

REAUTHORIZATION OF THE HOPE VI PROGRAM

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BEFORE THE
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BANKING, HOUSING, AND URBAN AFFAIRS
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FIRST SESSION
ON

THE HOPE VI IMPROVEMENT AND REAUTHORIZATION ACT OF 2007

WEDNESDAY, JUNE 20, 2007

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U.S. SENATE,
SUBCOMMITTEE ON HOUSING, TRANSPORTATION, AND
COMMUNITY DEVELOPMENT,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The subcommittee met at 2:10 p.m., in room SD-538, Dirksen Senate Office Building, Senator Charles E. Schumer (Chairman of the Subcommittee) presiding.

Chairman SCHUMER. I will call the hearing to order, and because Senator Mikulski has been waiting and because I was late, I would like to make up the lost time for her, and we will do our opening statements, if that is OK with the Committee, after we hear from our first witness, who has been such an active and strong leader in the HOPE VI Program.

STATEMENT OF BARBARA MIKULSKI, U.S. SENATOR FROM MARYLAND

Senator MIKULSKI. Mr. Chairman, knowing how compelling and charismatic both you and Senator Crapo are, I am happy to listen, but I accept the professional courtesy. I think I will be treated to the charisma and compelling later on.

But, in all seriousness—

Chairman SCHUMER. We are still trying to find our charisma. Right, Mike?

Senator CRAPO. Right.

Senator MIKULSKI. In all seriousness, though, Mr. Chairman and Senator Crapo, I really want to thank you for holding this hearing on the reauthorization of HOPE VI. The bill that we want to present to you today, Senate bill 829, has been the result of serious work on the part of a task force well versed in the issues of HOPE VI, and truly the preparation of the bill has been done on a bipartisan basis. We have worked very closely with Senator Jack Reed and also with Senator Martinez himself, where we worked with him hands on in his capacity as Secretary of HUD and now on this Committee.

Mr. Chairman, we are here today because we want to present to you what we think a modern HOPE VI bill should be and also to have a sense of urgency that this is the right time to pass it because of the compelling need in the community and the strong bipartisan support in both the U.S. Senate as well as in the House of Representatives.

Mr. Chairman and colleagues, HOPE VI has been one of the most important Federal programs created for HUD for the revitalization of communities, lowering the concentration of poverty, and creating a self-help, self-sufficiency momentum for people who have lived in public housing. HOPE VI has offered real opportunity for public housing residents and new hope for the communities around the public housing.

I created this program in 1992. At that time Jack Kemp was Secretary of HUD, and he was full of a lot of innovative ideas. One of the things that he wanted to do was to sell public housing to the poor, like Maggie Thatcher was doing in England. But the difference was public housing in the United States at that time was very distressed and very dilapidated. I knew that the poor did not want to buy 100,000 units of public housing where we, the Federal Government, was one of the biggest slum landlords. Why should we sell the slums to those least able to transform it? But we wanted to have new thinking and new ideas, and working with Dr. Art Naparstek and the Commission on Distressed Housing, we came up with the idea of HOPE VI.

No. 1, tear down the highrises, and the whole point of tearing down the highrises was to lower the concentration of poverty, which in and of itself created zip codes of poverty and other social pathology—crime, low graduation rates, high rates of illegitimacy. By reducing that, we also knew that what we wanted to do was change not only the physical architecture but create a new social architecture, moving people to self-sufficiency. We knew that public housing should not be a way of life but a way to a better life. So that was the whole thought—new surroundings related to mixed income and then, No. 2, the processes involved would also move to self-sufficiency.

It has been a tremendous success. There have been lessons learned, problems not anticipated, but we are ready to move on. What our legislation does is not only reauthorize but it reforms public housing, it refreshes it, and it reinvigorates it. If this legislation is passed, it will be better for the taxpayer, we will get more out of it; and it will be better for the beneficiaries because they will have more to work with.

This legislation codifies best practices from the programs that really work, and it corrects those issues that we identified are really problems. It is what we need to do to empower communities and the hard-working people who live in it.

Just a quick look at what this program has already meant. Since HOPE VI was created, 63,000 old units have been demolished. But that is not the real story. What has been the real story is the transformation of communities, the transformation in the lives of people, and the transformation of communities around it. Secretary/Senator Martinez also helped keep this program going during very dark times.

Now, later on you are going to be hearing from Urban Institute. They have been the keeper of the data base. When we created this program, we wanted to gather data to make sure we were on the right track, and we wanted to make sure it was done outside of Government so that we could have an independent evaluation. So

if you want to have really the hard data, they are going to be the group that will also be able to tell you that.

But as we looked ahead, we really wanted to talk about the practitioners who really knew what worked and what did not. That is why we asked Ms. Renee Glover, the Executive Director of the Atlanta Housing Authority, and Eleanor Bacon to pull together a task force. Ms. Glover by all accounts is one of the national leaders in how to make best use of HOPE VI, and Eleanor Bacon was the pioneering director of HOPE VI at HUD. This was the finest 30 HOPE VI minds that we could put together.

So, Mr. Chairman, in a nutshell, though, what does the new revitalized, reinvigorated HOPE VI do? First of all, we wanted to continue to end the concentration of the poor in distressed neighborhoods. No. 3, we know that the best way to do that is to create mixed-income communities. But housing is not enough. One of the most important lessons learned was school system, school system, school system. That is what attracts the middle class to live in a mixed-income unit, and that is also the turbo motor to move the poor ahead.

We do not try to reform entire school systems. We leave that to mayors and school boards. What we do say is that if you want the HOPE VI money, you have to make sure that the school in that neighborhood is also in the process of transforming itself so it can transform the life of the children. So we encourage that HOPE VI grant recipients be in partnerships with the local school superintendent to make sure school transformation is underway.

The second thing is we want to make sure that mayors are involved, that this is not just a bucket of free Federal bucks for them to do real estate development. This is not a bill for the developers. We are into the development of human capital, not for Federal funds to go to developers. We want the developers because they bring private sector know-how, but it has got to be tied to a mayor so that we get that comprehensive social service effort to move people to self-sufficiency.

We do also provide adequate support services because the emphasis is self-sufficiency for the adults, education for the children, transformation of lives, as well as the physical attributes. We feel that those are some of the great building blocks of this program. We hope to change these older neighborhoods.

We think that what we have for you is lessons learned on the issues of relocation, the issues of time delays and dragging it out. There are a lot of aspects here that require reform, one of which is the issue of relocation, the right to return, as well as wise use of dollars, making sure that a mayor is involved along with the developer.

Again, Mr. Chairman, I want to say that I have done a lot of things in the Congress, and when I look at what are some of my proudest accomplishments, HOPE VI has been one. And the reason I say that, it is not about what I did. What I did was help create a Federal framework. Then all who did it—the executive branch making sure that it was administered properly, but it was the ingenuity and resourcefulness of local government, responsible developers, and the grit of the poor themselves—the grit of the poor themselves—that have made this a success. Now it is time to look

at it, refresh it, reform it, face the problems, but I think we owe it to the poor and we owe it to the taxpayer to pass this legislation.

I will be happy to answer any questions you have.

Chairman SCHUMER. Thank you, Senator Mikulski. First I want to thank you for your leadership. You created this program, but you have also followed it almost day to day to make sure that it is a success, and your recommendations and the recommendations of your task force will be really taken very seriously and are going to be part of the legislation that we hope to move out of this Committee. So thank you.

Senator MIKULSKI. Well, Mr. Chairman, I want to thank you and your staff and Secretary Martinez and Senator Reed. They have really been outstanding. My staff and I also express that.

You know, when we work together, we can really do it right, and we have worked together.

Chairman SCHUMER. Thank you, and we will work with you to continue to do that. Thank you, Senator Mikulski.

Senator MARTINEZ. Mr. Chairman, if I may just say a word?

Chairman SCHUMER. Please.

Senator MARTINEZ. I just wanted to thank the Senator for her comments and particularly as directed to me. But I just wanted to tell you it has been a real pleasure working with you. I know how passionate you are about this program. You are, it is often said, the "Mother of HOPE VI," and I believe that is appropriately so. You have really done so much not just for the—I thought that the words you said were perfect, not only the physical architecture but the social architecture. And people do not always understand that, because as we see a miserable 10-story high-rise go down and something new and more attractive rebuilt, what people may sometimes not understand is what a difference it makes in the lives of people that are touched by both of these architectures. And so you have been wise enough to lead us in that direction, and I just wanted to thank you for your passion and your continued involvement in this issue.

