/3 public housing, 1/3 workforce housing and 1/3 market rate (the lowest priced sub-markets in the city) units to create mixed income communities. Moreover, we seek to include a substantial retail and job creation component wherever it makes sense (e.g., the I-105 corridor, Alameda frontage, San Pedro waterfront, eastside I-10 corridor).

Which brings us to Jordan Downs, in Chairperson Water's district. Here HACLA is pursuing the acquisition of a parcel of vacant land adjacent to Jordan Downs to begin redevelopment by building new units, moving families in the new units and then demolishing the units vacated by the families. We are also in communication with the Los Angeles Unified School district to explore the opportunities for redevelopment of Jordan H.S.

To restore full funding is to transform lives by transforming communities. It is to transform public Housing in Los Angeles from the housing of last resort to the housing of choice!

Madam Chairperson, Ranking Member and members of the committee, I want to again thank you for the opportunity to provide testimony on this most important of issues.

National Low Income Housing Coalition, 727 15th Street, NW, 6th Floor, Washington, DC 20005, 202-662-1530

Testimony of George Moses

Chair, Board of Directors, National Low Income Housing Coalition

presented to

House Financial Services Subcommittee on
Housing and Community Opportunity

United States House of Representatives

June 21, 2007

INTRODUCTION

I would like to thank Chairwoman Waters, Ranking Member Biggert and members of the Housing and Community Opportunity Subcommittee for holding this important hearing on the reauthorization of the HOPE VI program.

My name is George Moses. I am Chair of the Board of Directors of the National Low Income Housing Coalition (NLIHC), which I am representing today. I am also on the Board of Directors of the Housing Alliance of Pennsylvania and am a member and volunteer for the Southwestern Pennsylvania Alliance of HUD Tenants.

I lived in project-based Section 8 properties on and off from 1990 until last year. One of the places I lived was Federal American Properties located in East Liberty, Pennsylvania. After I lived there, the property slid into disrepair and had high vacancy rates. Residents tried to organize and make their voices heard about deteriorating conditions at the property. They were viewed as complainers by the management and owners. When the property eventually fell into complete disrepair, HUD foreclosed on it and sold it to a nonprofit that is redeveloping the property. The redeveloped property will be a mixed income development. The number of units affordable to extremely low income people will be fewer and people were displaced in the process.

People I knew there experienced what many public housing residents have faced when they've experienced HOPE VI: lack of information about their housing choices, no one-for-one replacement of subsidized housing, removal from their communities and unstable housing options.

I was elected Chair of NLIHC in 2006 and am the first tenant to serve in this role. NLIHC's members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. NLIHC does not represent any sector of the housing industry. Rather, NLIHC works

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only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. NLIHC is entirely funded with private donations.

Opposition to HOPE VI remains very strong in the low income housing advocacy community that works with and represents public housing residents. This is not based on an objection to the revitalization of public housing or providing services to public housing residents. It is based on direct experience with the harm that HOPE VI has caused many public housing residents. The opposition to HOPE VI is visceral and deeply held, to the extent that many thoughtful people are highly skeptical that it can be reformed and would prefer that it simply be ended. Therefore, we approach the possibility of reauthorization of HOPE VI with considerable caution.

We are also concerned about the allocation of scarce HUD resources to HOPE VI even at the reduced level HOPE VI is now getting. The HUD appropriation just approved by the House appropriations subcommittee includes $120 million for HOPE VI. Yet, it level funds the public housing capital fund. Failure to provide for the capital needs of public housing contributes to its decline and potential for becoming severely distressed. Preserving the public housing we have that is in good condition seems to us to be a higher priority than HOPE VI.

NLIHC'S RECOMMENDATIONS

NLIHC developed a HOPE VI reauthorizing position in 2002 based on the impacts of HOPE VI projects across the country. Our recommendations focus on two major aspects of the HOPE VI program that we believe must be addressed before the program is reauthorized and additional federal resources are expended on it: the loss of affordable housing stock and the impact of HOPE VI on residents.

NLIHC's also has basic concerns about current selection criteria provisions. Statutory language (Section 24(e)(3)) allows for the Secretary to not apply some of these selection criteria when awarding grants for demolition only, tenant-based assistance only, or "for other specific categories of revitalization activities."

NLIHC believes that some requirements should not be mere pieces of a list of selection criteria, which the Secretary may or may not consider, but rather should be threshold issues for a public housing agency to receive and maintain a HOPE VI grant, i.e., the Secretary shall not approve an application if threshold criteria are not met.

A. No Net Loss of Units; Require One-for-One Replacement of Public Housing

The one-for-one replacement of housing must be a "threshold issue" for approval of any HOPE VI grant application. HOPE VI grant funds must not result in the net loss of public housing units. The units do not necessarily have to be on the same geographic foot print of the original housing but they do have to be in the metropolitan area.

In the name of reducing housing density and social isolation of poor tenants, HOPE VI projects usually result in a net loss of housing units overall and always result in a loss of units that are

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affordable to the lowest income households. At a point when there is broad consensus that the nation has an acute shortage of housing affordable for the lowest income households, for a federal housing program to actually cause further loss of housing stock is unwise policy. NLIHC supports a greater measure of economic integration, but believes that it is possible to simultaneously maximize the goals of economic integration and increase the supply of housing affordable to the lowest income households.

NLIHC recommends that the HOPE VI statute be amended to require the following: First, no HOPE VI project will result in a net loss of physical public housing units to the area in which they are located. Second, no HOPE VI project will result in a net loss of all housing units in the area that are affordable and targeted to extremely low income households. HUD will not approve a HOPE VI application unless theses two conditions are met. Sufficient funding should be made available to insure full implementation of this requirement for all HOPE VI projects, even if it results in fewer or more costly HOPE VI projects.

These redeveloped units can be located on the original public housing location and in other locations throughout the metropolitan area, consistent with the goals of expanding educational and economic opportunities. However, this requirement would not preclude a resident from choosing to relocate to other existing public housing or choosing to utilize a housing choice voucher. As implemented, redevelopment would presume and provide for the potential of all residents in occupancy at any time in the one year period preceding the PHA's submission of a HOPE VI application and who remain residents of housing administered by the PHA or receive voucher assistance from the PHA throughout the period of redevelopment to choose a redeveloped unit that is affordable and properly sized. Residents should receive the first choice among redeveloped units in deciding where to live.

Without such a requirement it will be impossible to maintain a sufficient stock of public housing to provide for those households whose incomes are simply too low or who otherwise are unable to utilize Section 8 vouchers. For these families it is far more than a housing policy debate. It is quite honestly their ability to remain safely housed and together.

Just in my Congressional District in Pittsburgh, served by Representative Mike Doyle, there is a large shortage of homes affordable and available to the lowest income people. In the 14th Congressional District of Pennsylvania, according to NLIHC tabulations of 2000 Census data, there is a shortage of 15,981 affordable and available rental units for extremely low income households. In Pennsylvania, there are only 44 affordable and available rental units for every 100 extremely low income households, according to NLIHC tabulations of 2005 American Community Survey PUMS data. Nationwide, there are only 6,187,000 homes renting at prices affordable to the 9,022,000 extremely low income renter households - a shortage of 2,835,000 homes.

Indeed, it may be better to require that sufficient replacement housing be built before the relocation so that a true transition could occur. Since many HOPE VI projects would include offsite replacement units, a requirement that those units be produced first would have several significant benefits. It would allow for a smooth early transition for fragile families, while dramatically shortening the relocation process. It would demonstrate the reality of the HOPE VI

project to often skeptical tenants. And finally, it would significantly lessen the possibility that the existing tenants, on whose behalf the HOPE VI grant is received, become victims of the redevelopment.

We must pay attention to the people, to the individuals and families whose homes are being disrupted. My experience in Pittsburgh has been that, even though a neighborhood's physical appearance may not look so good from the outside, there still exists a community. In my neighborhood, people would gather to talk, watch one another's children, and form strong bonds. When we tear these neighborhoods apart, we create what Dr. Mindy Fullilove calls "rootshock" – the trauma caused by the disruption of a neighborhood's root structure. The impact is both immediate and long-lasting. Dr. Fullilove is a research psychiatrist at the New York State Psychiatric Institute and a professor of clinical psychiatry and public health at Columbia University.

B. Create a Universal Right to Return With No Reoccupancy Requirements

Congress should enact a universal right of return for displaced public housing residents. And, public housing agencies and any other managers of replacement housing should be prohibited from denying housing to any person who has been displaced by HOPE VI by the use of any eligibility, screening, occupancy or other policy or practice. As long as the resident's right of occupancy has not been lawfully terminated, the resident should have the right to return, regardless of the time of displacement. The universal right of return for displaced residents must also be a "threshold issue" for approval of any HOPE VI grant application.

Public housing agencies can and do impose local preferences for admission to their public housing units. Today, HOPE VI projects give housing agencies an opportunity to impose residency requirements retroactively on residents who had not violated their leases. Their only crime, it seems, was to be a resident of a HOPE VI project. For that, existing residents are losing perhaps their only affordable access to safe and decent housing. Reoccupancy requirements run counter to the hope and promise a HOPE VI project should bring to existing public housing residents.

C. Mandate Compliance with the Uniform Relocation Act

The Uniform Relocation Act (URA) must apply to the HOPE VI program. A thorough relocation plan must be among the threshold issues that allow an application to be considered by the HUD Secretary. Each public housing resident should be provided adequate choices for replacement housing and relocating residents should not be placed into other public housing at the expense of families on the voucher or public housing waiting lists.

Since portions of residents at HOPE VI sites are "hard to house" (i.e., they are unlikely to thrive in the private market or in other public housing without additional assistance beyond what is usually provided in the voucher and public housing programs), these families must receive appropriate replacement housing. This might mean that their housing must come with the types of services they need to remain stable and to make progress toward greater independence. And, to the extent that a relocation plan relies on vouchers, any HOPE VI reauthorization must make

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clear that approval of a HOPE VI application is contingent upon the availability of sufficient vouchers, through new appropriations or otherwise.

D. Strengthen Definition of "Severely Distressed"

A stronger definition of severely distressed than HUD currently uses is needed to ensure that HOPE VI funds are not wasted and that viable public housing units are not lost. Today, HUD requires an architect or engineer's certification regarding physical distress. A stronger severely distressed definition should have to be met in order for the HUD Secretary to consider the application. A reasonable requirement would state that only public housing units that have been designated as "distressed" for purposes of required conversion at least one year prior to the HOPE VI application would be eligible for HOPE VI funds. This would ensure only the most severely distressed units are applying for HOPE VI funds. The public housing agency would eventually be required to take the units off-line even if it does not receive HOPE VI funds.

E. Require Resident Participation Beyond Pre-application Phase

Resident participation requirements should be strengthened before and after the pre-application phase of HOPE VI to encompass all phases of feasibility discussions, planning, application, redevelopment, relocation, services, return of residents, monitoring of displaced residents and reporting to HUD and Congress.

F. Create a Private Right of Action

NLIHC recommends that HOPE VI provisions be privately enforceable. This way, residents will be able to hold HUD and housing agencies legally accountable for non-compliance.

G. Implement Fair Housing requirements

The HUD Secretary should be required to obtain and analyze data on the potential impact on residents of the proposed HOPE VI project and to disapprove any proposed HOPE VI project that fails to affirmatively further fair housing.

H. Issue HOPE VI Regulations

NLIHC also recommends that the HUD Secretary issue regulations on the HOPE VI program, which it has never done. HUD currently administers the program by annual Notices of Funding Availability. A formal regulatory promulgation process would involve broad input from many stakeholders and would result in a formal regulatory structure for the program.

Prioritize Preservation of Public Housing

NLIHC would also like to express our concern that the revitalization of public housing units through the HOPE VI program is but one way that housing agencies can address the unmet needs of public housing. Today, housing agencies can also apply to HUD to demolish or dispose of their public housing units and they can redevelop units through mixed finance. We urge the

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subcommittee to review the potential loss of public housing units and/or the shifting of public housing units to higher income households through these practices. NLIHC recommends the same standards and practices be in place for all HUD public housing demolition, disposition and revitalization programs, including HOPE VI.

Overall, public housing is in desperate need of additional funding. The more than $20 billion backlog of public housing capital needs has been well-documented. In the past year, housing authorities have also been managing their 1.2 million units with historically low operating funds. Failure to provide for the capital needs of public housing contributes to its decline and potential for becoming severely distressed. Preserving the public housing we have that is in good condition seems to us to be a higher priority than a faulty HOPE VI program. I was originally coming to D.C. this week just to rally for additional funds for public housing with the Allegheny County Housing Authority and others. That rally, which I attended yesterday, urged greater funding for public housing operating and capital subsidies, both of which are sorely needed in Pittsburgh and nationwide.

Thank you for the opportunity to present our views to you. We look forward to working with on this and other legislation.

U.S. House of Representatives
Committee on Financial Services, Subcommittee on Housing and Community Opportunity

Dr. Susan J. Popkin
The Urban Institute

Testimony of Susan Popkin, Urban Institute, prepared for the hearing on HOPE VI Reauthorization, June 21, 2007.

The views are those of the author and do not necessary reflect those of the Urban Institute, its board of trustees, or its sponsors.

The HOPE VI program targeted some of the most beleaguered housing in this country—dilapidated public housing developments that had failed to deliver on the promise of decent housing for the poor. The goals of the HOPE VI program are ambitious and include "improving the living environment for residents of severely distressed public housing" and "providing housing that will avoid or decrease the concentration of very poor families." If successful, the program has the potential to dramatically improve life circumstances for the families who endured the terrible conditions in distressed public housing. The policymakers who created the program hoped that these improvements in the quality of residents' neighborhoods would also help residents in other ways, particularly in becoming self-sufficient (Popkin et al. 2004).

The HOPE VI Panel Study is the only national study of outcomes for HOPE VI families and was intended to address basic questions about where residents move and how HOPE VI affects their overall well-being (Popkin et al. 2002). The study was initiated in 2000; at that time, seven years into the HOPE VI program, there was little reliable evidence about what had happened to original residents. Many critics were asserting that relocation and involuntary displacement would inevitably leave residents worse off, sending them to communities that were little better than the distressed developments where they started (c.f. National Housing Law Project 2002; Keating 2001), while housing authorities were claiming great successes with their new developments.

The study has tracked the experiences of a sample of 887 original residents from five developments slated for revitalization in 1999 and 2000 (Shore Park, Atlantic City, NJ; Wells/Madden, Chicago, IL; Easter Hill, Richmond, CA; Few Gardens, Durham, NC; and East Capitol, Washington, DC). Respondents were surveyed at baseline in 2001, prior to relocation, and followed up in 2003 and again in 2005.[1] At baseline in 2001, survey respondents at all five sites reported intolerable conditions, with a substantial

proportion reporting hazards like peeling paint, mold, inadequate heat, and infestations of cockroaches and other vermin. Crime was rampant; virtually all (90 percent) of the residents reported serious problems with drug trafficking, drug use, and gang activity. Even worse, about 75 percent viewed violent crime (shooting, assaults, and rape) as "big problems." The surrounding neighborhoods were equally troubled—extremely high poverty, predominantly minority neighborhoods with high rates of unemployment, welfare recipiency, and other ills.