Chairman SCHUMER. Thank you.

Senator Reed.

Senator REED. Can I simply commend the Senator for her vision and her leadership and her unflinching support for this great program, and I associate myself with your comments and Secretary/Senator Martinez's comments.

Thank you, Mr. Chairman.

Chairman SCHUMER. Thank you.

Thank you so much, Senator Mikulski, for this and all the things that you do. And the record will show that all of us, if the rules had allowed, would have applauded, would have joined the sole person in the back of the room applauding. But we do not allow that around here.

[Laughter.]

For those who came in later, we went right to Senator Mikulski so she could get on with her busy schedule. Senator Dole has a—I know the Judiciary Committee has judicial nominees, and she is introducing some. So if the Committee does not mind, we will let Senator Dole make the first opening statement and we will not make any of our ours.

STATEMENT OF SENATOR ELIZABETH DOLE

Senator DOLE. Thank you. Thank you very much, Mr. Chairman and Ranking Member Crapo, for holding this very important hearing regarding the HOPE VI Program, and I am just so pleased to cosponsor Senator Mikulski's bill, the HOPE VI Improvement and Reauthorization Act of 2007, which would extend HOPE VI to fiscal year 2016 and add education and relocation-related benefits to the program.

As many on this Committee have seen firsthand, the HOPE VI Program provides grant funding to local housing authorities to renovate or demolish and replace existing public housing, as we have heard, and transform it into new mixed-income housing. This program has been credited with eliminating some of the most dangerous and dilapidated neighborhoods in my home State of North Carolina, thus providing safer environments for families and creating positive ripple effects throughout the community.

For example, a study of eight HOPE VI sites nationwide by the Housing Research Foundation found that in communities surrounding recent HOPE VI developments, per capita incomes were up, neighborhood unemployment rates were down; and compared to the overall city, commercial and residential lending increased faster and crime rates declined more sharply.

Since the program's inception, North Carolina has received more than \$300 million in HOPE VI grant funding, more than all but six States. And as a result, we are home to a number of very successful developments. For example, last August I was privileged to attend the opening of Willow Oaks in Greensboro. With the help of a \$26 million HOPE VI grant from HUD, this thriving, safe community has risen up from a site once overwhelmed by poverty and ridden with crime, and this grant was leveraged into \$100 million in private investment.

In addition to affordable, safe housing, Willow Oaks offers residents job training, counseling, child care, and other critical services. The people living here not only have keys to a home, they have keys to a better quality of life and a brighter future.

Piedmont Courts in Charlotte and Capital Park in Raleigh are also shining examples of thriving HOPE VI developments that I have toured. The year before Capital Park was torn down, the on-site police station received more than 1,500 calls, including two reports of officer-related shootings. Remarkably, in the year after Capital Park was built, there were just two calls to the police—one to report a break-in, the other to turn in a man stealing out of unlocked cars.

The innovative thinking that has made North Carolina's HOPE VI developments such resounding successes should be replicated by housing authorities elsewhere, both in my home State and across the Nation, and this Committee must do its part to ensure this program continues to flourish.

The HOPE VI Program also provides the opportunity for residents to get on track to becoming homeowners. For example, many developments provide financial planning workshops that stress savings for downpayments and unexpected costs. I simply cannot say enough about the positive effects of homeownership. Parents who own their own home provide more stable environments for their

children. These children do better in school. They become more involved in the community. These families are able to build wealth, many for the first time, thereby helping secure funds for retirement and for higher education. Families who own their own homes also are more likely to spend the money necessary to properly maintain those homes. These positive results, again, extend throughout the community and the economy.

Homeownership in this country is at record levels, and we should continue to focus our efforts on raising it even higher, especially minority homeownership.

So, again, Mr. Chairman, I thank you for holding this hearing for a program that is very near and dear to my heart, and that is because it is making a difference to so many people in North Carolina and across the Nation.

Thank you very much.

Chairman SCHUMER. Well, thank you, Senator Dole, and I very much appreciate your remarks.

OPENING STATEMENT OF CHAIRMAN CHARLES E. SCHUMER

Chairman SCHUMER. Now, I am going to ask unanimous consent put my remarks in the record, because I know we want to get on to the witnesses, and Senator Mikulski and Senator Dole have summed up much of what I would say. I just do want to say that in New York HOPE VI has been the same success it has been in other places across the country. We have six HOPE VI projects—in Albany, in Niagara Falls, in Buffalo, in Utica, in Yonkers, and in New York City. They have been extremely successful doing just what HOPE VI is intended to do, which is, A, provide a much better physical environment, but even more important, a much better social environment where we have a mixture of all different kinds of people. And that is why I think Senator Mikulski's legislation—I know Senator Reed, Senator Martinez, and everyone here who has provided such leadership here—really important.

I call on Senator Crapo.

STATEMENT OF SENATOR MIKE CRAPO

Senator CRAPO. Well, thank you very much, Chairman Schumer, and I will do the same and just make brief remarks.

This is probably the first opportunity I have had to publicly in one of our hearings tell you how glad I am to be able to work with you on this Subcommittee. I continue to appreciate the work that we have done together with Senator Reed, Senator Allard, and the other Members of the Subcommittee, who have given such great leadership in the past.

Truly, the remarks that have already been made by Senator Mikulski and Senator Dole and yourself, Mr. Chairman, have laid out the important goals we have for strong public housing programs. And my objective here today will be to see if we can continue to extend that.

I think everybody knows that there are those who contend that there are some inefficiencies, or some improvements that can certainly be made in the approach that the HOPE VI Program has, and my focus today is going to be to learn about those suggestions and see if there are ways, as Senator Mikulski said, that we can

reform and revise but continue to move forward aggressively to make the maximum use of the dollars we have available for supporting and strengthening public housing.

Chairman SCHUMER. I would also ask unanimous consent that Senator Martinez's full statement be put in the record.

Senator Reed.

Senator REED. Thank you for convening the hearing. And once again, I think we all are saluting, very appropriately, Senator Mikulski for her leadership.

Thank you, Mr. Chairman.

Chairman SCHUMER. Thank you, and thank you for your leadership as Chair of this Committee and your advocacy for HOPE VI as well. I know you have worked with Senator Mikulski closely on this issue.

Senator Allard.

STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. Mr. Chairman, I have a short statement I would like to make. It brings in a little different perspective than what everybody else has been commenting on. And I appreciate the opportunity to participate in the hearing on HOPE VI programs.

In 1992, the National Commission on Severely Distressed Public Housing estimated that 86,000 federally subsidized public housing units were severely distressed and subjecting the families residing in them to extreme poverty and intolerable conditions. The HOPE VI Program was created to demolish these units, later expanded to a total of 100,000, transforming them into mixed-income communities by 2003.

The program was also designed to contribute to the improvement of the surrounding neighborhood, provide housing that will avoid or decrease the concentration of very low-income families, and create opportunities for residents to achieve self-sufficiency. And it is hard to argue with these goals. However, goals alone do not create a good Federal Government program.

To define success, we must examine outcomes. Unfortunately, the HOPE VI Program does not have such a good track record on the outcomes side. Of the \$5.8 billion in grants awarded, more than \$1.4 billion remains unspent. Many guarantees have significant delays.

We must also consider the costs, especially the opportunity costs, when evaluating the success of HOPE VI. According to the General Accounting Office, the HOPE VI Program costs significantly more per family than other Federal housing assistance programs. While the HOPE VI goals are laudable, how many more families could have been provided decent, safe, sanitary, and affordable housing had the same taxpayer dollars been devoted to other programs?

These, along with a number of other factors, have led the administration to give the HOPE VI program a rating of "ineffective" under the PART Program. This is where they measure outcomes. And what does "ineffective" mean? According to the administration, programs receiving this rating are not using their tax dollars effectively. Ineffective programs have been unable to achieve results due to a lack of clarity regarding the program's purpose or goals, poor management, or some other significant weakness. A program

meeting this description does not sound like the best way to assist low-income people to me.

I recognize that HOPE VI projects have been completed on time, on budget, and would be considered successful in meeting the program goals. We perhaps ought to spend some time in looking at those successful projects, and I congratulate those cities and housing authorities for their work.

Unfortunately, the success of a few projects is not sufficient justification to extend an inefficient program in its current form. Today's hearing will be an opportunity for this Subcommittee to examine both the successes and shortcomings of the HOPE VI Program, and this information will be helpful, I am sure, as we move forward, and I look forward to the witnesses' testimony.

Thank you, Mr. Chairman.

Chairman SCHUMER. Thank you, Senator Allard.

Now let me ask our second witness to come forward, and he is Orlando Cabrera. He is the Assistant Secretary of Public and Indian Housing at the Department of Housing and Urban Development. Mr. Cabrera has held his position since 2005, and prior to that he had various positions with the Florida Housing Finance Corporation, including its Vice Chairman, Chairman, and Executive Director.

Mr. Cabrera, your entire statement will be read into the record, and you may proceed. You have about 5 minutes.

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

Mr. CABRERA. Thank you, Mr. Chairman, Senator Crapo, and Members of the Committee. My name is Orlando Cabrera, for the record, 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 HOPE VI. This oral statement will focus on our 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 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 its greater 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 the complexity of HOPE VI deals prolonged 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 constructed because the 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 experi-

ence, meaning that the allocation would go in—I am sorry, would go on or underutilized because of capacity issues.

The good news is that the second prong has been remedied in many instances. PHAs have become better applicants and have become better economic partners and, therefore, better developers. 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 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 the prerogative is added, will it make a HOPE VI transaction less viable because it has added costs? 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 subsidies that might be available in a discrete State?

This is what we suggest would help the viability of HOPE VI. My written statement sets forth many of the issues that have 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 that you might have.

Chairman SCHUMER. Thank you, Mr. Secretary, and we will begin the rounds. We will allow 5 minutes to each of us.

My first question is a very simple one. Do you agree that HOPE VI is not just about bricks and mortar but also about rebuilding communities and fostering self-sufficiency?

Mr. CABRERA. I think HOPE VI is primarily about bricks and mortar, and when it is not about bricks and mortar, it is very hard to do a HOPE VI deal. The more you move away from bricks and mortar, the more likely that you are going to be in that group of deals that is in the 70 percent or so that have not yet been completed.

Chairman SCHUMER. Let me ask a second question. The Urban Institute and others have estimated that there is still a significant stock of severely distressed housing. Has HUD done a comprehensive inventory of the public housing stock? And has HUD determined that there are no severely distressed buildings?

Mr. CABRERA. I do not think HUD would ever determine that there were no severely distressed buildings. The last study that was done was in 1997. Recently, as part of our appropriation package, we have put in as a first priority a study or a revisiting of the study that was done in 1997.

Chairman SCHUMER. And what percentage of buildings then were regarded as severely distressed in 1997?

Mr. CABRERA. Mr. Chairman, I do not recall, but I am happy to answer that in a subsequent inquiry.

Now, as I understand it from your testimony, the HOPE VI Program has exceeded HUD's goals on almost every count—relocation, construction, and completed units. Is that correct?

Mr. CABRERA. In the last fiscal year, in the last fiscal period for assessment.

Chairman SCHUMER. OK. So here is my question. Why then has the administration proposed to terminate and rescind HOPE VI funds, first? And, second, what is HUD's plan for revitalizing the remaining distressed units across the country?

Mr. CABRERA. There are a variety of ways to address distressed units. It is not just HOPE VI. HOPE VI as an engine has had—I call it a “Dickensian record”: very good, a lot of very bad, very little in between. And the reason is because it is very difficult to use, and so what you have is the capital fund. You have access to low-income tax credits. You have private activity bonds. You have State programs in many States that have programs that would help rehabilitate and build new units.

So the issue in most cases when you are dealing with the asset of affordable housing, which is a much broader spectrum, is to essentially use the full menu of what is out there.

Now, HOPE VI as a component of that is in some cases very good. I think I can point to some very real successes in some very important areas of the country. But I can point to a lot of places where there has not been success and there has been a very real problem.

Chairman SCHUMER. But does it not make sense then to build on the successes and change the program? I have just been informed there is a backlog of \$18 billion in capital needs in terms of public housing.

Mr. CABRERA. I think that is the Urban Institute number.

Chairman SCHUMER. I believe it is, yes. You do not want HOPE VI. What specific programs replace it? Much of our public housing was built in the 1940s, 1950s, 1960s. That is true in my city where over 600,000 people live in public housing. You are saying do not do HOPE VI, which many of us believe the track record is better than the one that you have reported on. But does HUD have a plan to deal with this distressed housing?

Mr. CABRERA. I think in most cases most PHAs would say there might be a better and more broad application with more simpler rules in other programs than there is in HOPE VI. So if you were to use, for example, the capital fund, you do not have the restrictions in many cases that you have in HOPE VI. HOPE VI is a competitive grant. There are limits to what you can do with HOPE VI. It never works well on its own. It needs a lot of different subsidy, and, on average, it takes about 7¼ years to build.

When you try to develop product using the low-income housing tax credit, just by way of example, I do not have a de facto average, but just from my own experience, I can say that that average would run between 2 and 3 years to build. So the issue becomes one of trying to either make HOPE VI more workable in the sense of trying to develop units so that the spectrum works better, or I believe that the position would be yes, that we have to revisit this.

When you have 65—actually, I think now it is 74 grant applications that have been completed out of 237, it says something about the efficacy of the program.

So I cannot argue with the successes, and I have not. In fact, I have lauded them. But I have to really look at the whole program.

Chairman SCHUMER. I would just make two points here, because my time is expiring.

First, HOPE VI was not intended to be sort of a stand-alone program. It was intended to need other help. It was intended to bring a public-private mixture. It was intended to bring in private funds to help, and it has done that. I can speak for the places in New York. It has done that. So to say it cannot do it on its own sort of is against both the concept and reality of HOPE VI.

And, second, I would say this: At least my view—and I know Senator Mikulski's and Senator Reed's view, who are not here—is that HOPE VI has been far more successful than you are willing to give it credit for.

But with that, let me call on Senator Crapo.

Senator CRAPO. Well, thank you very much, Mr. Chairman.

Secretary Cabrera, the question I have is, as you have indicated and as Senator Allard has indicated in his comments, there are some studies and some analyses and some concerns about the cost-effectiveness of the HOPE VI Program and whether the Federal dollars we are committing there are really achieving their purposes.

I do not think anybody on the Committee would disagree that we want to have the most robust and dynamic and effective public housing program that we can possibly develop and that we want the best use out of our housing tax dollars.

So the question I have for you is this: Assuming that there will be Federal housing dollars coming, do you believe that the HOPE VI Program can be reformed, that the issues and the concerns that have been raised with it are those that can be fixed so that we can build on its strengths and literally improve it to the point where it can receive the accolades from all quarters that we would hope that it can? Or do you believe that we should simply move these Federal dollars into other Federal programs for housing?

Mr. CABRERA. I think that either is an option. I really believe that is an issue for this body. But I will answer both.

Senator CRAPO. OK.

Mr. CABRERA. If one were to reform it, the way that I think we would suggest that it be reformed would be to address its ability to be used quickly with other subsidy. So that, for example, when I was Executive Director of Florida Housing, it was very difficult to include HOPE VI as a line item in a set-aside or a preference because we knew it was a black hole of tax credits. The tax credits in a huge amount would go in and may or may not be used, and if they were used, they would be used way later than everything else, which meant, as I noted in my oral statement, a huge opportunity cost in terms of other units that have to come online. So if there were a way to address that, I would say yes, that would be one way.

The other side of that, the latter half of your question, would be if you were to take that money and give it to housing authorities

and say you can leverage this in the context of capital funds because capital funds can essentially be securitized, and they are securitized through what is equivalent of a Garvey, and they go out and they borrow money prospectively, you can actually leverage the money in much the same way.

Now, I know that in the current legislation the objective is to have a 2:1 leverage on HOPE VI, but just by way of illustration, most leveraging, when you deal with low-income housing tax credit deals or private activity bond deals, is far in excess of 2:1. In most cases—certainly in the case of the State of Florida—the ratio is more like 6:1. And so the issue is—and, incidentally, Florida is not alone. Some other States are actually more successful than Florida in terms of leveraging.