After tracking residents through the relocation process, the HOPE VI Panel Study is able to address effectively the question of whether HOPE VI has succeeded in its goal of improving residents' life circumstances or whether the critics' predictions have been realized. We find that for the most part, former residents are living in neighborhoods that are dramatically safer and offer a far healthier environment for themselves and their children. However, a substantial minority continue to live in traditional public housing developments that are only marginally better than the distressed developments where they started. These findings demonstrate the ways in which HOPE VI has improved the quality of life for many original residents, while underscoring the need to continue to seek solutions for the problems that have kept too many from being able to take advantage of new opportunities.

Most Residents Have Not Moved Back

By 2005, 84 percent of the families in the HOPE VI Panel Study had relocated from the five HOPE VI sites. The remaining 16 percent of the respondents still living in their original developments were from either Atlantic City's Shore Park or Chicago's Wells, where the housing authorities were doing staged relocation. The largest number of families—43 percent—had received Housing Choice Vouchers, and 22 percent had moved into other traditional public housing developments. Another 10 percent were

renting in private-market units with no assistance, and 4 percent had become homeowners. Approximately 1 percent of the HOPE VI Panel Study respondents were either homeless or in prison in 2005.

Redevelopment was under way in all of the sites by 2005, although none were completed. Therefore, it is not surprising that only 5 percent of the Panel Study respondents had moved into a newly remodeled HOPE VI unit by the 2005 follow-up. Atlantic City's Shore Park, where the housing authority was building a revitalized unit for every household that wanted one, had the greatest share of original families (14 percent) who had moved back into redeveloped HOPE VI units. Other research suggests that return rates to HOPE VI sites overall have varied considerably from less than 10 percent to 75 percent, with the largest numbers returning to sites that were rehabilitated rather than demolished and rebuilt—not the case in any of these five sites. Based on this evidence, it seems likely that the final figures for returning for the HOPE VI Panel Study sites will increase somewhat over time, but will remain relatively low.[2]

The reasons for this low rate of return are both positive and negative. With the shift to mixed-income developments, there are simply fewer public housing units on site. Some sites have imposed relatively stringent screening criteria that have excluded some former residents. And, on the positive side, many former residents who have received vouchers are satisfied with their new housing and are not interested in returning. Finally, at a few more troubled sites, long histories of mismanagement and neglect mean that residents do not trust the housing authority's promises of better conditions and choose not to return (Buron et al. 2002; Popkin et al. 2004). With low rates of return, the program has not met its initial vision of residents coming back to live in revitalized developments; for most original residents, the major impact of HOPE VI is relocation.

Most Residents Are Living in Substantially Better Housing

Residents who have moved to the private market or mixed-income developments reported substantial improvements in the quality of their housing. We asked families to rate their current housing as "excellent, good, fair, or poor." In 2005, 68 percent of voucher holders and homeowners rated their housing as excellent or good, as did 64 percent of unassisted renters. More than three-fourths (85 percent) of families living in the new HOPE VI units gave their units high ratings. In contrast, a much smaller share of households in public housing rated their housing as excellent or good. Only 39 percent of those in the original public housing (those that had not yet been relocated) gave their units high ratings in 2005. And only about half of those relocated into other public housing (49 percent) rated their housing as excellent or good.

At baseline in 2001 and at each of the follow-ups, we asked respondents about a series of specific housing problems, such as broken heating units, insect and rodent infestation, broken toilets, and peeling paint. Those who moved to the private market or to mixed-income developments reported significantly fewer problems. In contrast, those who remained in traditional public housing—either their original development or a different one—experienced virtually no improvement in housing quality over time; about 40 percent of those living in other public housing and about 60 percent of those in the original public housing units reported having two or more problems at the baseline and at the 2005 follow-up (Comey 2007).

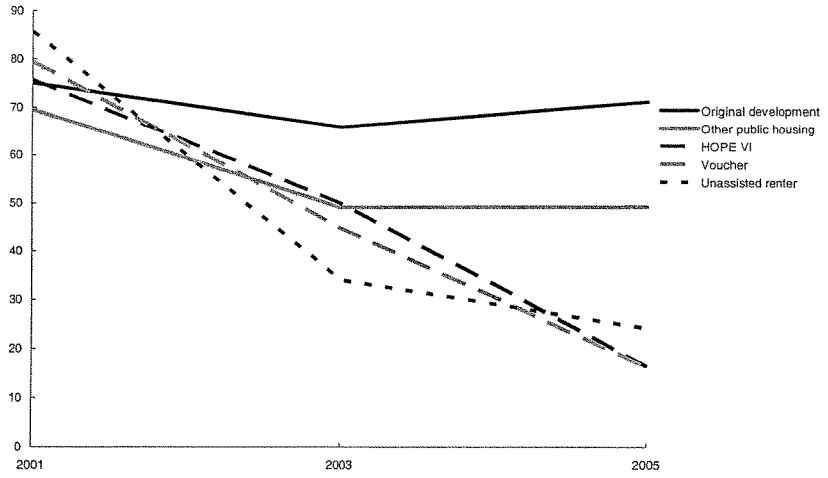
Residents Are Living in Dramatically Safer Neighborhoods

Fear of crime has profound implications for residents, causing stress and social isolation. At the final follow up in 2005, relocation had brought about a profound impact in residents' life circumstances. Those residents who left traditional public housing—voucher holders and unassisted renters and homeowners—were living in neighborhoods

with considerably lower poverty (Comey 2007). Further, these movers and those living in mixed-income developments reported conditions far safer than in their original developments. For example, the proportion of respondents reporting "big problems" with drug sales dropped from 78 percent at baseline to 47 percent in 2003, and declined even further to 33 percent in 2005—a drop of 45 percentage points. The trends for virtually every measure of neighborhood safety showed the same dramatic decline (Popkin and Cove 2007).

The trends for respondents who had moved to mixed-income developments or to the private market (with vouchers or on their own) were even more striking. Figure 1, which shows the trends in respondents reporting big problems with drug trafficking by housing assistance status, dramatically illustrates the "safety benefit" these relocatees have gained from moving out of distressed public housing. These respondents report extraordinary improvements in their conditions. For example, while about 80 percent of

Figure 1. HOPE VI Panel Study Respondents Reporting that Drug Selling in Their Neighborhood is a "Big Problem," by Housing Assistance (percent)



voucher holders and HOPE VI movers had reported big problems with drug trafficking in their original neighborhoods at baseline, only 16 percent reported the same problems in their new neighborhoods in 2005.

The trends for perceptions of violent crime were the same—at baseline, more than two-thirds of the respondents reported big problems with shooting and violence in their developments; in 2005, just 17 percent of voucher holders reported big problems in their new communities. The trends for the relatively small numbers of HOPE VI movers, unassisted renters, and homeowners were identical.

These improvements in safety have had a profound impact on residents' quality of life. Relocatees' comments reflected a wide range of life improvements, including allowing their children to play outside more frequently, less fighting among neighborhood children, sleeping better, and generally feeling less worried about drug dealing and shootings in the neighborhood. Our statistical analysis shows that those who have moved with vouchers report less worry and anxiety and have lower depression scores than those who remain in traditional public housing. With such small numbers of respondents living in mixed-income, we cannot see accurate statistical trends, but given that they experienced the same improvements in housing quality and neighborhood safety, it is likely that they have experienced the same benefits in terms of quality of life as those who received vouchers (Buron Levy, and Gallagher 2007).

Children in Voucher Households Are Better Off

Children are particularly vulnerable to the effects of HOPE VI relocation. On one hand, children are the most likely to benefit in important ways from improved housing quality—and reduced exposure to risks like lead paint or mold—and from safer, less distressed neighborhoods. On the other hand, moving can disrupt their education and friendships and even put older youth at risk for conflict with local gangs. The HOPE VI

Panel Study sample included questions on parental reports of children's behavior—an indicator of children's mental health—to see how relocation affects children. Overall, we find that children whose families received vouchers are faring better after relocation than those who moved to other traditional public housing developments (Gallagher and Bajaj 2007). Parents of children in families that relocated with vouchers report lower rates of behavior problems[3] in 2005 compared with their children's behavior in 2001, prior to relocation. In 2001, 53 percent of children in voucher households demonstrated two or more behavior problems, but by 2005, this proportion dropped to 41 percent. Although the pattern held for both boys and girls in voucher households, only the decline for girls was statistically significant. Again, because the numbers are small, we cannot see statistically accurate trends for households who moved to mixed-income developments, but given the similar trends for housing and neighborhood quality, their outcomes are likely similar to those for voucher holders.

However, while children who moved to the private market are doing better, those whose families moved to other public housing are not faring as well. In 2005, children in voucher households were more likely than children in other public housing to exhibit five out of six positive behaviors (62 versus 43 percent).[4] They were also marginally less likely to exhibit two or more delinquent behaviors (3 versus 12 percent).[5] The trends for delinquent behavior for the children still living in traditional public housing are especially disturbing. The incidence of delinquent behaviors has increased for youth still living in their original development (by 12 percentage points) and youth in other public housing (by 10 percentage points), while it has changed in no significant way for youth in the voucher households. And our analysis shows that the incidence of delinquent behaviors has skyrocketed (by 24 percentage points since 2001) for those girls still living in their original development, waiting for relocation. This spike is primarily driven by increasing

rates of school suspensions (28 percentage points) and going to juvenile court (24 percentage points). This finding suggests that girls, in particular, are suffering from the ill effects of being left behind in developments that are becoming increasingly dangerous and chaotic as vacancies increase.

Voucher Holders Have Trouble Making Ends Meet

While HOPE VI residents who have moved to private-market housing with vouchers are doing well in many ways, our research shows that many are having difficulty making ends meet (Buron, Levy, and Gallagher 2007). Moving out of public housing presents new financial management challenges: private-market property managers can be less forgiving of late rent payments than public housing managers, making it imperative that rent is paid on time. Also, since utilities are generally included in the rent in public housing, many former public housing residents are inexperienced in paying utility bills. They can find coping with seasonal variation in utility costs, particularly heating costs in the winter, or spikes in gas costs very daunting.[6] At the 2005 follow up, we found that voucher holders were significantly more likely than public housing residents to report financial hardships related to paying utilities and providing adequate food for their family. Nearly half (45 percent) of voucher holders reported trouble paying their utility bills, compared with just 8 percent of residents in other public housing. Likewise, voucher holders (62 percent) were more likely than public housing households (47 percent) to report financial hardships paying for food. However, voucher holders were significantly less likely than public housing residents to be late paying their rent. In essence, our findings suggest that, when faced with the trade-offs, most voucher holders chose to pay their rent on time to avoid risking their housing and instead delayed their utility payments and cut back on food or

other items. This problem is one that it is likely to also affect residents who move to mixed-income developments where utilities are not included in rents. Policymakers and housing authorities need to pay particular attention to this issue because it can undermine housing stability and leave residents vulnerable to losing their vouchers.

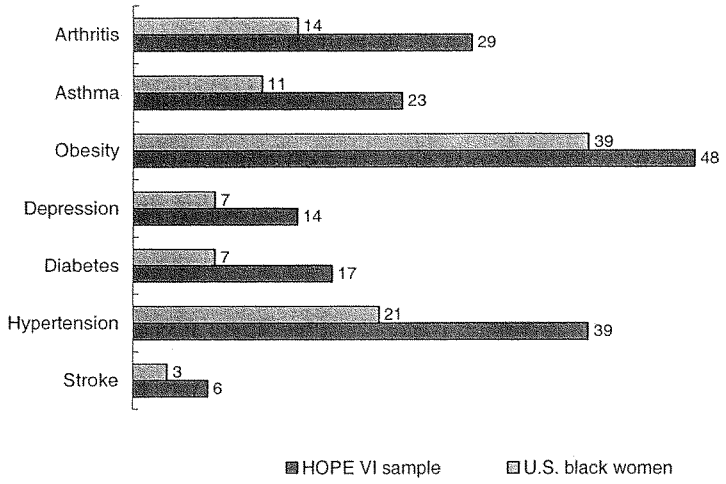
Poor Health is the Biggest Challenge

We identified poor health as a major issue for HOPE VI Panel Study respondents at the baseline in 2001 (Popkin et al. 2002). Our 2005 findings that this problem has intensified over time: in 2005, two out of every five respondents (41 percent) identified their health condition as either "fair" or "poor" (Manjarrez, Popkin, and Guernsey 2007). Further, at every age level, HOPE VI Panel Study respondents are much more likely to describe their health as fair or poor than other adults overall and even than black women, a group with higher-than-average rates of poor health.[7]

Figure 2 illustrates the shocking dimensions of the health challenges HOPE VI Panel Study respondents' face, showing the percentage of respondents who report having been diagnosed with seven major medical conditions (arthritis, asthma, obesity, depression, diabetes, hypertension, and stroke). For every condition except obesity, the proportion of HOPE VI Panel Study respondents reporting being diagnosed is twice or more than that for black women nationally. For obesity, the difference is still large—about 10 percentage points. Mental health is a very serious problem—not only depression, but also reported rates of anxiety and other indicators are very high: overall, 29 percent of HOPE VI respondents indicated poor mental health.[8]

In addition to having much higher than average rates of serious health conditions overall, a significant number of HOPE VI Panel Study respondents face the burden of multiple serious health problems. Across the sample, 73 percent of the respondents

Figure 2. Presence of Chronic Illness among HOPE VI Respondents and African American Women Nationwide, 2005 (percent)



Source: Authors' calculations from the 2005 HOPE VI Panel Study and National Health Interview Survey.

reported that their doctor had told them that they had at least one of these conditions, almost half reported two or more of these five conditions, and *nearly a quarter reported having three or more*. Nearly half (45 percent) indicated that their health condition needed regular, ongoing care. Not only do HOPE VI Panel Study respondents report high rates of disease, they are also clearly very debilitated by their illnesses: one in four respondents reported having such difficultly with physical mobility that they could not walk three city blocks, climb 10 steps without resting, or stand on their feet for two hours.