So the issue is both efficacy of use and actual production of units. That would be where I would focus the matter. I hope that is responsive.

Senator CRAPO. Yes, it was very responsive. In the context of your answer to the first part of the question, in terms of making the program, if it were to be retained but improved, making it more effective and I think you said make the benefits of the program more easily used at the front end of projects. Is that basically the—

Mr. CABRERA. Readiness to proceed in the context of HOPE VI is critical. If you have an applicant that is not ready to proceed, it is not a worthwhile endeavor to try to give them a grant, which at one point was very common in this program.

Senator CRAPO. So how would we solve that just structurally with the HOPE VI Program? What kinds of specific changes could be made to accomplish that?

Mr. CABRERA. A lot of that has already been done in a regulatory way, which predates me. I had nothing to do with it. It happened roughly in 2002, and a lot of that had to do with things that you would otherwise look at in a development context. The first one that comes to mind is simple site control. You know, do you have site control? Where that might not have been something that was examined before, the readiness, not just the site control. So that would be one.

But beyond that, I mean, you know, 2 weeks ago I testified in front of Ways and Means, and the subject upon which I am about to speak is not properly in front of this Committee. It is properly in front of Senate Finance. But, you know, a big issue in HOPE VI is mixed income, and a big impediment is dealing with the—it is a tax issue dealing with net cash-flows that come out of naming certain units one thing—namely, “low-income housing tax credit units”—and other units “market units.” And so if there were a mechanism to allow an indicia of interest that is different for the private sector units, the market units, than those that are subsidized with a low-income housing tax credit, that would be a big help for HOPE VI. It would encourage quicker and better investment. Currently, that is not permitted.

Senator CRAPO. All right. Thank you. I see my time has expired.

Chairman SCHUMER. Senator Menendez.

Senator MENENDEZ. Well, thank you, Mr. Chairman. I appreciate you and the Ranking Member calling this hearing.

You know, Mr. Secretary, we have a different experience in New Jersey on HOPE VI. The reality is that it is an ambitious program to start off with because it is not just about changing housing, although that is clearly a fundamental part of it. It is also about transforming communities. It is about transforming lives. It is about economic empowerment. It is about a whole host of other things.

Now, when I got to Newark and see Archbishop Walsh Homes and see the transformation of that, I say to myself, "Those people's lives have been transformed dramatically," in which they are no longer warehoused, as we used to do in public housing, but they live in communities, in places they can really call home—"home," a place where we are brought to when we are born, a place where we are nurtured during the growth of our lives, a place where we share good and bad times, a place where, in fact, most of our life takes the center of. And those people's lives have been transformed rather dramatically, and the ripple effect on the economic side as well has been very important not only for those who lived in what was Archbishop Walsh Homes but across the spectrum.

In Elizabeth, in the Elizabethport section, one of the most incredibly run-down sections of the city of Elizabeth, again, transformation. Transformation has taken place.

So I do not quite understand—you know, I read your testimony, and I hear what you say here. I have been watching it from my office while I had somebody there. I am trying to understand. You know, I get the sense of it is either great or it is lousy. You know, you have had a series of things in your written testimony that you cite successes on. And at the same time, I hear your testimony and it is rather negative. So in my mind, our experience is quite different.

Now, I do not know whether that is the experience across the country, but we have clearly made dramatic impact as a result of HOPE VI in communities like Newark, the State's largest city; in a community like Elizabeth, the State's third largest city, with people who largely were warehoused and forgotten by HUD. And their lives have been transformed, and the ripple effects economically in those neighborhoods have also been seen far beyond HOPE VI money.

So I have a different vision of it, and let me just ask you, your testimony indicates that you would not like to see congressionally imposed sanctions on HOPE VI grantees if they do not meet certain deadlines and benchmarks, but you would leave that discretion to impose the sanctions to the Secretary. Has HUD sanctioned HOPE VI grantees, to your knowledge?

Mr. CABRERA. No. There are limits to our ability to sanction anybody as that legislation is currently drafted.

Senator MENENDEZ. Now, you have also said in your testimony that one-for-one replacement of public housing is not feasible because of the costs. And, in fact, you indicate that HOPE VI would cost 33 percent more if it included one-for-one replacement.

Has the Department requested additional funding needed to ensure that there is no loss of affordable housing?

Mr. CABRERA. I think there is a distinction, Senator, between public housing and affordable housing. One of the things that—I

have spoken on HOPE VI often, beyond testimony, and I would just note for the record that my comments are not so much negative, they are critical. And a lot of people have been critical. I do not think that that is unique to HUD. And I think that the reason is because the outcomes which you have mentioned are absolutely so in those places where it succeeded, but the problem is that there is a lack of those outcomes in those places where nothing has occurred.

So I have been in—let us see. In the case of the \$1.4 billion, which is down \$1 billion from the date that I was confirmed by this panel, have \$500 million that was granted prior to 2001, and in most of those cases dirt has not even been broken.

So I struggle with that, and I also struggle with the idea that somehow this should be a one-to-one ratio of public housing. I do not think anybody would have—I think it is a much easier thing to discuss a one-to-one ratio of affordable housing.

Senator MENENDEZ. Well, Mr. Secretary, let me tell you what I struggle with. What I struggle with is an administration that says let us zero out HOPE VI and have no new iteration of it. What I struggle with is a budget that undermines public housing the way it is today in a variety of ways. What I struggle with is a lack of affordable housing elements in States like my own that have such a high cost of housing.

So, you know, I do not hear a positive program being promoted by this administration to achieve both the public housing goals and the affordable housing goals. And I think that the reauthorization of HOPE VI is critically important to communities like those that have been transformed in my home State. And I have a much different opinion of it, but I see my time is up, and I appreciate the Chair's indulgence.

Chairman SCHUMER. Thank you, Senator Menendez.

I want to thank Senator Menendez. He is going to take over the chair in a few minutes because I have some prior scheduled thing that I must go to.

Senator Allard.

Senator ALLARD. Mr. Chairman, thank you very much.

As the former Chairman on this Committee, we worked hard with the administration to put in place a lot of affordable housing programs, working with Senator Reed as a partner in that effort. One is the American Downpayment Dream Act or Dream Downpayment Act—I forget what that was. It provided an opportunity for people to get into homes and actually have homeownership. And our feeling was that they took good care of their real estate and it made them better members of the community. And on the Committee, it is difficult, I think, to be critical of a program when it has such laudable goals. But I do think that we need to look at it carefully, and the General Accounting Office is an objective observer. They look at programs throughout the whole spectrum of the Government. Some of them they give a sterling report. Some of them they rate as effective. Some they rate as ineffective. And some they rate as no results demonstrated because the heads of those programs do not do anything to even try and create any accountability as to how taxpayer dollars are being spent.

So I applaud you for looking at this in a critical manner, and to me, your testimony means a lot because you have had to work with these programs personally, and you can speak from a point of personal experience, and that means a lot to me.

Mr. CABRERA. Thank you.

Senator ALLARD. Let me ask you, how much grant money remains unspent on the HOPE VI Program?

Mr. CABRERA. \$1.4 billion.

Senator ALLARD. OK. And how does this percentage—

Mr. CABRERA. Approximately, Senator.

Senator ALLARD. OK, yes. And how does this percentage compare to other HUD-assisted housing programs?

Mr. CABRERA. It is difficult to compare simply because of the way that the grants are undertaken, but the comparison would be with the gross number, and the gross number of HOPE VI grants is \$5.8 billion. So the \$1.4 billion is significant.

Now, that is down from \$2.4 billion a year and a half ago, so we have made some real progress.

Senator ALLARD. And I know that the HUD agency at one time was considered at risk by the same evaluation that we value here. Now it is characterized as a successful program, and I know that you have looked hard at some of these programs. And I appreciate your willingness to do that.

Why do you think grantees are so behind schedule in this program compared with other HUD programs?

Mr. CABRERA. I think for that generation of grants that occurred roughly between the time they were signed in 1994 and 2001, there were essentially two big issues.

One of them was that the readiness to proceed was not assured, and so the grant was undertaken and that was it. And the grant agreement is what rules this relationship. So unlike other areas of HUD, HUD has very few regulatory abilities with HOPE VI outside of the legal relationship of the grant agreement.

The second thing is capacity, so that for decades, public health authorities were very much pure and pristine property managers. That is what they did. Public housing authorities were not developers, and to this day, development in most cases for public housing authorities is a new experience. It is still being worked out. Those that have been successful I think have really come along on the curve of becoming better developers. Those that I have in mind are Atlanta. You will hear—I believe you will hear from Renee Glover later today, I think, or Seattle, King County, Cambridge, there are very specific places where development is an intensive relationship. In those places where it is not, where it is something else, that is where the struggle has—Chicago is another. That is where the struggle has really been tough.

Senator ALLARD. Now, if money from the HOPE VI Program were to be redirected into other HUD-assisted housing programs, do you believe that more low-income families would be assisted, or fewer? And if you could quantify that, I think that might be helpful?

Mr. CABRERA. I do not think that it is a question of being more or fewer assisted families, although when you do take HOPE VI or anything else that has to do with reconstructing units that are

going to be affordable units, you will generate a voucher. That voucher will house another family. So that will create more voucher holders by definition.

What I think it will do is create a more stable platform for development than HOPE VI is, on the one hand. On the other hand, it would need—the one thing I do have to say about when HOPE VI is used and used well, it is that it really does work well when it either is trying to address a very acute problem—i.e., demolition—or when it is trying to deal with a very narrow scope—demolition plus the development of multi-family units or even homeownership. It has worked well in certain areas, those areas that I noted earlier. So that is really the balance that has to be struck.

Senator ALLARD. Mr. Chairman, are you having another round of questions?

Senator MENENDEZ [presiding]. Yes.

Mr. Secretary, I just have one other area I want to cover with you. This suggestion by the Department that we can leverage public housing capital funds to meet our challenges, the \$8 billion that is floating out there that I think is pretty well recognized as being an infrastructure challenge in public housing, how is it that we are going to supposedly—and that is another reason we do not necessarily need to continue on HOPE VI.

How are we going to do that when, if you look at the fiscal year 2008 request versus the fiscal year 2007 enacted, is a 17 percent cut?

Mr. CABRERA. The capacity to leverage is different than the actual appropriation.

Senator MENENDEZ. Well, without the appropriations, capacity means nothing.

Mr. CABRERA. The appropriation has not disappeared, Mr. Chairman. I believe that the appropriation is still there. It has to lower. But it is still a \$2 billion appropriation.

And it is not the case that this is not already happening. This has been happening for the last—I believe the last 4 years, where public housing authorities can leverage the capital fund. The question is trying to create a better liquidity for the public housing authority to act more flexibly.

The issue, the issue that most public housing authorities face when it comes to HOPE VI or development more generally is the inflexibility that currently exists in the rubric of law. That is really what is happening.

And so if you give them the ability to develop, they will use it. The good thing, I mean in some cases—I am trying to remember—one of the reasons I think that Atlanta has succeeded so well is Atlanta is something called an MTW jurisdiction. So it has even more flexibility. And so if they can work out their own numbers and if they can have the flexibility to deal with a product that they have to produce, they generally succeed in that. It is when it becomes narrowed that it becomes more difficult.

Senator MENENDEZ. Mr. Secretary, let me just tell you, I trust people who have the experience of doing this day in and day out, who are on the front lines, who have been doing it for quite some period of time and are some of the greatest innovators. Because of necessity, they innovate.

I have to be honest with you, I have not met one housing authority director, large or small, in the State of New Jersey who has told me that between asset management and the asset-based test that the Department is pursuing, or that flexibility in terms of operating funds is going to do anything when they, in fact, still have a global economic challenge of how much they have to do in terms of capital needs of their project.

Flexibility, ultimately, the common sense is if I have X billions of dollars in need and I only have so much money, flexibility does not help me meet my overall challenge. It may let me triage but it does not ultimately do very much in terms of helping me meet my challenge.

Mr. CABRERA. Mr. Chairman, I think most who are doing development would tell you that the flexibility is something that they would welcome. I guess the spectrum of PHAs that I deal with, which is 4,200 of them, I would say the vast majority of them would say that that flexibility is extremely important to them. And trying to develop legislation in the context of HOPE VI or anything else that gives them the flexibility to act in a more nimble way than they have historically is, I think, something that they would welcome.

Certainly the stakeholder groups that represent them would probably agree with that. They have stated that publicly.

Senator MENENDEZ. But at the end of the day, dollars are dollars. And if I only have X dollars, I can have all the flexibility to try to leverage but I can only leverage so much. And so the core question is if you have a 17 percent cut, then I have lost at least, for starters, 17 percent of my leverage ability.

Mr. CABRERA. I do not think you have lost 17 percent of it. I think there is a component of it which is the capital grant which is not a 17 percent cut. I cannot remember what the number is off the top of my head—

Senator MENENDEZ. Everything is hunky-dory is what you are telling me?

Mr. CABRERA. No, I think what I am trying to say is—

Senator MENENDEZ. Is there anything that the Department needs to do and the Congress needs to do that it is not doing to try to make sure that people in this country are more protected in public housing, that they have a greater quality in public housing than they have today?

Mr. CABRERA. Mr. Chairman, I think anything that can be done with respect to development that would allow PHAs to act more flexibly would be great. I just hope at the end of the day—

Senator MENENDEZ. So flexibility is the only thing we need?

Mr. CABRERA. I do not think it is the only thing but I think it would certainly help.

Senator MENENDEZ. Do we need any more resources?

Mr. CABRERA. Mr. Chairman, I think that we have proposed the budgets that we have proposed and we have had much testimony on that. I am here to discuss basically HOPE VI legislation. So at the end of the day—

Senator MENENDEZ. HOPE VI is also about providing resource at the end of the day, reauthorizing it and then providing extra resources.

Mr. CABRERA. I understand that, Mr. Chairman.

Senator MENENDEZ. You are against that.

Mr. CABRERA. But it is also about the actual legislation itself.

Senator MENENDEZ. But you are against that?

Mr. CABRERA. Against what?

Senator MENENDEZ. You are against reauthorization of HOPE VI; is that correct?

Mr. CABRERA. The Administration's position is that it is against reauthorization of HOPE VI. And I thought I was being asked if it were reauthorized what would be the things that might help. And I think that is what I am trying to answer.

Senator MENENDEZ. Senator Allard.

Senator ALLARD. Mr. Chairman, if I might continue with the line of questioning that I had. Has the HOPE VI program accomplished its original purpose of demolishing the 100,000 most severely distressed public housing units?

Mr. CABRERA. It has.

Senator ALLARD. So the proponents—and now the proponents of the program point to current need. Do you believe those units meet the same standard of severely distressed as the original 100,000 identified by the Commission?

Mr. CABRERA. That is a very difficult answer to give you, Senator, or give everybody. The reason is because every PHA is different. So the needs of Chicago, when they address the issues of Cabrini Green or Robert Taylor Homes, is different than say the needs of Waveland, Mississippi which has a whole different product. Or for that matter, the needs of Miami, Florida which produced a completely different kind of public housing unit.

Senator ALLARD. The point I am trying to get to is is there a shifting definition of distress?

Mr. CABRERA. I do not know. I do not believe that there is so much a shifting definition of distressed as a real need to revisit the 1997 study.

Senator ALLARD. Do you believe that the job will ever be done in the eyes of some?

Mr. CABRERA. It, cannot. It is real estate. You will never get to a point where you will not be addressing some form of distressed housing. Housing is an asset. The asset becomes obsolete, either functionally because it is bricks and mortar or actually because of technology. That is just a question of time.

Senator ALLARD. Do you believe that a flexible funding approach would better address the needs of both tenants and housing authorities?

Mr. CABRERA. Absolutely. I think if you deal with the greater flexibility within the context of the legislation, the issue is how well does that particular subsidy marry with other subsidies that it is absolutely required to have in order for a development to succeed? That is the biggest issue.

Senator ALLARD. So you are saying that it would better make sense to allow the housing authority to determine when to demolish and rebuild public housing?

Mr. CABRERA. A lot of that is already done, Senator.

Senator ALLARD. And when to give tenant vouchers. I was kind of surprised when I first came on the Banking Committee. We had

a vote here on vouchers and I have always been a strong supporter of vouchers. All the Democrats of here voted for vouchers and all of my Republican colleagues voted against it. So it is interesting but I do think it is a way of approaching flexibility.