Finally, comparing death rates between individuals in HOPE VI Panel Study and black women nationally highlights the extreme vulnerability of this population. For three different age categories, the death rate of HOPE VI residents exceeds the national

average for black women—which is already high relative to other races (Murray et al. 2006)—with the gap increasing dramatically at older ages. We cannot determine whether the high mortality rate for HOPE VI Panel Study respondents is attributable to the effects of involuntary relocation—without a true comparison group, we do not have hard evidence about what might have happened to these residents in the absence of HOPE VI revitalization. What we do know is that among the residents who died, the overwhelming majority reported fair or poor health at baseline (79 percent). Likewise, 83 percent of the deceased reported having an illness or needing chronic care at baseline. These residents were already frail, and the stress of living in distressed public housing may have contributed to their distress and increased their vulnerability. But the high death rate, particularly among older respondents, underscores the need for intensive medical services and supports for public housing residents facing involuntary displacement. It may also justify a more detailed case-by-case analysis to reconstruct the deceased mover's stories in an effort to better understand what went wrong.[9]

HOPE VI Did Not Affect Employment

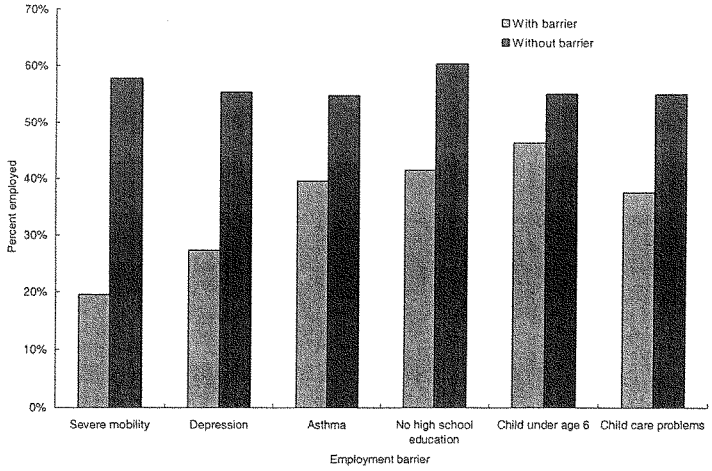
In addition to providing residents with an improved living environment, the HOPE VI program seeks to help them attain self-sufficiency. However, we find that while there have been dramatic improvements in quality of life, there have been no overall changes in employment (Levy and Woolley 2007). At baseline, 48 percent of the working-age respondents were not employed—the same share as at the 2003 and the 2005 follow-up. Our analysis suggests that HOPE VI relocation and voluntary supportive services are unlikely to affect employment or address the many factors that keep disadvantaged residents out of the labor force.

As discussed above, HOPE VI Panel Study respondents are in extremely poor health; these health problems are by far the biggest barrier to employment. Among

working-age respondents, nearly a third (32 percent) reported poor health, and most of them (62 percent) were unemployed. The strongest predictor of not working was having severe challenges with physical mobility. Forty percent of respondents reported moderate or severe difficulty with mobility; less than half (38 percent) of these respondents were employed in 2005. As figure 3 shows, a typical respondent with no employment barriers had a roughly 82 percent chance of being employed; severe mobility problems lowered this probability by 40 percentage points.[10] Depression also substantially reduced the probability of being employed, as did having been diagnosed with asthma. Obesity did not have a direct effect on employment but rather was associated with other serious health problems. Relative to nonobese respondents, obese respondents were more likely to report having mobility difficulties, asthma, and an overall health status of "fair" or "poor."

While health was clearly the biggest obstacle to obtaining—and keeping—a job for HOPE VI Panel Study respondents, other factors affected employment as well.

Figure 3. Barriers and Low Employment



Source: Authors' calculations from the 2005 HOPE VI Panel Study.

Specifically, not having a high school diploma, having children under age 6, and having problems with adequate child care also reduced the probability of employment for working-age respondents.

HOPE VI Did Not Cause an Increase In Homelessness

A main criticism of the HOPE VI program is that intentionally relocating residents—even temporarily—increases the likelihood that some residents will end up homeless. Housing authorities have been accused of "losing" residents and not providing them with the relocation assistance to which they were entitled; critics in some cities have claimed increases in shelter populations. However, most of the evidence has been anecdotal, and while there has been much rhetoric on both sides, there has been no hard evidence to support or disprove critics' claims that HOPE VI increases homelessness.

To address this concern, we used the HOPE VI Panel Study data to conduct a systematic analysis, first identifying residents who report experiencing homelessness or are doubled up with other households (and considered "precariously housed") and then, second, looking at the available data on nonrespondents in our sample—that is, those we were unable to interview—to see if we could determine their housing status. The results of this analysis indicate that there is no evidence that HOPE VI caused an increase in homelessness. Less than 2 percent (or 12 of the 715 respondents to the follow-up survey in 2005) reported experiencing homelessness at some point during the four years since relocation started in 2001.[11] Another 5 percent of respondents were "precariously housed"—that is, they were doubled-up with friends or family. These figures are comparable to those from other studies of public housing populations (McInnis, Buron, and Popkin 2007). We are able to account for nearly all of the respondents whom we were not able to interview at the two follow ups. Our analysis shows that these "nonrespondents" were probably slightly more likely (about one

percentage point) to have become homeless than those we interviewed, but the differences are likely to be small.

Families who live in distressed public housing typically have very low incomes, health problems, and are likely to have complex family situations. Our analysis, particularly the comparison to other public housing populations, suggests that financial vulnerability, rather than HOPE VI relocation, places these families at risk for housing insecurity.

HOPE VI Is Not the Solution for the "Hard to House"

Hard-to-house residents—families coping with multiple complex problems such as mental illness, severe physical illness, substance abuse, large numbers of young children, weak labor-market histories, and criminal records—are less likely than other residents to realize significant improvements in their quality of life as a result of HOPE VI revitalization. Our earlier work showed that these residents make up a substantial proportion of the population at all five sites and more than two-thirds of the households in Chicago's Wells and Washington's East Capitol developments (Popkin, Cunningham, and Burt 2005). In 2005, we found that, at every site, hard-to-house families were more likely to end up in traditional public housing than in the private market, and so ended up little better off than they were at baseline. Placing them in other traditional developments—or, as in Atlantic City's Shore Park and Chicago's Wells, leaving them in the parts of the development awaiting revitalization—may well have kept them from becoming homeless. But concentrating multiproblem families in a few traditional developments may well mean that those developments rapidly become as—or even more—distressed than the developments from which these families came. Clearly, we need to continue to search for solutions for families who have long relied on distressed public housing as the housing of last resort.

Where Do We Go From Here?

For most original residents, the major HOPE VI intervention has been relocation; only a small number returned to revitalized HOPE VI communities. Many critics predicted that relocated residents would end up concentrated in other very poor, minority communities that would leave them little better off—and perhaps worse off—than they were in their original developments. But results from the HOPE VI Panel Study show that, in fact, relocation has meant profound benefits for their quality of life. For residents who have moved to the private market with vouchers, become homeowners, moved off assistance, or moved to new mixed-income developments, the HOPE VI program has more than met its goal of providing an improved living environment. There is no question that the enormous improvement in safety and consequent reduction in fear of crime is the biggest benefit for many original residents. With these major improvements in life circumstances, it is possible that living in these safer neighborhoods may have long-term benefits for the mental and physical health of adults and children.

However, a substantial minority of original residents (about a third) have not gained the same benefit. A relatively small number—about 16 percent of survey respondents—remain in their original developments, living in conditions that are rapidly deteriorating as vacancies increase. This problem is the result of both the housing authorities' choice to stage relocation and redevelop sites in phases and of some families' complex personal situations, which make it very hard to house them in either the private market or in new mixed-income developments that have stringent screening criteria. Another group of residents (about 22 percent of the survey respondents) relocated to other traditional public housing developments. Although these residents report statistically significant reductions in perceptions of drug trafficking and violent crime, the reality is that these communities are still extremely dangerous and few would

regard them as an improvement over their original distressed developments. Again, our analyses suggest that hard-to-house residents are more likely to end up in these traditional developments and thus are less likely to have truly benefited from the HOPE VI intervention.

These findings have several important implications for policy.

Encourage more families to choose vouchers rather than rely on traditional public housing. Families who have moved to the private market are living in better housing in safer neighborhoods; those who relocated to other traditional developments are in situations that are nearly as bad as the distressed developments where they started. If the goal of HOPE VI is to improve families' living environments, then relocating them to other public housing undermines the program's intent. The U.S. Department of Housing and Urban Development (HUD) should require housing authorities to offer meaningful relocation counseling to help residents make informed choices and provide long-term support to help more families succeed in the private market—or, ultimately, to return to new, mixed-income housing. A "vouchers-plus" model where relocatees receive ongoing case management and support for a period of at least two years would ensure that families make a successful transition and are able to remain in safer neighborhoods. Housing authorities should track and maintain contact with voucher movers so they can make effective choices about whether or not to return to the revitalized development. Finally, policymakers should make sure that utility allowances for voucher holders—and mixed-income movers—keep pace with heating costs so that they are not at risk for hardship and housing instability.

Be sensitive to the needs of children in HOPE VI relocation plans. Children remaining in their original development, particularly girls, are worse off than they were before their neighbors relocated. Many girls are having problems in school and

becoming involved in the juvenile court system. Partially vacated HOPE VI sites are not safe places for children, possibly because of increased gang activity, social disorder, and isolation. It is critical that redevelopment plans consider the needs of families with children by scheduling family moves during the summer and giving priority to families with children so they are not left in partially vacated HOPE VI sites.

Provide more support to vulnerable residents during relocation. The worsening health and high mortality rates for the HOPE VI Panel Study respondents imply an urgent need for better and more comprehensive support for families as they undergo the stress of involuntary relocation. Effective case management is particularly important for older and more vulnerable residents, who are particularly likely to suffer serious consequences (Smith and Ferryman 2005; Fullilove 2004). Housing authorities should coordinate with health providers, provide support throughout the relocation process, and follow up for at least 12 months after the move. Further, they should plan their redevelopment processes carefully so that moving is not rushed and the most vulnerable residents do not have to move more than once.

Address barriers to employment in order to improve employment outcomes. Efforts that address key barriers could prove more effective than job training or placement efforts alone in improving the chances that former and current public housing residents move into employment or retain jobs they already have. From this perspective, efforts to improve the physical mobility of adults and help people manage their asthma more effectively could be considered employment-related initiatives. Identifying adults with severe mobility limitations and working with them to stabilize or improve their mobility could improve health and possibly even employment rates more effectively than directing them first to employment-related services. Likewise, assessing mental health and encouraging treatment could also be viewed as an employment-

related service, as could helping people access safe and affordable child care for both preschool-age and school-age children. Encouraging adults without a high school education to earn a GED might also lead to improvements in employment rates over time. Further, housing authorities should consider incorporating work-related initiatives into new, mixed-income developments that include supports and incentives for employment. Finally, housing authorities need to structure flexibility into their screening criteria to reflect the fact that some otherwise good tenants are not going to be able to meet employment requirements because of health or other barriers.

Develop models to serve hard-to-house families so they do not remain concentrated in high-poverty, traditional public housing developments. If housing authorities continue to move their most troubled residents to other public housing, those communities will rapidly become as unpleasant and dangerous as the distressed developments that received the HOPE VI grant. To avoid perpetuating the problem, we need new and creative approaches to helping this very needy population. The Urban Institute is testing an intensive case management model in two Chicago public housing communities to try to address the complex problems that make relocating some public housing families so challenging. These services include dramatically reduced caseloads; family- rather than individual-level case management; a strengths-based approach; a transitional jobs program; and long-term follow-up (as long as three years). Other models include those based on transitional assistance to the homeless, particularly family-supportive housing that offers a rich package of services on site. There are no simple solutions to this problem and none that are low cost, but we believe that it is both cost effective and just to try to help these families find safe, stable housing situations.

Continue to seek effective strategies for addressing the crime and physical deterioration in public housing. Policymakers and researchers have long known that

public housing developments are particularly vulnerable to crime. Drug trafficking, gang domination, and violence are the legacy of poor construction, social isolation, indifferent management, ineffective policing, and the concentration of too many poor households in a single community. There have been many attempts to address the problems, some more effective than others (Popkin et al. 2000). Since the shift in emphasis from drug elimination to public housing transformation in the 1990s (Popkin et al. 2004), there has been less attention to crime-prevention strategies. But as long as substantial numbers of families continue to live in traditional public housing developments, it is essential that we ensure these communities are safe, decent places.

Fund HOPE VI revitalization of the remaining stock of severely distressed public housing. Many original residents are living in substantially better conditions as a result of the HOPE VI program. But while HOPE VI has done much to improve the living conditions of many former residents of distressed public housing, researchers estimate that there are still between 47,000 and 82,000 public housing units that are severely distressed (Turner et al. 2007). The families that live in distressed developments likely face the same daily fears and threats as the families in the HOPE VI Panel Study who remain in traditional public housing, suggesting a continued need for a serious federal investment in addressing this problem.

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[1] The response rate at each wave was 85 percent. The largest source of sample attrition was mortality. In 2005, we were able to locate or account for all but 20 of the original respondents. Finally, we also conducted in-depth interviews with 33 households (parents and youth) at each wave. The majority of respondents are African-American, single female heads of household. For a full description of the study methods see Popkin et al. (2002).

[2] For other studies that have examined rates of return, see Holin, Buron, and Baker (2002); Buron et al. (2002); and National Housing Law Project (2002).

[3] Behavior Problems Measure: Respondents were asked to indicate how often the child exhibited any one of the seven specific negative behaviors, taken from the Behavior Problems Index: trouble getting along with teachers; being disobedient at school; being disobedient at home; spending time with kids who get in trouble; bullying or being cruel or mean; feeling restless or overly active; and being unhappy, sad, or depressed. The answers ranged from "often" and "sometimes true" to "not true." We tracked the proportion of children whose parents reported that they demonstrated two or more of these behaviors often or sometimes over the previous three months.

[4] Positive Behavior Measure: This scale requires respondents to rate how closely each of the following six positive behaviors describes their child: usually in a good mood; admired and well liked by other children; shows concern for other people's feelings; shows pride when doing something well or learning something new; easily calms down after being angry or upset; and is helpful and cooperative. The list of behaviors was derived from the 10-item Positive Behavior Scale from the Child Development Supplement in the Panel Study of Income Dynamics. Each behavior was rated on a scale ranging from 1 ("not at all like this child") to 5 ("completely like this child"). We track the proportion of children with at least 5 out of 6 behaviors rated relatively high ("a lot" or "completely like this child").

[5] Delinquent Behavior Measure: Respondents were asked if over the previous year their child had been involved in any of the following five activities: being suspended or expelled from school; going to a juvenile court; having a problem with alcohol or drugs; getting into trouble with the police; and doing something illegal for money. We track the proportion of children involved in two or more of these behaviors.

[6] See, for example, Buron et al. (2002) and Orr et al. (2003).

[7] Many health problems vary significantly by gender and race, and because over 88 percent of the adults in the HOPE VI Panel Study are women and 90 percent are black, a sample of black women nationally is used as the comparison group. The national data cited in this testimony are published by the U.S. Department of Health and Human Services, calculated from the National Health Interview Survey in 2005. National Health Interview Survey data are broken down by sex and race, but not further by poverty status. Nationally, approximately one-third of all black women live in households with incomes below the poverty level. Therefore, the comparison data are biased slightly upward in terms of better health because of the relatively better economic well-being of the national population of black women compared with the HOPE VI sample. However, even limiting the comparisons to similar gender, race, and age groups, adults in the HOPE VI study experience health problems more often than other demographically similar groups.

[8] Indication of mental health was based on a scale derived from the CIDI-12, or Composite International Diagnostic Interview Instrument. This scale is called the CIDI-12, or Composite International Diagnostic Interview instrument. The series includes two types of screener questions that assess the degree of depression and the length of time it has lasted. The index is then created by summing how many of the seven items respondents reported feeling for a large share of the past two weeks. If a respondent scores three or higher on the index, their score indicates a major depressive episode.

[9] This type of analysis was done for an earlier analysis of uprooted communities (Fullilove 2004).

[10] We tested the difference in the probability of employment with and without a specific employment barrier for an unmarried, high-school-educated, African American female respondent using a housing voucher and facing no additional employment barrier. Unless otherwise noted, statistical significance is reported for probability values of 5 percent or less.

[11] We identified respondents as homeless if they lived in a homeless shelter or on the streets at the time of the 2003 or 2005 follow-up interviews or they reported having lived on the streets or in homeless shelters in the 12 months before the interview.

Testimony of Yvonne Stratford
Leader of Low Income Families Fighting Together

Presented to the House Financial Services Subcommittee on Housing and Community Opportunity

United States House of Representatives

June 21, 2007

Thank you Chairwoman Waters, Ranking Member Biggert and members of the Subcommittee on Housing and Community Opportunity for inviting me to testify today on the HOPE VI program.

My name is Yvonne Stratford. I have lived in public housing in Miami for 20 years. I lived in Scott Homes/Carver Homes for 5 ½ years before Miami-Dade Housing Agency got a HOPE VI grant to redevelop Scott Homes/Carver Homes.

I am a leader of Low Income Families Fighting Together (LIFFT), which is a grass roots membership organization with many members who used to live in Scott Homes. We have been fighting to help the former Scott Homes residents to change the project so it can be utilized by the residents and to help the displaced residents get back into housing.

I and all of my neighbors were displaced from Scott Homes in 2002 and 2003 to make way for the HOPE VI redevelopment. We were told that the HOPE VI was to help the residents but the original plan only replaced 80 of the original 850 public housing units. And the Housing Authority was imposing a number of new requirements for all the replacement units. We knew that the redevelopment plan was not for us.

We were all told that we had a choice between other public housing units and a Section 8 voucher. I had heard that there were problems using the vouchers but most of my neighbors - and many members of LIFFT - believed the Housing Agency when they said that they could move anywhere with the vouchers. So most families chose the Section 8 vouchers.

About two years after the move we started hearing from Scott residents that they were losing their vouchers and losing their housing. For the past year LIFFT has been trying to locate all of the former Scott residents to help them return to housing. What we have found is horrific.

Over 600 hundred of the relocated families were "lost" and no longer receiving housing assistance from the County. I am attaching a December 2006 Miami Herald article describing how more than half of 1,178 families who moved out of Scott Homes/Carver Homes were unaccounted for by 2006. These were the families the HOPE VI project was supposed to help.

We located many of these families by putting up a "Find Our People Wall" on the site which asked missing families to come and sign the wall. We located several hundred of the missing families this way.

Many of these families had lost their vouchers and were homeless. Ms. B., a LIFFT member, lost her Section 8 voucher shortly after relocating due to confusion regarding an appointment. Unable to find an affordable place to live, Ms. B and her three children — one of which is severely disabled— were homeless for two years. Ms. B kept her family off the streets only by doubling up in the already overcrowded homes of friends and family, often sleeping on the floor and relocating every few weeks.

Another family, the D family, also LIFFT members, received separate vouchers upon leaving Scott Homes. Within two years they lost their voucher when their unit failed unit inspection and they were unable to find a new unit. They were homeless and forced to live with family and friends.

A third family lost its voucher because the woman missed an appointment because she was in the hospital. A fourth family lost its voucher because she moved without notice when her house was broken into and her daughter was raped.

These stories were repeated dozens of times. Families that had lived for many years in public housing with no problems lost their Section 8 vouchers after a brief period and were forced to live with relatives or in shelters. There were many reasons for this but they all related to the difficulty in using a Section 8 voucher. For example, when a unit failed inspection, the family was often unable to find a new unit within the voucher time period. Other families, when they had to move from their new home, did not have the funds to pay a security deposit for the next unit. While the housing agency provided a security deposit to find the first dwelling, no assistance was provided for the second. And the initial landlords often refused to return the initial security deposit to the tenants or delayed that return for months. Thus, relocated families with incomes ranging around $9,000 - $10,000 a year were forced to find a security deposit of $1500 - $2000 dollars. Tenants who were unable to lease up a new dwelling within the Section 8 voucher time limits lost their vouchers.

We believe that the HOPE VI law should require the Housing Authority to rebuild as many public housing as they tear down and to allow all the former residents to return without new rules.

It would be best if replacement housing was built before housing is torn down and residents are moved away so that families would not get lost while they are waiting for the replacement to get built.

It is very difficult to find affordable housing in Miami. The last time they opened the waiting list over 40,000 people applied in a few days.

Recently LIFFT has been working with the new Miami-Dade Housing Agency management to assist the former Scott residents who have lost their housing assistance to get them back into public housing or have their Section 8 vouchers reinstated. The Housing Agency has also committed to revisiting the Scott Homes HOPE VI plan and rebuilding on a one-for-one basis the 850 Scott Homes units demolished in 2001.

We are beginning to be hopeful but we believe the HOPE VI needs major changes if it is to be a valuable resource for everyone in the community, including public housing residents.

Thank you again for inviting me to share my HOPE VI experiences with you.

The Miami Herald

TUESDAY, DECEMBER 12, 2006

MIAMI-DADE HOUSING AGENCY

612 families on housing list missing

■ The troubled Miami-Dade Housing Agency is asking for help from private and public entities to find missing families it had promised to house.

BY CHARLES RABIN
crabin@MiamiHerald.com

The Miami-Dade Housing Agency has lost track of more than half the families who were promised new homes when the county demolished their Liberty City public housing almost six years ago.

According to a memo released by housing czar Cynthia Curry, the county has no idea where to find 612 of the 1,178 families who were moved out of the Scott-Carver projects.

Curry blamed contractor H.J. Russell & Co. for inadequately monitoring the families despite being paid almost $1 million. The Atlanta-based firm — which has denied any wrongdoing — was let go shortly after an inspector general's report criticized the company for the same reason. Monitoring is now done through the county's Department of Human Services.

"We're not relying on their information anymore," Curry said. "It's as if we're starting over again. It's the only way we can have confidence."

Advocates for affordable housing, such as Florida Legal Services and the Miami Workers Center, say some of Miami-Dade's neediest residents have fallen through the cracks of the county's massive bureaucracy.

"They've lost the people they're supposed to help. They don't know where they are," said Charles Elsesser of Florida Legal Services. "Those people are homeless. Their families are split up. That's the reality."

The troubled Housing Agency — which critics say reeked of mismanagement and had little to show for millions of dollars spent planning affordable homes — will try to locate the missing families with help from the county's school system, community organizations, homeless shelters and activist groups.

"We don't have a choice," Curry said.

HOPE VI — the redevelopment project — was supposed to temporarily relocate 1,178 families with housing vouchers, then build affordable homes for them to purchase later.

As county officials gleefully watched in early 2001, bulldozers began to tear down the barracks-like, crime-infested Liberty City structures where the families lived along Northwest 22nd Avenue.

Each family was then given a voucher that would have paid for them to move into other public housing, or paid 70 percent toward a private rental unit up to a certain amount.

But six years later, only three of the planned 411 affordable homes have been built. The Housing Agency has squandered much of the $5 million it received from the U.S. Department of Housing and Urban Development to keep track of the families, critics say.

'The whole premise of HOPE VI was it was going to uplift people.'

— TONY ROMANO,
Miami Workers Center organizing director

"The whole premise of HOPE VI was it was going to uplift people," said Tony Romano, the organizing director of the Miami Workers Center.

Instead of putting up houses, the Housing Agency spent millions of dollars on architects and project managers, high overhead costs and payments to a consultant who double-billed the county, according to a Miami Herald investigative series in July. After The Miami Herald series was published, several of the agency's top managers were replaced and Curry was brought in to clean up the program.

Along the way, the county lost contact with hundreds of Scott-Carver families — many for reasons that are not clear. Grisel Rodriguez, a Housing Agency management assistance team member, said her agency is beginning the task of contacting 515 of the relocated families that are still listed as using county social services.

In the summer, The Miami Herald traced 250 of the displaced families and found that more than a third no longer lived at the addresses the Housing Agency considered current. Some are simply gone, with no forwarding addresses.

Romano said the Miami Workers Center has found 28 of the missing residents and passed the information to the Housing Agency.

Curry's two-page report was in response to a request from County Commissioner Dorrin Rolle, whose district includes Liberty City. Rolle is expected to address the findings at a committee meeting this afternoon.

Habitat for Humanity is building 52 homes that are expected to be completed by late 2007, Curry said.

"It's moving. They're active, visible," she said.

Miami Herald staff writer Debbie Cenziper contributed to this report.

Written Testimony of
Charles Woodyard, President/CEO of the Charlotte Housing Authority

Submitted to the U.S. House of Representatives Committee on Financial Services, Subcommittee for Housing and Community Opportunity

June 21, 2007

Good afternoon Chairwoman Waters, Ranking Member Biggert and members of the Subcommittee.

First, allow me to thank you for the opportunity to give testimony on the benefits of the HOPE VI program and present compelling reasons why the program, with some refinement, should continue.

The HOPE VI program's original mandate of eliminating distressed units of public housing across the nation and replacing them with mixed-income communities represents a formidable task. Add to that task the additional goal of deconcentrating poverty plus eliminating urban blight and you have a complicated public policy goal that impacts real people and the health of America's cities. To the extent that cities are a collection of commercial economies that thrive or suffer as a result of market forces and government intervention, HOPE VI can be seen as an attempt to grow and stabilize America's economy. To the extent that cities are a collection of diverse people, diverse cultures and children who are the foundation of the country's future, HOPE VI can be seen as an attempt to raise the minimum standard of living for more Americans.

Whatever your take on HOPE VI as a public policy might be, it is important to understand that public policy must also have a measurable impact on the lives of Americans and the health of American communities.

With this in mind, it would be helpful to understand the nature of Charlotte, NC and how HOPE VI is used as a growth strategy, a community building strategy and a way to impact the self-sufficiency efforts of very low-income families. Charlotte is a growing Sunbelt city of over 650,000. Its real estate market is among the most vibrant in the country, unemployment is low, home prices are rising rapidly despite the national trend, but income increases are not quite keeping pace with housing and energy cost increases. The result is that over 11,000 very low-income families in the community either live in substandard housing or pay more than 30% of their income for housing. Charlotte is suffering from growing pains.

The city also recognizes that housing development patterns are at the heart of school equity issues, economic development, transportation, and race relations. In order for Charlotte to grow while avoiding some of the more common growth pitfalls, the city has adopted smart growth policies that include light rail and transit oriented development,

incentives for infill development, and is currently considering land use strategies that disburse affordable housing around the city.

A major catalyst for the idea of a new way of providing affordable housing as a growth strategy was the city's first HOPE VI grant. Earle Village was a 400-plus unit public housing complex in the heart of uptown Charlotte. This low-income housing community dominated an entire quadrant of the uptown area and was the major source of crime, the perception of crime, the lack of housing development in uptown and the suppression of property values in the uptown. The award of the city's first HOPE VI grant meant that mixed-income housing and mixed-use development would be the norm for infill development. The HOPE VI site was transformed into a diverse community with different housing types, incomes nearly along the entire spectrum of incomes. The impact was not limited to the Earle Village site. The onslaught of economic development in Charlotte's center city can be traced directly to the HOPE VI grant. The next logical question then, is what happened to all those families in Earle Village and other families in HOPE VI communities.

HOPE VI – A Proliferation of Housing Opportunities in Charlotte

The Charlotte Housing Authority (CHA) has received four HOPE VI revitalization grants and one demolition grant for a total of over $122 million. The Federal Government's HOPE VI investment has leveraged and/or stimulated over $750 million in private investment plus over $35 million in local government funds. As impressive as those dollar figures are, they are almost incidental to the real story behind the numbers.

The five communities directly impacted by the HOPE VI grants totaled 1531 units of severely distressed crime ridden apartment homes that were breeding grounds for social disorder. The HOPE VI grants eliminated those distressed communities and replaced them with thirteen mixed-income family communities, five public housing senior communities, and 474 Section 8 vouchers. These new communities contain 1366 public housing units, 974 moderate income affordable rental units, 978 market rate rental units, and 85 homeownership units developed on the original HOPE VI sites for former public housing families. All totaled, 1531 housing opportunities for 30% AMI and below families were transformed into 1729 housing opportunities in mixed-income environments or Section 8 vouchers in neighborhoods of their choice.

Additionally, the physical environments of the newly constructed apartment units and homeownership units were a vast improvement over the dilapidated public housing communities they replaced. Rental units for public housing residents in mixed-income communities are indistinguishable from market rate units and have all of the amenities associated with an "A" property. The mixed-income approach to community building has allowed public housing residents to mitigate the stigma of public housing, model their behavior after their mainstream neighbors, and move into economic self-sufficiency at a rate that would not have happened without the financial stimulus provided by the HOPE VI grants. Furthermore, the Charlotte Housing Authority has utilized mixed-income communities as a strategy to deconcentrate poverty, create more culturally diverse communities, positively impact school equity, and create a more financially viable public housing stock.

Growing Pains Affect Low-Income Families More

According to our own local research, the affordable housing problem in Charlotte impacts low-income families more than any other income level. The need for 11,000 additional units in Charlotte for families earning at or below 30% AMI (Area Median Income) is the only income level in the city that demonstrates a shortage of units. In a city with this demography, one for one replacement is essential public policy. Charlotte's Housing Authority is subjected to tremendous local pressure to commit to one for one replacement when revitalizing a community under HOPE VI. As a part of our latest HOPE VI initiative, we are on track to replace more units for 30% AMI families than originally existed at the public housing site.

Another determining factor in one for one replacement is the careful management of gentrification. By its very nature, the HOPE VI program promotes gentrification. However, managing gentrification so that it maintains the delicate balance between stabilization and diversity versus the complete displacement of low-income families requires careful attention. In Charlotte, residents are given a priority for moving back into the revitalized community. However, we do require that residents commit to pursuing genuine efforts at attaining self-sufficiency.

Relocated Residents in HOPE VI (By the Numbers)

The experience for relocated residents in surrounding neighborhoods utilizing housing choice vouchers has been positive. The majority of residents requesting relocation with housing choice vouchers want the opportunity to select the future neighborhood in which they will reside. The flexibility of the voucher program has aided in deconcentrating low income residents from a concentrated area and improved the quality of housing. The resident utilization of housing choice vouchers for relocation from the first HOPE VI in 1992 at Earle Village was 53 vouchers compared to the last HOPE VI in 2004 at Piedmont Courts which was 158 vouchers. This represents a 198% increase for the use of Section 8 vouchers and proves that housing vouchers are the preferred relocation method for residents. The majority of CHA families have a seamless transition to surrounding neighborhoods.

The tables below represent resident relocation tracking information from the beginning of the HOPE VI activity to the most current grant. The information is tracked on the locality status of the original residents at each HOPE VI site. CHA maintains current addresses for each HOPE VI resident that continues to utilize a housing choice voucher, public housing dwelling or have provided an updated private sector address to staff.