Are there other ways to best accomplish the goal of providing decent, safe, sanitary, and affordable housing?

Mr. CABRERA. I think the best way to do it is to provide people in public housing authorities with a full spate of tools that they need to address the needs in their particular communities and give them the flexibility to do it.

Senator ALLARD. Mr. Chairman, I have completed my role of questioning. Thank you for your courtesy.

Senator MENENDEZ. Thank you, Senator.

Thank you, Mr. Secretary, for your testimony. We appreciate it.

Mr. CABRERA. Thank you, Mr. Chairman.

Senator MENENDEZ. Let me call up our next panel. Our last panel has five witnesses. As the Secretary departs, I would ask David Wood, a Director in the Financial Markets and Community Investment Program at the Government Accountability Office to come forward. He is also responsible for leading GAO audits and evaluations concerning a range of Federal housing and financial issues, policies, and programs.

Also Mr. Mr. Richard Baron, who is one of the Nation's most successful developers of inner city mixed income communities. He is co-founder, chairman and chief executive officer of McCormick, Baron and Salazar, Inc., MBS in St. Louis, Missouri, a for-profit firm that specializes in the development of economically integrated urban neighborhoods.

Dr. Susan Popkin, who is the principal research associate in the Metropolitan Housing and Communities Policy Center at the Urban Institute. She has co-authored or authored research papers while at the Urban Institute on public and assisted housing, including one on the HOPE VI program.

Charles Elsesser, Jr. is an attorney with the Florida Legal Services and also serves as a member of the Board of Directors of the National Low Income Housing Coalition. He has more than 30 years experience advocating on behalf of low income tenants and homeowners and recently has been active in assisting public housing resident organizations attempting to gain input and influence in the HOPE VI process.

Sandra Brooks Henriquez is the administrator and chief executive officer of the Boston Housing Authority, a position she has held since April 1996. During her tenure Ms. Henriquez has overseen two HOPE VI revitalization projects.

Let me thank all of our witnesses for taking time out of their busy schedules to come here to testify before the Subcommittee. And let me say we look forward to hearing from you, to engage in a lively discussion.

With that let me start off with Mr. Wood and work our way down the panel. Mr. Wood.

Your full statement will be included in the record and we ask you to summarize approximately 3 minutes or so.

STATEMENT OF DAVE WOOD, DIRECTOR OF FINANCIAL MARKETS AND COMMUNITY INVESTMENT, GOVERNMENT ACCOUNTABILITY OFFICE

Mr. WOOD. Thank you, Mr. Chairman, for inviting me today.

My statement is based primarily on a series of three reports issued between November 2002 and November 2003. In those reports, we examined three broad topics: the financing of HOPE VI projects, including the amounts of funds leveraged from other sources; HUD's oversight and management of the program; and the program's effects on residents and surrounding neighborhoods. While the work is now somewhat dated, the topics remain pertinent.

Regarding financing, we found that among projects that received grants through 2001, grantees expected to leverage for each HOPE VI dollar about \$1.85 cents from other sources. The majority of the funds were expected to come from Federal sources. For example, among the 85 projects for which detailed information was available at that time, 79 percent of all budgeted funds were from Federal sources including 27 percent from Federal low income housing tax credits.

We recommended that HUD prepare annual reports to the Congress, as it was required by law to do, showing HOPE VI project financing sources and amounts. HUD began issuing those reports in 2002 and has continued to do so.

Regarding the management of the program, we found that HUD's oversight had been inconsistent due to several factors, including limited numbers of grant managers and field office staff, confusion about the role of field offices in project oversight, and lack of a clear enforcement policy regarding grantees who missed deadlines. And at that time the majorities of grantees had missed one or more deadlines in their grant agreements.

In response to our recommendations HUD, among other things, published new guidance for its field offices, continued its policy of taking housing authorities' performance on existing grants into account whenever they applied for a new one, and notified grantees of the conditions that HUD would consider a default of grant agreements.

Because we have not examined HUD's oversight of the program since the 2003 report, we do not know the extent to which HUD's actions have corrected the problems we identified.

Finally, regarding the program's effects, we found that about half of the 49,000 former residents that had been relocated were expected to return to rebuilt HOPE VI sites. The supportive services they had been provided, such as job training and home ownership counseling, appear to have yielded some benefits and neighborhoods surrounding selected projects we reviewed had experienced improvements according to measures such as education, income, and housing conditions.

However, for both the effects of the supportive services on residents and of the program generally on neighborhoods, we were unable to determine the extent to which HOPE VI alone was responsible.

Mr. Chairman, that concludes my prepared statement. I will be glad to take questions.

Senator MENENDEZ. Thank you, Mr. Wood.
Mr. Baron.

**STATEMENT OF RICHARD BARON, CHAIRMAN AND CHIEF
EXECUTIVE OFFICER, McCORMACK, BARON, AND SALAZAR**

Mr. BARON. Mr. Chairman, ranking member Crapo, and other members, I am here today to testify in support of the reauthorization.

My firm has been involved in developing mixed income communities since the late 1970's. I started my career as a legal services attorney in St. Louis working with public housing. I spent a great deal of time working, as a matter of fact, with Bob Rigby in Jersey City, and you were actually at the groundbreaking of a small HOPE VI we did there.

We began our conversations with former HUD Secretary Cisneros about transforming what were then the regs on HOPE VI to allow for mixed finance because I was convinced that the ability to leverage funds and to involve other public agencies, particularly state housing finance agencies which had not been involved whatsoever in financing low-income housing, only tax credit affordable housing, and the potential which is borne out in many of the communities where we have worked now. We have done 19 HOPE VI projects, 40 phases, almost 10,000 units ourselves. We have enlisted the support of local philanthropies which have not been mentioned here today and have been an enormous source of support for the work that has been going on in terms of the human capital development as part of the HOPE VI program.

I think that the important part about these developments that has been mentioned by many of your remarks already has been the secondary and tertiary benefits of stabilizing areas of cities which have been severely distressed, high crime, poor schools with other kinds of investment that has followed now because these areas have been literally cleaned up, so to speak. Home ownership has happened. We have seen it over and over again.

We do not find the complexity to be particularly difficult. We have been dealing in layered financing for years. And when I suggested to former HUD Secretary Cisneros that HUD was simply not leveraging its funds and that there was a way to use Federal dollars to catalyze private investment, that that was something that really ought to happen and, indeed, has happened.

The kind of infusion of local dollars from cities in supporting the restructuring of streets and roads and utilities systems to allow new development to occur in many of these areas that had been blighted for decades, as well as local philanthropies who have come in to support human capital programs, who have supported reforming local schools, job training efforts that we have seen across the country, the program has been an extraordinary success.

In my 40 years, very frankly, dealing with all of the range of Federal housing programs, I have not found any that has worked more effectively than the HOPE VI program.

To the extent that there are issues related to the management of it by local housing authorities and local communities that are not ready to really do it, I think sanctioning is a very easy thing to do. I mean, if people apply for grants and they are not really

ready and the dollars need to be moved, then the Department ought to have the flexibility to move it to communities that are prepared to go forward. We have that same problem with tax credits and we have a 2-year placed in service rule as part of that program. And everybody who is in the development business that does low income housing with tax credits understands what that means.

I do not see any problem at all in writing that into the law if that is an issue because they cannot move the money. There are some communities that simply are not going to be prepared to undertake it and they can hire consultants and they can bring others that have the expertise to do it.

But I mean what I find extraordinary is the baby with the bathwater syndrome, when all of us have seen in city after city after city, with Republican mayors, Democratic mayors, extraordinary successes that have outstripped any of our expectations in terms of what the program could deliver.

And certainly the community and supportive services aspect of it, in terms of the human capital aspects of these developments, is just critical. And it has been very important. We have learned a lot about it and we continue to learn.

I am now down working in New Orleans with one of those sites. And the Department has told us that we cannot use any of the capital dollars for community and supportive services, as we can in the other HOPE VI programs. I am just mystified by that kind of approach when we have seen so much good that has come out of this. I am sure there are plenty of agencies that have not done as well as others. But it does not mean that we ought to scuttle the program.

Essentially, some of these issues on replacement housing I would be glad to deal with in the questioning.