Earle Village HOPE VI Relocated Families
1992

Number Affected	Status	%
379	Number of original Earle Village families at the beginning of the project.	
48	Families evicted for non-payment of rent, drug activity, etc.	11%
53	Relocated under Section 8 program.	12%
161	Relocated to other public housing communities.	41%

Number Affected	Status	%
12	FSS Participants on site (original residents)	3%
4	HO Participants on site (original residents)	1%
27	Elderly Participants on site (original residents)	7%
87	Moved on own	22%
11	Deceased (prior to moving)	3%

*403

*Note: Twenty-four families were split up when other generations in the household elected to participate in designated programs or move to other areas.

COST OF RELOCATION: $351,396.65

Relocation costs include professional movers, utility deposits for residents, packing supplies, packing services, security deposits staffing cost and mailing cost.

Dalton Village HOPE VI Relocated Families
1996

Number Affected	Status	%
131	Number of Dalton Village Families at the beginning of the project.	
5	Families evicted for non-payment of rent, drug activity, etc.	4%
1	Relocated under Section 8 Program	1%
67	Relocated to other Public Housing communities.	51%
28	Families moved on own.	21%
1	Deceased	1%
29	Re-occupancy (original)	22%

COST OF RELOCATION: $64,837.26

Relocation costs include professional movers, utility deposits for residents, packing supplies, packing services, security deposits staffing cost and mailing cost.

Fairview Homes HOPE VI Relocated Families
1998

Number Affected	Status	%
379	Number of Fairview Homes families at the beginning of the project.	
44	Families evicted for non-payment of rent, drug activity, etc.	11%
57	Relocated under Section 8 Program	15%
235	Relocated to other Public Housing communities.	63%
39	Families moved on own.	10%
4	Deceased	1%
8	Re-occupancy (original)	3%

*387

*Note: Eight families were split and relocated to other public housing communities.

COST OF RELOCATION: $ 517,276.68
Relocation costs include professional movers, utility deposits for residents, packing supplies, packing services, security deposits staffing cost and mailing cost.

Belvedere Homes HOPE VI Relocated Families
Demolition Only
2003

Number Affected	Status	%
146	Number of Belvedere Homes families at the beginning of the project.	
13	Families evicted for non-payment of rent, drug activity, etc.	9%
51	Relocated under Section 8 Program	35%
71	Relocated to other Public Housing communities.	49%
3	Families moved on own.	2%
1	Deceased	1%
7	Families participated in FSS	4%

COST OF RELOCATION: $214,568.54
Relocation costs include professional movers, utility deposits for residents, packing supplies, packing services, security deposits staffing cost and mailing cost.

Piedmont Courts HOPE VI Relocated Families
2004

Number Affected	Status	%
231	Number of Piedmont Courts families at the beginning of the project.	
20	Families evicted for non-payment of rent, drug activity, etc.	9%
158	Relocated under Section 8 Program	68%
41	Relocated to other Public Housing communities.	18%
7	Families moved on own.	3%
1	Deceased	.5%
3	Families participated in FSS (off-site)	1%
1	Families participated in homeownership (off-site)	.5%

COST OF RELOCATION: $340,223.54
Relocation costs include professional movers, utility deposits for residents, packing supplies, packing services, security deposits staffing cost and mailing cost.

Resident Relocation Services

The Charlotte Housing Authority has a Relocation Team that assists residents with finding replacement housing. A Relocation Specialist is responsible for assessing the needs of each resident and providing one-on-one assistance during the relocation process. The one-on-one assistance includes; but is not limited to, providing transportation to view offered units and lease signing appointments, assisting with completion of necessary paperwork, and coordinating professional moving services. When a resident finds a unit, the Relocation Specialist completes a site visit to ensure that the unit is comparable to the resident's current unit. The Relocation Specialist assists with utility transfers and first month's rent on an as needed basis. Also, the Relocation Specialist conducts home visits to determine satisfaction with moves, resident needs and referrals to social service agencies as needed.

The Charlotte Housing Authority complies with all components of the Uniform Relocation Act for relocation assistance. Below is a list of a few services that CHA provides:

1) Contract/Professional Movers
2) Packing/unpacking assistance, if necessary
3) Boxes, tape and packing material
4) Telephone transfer fees
5) Counseling and referral assistance
6) Dislocation Allowance

In 2002, the Authority was awarded a three-year $1 million Housing Search Assistance Program (HSAP) Grant from HUD. The program was designed to increase participation of landlords and assist families to find housing within the community in non-concentrated areas. A portion of the HSAP funds were used to establish a comprehensive apartment locator website that can be used to assist residents with finding replacement housing. The development of the SocialServe.com website was intended to support apartment searches for Housing Choice Voucher participants in the Charlotte-Mecklenburg County area. Socialserve.com provides housing services to 20 states.

The apartment search engine is easily accessible and landlords only spend a few minutes to list their properties on the website. CHA encourages its participants to utilize the SocialServe.com website to avoid steering, directing, or suggesting any particular area over another in the county, which could become a fair housing concern. There is a computer located in the lobby of the Section 8 Office that is used by HCV participants to access the Socialserve.com site. Additionally, HCV participants can go to any public library in Mecklenburg County to use a computer to search the Socialserve.com site.

Resident Screening for HOPE VI Communities

The Charlotte Housing Authority has committed itself to the goal of assisting its residents in their pursuit of self-sufficiency. In the early 1990's, CHA began its "Campaign for Self-Sufficiency." As a part of the overall campaign, CHA implemented a number of programs designed to aid residents in ending welfare dependency and poor quality of life. These programs include the Family Self-Sufficiency program, the Bootstrap/Homeless Program, the Family Unification Program, the Gateway to Family Self-Sufficiency, the Stepping Stone program, and the HOPE VI program. Under the auspices of four HOPE VI grants received by CHA for Earle Village, Dalton Village, Fairview Homes and Piedmont Courts, residents of these communities are being offered the benefits of these programs with the additional support of funding to provide tuition assistance, childcare subsidies, and other funding as needed to support the goal of self-sufficiency.

The Campaign for Family Self-Sufficiency ensures that public housing is a vehicle for families to obtain the skills and training necessary for entry into the private market place and a "stepping stone" to get off public assistance and out of public housing. The Campaign is part of the Transitional Families Program, started by CHA to promote self-sufficiency and economic independence among public housing residents. Authorized by the 1987 Housing Act as the Transitional Families Demonstration Program, the Transitional Families Program (TFP) has been established as an overall umbrella organization to promote self-sufficiency for all programs operated by CHA. Families who participate in a self-sufficiency program are expected to move out of public housing and into the private market within five (5) years.

The HOPE VI Family Self-Sufficiency Program originated under CHA's first HOPE VI grant, Earle Village, and expanded to those communities impacted by subsequent HOPE VI awards including Dalton Village, Fairview Homes, Piedmont Court, and all HOPE VI Replacement Housing Sites. CHA proposed that families committed to self-sufficiency receive supportive services as authorized and funded by the HOPE VI grant. Original residents of HOPE VI communities are eligible to participate in the FSS program, regardless of housing placement. Participation in the FSS program is required for occupancy of the revitalized HOPE VI site. These residents receive the support of intensive case management services that address the variety of obstacles that impede their path to self-sufficiency, including limited education and job skills, poor financial management, lack of transportation, lack of childcare, and other issues. Services to address these issues are provided through partnerships with local service providers and HOPE VI funded contracts. At the conclusion of the five (5) year contract, HOPE VI FSS participants must move out of assisted housing and into the private housing market to successfully complete the program.

Family Selection and Eligibility

The Charlotte Housing Authority conducts information campaigns and other recruitment activities such as mass mailings and recruitment events to inform all HOPE VI original residents, all CHA residents, Section 8 recipients, and those on the waiting list of the availability of the HOPE VI FSS program. Additional efforts, to include the above

activities, are made to recruit original residents of impacted HOPE VI communities to include mass mailings of newsletters and other information as well as door-to-door outreach to insure that all original residents have been contacted regarding participation in the HOPE VI FSS program.

HOPE VI FSS communities require that applicants meet the following eligibility criteria:

- Must have a GED or High School Diploma. This requirement may be waived if, due to income, craft or skill, it is determined that the applicant will be able to achieve self-sufficiency within the 5-year contract period. In addition, relevant course work or preparatory training may be substituted for any of the aforementioned educational requirements.

- Must have been employed continuously for at least one year prior to admission

- Must be employed a minimum of 30 hours per week at the time of application, or must be employed a minimum of 20 hours per week if in school full time, or pursuing a trade. School and work hours must total no less than 30 hours per week.

- Must have credit/debt issues that can be resolved within the contract term

- Must have a debt to income ratio not to exceed 42 percent

- The Selection Committee, consisting of case managers and supervisors, may accept an applicant whose circumstances mitigate in favor of admission. Such acceptance and the reasons supporting such a decision must be documented in the applicant file

Selection for the HOPE VI communities will focus on the following target groups in order of preference:

1. Original residents of HOPE VI communities who meet the eligibility criteria.

2. Other families in Public Housing or receiving Section 8 assistance that meet the eligibility criteria.

3. Families on the waiting list for Public Housing or Section 8 assistance that meet the eligibility criteria.

If all things are equal, bedroom size, date, time of application will be the deciding factor.

Families are selected without regard to race, color, religion, sex, handicap, familial status, or national origin. Selected families must continue to meet the general eligibility criteria of the Section 8 Rental Assistance Program, Public Housing program and must meet tax credit requirements for occupancy at that site (if applicable).

An important note here is that Charlotte is on the verge of signing a Moving To Work Demonstration Program agreement with HUD. This deregulation initiative will allow the Authority to require all non-senior and non-disabled public housing clients, as well as Section 8 clients who are able-bodied non-seniors, to engage in some sort of effort to move toward self-sufficiency. The consequence of this requirement will be that anyone eligible for receiving public housing assistance or housing choice voucher assistance will be eligible to move into a HOPE VI community.

Potential Future HOPE VI Revitalization Projects

It is CHA's intent to apply for future HOPE VI funding for at least two of our remaining large communities. We would ask Congress to consider flexibility in the preliminary determination of whether a community is sufficiently distressed to qualify for HOPE VI funding. Rather than limiting HOPE VI availability to those projects built before a specified date (1965), we would encourage a standard based more on a traditional real estate evaluation of the useful life of the property. For example our two properties are about 3/4^{ths} of the way through their life cycle. Because HUD has not traditionally allowed for budgeting of replacement reserves, the properties now require about $40,000 to $50,000 per unit for upgrades and compliance with new codes. Both communities are large concentrations of poverty with a history of crime, gang activity and isolation from the corridor in which they exist. Substantial rehab to these communities would extend their useful lives, but it would ignore the need to address all the other social ills now impacting them and endanger the multi-million dollar investment in the physical upgrade. In other words, from an asset management perspective, the communities should either be demolished or subjected to a comprehensive redevelopment that would mix the incomes, mix the housing types, and promote development in the surrounding neighborhood. Because the demand for affordable housing in Charlotte is acute, we would choose not to demolish the communities.

Currently, because these two developments might not be sufficiently deteriorated to qualify for HOPE VI, existing HUD policy would push CHA toward using Capital Fund Finance Program (CFFP) funds to update the properties, even though this may not be the best use of resources based on sound real estate principles. Rather than allowing these properties to deteriorate for another 5 to 10 years to be sufficiently distressed to qualify for HOPE VI, we would like the flexibility in the new HOPE VI standards to address what we see as major issues in our portfolio in a proactive way---proposing revitalizations to appropriate communities BEFORE they become physically substandard places in which our families are forced to raise their children. Now that the verdict is in on the success of the mixed income model, the new HOPE VI standards should reward those agencies that are proactively looking to create the best opportunities to serve low income families and seniors in their communities.

Conclusion

To say that HOPE VI has been a success in Charlotte would be an understatement by many measures. However, other cities have duplicated this success and many more could with the appropriate changes to the program.

First, we would propose that HUD evaluate a HOPE VI applicant's revitalization application in the context of a local regulatory, economic development, housing, and

transportation market study of the entire community. The applicant's performance measures must then be consistent with the market information derived from the comprehensive study. The crux of the issue here is that HOPE VI is subject to local real estate forces, local land use regulations, and other market forces that make each city unique.

Second, because HOPE VI revitalization initiatives typically require low income housing tax credit equity as a major funding source, the tax credit regulations in each state should be required to facilitate the expeditious execution of HOPE VI initiatives. Conversely, if the state's tax credit allowance regulations are not conducive to typical HOPE VI financing structures, the housing authority should not be punished.

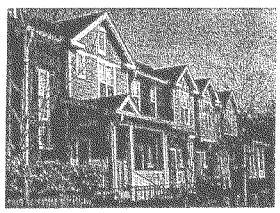
And finally, the Charlotte Housing Authority is embarking on an initiative to promote green construction in its future real estate initiatives. We will be forming a task force within a few weeks to galvanize support for the initiative. We strongly believe that when federal dollars are expended, environmental concerns should be addressed. Consequently, we support any requirement for the HOPE VI applicants to comply with standards set forth in the National Green Communities checklist for residential construction or with standards established by the U.S. Green Building Council for commercial construction.

HOPE VI has tremendous potential to continue changing the American landscape. The model for public housing must change and we must all adopt new paradigms for solving this country's affordable housing crisis. Mixed-income housing is a proven winner.

Attached to this testimony are the redevelopment plans for the four Hope VI Grants (First Ward, Arbor Glen, The Park at Oaklawn, and Seigle Point).

1993 HOPE VI GRANT
$41,740,155

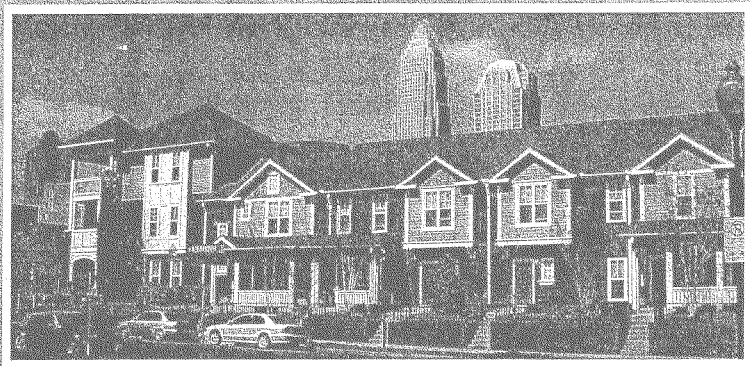
First Ward
REDEVELOPMENT PLAN



ON-SITE UNITS	Total	Subsidized	Affordable	Market
Rental	[illegible]	132	50	101
Home Ownership	[illegible]	20	—	35
Seniors	[illegible]	85	—	—
Total On-Site Units	423	237	50	136

OFF-SITE UNITS	Total	Subsidized	Affordable	Market
Rental	[illegible]	94	—	—
McAlpine Terrace	[illegible]	26	87	—
Glen Cove	[illegible]	10	—	40
Live Oak MF	[illegible]	36	—	141
Home Ownership	[illegible]	20	—	—
Section 8 Vouchers	75	75	—	—
Total Off-Site Units	479	261	87	181
GRAND TOTAL :	952	498	137	317

First Ward
REDEVELOPMENT PLAN



FUNDING

UNITS *Infrastructure Development	HOPE VI	TAX CREDITS	CITY	CMHP	MORTGAGE	OTHER	TOTAL
ON SITE							
283 Rental	$8,357,860	$9,783,004	0	$1,100,000	$4,800,000	0	$24,040,864
55 Home Ownership	$1,111,095	0	0	0	$6,296,025	0	$7,407,120
68 Senior	$6,887,289	0	0	0	0	0	$6,887,289
	0	0	$1,000,000*	0	0	0	$1,000,000
OFF SITE							
94 Rental	$2,457,568	0	0	0	0	0	$2,457,568
113 McAlpine Terrace	$619,809	0	$915,661	$1,033,286	0	0	$2,568,756
50 Glen Cove	$530,000	0	$1,419,195	$812,592	0	0	$2,761,787
177 Live Oak MF	$3,736,445	$1,932,253	$1,100,000	0	$3,352,637	$18,850,929	$28,972,264
20 Home Ownership	$552,750	0	0	0	0	0	$552,750
TOTAL	$24,253,816	$11,715,257	$4,434,856	$3,045,878	$8,152,637	$29,918,958	$76,521,398

NOTE: Totals do not reflect amounts spent on relocation, demolition, site infrastructure, client services, or PHA Administration. As of March 2007, approximately 91% of the $41,740,155 HOPE VI grant had been expended.

Charlotte Housing Authority
Building Community, People & Partnerships

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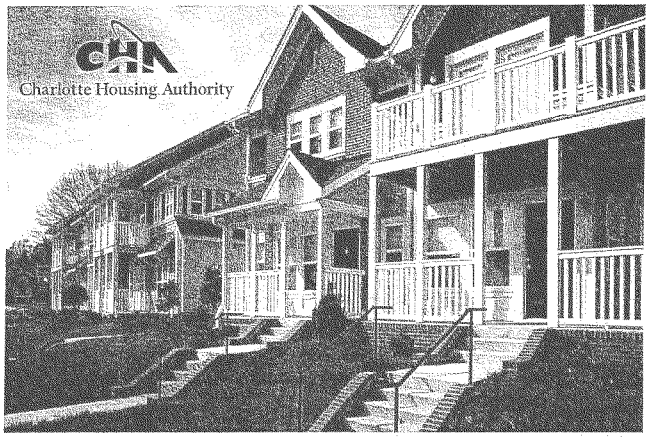
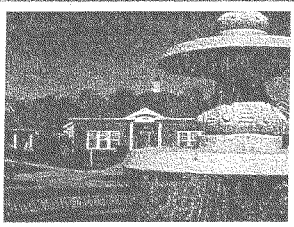


1996 HOPE VI GRANT
$24,501,684

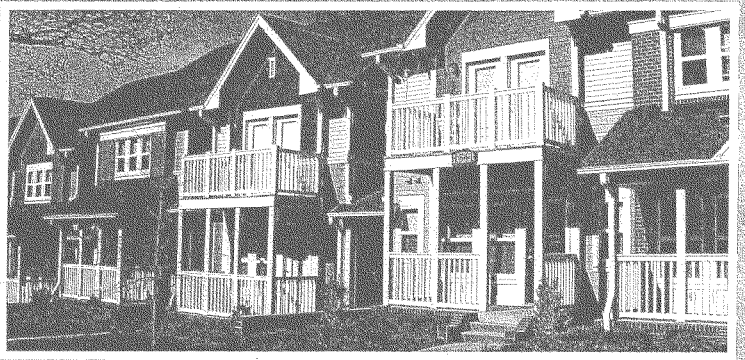
Arbor Glen
REDEVELOPMENT PLAN



ON-SITE UNITS	Total	Subsidized	Affordable	Market
Rehab Rental Units	50	25	25	—
New Rental Units - Phase I	144	60	84	—
Phase II	91	40	51	—
Phase III	23	12	11	—
Home Ownership	47	15	—	32
Total On-Site Units	**355**	**152**	**171**	**32**

OFF-SITE UNITS	Total	Subsidized	Affordable	Market
Nia Point	81	29	52	—
Springfield Gardens	86	22	64	—
Home Ownership	20	20	—	—
Section 8 Vouchers	75	75	—	—
Total Off-Site Units	**262**	**146**	**116**	—
GRAND TOTAL :	**617**	**298**	**287**	**32**

Arbor Glen
REDEVELOPMENT PLAN



FUNDING

UNITS	HOPE VI	TAX CREDITS	CITY	OTHER HUD/ AHP	BOND/ MORTGAGE	OTHER	TOTAL
ON-SITE							
50 Rehab Rental Units	0	0	0	0	0	$800,000	$800,000
New Rental							
144 Phase I	$1,904,941	$8,013,227	$1,499,811	0	0	0	$11,417,979
91 Phase II	$1,013,410	$8,409,758	0	0	0	0	$9,423,168
23 Phase III	$1,080,000	$1,468,270	$230,000	$212,055	0	0	$2,990,325
47 Home Ownership	$1,956,196	0	$432,000	0	$1,078,502	0	$3,466,698
OFF-SITE							
81 Nia Point	$1,853,769	$6,396,951	$121,500	$605,537	0	0	$8,977,757
86 Springfield Gardens	$1,865,000	$7,222,473	$235,000	$1,290,000	0	0	$10,612,473
46 Home Ownership	$300,000	0	0	0	0	0	$300,000
TOTAL	$9,973,316	$31,510,679	$2,518,311	$2,107,592	$1,078,502	$800,000	$47,988,400

NOTE: Totals do not reflect amounts spent on relocation, demolition, site infrastructure, client services, or PHA administration. As of March 2007, approximately 90% of the $24,501,584 HOPE VI grant had been expended.

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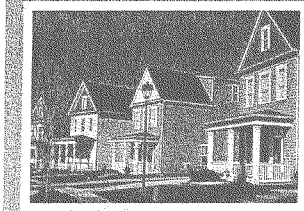
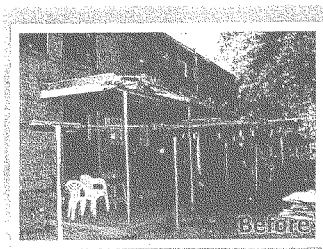
1998 HOPE VI GRANT
$34,724,570

The Park at Oaklawn
REDEVELOPMENT PLAN



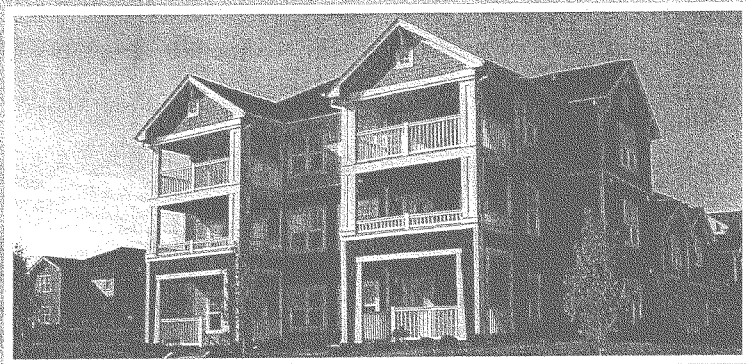
ON-SITE UNITS	Total	Subsidized	Affordable	Market
Rental	178	89	89	—
Home Ownership	71	25	46	—
Seniors	83	83*	—	—
Total On-Site Units	332	**197**	**135**	—

OFF-SITE UNITS	Total	Subsidized	Affordable	Market
Rivermere	192	20	80	92
Prosperity Creek	168	156**	12	—
Montgomery Gardens	176	20	56	—
Stonehaven East	240	24	96	120
South Oak Crossing	192	20	80	92
Live Oak Seniors	50	35**	15	—
Section 8 Vouchers	55	55	—	—
Total Off-Site Units	**973**	**275**	**339**	304
GRAND TOTAL :	**1305**	**472**	**474**	304



The Park at Oaklawn

REDEVELOPMENT PLAN



FUNDING

UNITS	HOPE VI	TAX CREDITS	CITY	SECTION 202	OTHER HUD/ AHP	BONDS/ MORTGAGE	TOTAL
ON SITE							
178 Rental	$7,819,524	$8,077,617	$577,200	0	0	0	$16,474,341
71 Home Ownership	$4,607,231	0	$488,800	0	0	0	$5,096,031
83 Senior	$537,952	0	$128,700	$7,100,000	0	0	$7,766,652
OFF SITE							
192 Rivermere	$1,367,824	$2,065,849	$2,800,000	0	$1,035,910	$9,450,000	**$16,719,583**
76 Montgomery Gardens	$1,029,015	$5,636,253	$1,140,000	0	$742,000	0	**$8,547,268**
168 Prosperity Creek	$6,200,000	$12,369,924	0	0	0	0	**$18,569,924**
240 Stonehaven East	$1,220,869	0	$1,200,000	0	0	$9,475,000	**$11,895,869**
192 South Oak Crossing	$1,500,000	$2,203,440	$4,281,689	0	0	$9,171,873	**$17,157,002**
50 Live Oak Seniors	$1,667,207	$4,676,011	$600,000	0	$288,311	0	**$7,231,529**
TOTAL	$25,949,622	$35,029,094	$11,216,389	$7,100,000	$1,777,910	$28,096,873	$109,458,199

NOTE: Totals do not reflect amounts spent on relocation, demolition, site infrastructure, client services, or PHA Administration. As of March 2007, approximately 85% of the $34,724,283 HOPE VI grant had been expended.

Charlotte Housing Authority
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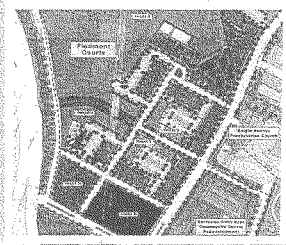
2003 HOPE VI GRANT
$20,000,000

Seigle Point
REDEVELOPMENT PLAN



ON-SITE UNITS	Total	Subsidized	Affordable	Market
Rental	204	152**	52	—
Townhomes at Seigle Point	50	—	50	—
Seigle Point Condos	140	—	—	140
Total On-Site Units	**394**	**152**	**102**	**140**

OFF-SITE UNITS	Total	Subsidized	Affordable	Market
McAden Park	60	30**	30	-
940 Brevard	100	100**	-	-
Belmont HO	10	10	-	-
Bilbro Condos	225	10	-	215
Section 8 Vouchers	158	-	-	-
Total Off-Site Units	**553**	**150**	**30**	**215**
GRAND TOTAL :	**947**	**302**	**132**	**355**

** Traditional ACC and/or Project Based Section 8 Units

Rev 06.07

Seigle Point
REDEVELOPMENT PLAN

UNITS *Reflects planned phases	HOPE VI	TAX CREDITS	CITY	CHA/Other Funds/Loan Fees	OTHER HUD/ AHP	MORTGAGE	TOTAL
ON SITE							
204 Rental*	$8,000,000	$12,328,451	$1,819,57	$843,000	$500,000	0	$23,491,030
50 Townhomes at Seigle Point*	$774,000	0	$250,000	$80,000	TBD	TBD	$1,104,000
140 Seigle Point Condos*	TBD	TBD	TBD	TBD	TBD	TBD	TBD
OFF SITE							
60 McAden Park	$1,900,000	0	$3,296,41	$1,299,436	$400,000	0	$6,895,847
100 - 940 Brevard*	$300,000	$11,380,046	1	0	0	0	$11,680,046
10 Belmont HO*	$523,000	0	0	0	0	0	$923,000
225 Bilbro Condos*	TBD	0	$400,000	0	0	0	0
CURRENT TOTALS	$11,497,000	$23,708,497	$5,765,9	$2,222,436	$900,000	0	$44,093,923

NOTE: Totals do not reflect amounts spent on relocation, demolition, site infrastructure, client services, or PHA administration. As of March 2007, approximately 26% of the $20,000,000 HOPE VI grant had been expended.

Charlotte Housing Authority
Building Community, People & Partnerships

Rev. 06.07

STATEMENT OF

The National Association of Home Builders

TO THE

House Committee on Financial Services
Subcommittee on Housing and Community Opportunity

Hearing on

Reauthorization of the HOPE VI Program

June 21, 2007

The National Association of Home Builders (NAHB) strongly supports the reauthorization of the HOPE VI program, which is administered by the U.S. Department of Housing and Urban Development (HUD). NAHB believes that the HOPE VI program is a unique initiative that has contributed to the revitalization of some of the most difficult public housing neighborhoods in the country. It has been successful in making new units directly available to low-income buyers as well as in revitalizing previously depressed areas to support and encourage other homeownership and economic revitalization initiatives.

HOPE VI's successful public-private partnership approach has resulted in the leveraging of billions of private dollars, contributing to the deconcentration of poverty, elimination of blighted neighborhoods that exist in isolation from the greater community and the development of safe, quality mixed-income communities that allow homeownership efforts to succeed and improve the quality of rental housing. No other federal program focuses on all of these goals.

The HOPE VI program is an important component of the recovery in New Orleans from the devastating hurricanes of 2005. NAHB is proud that one of its members, Michaels Development Company, recently celebrated with Secretary Jackson and other officials the re-opening of the New Desire HOPE VI development in New Orleans' Ninth Ward. The first phase, Abundance Square, consisting of 73 units, is finished, and the second phase, Treasure Village, consisting of 34 units, should be done by December. Hurricane Katrina destroyed two existing sections of New Desire, one of which was only 40 percent complete. When fully completed, this entire HOPE VI community will consist of 425 apartments and townhouses and two community facilities. Residents will enjoy a beautiful new community that demonstrates the power of public-private partnerships in action.

There is no question that HOPE VI is a complex program and projects can take many years to complete. The program requires a substantial commitment from local public housing authorities (PHAs), elected officials and local governments, residents, neighbors, private sector partners, HUD and state housing finance agencies. It is not unusual for substantial delays to occur, for a variety of reasons, including changes in PHA executive level staff as well as changes in administration at the local level (e.g., the election of a new Mayor). The typical problems faced by developers, including inclement weather, unknown site conditions, zoning and permit approval process and the challenge of coordinating multiple financing cycles, also contribute to delays in project completion. HOPE VI projects have additional challenges such as tenant relocation, demolition of large numbers of existing units, complete replacement of infrastructure on large sites, and extensive public input, all of which increase the time needed to complete these projects.

While these are challenges, they are not insurmountable ones. As with most federal housing programs, there is certainly room for streamlining. HOPE VI developments use multiple sources of financing, resulting in duplicative reviews and conflicting requirements. NAHB believes it would be very worthwhile to examine where such duplicative reviews and conflicting requirements could be eliminated, which would make the program more successful.

NAHB appreciates the opportunity to express its views on this important housing program.