Thank you, Mr. Chairman.

Senator MENENDEZ. Thank you. Dr. Popkin.

STATEMENT OF SUE POPKIN, Ph.D., PRINCIPAL RESEARCH ASSOCIATE, METROPOLITAN HOUSING AND COMMUNITIES POLICY CENTER, URBAN INSTITUTE

Ms. POPKIN. Thank you, Mr. Chairman and members of the Committee.

I am going to speak today based on findings from the Urban Institute's HOPE VI Panel Study. This research, which was started with support from Senator Mikulski, 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 overall well-being.

First, most of the residents in our study have not yet moved back. The largest number, about 43 percent, have received housing choice vouchers. Another third are in traditional public housing developments, some still in their original development, and only 5 percent are living in the new mixed income communities. These sites are not yet complete and the number of returning residents will likely increase but there are fewer public housing units for them to return to and some sites have imposed screening criteria that excludes some former residents.

On the positive side, many 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 are living in better housing and safer neighborhoods. There is no question that the enormous improvement in safety and the reduction in fear of crime has been the biggest benefit for most movers and has very important implications for their quality of life.

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 are 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 and probably the most important finding from the study. They suffer conditions like hypertension, diabetes, and depression at rates more than twice the average for black women nationally. More than half of them have multiple serious health problems. 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 found HOPE VI had no overall impact on employment. Addressing these health barriers could be seen as employment initiative in helping people become self-sufficient.

HOPE VI did not increase homelessness. Less than 2 percent of these residents experienced homelessness at some point during the 4 years that we tracked them. That is comparable to other public housing populations.

And finally, HOPE VI is not a solution for the hard to house families coping with problems such as mental illness, severe physical illness, substance abuse, poor work histories, and criminal records. 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 the new mixed income housing.

Housing authorities should also provide effective case management and better supportive services for the most vulnerable residents: children, the elderly, and those with health problems both during and after relocation.

In conclusion, HOPE VI has done much to improve the living conditions of many former residents but there are still tens of thousands of public housing units that are severely distressed. These findings clearly indicate the need to continue to fund the revitalization of the remaining stock of distressed public housing.

Senator MENENDEZ. Mr. Elsesser.

**STATEMENT OF CHARLES ELSESSER, JR., MEMBER OF THE
BOARD OF DIRECTORS, NATIONAL LOW INCOME HOUSING
COALITION**

Mr. ELSESSER. Thank you, Mr. Chairman. I would like to thank you and ranking member Crapo and other members of the Subcommittee for inviting me to testify today on this very important HUD program.

My name is Charles Elsesser. I work for Florida Legal Services in Miami and I am here today representing the National Low Income Housing Coalition, on whose board I have served since 2004.

The Coalition appreciates the Subcommittee's deep attention to public housing and we believe in the preservation of public housing as a vital resource for the Nation's very poorest families. We also believe deeply in the initial purpose of the HOPE VI program, that is improving the living environment of existing public housing residents.

However, we believe that the existing HOPE VI program has failed to fulfill this purpose, and unfortunately Senate Bill 829 does not address our concerns.

With the goal of working with the Subcommittee on improvements to the bill as it moves forward, I would like to review our most serious concerns with the HOPE VI program by describing how it impacted public housing residents in Miami.

In 1999 Miami-Dade Housing Agency received a HOPE VI grant to redevelop the 850 unit Scott Carver Public Housing Low Rise Project in Miami. The plan proposed the demolition of all the existing units, replaced with only 80 units of traditional public housing, the remainder being some form of mixed income or ownership units. All these tenants were relocated by 2004, mostly through Section 8 vouchers. The housing was demolished and today the site is still virtually vacant.

About a year ago, a community organization tried to locate the former residents, particularly those with vouchers. They learned that almost half were no longer listed by the PHA as receiving any type of housing assistance. So there was a massive outreach. The community organization found several hundred of these missing families and their stories were horrific. These were families that had lived in public housing for a long time without any problems and yet, in a few years after relocation, they had lost their vouchers and were often doubled up or living in shelters.

Often the problems related not to the first move but to the second voucher move, forced by foreclosures, by failed HQS inspections or lease terminations. Many were unable to find that second apartment. They did not have the security deposit, potentially \$2,000 for a new apartment. They could not find a suitable unit, or failed to comply with some unfamiliar Section 8 rule and they lost their vouchers.

So instead of improving their lives, for many of these families in Miami, HOPE VI created homelessness. These problems are not unique to Miami but they are inherent in the structure of the current HOPE VI program.

Based on these and similar experiences across the country our recommendations for reform would include the following: one is one for one replacement, that all public housing units demolished

should be replaced on a one for one basis with new public housing units.

A right of return without the imposition of new reoccupancy requirements or new screening.

And an intensified emphasis on relocation planning, the applicability of the Uniform Relocation Act, with particular attention to the hard to house and possibly even an emphasis on phased relocation, where people can move out of the units into newly completed units.

Other issues are raised in our written testimony.

If the HOPE VI program cannot be reformed, the Coalition would rather see the HOPE VI money directed to the Public Housing Capital Fund so at least we can preserve the housing that we have.

Thank you again for inviting us to testify. I would be happy to answer any questions.

Senator MENENDEZ. Thank you. Ms. Henriquez.

STATEMENT OF SANDRA HENRIQUEZ, ADMINISTRATOR AND CHIEF EXECUTIVE OFFICER, BOSTON HOUSING AUTHORITY

Ms. HENRIQUEZ. Mr. Chairman and ranking members, and members of the committee, thank you very much for this opportunity. My name is Sandra Henriquez and I operate the Boston Housing Authority in Massachusetts.

The BHA serves a total of 10 percent of the city's population, 5 percent in its 12,000 public housing units with the remaining rental assistance through over 11,000 Section 8 housing choice vouchers. And we are the single largest landlord in the city of Boston and we are the single largest developer of affordable housing in the Commonwealth of Massachusetts.

I am also the president of the Council of Large Public Housing Authorities, whose 60 members represent virtually every major metropolitan area in the country.

On any given day we are the frontline practitioners. Our members are serving more than 1 million households and together we manage almost half of the Nation's multibillion dollars public housing stock, as well as 30 percent of the Section 8 voucher program. And we are in the vanguard of housing providers and community developers.

I am pleased here to testify on behalf of this reauthorization, and more specifically Senate Bill 829, and I commend Senator Mikulski and all of the sponsors for introducing this bill and showing such strong support for the program.

HOPE VI has been used in the city of Boston. We have three such developments and we have even used the HOPE VI model to do a state assisted revitalization where we have acted as our own developer. This program appeals to urban, suburban, and rural and metropolitan communities as well as non-metropolitan communities and shows and enjoys the strong aisle-crossing bipartisan support.

The \$5.8 billion in HOPE VI grants awarded by HUD have leveraged an additional \$12.1 billion in other public and private investments. And these are critical first-in seed money to let us have the regulatory flexibility and allow housing authorities to build first-time partnership with private developers, city and State Govern-

ments, colleges, universities, school systems, all sorts of other partners, including in Boston the health care system.

As a result, this new market has created really, I would say, the energy and the support of private investors and lenders who now view mixed income, mixed finance public housing as a good investment.

In the city of Boston, are three HOPE VI's have totaled \$115 million and we have been able to raise an additional \$293 million in non-HOPE VI funds to complete the redevelopment of these sites. For every \$1 of HOPE VI, we have leveraged \$2.55 in non-HOPE funds and we have developed a total of 1,130 affordable rental units. 108 of those are affordable homeownership units, which include 51 loan to purchaser transactions as part of our Maverick Landing and 181 market rate rental units, as well.

Revitalization efforts in Boston have had a profound effect on the surrounding neighborhoods. Prior to the Orchard Park HOPE VI program, 36 percent of the residents at that development were employed and 90 percent had incomes of less than \$20,000. Since the onset of that program, household incomes have increased by 70 percent and the average assessed property values in the surrounding neighborhood has increased by almost 32 percent and another \$293 million has been invested in the neighborhood including main streets, revitalizing the economic corridor in that community, as well as bringing back office buildings, restaurants, new housing and new landscaping and transforming the streetscape in that neighborhood.