National Association of Housing and Redevelopment Officials
630 Eye Street NW, Washington DC 20001-3736
(202) 289-3500 Toll Free 1 (877) 866-2476 Fax (202) 289-4961

February 12, 2007

The Honorable Barney Frank
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Maxine Waters
Chairwoman
Subcommittee on Housing and Community Opportunity
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Frank and Chairwoman Waters:

I am pleased to be invited to participate in the roundtable discussion on the re-authorization of the HOPE VI program. NAHRO believes this program to be a critical tool in the preservation and expansion of quality affordable housing for low-income Americans who are served by the public housing program. Our association represents more than 22,000 agencies and individuals engaged in the production and operation of affordable housing and community development.

The questionnaire you provided to frame the discussion asked important questions and will enable those assembled - experts in housing, communities, poverty and economic development - to provide your committee with an enlightened approach to the re-authorization of the HOPE VI program, representing the varied viewpoints of housers, residents and HOPE VI practitioners.

NAHRO's own comments which follow are based on our experience in representing local public housing agencies across the nation who have either participated in the HOPE VI program or found it inaccessible. In that the answers provided have not been vetted with our membership, we offer them as provisional observations rather than firm positions. Hopefully, this will suffice for purposes of the roundtable discussion. We are interested to hear others' viewpoints, and to understand better what is needed to move HOPE VI into a refreshed program that will continue to support the necessary, prudent and sensitive redevelopment of low-income communities.

If I can be of further assistance prior to the roundtable discussion, please do not hesitate to call.

Sincerely,

Saul N. Ramirez, Jr.
Executive Director

Donald J Cameron, SPHM, President; **Renée Rooker,** SPHM, Senior Vice President; **Bill Jacobs,** PHM, Vice President-Professional Development; **Montez C. Martin, Jr.,** Vice President-Community Revitalization & Development; **Maggie Lamont,** Vice President-Member Services; **Carlos A. Sanchez,** Vice President-Housing; **Richard S. Lujan,** Vice President-Commissioners; **Akinola Popoola,** PHM, Vice President-International; **Saul N. Ramirez, Jr.,** Executive Director

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NAHRO Response to the HOPE VI Roundtable Questionnaire
February 12, 2007

I. Right of Return

Discuss how to address the temporary and long-term displacement of current residents of HOPE VI sites, e.g., should PHAs be allowed to place any restriction on former tenants' rights to reoccupy the site regardless of the time that has passed?

The discontent often experienced, and expressed, by residents of public housing that are being repositioned under the HOPE VI program is well known. In some instances, resident objections to HOPE VI projects have resulted from misunderstandings caused by poor communication with residents; however, it should also be acknowledged that some displacement of residents may be an intrinsic part of this program. Particularly in revitalizations involving the demolition of highly dense public housing developments, replacement of all or substantially all of the original public housing units may be impossible to reconcile with the revitalization mission.

NAHRO would in each case ask two basic questions: First, how successfully, *in the context of the particular circumstances*, do the PHA and developer maximize the number of public housing units remaining after the revitalization? Secondly, for those who must be relocated permanently, how suitable are the alternative dwelling units both from the standpoint of the community and the residents? Resident preference is an important but not necessarily singular concern.

Ensuring successful outcomes for those who will not be able to reoccupy the revitalized public housing may require that designated resources be made available, within the context of the HOPE VI program, for this purpose. That is, we suggest that HOPE VI revitalizations could and should be seen as involving not only bricks, mortar, and the creation of mixed-income environments, but also as a vehicle for achieving new beginnings for the families who will not return to the original projects. A revamped HOPE VI program might include, for example, resources specifically designated to carry out efforts similar to the *Gautreaux* Demonstration in Chicago. NAHRO believes that conceptualizing revitalizations in a way that includes concern about outcomes for *all* residents of the original public housing units will help mitigate resident concerns, ensure better equity among residents, and benefit the communities in which revitalizations occur. But this cannot be accomplished "on the cheap."

Donald J Cameron, SPHM, President; **Renée Rooker**, SPHM, Senior Vice President; **Bill Jacobs**, PHM, Vice President-Professional Development; **Montez C. Martin, Jr.**, Vice President-Community Revitalization & Development; **Maggie Lamont**, Vice President-Member Services; **Carlos A. Sanchez**, Vice President-Housing; **Richard S. Lujan**, Vice President-Commissioners; **Akinola Popoola**, PHM, Vice President-International; **Saul N. Ramirez, Jr.**, Executive Director

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Considered overall, the loss of units resulting from HOPE VI revitalizations is of serious concern to NAHRO. We believe that it is critical for the nation to preserve and expand its stock of hard units that are accessible to Extremely Low and Very Low Income families. The initial funding of the HOPE VI program in the mid-1990s unfortunately displaced the conventional public housing production program. NAHRO strongly urges that a production program be created to replace units lost under HOPE VI. Such a program could take many forms and should complement the revitalization program.

Restrictions on rights of return are to a considerable extent driven by practical necessity. First, absent one-for-one replacement, some method of choosing who may return must occur and it does not seem inappropriate to grant preferences to return to those who have played by the rules and have successful tenant histories. Moreover, a program such as HOPE VI that depends upon significant leveraging of private capital must take into account the practical necessity to assure investors that the inclusion of public housing units will not result in degraded living environments. However uncomfortable this may seem, it is a business necessity inherent in the HOPE VI concept. Finally, there remains a question concerning equities as between needy families who have remained, in some instances for years, on waiting lists and those who have previously been afforded the opportunity to occupy public housing. Provided that existing residents are afforded suitable alternative housing, we do not see a compelling case to favor former residents with an indefinite right of return over equally needy families who have never been offered affordable housing opportunities in the first place. This would be particularly the case where unfavorable tenant histories, or recent histories of serious criminal behavior, on the part of those who would return are involved.

II. One-for-one Replacement

Discuss any legislative or regulatory changes necessary to provide for one-for-one replacement.

"One-for-one replacement" as it previously existed in law was a good idea with disastrous unintended consequences. Originally conceived as a vehicle to ensure that the number of public housing units would not shrink, it resulted instead in an inability to deal with severely distressed housing environments. Partially occupied public housing projects that could not be demolished because resources were not available to replace the units became magnets for drugs and crime, some so infamous that public support for public housing was seriously, perhaps irreparably harmed. The problem, of course, was the disconnect between resources and policy. Had resources been available to replace or revitalize severely distressed units, one-for-one replacement would have worked as intended.

NAHRO suggests that, conceptually at least, a commitment to one-for-one replacement is a good thing, but only if it is tightly linked to the availability of sufficient resources to accomplish it. We do not believe that such a requirement should be imposed with respect to individual revitalization projects, but rather it should be done flexibly, as above noted, through a production program that complements HOPE VI revitalizations.

III. Comprehensive Reform

Is there a way to integrate the housing component of HOPE VI with other public services such as education, given the jurisdictional restrictions in Congress?

Such integration is desirable; however, the extent of its feasibility will often depend upon local circumstances and, again, on resources. Despite the success some had in developing them, educational opportunities, unarguably a vital part of the well-being of any community, may be beyond the influence of parties to a housing revitalization project.

We do not feel that this is a question that properly involves the jurisdictional reach of Congress. It is clear that, within very broad limits, conditions to grant funding can and frequently are used to incentivize desired behaviors. Also, we do not see this as an important jurisdictional issue because, particularly with respect to educational matters, we do not believe that the federal government should impose hard and fast service requirements in HOPE VI revitalizations that are not funded through the program itself. We do agree that efforts to coordinate the availability of public services to public housing residents should be funded and encouraged, but we do not see this need as unique or special to revitalized public housing. On the contrary, a case can be made that greater needs for services may exist for residents of projects that have not been revitalized and for families displaced by revitalization activities.

HOPE VI grantees – in fact, most housing agencies – to the extent they have the resources to do so already are coordinating or providing services to residents. Along with a PHA's plan for the redevelopment of the physical asset, they must also describe their plan for the development of human capital and economic development. A key component within the HOPE VI program is the Community and Supportive Service Plan (CSSP). The CSSP outlines an authority's description of the plans and methods they will implement in assisting HOPE VI families in becoming self-sufficient. These plans very often involve the PHA's establishment of partnerships with local agencies, businesses, and other stakeholders that have an interest in rebuilding the community.

NAHRO has long maintained that local housing agencies have the best knowledge of their communities and are the best agents for change. And we support flexible, holistic approaches to resident needs and self-sufficiency, provided the necessary federal financial support to carry them out. One-size-fits-all federal mandates are probably counterproductive.

IV. Selection Criteria

Provide input on the existing selection criteria and whether they should be modified to reflect any lessons learned.

NAHRO has principally four concerns about the selection criteria. First, they favor public housing agencies that have prior experience in redevelopment or revitalization activities. NAHRO would prefer that selection criteria emphasize experience less and emphasize need to a greater extent. Secondly, the application process requires that a number of concrete steps involving site control and funding be in place before an application is filed. This process wastes

the resources of unsuccessful applicants. NAHRO suggests that consideration be given to restoring the planning grant as part of the application process. Alternatively, the application and grant approval process should more fully embrace the concept of conditional approvals. Third, the program design does not contemplate that developments housing primarily elderly or disabled residents, rather than families, may also need revitalization, although, admittedly, this may have been a reflection of the scale of the federal resources committed to this program in light of priority needs.

Finally, HOPE VI is in practice directed primarily to large projects. Of the $4 billion federal investment in HOPE VI as of FY2000, nearly half (47 percent) was awarded to 13 large housing authorities. HOPE VI was, after all, a demonstration program limited to the 40 largest housing agencies at its beginning. But small public housing communities are experiencing deterioration as population and jobs shift, crime worsens, buildings age, funding dwindles, and economic downturns squeeze local resources. The program should be revamped to ensure that small housing agencies have equal access to these funds relative to the size and type of projects they may undertake, and to ensure that grant awards are representative of the geographic and size diversity among housing authorities.

Some considerations that may be needed to encourage applications from, and to foster successes by, smaller housing agencies include:

- A functionally revised process for application, review, and implementation of the grant relative to the scale of a project that may be envisioned by smaller agencies
- The opportunity to apply for grants in amounts that reflect smaller projects
- Criteria that focus on an agency's potential for success rather than its own proven track record in large-scale redevelopment (referencing rating factor 1(b) in the FY 2006 NOFA). That potential can include the agency's relationship to its local funding community, the support of its local community for the project, and its management capability

V. Definition of Severely Distressed

Provide ideas on whether a definition of the term "severely distressed" is needed, and if so, how the term should be defined.

In 2002 the definition of severe distress was expanded by Congress to include distress in social and civic infrastructure in the community in which the public housing is located, including schools, transportation, religious institutions, supportive services and economic opportunity. NAHRO supported that change. It is not possible to have a healthy public housing community existing in a sea of distress that is the surrounding community, whatever that jurisdiction may be – town, city, county or neighborhood. The authorizing statute provides that the public housing, to be eligible, is a significant contributing factor to disinvestment in the community. We believe the converse is often true, and must be considered in the definition of distressed.

As mentioned in the answer to a previous question, distressed communities are not just those that house families with children on public assistance, as provided in statute. Over half the households in public housing are headed by seniors or people with disabilities, and have a different range of issues than family developments, although generically crime, deteriorated

housing, and lack of services would be common. Public housing communities that predominantly serve seniors and people with disabilities are ineligible by statute, except for one senior demonstration program. NAHRO suggests that, at this point in the evolution of the program, any public housing community in distress should be eligible to apply for assistance under HOPE VI.

As currently written, the statutory components of the definition of "severely distressed public housing" are stated conjunctively. We suggest that they be stated disjunctively so as to broaden the class of eligible projects.

VI. Grant Award Amount

Comment on what the appropriate grant amount should be to effectively and expeditiously carry out a HOPE VI revitalization plan.

Grant amounts must, of course, reflect the needs demonstrated in applications, contemplating appropriate leverage of private resources. This said, not all HOPE VI grants need be large. Not permitting grants of less than $20 to $50 million is neglecting the properties of more than at least the 2,300 housing agencies with fewer than 500 public housing units that may well suffer from distressed housing or community problems. A good leverage standard is about $3 leveraged for $1 of HOPE VI funding. For example, consider a project of 12 units that qualifies as distressed. If the HUD Total Development Cost to build a unit in that community is $150,000, the cost to rebuild this project is $1.8 million. Given the 3:1 leverage calculation, the maximum grant for the project would be $600,000. The program still needs grants in the $20 to $50 million range, but given insufficient appropriations, increasingly smaller grants subject to streamlined application processes should be considered.

VII. Matching Requirement

Provide input on whether there should be local flexibility or regulatory waiver authority to meet the local matching funds requirement.

NAHRO supports the existing match requirement to assure that an applicant's local community will support the project and is willing to provide at least some resources. Having said this, it is apparent that match requirements fall unevenly on applicants depending upon their relative financial capabilities. Accordingly, we suggest that the HUD Secretary have the statutory authority to waive match requirements, wholly or partially, where good cause to do so is shown.

NATIONAL ASSOCIATION OF REALTORS®

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STATEMENT OF THE NATIONAL ASSOCIATION OF REALTORS®

TO THE

HOUSE FINANCIAL SERVICES COMMITTEE, SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

ENTITLED

"REAUTHORIZATION OF THE HOPE VI PROGRAM"

JUNE 21, 2007

REALTOR® is a registered collective membership mark which may be used only by real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.

As real estate professionals, the over 1.3 million members of the NATIONAL ASSOCIATION OF REALTORS® (NAR) strongly believe in the national goal of "a decent home and a suitable living environment for every family." NAR is unwavering in its commitment to ensure that every American has the opportunity to attain a decent, safe and affordable home.

The NATIONAL ASSOCIATION OF REALTORS® has a long tradition of support for innovative and effective federal housing programs. We have worked diligently with the administration and Congress to fashion housing policies that ensure federal housing programs meet their mission responsibly and efficiently. REALTORS® believe that federal mortgage financing and assisted-housing programs that have proven records for producing and preserving affordable housing must not only be safeguarded but also strengthened and provided with significant additional resources.

HOPE VI is one such program. Created in 1993, the HOPE VI program changed the way the federal government looks at housing for the poor. The program combines public and private resources to create housing opportunities and revitalize neighborhoods. HOPE VI funds may be used for demolishing public housing units, rehabilitating units, and relocating residents. The program has successfully eliminated concentrations of poverty by making mixed-income housing affordable for many families.

A study sponsored by the NAR Housing Opportunity Program found that the HOPE VI program, in addition to providing quality housing, has resulted in de-concentration of assisted housing for lower-income families While citizens often argue that including federally assisted units in their communities would negatively impact property values, this study, conducted by Dr. George C. Galster of Wayne State University, suggests that assisted housing has insignificant or positive effects on property values in higher-value neighborhoods. NAR supports these programs and urges their continued authorization.

As a nation, we must ensure that every citizen has the opportunity to enter the housing arena. Housing should be viewed as a series or ladder of opportunities – the first few rungs represented as steps through rental housing, the middle rungs representing first-time homebuyers, and the upper rungs symbolic of repeat homebuyers. The NATIONAL ASSOCIATION OF REALTORS® recognizes that accessibility to safe, decent and affordable housing at all levels must be one of our nation's highest priorities. We urge your support of the HOPE VI program, which rehabilitates and preserves our nation's affordable housing stock.

884

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

OFFICE OF CONGRESSIONAL AND
INTERGOVERNMENTAL RELATIONS

AUG 0 7 2007

The Honorable Stevan Pearce
U.S. House of Representatives
Washington, DC 20515-3102

Dear Representative Pearce:

Thank you for your letter of June 22, 2007, conveying a follow-up question to Assistant Secretary Orlando Cabrera's June 21, 2007 testimony for the Committee on Financial Services and Subcommittee on Housing and Community Opportunity hearing on the reauthorization of the HOPE VI program. Your question pertained to the following statement in the testimony:

"The HOPE VI program has annual productivity goals in four areas: household relocation, units demolished, units completed (new construction and rehabilitation) and units occupied. In Fiscal Year (FY) 2006, the Department exceeded its goals for each of these areas, with the exception of units demolished due to partial data. Grantees relocated 2,962 families (205 percent of the goal), demolished 2,305 units (89 percent of the goal), constructed 7,085 (109 percent of the goal) and occupied 8,081 completed units (128 percent of the goal)."

In your memorandum, you posed the question: "How much money was spent to reach each of these goals in FY 2006? Please provide dollar amounts that correspond with each goal: household relocation, units demolished, units completed (new construction and rehabilitation) and units occupied."

While HUD can provide you with information on how much HOPE VI grant and leveraged dollars have been expended on various activities cumulatively, it is not possible to link those funds directly to the goal accomplishments reported for a particular FY. While a goal may have come to completion in a particular year, activities to reach that completion may have begun several years before. For example, while 7,085 units were completed in FY 2006, the actual construction work on those units could have begun in FY 2004 or FY 2005. Predevelopment work connected with these units may have begun in FY 2002 or FY 2003. Additionally, the data systems where HOPE VI financial information is contained – the HOPE VI quarterly reporting system and LOCCS – do not track expenditure of funds in relation to the completion time of goals.

However, HUD can provide you with cumulative amounts of HOPE VI grant and

However, HUD can provide you with cumulative amounts of HOPE VI grant and leveraged funds expended by activity type, including relocation, demolition and unit completion. Please see the enclosed document, "HOPE VI Revitalization Grant Program: Financial Summary Report" for the quarter ending March 31, 2006 (the last quarter the HOPE VI quarterly reporting system was available due to a lapse in the contract). As shown in this document, $86,883,705 of HOPE VI funds had been expended and $32,417,133 of leveraged funds had been expended in association with relocation activities. For demolition activities, $248,753,061 in HOPE VI funds had been expended as well as $223,670,203 in leveraged funds. For unit completion financial information, see "New or Rehab Construction" on the document provided. Additionally, "Planning/Professional Services" and "Extraordinary Site Costs" may be considered toward the total cost of unit completion. When added together, those categories result in $2,954,002,800 in HOPE VI funds expended and $4,356,999,094 in leveraged funds expended. As for the cost of "occupancy," HUD only tracks the cost of re-occupancy of units by original residents returning to the revitalized project. This is tracked through the relocation/re-occupancy figures provided above. Beyond this, one may consider the cost of unit completion as the cost of unit occupancy.

Also as of March 31, 2006, the following analysis is available in addition to the cumulative information above. Across all years and all units (public housing, affordable, market rate and homeownership), the estimated average cost of completed units, including hard construction costs, demolition, planning/professional services and site improvements, is $153,441. On average, HOPE VI funds paid for less than half of the development costs ($63,114 per unit) for all units. The balance of the costs is covered by other federal, state, local and private sector funds in the form of debt and equity.

Finally, please find enclosed for your reference the document, "HOPE VI Revitalization Grant Program: Quarterly Progress Report" which provides the key cumulative financial and production data, planned versus actual, for the entire HOPE VI Revitalization grant program (as of the quarter ending March 31, 2006).

Thank you for your interest in the Department's programs. If I can be of further assistance, please let me know.

Sincerely,

Mark A. Studdert
General Deputy Assistant Secretary
for Congressional and
Intergovernmental Relations

Enclosure

HOPE VI REVITALIZATION GRANT PROGRAM: FINANCIAL SUMMARY REPORT

Reporting Period: January - March, 1QCY2006 (2QFY2006)

All Grants and Phases

		HOPE VI Budgeted	HOPE VI Obligated	HOPE VI Expended	HOPE VI % Expended	Leveraged Budgeted	Leveraged Expended	Leveraged % Expended	All Sources Budgeted	All Sources Expended	All Sources % Expended	HG % All Sources Budgeted	HG % All Sources Expended
Planning / Professional Services	Proj. Mgmt.	$143,537,747	$122,227,091	$116,710,107	81%	$45,147,845	$28,783,307	64%	$188,685,593	$145,493,414	77%	76%	80%
	Const. Mgmt.	$45,278,256	$37,526,094	$35,077,270	77%	$49,684,104	$22,066,565	44%	$94,962,360	$57,143,835	60%	48%	61%
	Arch. / Eng.	$312,097,629	$265,541,291	$255,007,024	82%	$285,812,905	$152,959,903	54%	$597,910,533	$407,966,927	68%	52%	63%
	Legal Fees	$75,491,990	$63,085,639	$58,619,190	78%	$69,959,824	$36,833,372	53%	$145,451,814	$95,452,562	66%	52%	61%
	Other Fees	$178,400,519	$143,657,478	$134,814,025	76%	$309,027,141	$121,254,039	39%	$487,427,660	$256,068,064	53%	37%	53%
	Sub - Total:	$754,806,141	$632,037,593	$600,227,615	80%	$759,631,819	$361,897,185	48%	$1,514,437,960	$962,124,801	64%	50%	62%
Demolition / Remediation	On-site Repl.	$276,724,454	$236,542,179	$231,556,775	83%	$244,680,122	$196,447,813	80%	$524,404,577	$428,004,588	82%	53%	54%
	On-site not Repl.	$26,029,572	$17,862,275	$17,196,286	66%	$36,900,103	$27,222,389	74%	$62,929,675	$44,418,675	71%	41%	39%
	Sub - Total:	$305,754,026	$254,404,454	$248,753,061	81%	$281,580,226	$223,670,203	79%	$587,334,252	$472,423,263	80%	52%	53%
New or Rehab Construction	Acquisition	$228,450,388	$184,441,588	$175,984,983	77%	$375,941,855	$224,219,353	60%	$604,392,243	$400,204,336	66%	38%	44%
	Site Improv.	$544,431,408	$436,431,748	$411,581,890	76%	$973,759,749	$490,263,977	50%	$1,518,191,157	$901,845,867	59%	36%	46%
	DU Const.	$2,566,691,634	$1,735,216,955	$1,595,355,924	62%	$6,716,938,882	$2,887,487,891	43%	$9,283,630,516	$4,482,843,815	48%	28%	36%
	DU Equipment	$11,739,352	$6,795,422	$6,204,505	53%	$12,818,597	$5,434,084	42%	$24,557,949	$11,638,589	47%	48%	53%
	Non-DU Const.	$183,784,747	$128,537,582	$121,988,279	66%	$602,084,881	$341,687,895	57%	$785,869,627	$463,676,174	59%	23%	26%
	Non-DU Equip.	$14,218,618	$9,893,482	$9,486,716	67%	$24,885,870	$4,349,283	17%	$39,104,488	$13,835,999	35%	36%	69%
	Sub - Total:	$3,579,359,668	$2,518,020,538	$2,337,188,741	65%	$8,754,942,484	$3,974,272,196	45%	$12,334,302,151	$6,311,460,936	51%	29%	37%
Extraordinary Site Costs		$30,043,521	$16,703,761	$16,586,444	55%	$48,512,651	$20,829,713	43%	$78,556,172	$37,416,157	48%	38%	44%
Relocation / Re-occupancy		$119,961,453	$92,050,964	$86,883,705	72%	$54,003,974	$32,417,133	60%	$173,965,426	$119,300,838	69%	69%	73%
Leveraged Finance	Tax Credit Costs	$3,390,968	$2,719,374	$2,496,209	74%	$148,370,581	$41,933,051	28%	$151,761,550	$44,429,260	29%	2%	6%
	Developer Fees	$6,471,915	$4,014,577	$2,489,250	38%	$760,814,171	$268,298,778	35%	$767,286,185	$270,788,028	35%	1%	1%
	Other Costs	$9,289,952	$3,329,159	$3,243,628	35%	$368,741,341	$124,474,961	34%	$378,031,294	$127,718,588	34%	2%	3%
	Reserves	$1,090,759	$511,232	$511,232	47%	$178,158,350	$55,392,381	31%	$179,249,109	$55,903,613	31%	1%	1%
	Sub - Total:	$20,243,594	$10,574,342	$8,740,319	43%	$1,456,084,543	$490,099,170	34%	$1,476,328,137	$498,839,489	34%	1%	2%
Community Support Services	Mgmt. Improv.	$391,640,250	$288,035,378	$272,946,267	70%	$143,268,643	$61,497,969	43%	$534,908,893	$334,444,236	63%	73%	82%
	Other Services	$92,908,545	$65,103,070	$56,392,788	61%	$117,412,175	$26,749,512	23%	$210,320,719	$83,142,300	40%	44%	68%
	Sub - Total:	$484,548,795	$353,138,448	$329,339,055	68%	$260,680,818	$88,247,482	34%	$745,229,612	$417,586,537	56%	65%	79%
Administration	Mgmt. Improv.	$37,832,385	$24,028,564	$22,433,594	59%	$7,203,120	$3,754,863	52%	$45,035,505	$26,188,458	58%	84%	86%
	General	$297,527,239	$242,025,697	$229,857,109	77%	$47,884,469	$29,868,630	62%	$345,411,708	$259,725,740	75%	86%	88%
	Sub - Total:	$335,359,624	$266,054,260	$252,290,704	75%	$55,087,589	$33,623,493	61%	$390,447,213	$285,914,197	73%	86%	88%
Sub-Total:		$5,600,033,300	$4,126,280,598	$3,863,423,199	69%	$11,622,011,452	$5,204,226,861	45%	$17,222,044,752	$9,067,650,061	53%	33%	43%
In-Kind Services		$0	$80,000	$0	/0	$474,728,663	$246,643,415	52%	$474,728,663	$246,643,415	52%	0%	0%
Grand Total:		$5,600,033,300	$4,126,360,598	$3,863,423,199	69%	$12,096,740,115	$5,450,870,276	45%	$17,696,773,415	$9,314,293,476	53%	32%	41%

This Quarterly report is based on self-reported data for the current period.

HOPE VI REVITALIZATION GRANT PROGRAM: QUARTERLY PROGRESS REPORT

Grants Reported: 223 Grants out of 223 included in this report
Reporting Period: Jan. - Mar., 1QCY2006 (2QFY2006)

Financial Information

	Total Project Estimates		Actual to Date	
Grant Information	HOPE VI Awarded:	$5,600,060,848	HOPE VI LOCCS Disbursed (As of 03/31/2006):	$3,858,146,202
			HOPE VI Obligated:	$4,126,360,598
Funding Source	HOPE VI Budgeted:	$5,600,033,300	HOPE VI Expended:	$3,863,423,199
	Leveraged Funds: Other Public Housing Budgeted:	$1,313,734,088	Leveraged Funds: Other Public Housing Expended:	$906,622,231
	Other Federal Funds Budgeted:	$986,588,642	Other Federal Funds Expended:	$539,073,672
	All Non-Federal Funds Budgeted:	$9,796,417,385	All Non-Federal Funds Expended:	$4,005,174,373
	SUB-TOTAL (Leveraged Funds)	$12,096,740,115	SUB-TOTAL (Leveraged Funds)	$5,450,870,276
	Total Funds Budgeted (All Sources):	**$17,696,773,415**	**Total Funds Expended** (All Sources):	**$9,314,293,476**

Production Information

	Total Project Estimates					Actual to Date				
Relocation	PH	Section 8	Other *		Total	PH	Section 8	Evicted	Other	Total
	34,410	22,003	12,086		68,499	31,337	20,515	3,635	8,398	63,885
Demolished Units	Planned:	88,469								
	Approved:	85,413				78,115				
Construction Units		Rental		Home Owner			Rental		Home Owner	
		ACC	Non-ACC	ACC	Non-ACC	SUB-TOTAL	ACC	Non-ACC	ACC	Non-ACC	SUB-TOTAL
	New	40,530	28,546	6,885	16,683	92,644	22,701	12,919	2,700	3,058	41,378
	Rehab	9,412	984	304	293	10,993	8,268	430	164	242	9,104
	SUB-TOTAL	49,942	29,530	7,189	16,976	103,637	30,969	13,349	2,864	3,300	50,482
Re-Occupancy	26,365					14,122				
Occupancy	103,637					48,012				

*OTHER includes actual evictions. Evictions cannot be planned, but are included in the total number of relocations as they include households initially designated for relocation.

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However, HUD can provide you with cumulative amounts of HOPE VI grant and leveraged funds expended by activity type, including relocation, demolition and unit completion. Please see the enclosed document, "HOPE VI Revitalization Grant Program: Financial Summary Report" for the quarter ending March 31, 2006 (the last quarter the HOPE VI quarterly reporting system was available due to a lapse in the contract). As shown in this document, $86,883,705 of HOPE VI funds had been expended and $32,417,133 of leveraged funds had been expended in association with relocation activities. For demolition activities, $248,753,061 in HOPE VI funds had been expended as well as $223,670,203 in leveraged funds. For unit completion financial information, see "New or Rehab Construction" on the document provided. Additionally, "Planning/Professional Services" and "Extraordinary Site Costs" may be considered toward the total cost of unit completion. When added together, those categories result in $2,954,002,800 in HOPE VI funds expended and $4,356,999,094 in leveraged funds expended. As for the cost of "occupancy," HUD only tracks the cost of re-occupancy of units by original residents returning to the revitalized project. This is tracked through the relocation/re-occupancy figures provided above. Beyond this, one may consider the cost of unit completion as the cost of unit occupancy.

Also as of March 31, 2006, the following analysis is available in addition to the cumulative information above. Across all years and all units (public housing, affordable, market rate and homeownership), the estimated average cost of completed units, including hard construction costs, demolition, planning/professional services and site improvements, is $153,441. On average, HOPE VI funds paid for less than half of the development costs ($63,114 per unit) for all units. The balance of the costs is covered by other federal, state, local and private sector funds in the form of debt and equity.

Finally, please find enclosed for your reference the document, "HOPE VI Revitalization Grant Program: Quarterly Progress Report" which provides the key cumulative financial and production data, planned versus actual, for the entire HOPE VI Revitalization grant program (as of the quarter ending March 31, 2006).

Thank you for your interest in the Department's programs. If I can be of further assistance, please let me know.

Sincerely,

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Correspondence Code	Originator PIU	Concurrence PIU	Concurrence PI	Concurrence P	Concurrence P	Concurrence P
Name	L. VAN RIJ	S. WILSON	B. BLOM	M. MARTIN	P. BLUNT	O. CABRERA
Date	7/20/07		7/24/07	7/25/07	7/26/07	7/30/07