Maverick Landing in East Boston was named the overall best development by the Affordable Housing Magazine in 2006 and was the recipient of the Massachusetts Governor's Smart Growth Award in 2005. It combines renewable energy and innovative urban design. We are leading the market then in East Boston for other private developers to now decide to come in and look at what might be done in that community.

We have linked the HOPE VI program with educational opportunities in a variety of forms, computer training classes, providing low and middle income high school youth access to college-based education and training in video production, fashion design, civil engineering, social activism. We are providing education and training for hundreds of frontline workers in health care and research. We link high school students with college opportunities. I mention this because schools is a significant feature of Senate Bill 829 and its linkage with educational reform.

I appreciate and understand the sentiments which give rise to the provisions of this legislation on linkages to education, but I do think some of those provisions are too restrictive and we need to think about having flexibility to figure out what happens and what's best in the local marketplace in a particular city, neighborhood and community.

Perhaps a better way of approaching the retention of educational objectives in the legislation is to encourage those linkages and let us develop applications that look at that strategy and how we want to employ that.

I contend that we will not fully know the benefits of the HOPE VI program unless and until we calculate things like the decreases

in health care due to healthier building materials, decreases in utility costs because of use of energy technologies in construction, decreases in pollution when redevelopment is also transit-oriented, and rising household incomes that allow for greater opportunities for families and children. Perhaps we will never be able to calculate the transformative impact HOPE VI has on the human potential.

You have heard HUD, and I will talk about its disturbing approach—

Senator MENENDEZ. Ms. Henriquez, I gave you extra time because you represent all those large housing authorities, so I figured extra time for all of those large housing others. But if you can sum up and then we will get to some of your points in questions.

Ms. HENRIQUEZ. In conclusion, I want to thank you for this opportunity and also to say that this is a program that needs to continue. There is much work to be done and we are on the ground doing this every day and will continue to use those funds in the best possible way to serve residents in public housing and the citizens in this Nation.

Thank you.

Senator MENENDEZ. Thank you. Thank you all for your testimony.

Let me start off where I cut you off, because I knew I was going to ask you that so I figured we would do it.

You heard the Assistant Secretary has a much different view than the one you just described. Where is it that you and your colleagues across the country who have experience with HOPE VI would disagree with the Administration on this?

Ms. HENRIQUEZ. There are a number of points we would disagree. One is that the program needs to continue. It has done a lot of good work. And I would invite anyone to Atlanta, Chicago, Boston across the country to see the successes and to talk to the residents who are the beneficiaries of that. That is No. 1. So it is an issue of resource allocation needs to continue.

I would also say that issues around flexibility are important but flexibility to the point that let us develop in our own locales. What works in Boston may not work in Atlanta and vice versa. What happens in Atlanta may not work in Chicago, per example.

But if we are to, as housing authorities, really be major players in revitalizing both our public housing and the surrounding neighborhoods and communities, we need to do that in the context in which we operate. And we need the flexibility to do that.

I would also say that while the Assistant Secretary talked about flexibility with the capital program, and indeed there is some ability to use capital funds to do revitalization and redevelopment, and we are doing some of that in the city of Boston, I would say that the continued decrease in funding allocations in the capital bond program—in the capital program, puts all of that flexibility at risk.

In order to do a capital bond program with our money, we have had to get rated by Standard & Poor's. We are working with Lehman Brothers as a consultant to put our program together. It needs HUD approval, which we fully expect to get later on in the summer. However, they have already raised a question, looking at what has been proposed in the Federal budget, as to can we really do

this deal because we will be getting less money than we normally would be getting if the funding goes through as proposed by the Administration.

So our ability to do these deals with increased risk means we will have less money, it will have a greater cost, it will go less far than we anticipated. And so all of those things together really do put a damper on our ability to this program.

Senator MENENDEZ. So flexibility without the appropriate resources at the end of the day is somewhat of a hollow promise?

Ms. HENRIQUEZ. It is a very hollow promise.

Senator MENENDEZ. Dr. Popkin, I appreciate your testimony, as well as the study that you came up with. We heard from Mr.—am I pronouncing your name—

Mr. ELSESSER. Elsesser.

Senator MENENDEZ. Mr. Elsesser, I'm sorry—Mr. Elsesser, about some unfortunate stories of relocated families who lost assistance within a few years. But your research did not seem to have that breadth of scope. Maybe there are some.

Ms. POPKIN. We have five sites in our study, so that is the average across five sites. Fortunately, Miami is an extremely awful site. We did have one of our five sites that was similar, where the rates of homelessness were much higher, where there were financial shenanigans at the housing authority.

There is no question that implementation matters and that when there is that kind of situation the residents get harmed.

The other four sites that we—

Senator MENENDEZ. That is not a programmatic issue, that is—

Ms. POPKIN. That was the housing authority.

Senator MENENDEZ [continuing]. A question of implementation and oversight at the end of the day.

Ms. POPKIN. I would say in our data that is what it looked like because we had four other sites that had their struggles, but they did not have anywhere near the same rate of homelessness.

Senator MENENDEZ. Because I think I wrote down in your testimony you said generally speaking better housing, safer neighborhoods.

Ms. POPKIN. Dramatically safer. The proportion of people reporting big problems with crime went from 90 percent at the beginning to 16 percent when we found them again for the people who have moved on.

Now unfortunately, there are still about 16 percent of the residents who were still living in their original development and their situation is as bad or worse as it was at the outset.

Senator MENENDEZ. Mr. Baron, we heard from Ms. Henriquez about the ripple effect of HOPE VI. Considering how many you have done, can you talk to us a little bit about that leveraging?

Mr. BARON. Yes. Well, it has been extraordinary. It was precisely what I thought would happen when I made the suggestion to Secretary Cisneros that they change the regs to allow for mixed finance. And many cities have been shut down in areas that had very, very highly distressed public housing. We saw that when I was on the National Commission for Severely Distressed Public

Housing in the early 1990's and why we recommended the HOPE VI program.

It has taken the form of new retail and more homeownership and new opportunities for other investment. Boston is a terrific example, Atlanta. It has happened all around our sites. The kind of retail that serves low and moderate income families that had never been in these neighborhoods is coming in now. And some of us have been able to use new markets tax credits, another program to help again further enhance that kind of development.

So I think at every level the developments we have been associated with and those that are all over the country now have seen these same dramatic results and it has been terrific in terms of community building and knitting new neighborhoods.

Senator MENENDEZ. Thank you. Senator Crapo.

Senator CRAPO. Thank you very much, Mr. Chairman.

To all members of the panel, as I am listening to the testimony that has been presented today and the answers to some of the questions that have been asked, it seems to me there are two broad pieces to this question.

Ms. Henriquez, you indicated one of the concerns you had with the Public Housing Capital Fund was the lack of ability to be confident in its funding levels. It seems to me that there is being raised by many a very real question of whether if HOPE VI is not reauthorized whether the funding that is allocated to HOPE VI will simply disappear. It would seem to me that a lot of people could be concerned that that would happen here in Congress and that that might be a strong reason for advocating for reauthorizing HOPE VI to keep a stream of money going to public housing.

And I understand that. That is more of a budget issue, though, than a substance issue in terms of the housing program as I see it.

The question I want to ask each of you to consider is this: I am not committed to or wedded to any particular program in terms of just wanting to insist that it continue or not continue. What I want to do is to figure out, assuming whatever level of budget authority we have and that we are going to give to public housing, assuming that if HOPE VI were not reauthorized that the dollars allocated to HOPE VI would be put into some other form of public housing, would we still want to reauthorize HOPE VI? Or would we then want to evaluate whether there are better ways to utilize those dollars?

In other words, is this a budget issue? Or is it a programmatic issue? Anybody want to jump in on that?

Mr. BARON. I would be glad to respond. I think it is both. I think the programmatic aspects of it are that it is targeted and it is focused. I think the leverage that has been described by various witnesses is the kind of thing that is not going to happen if you take \$100 million and you park it, or \$200 million, in a general budget for the Department. You will never see the kind of impacts that we have gotten out of targeted resources in HOPE VI.

I mention again the private philanthropy. The fact is that local authorities, working in partnership with private sector firms or nonprofits and city government and private philanthropies have leveraged up these funds tremendously. And it would not have hap-

pened without the kind of imprimatur that HOPE VI has given. State housing finance agencies would have never gotten involved.

Senator CRAPO. Mr. Elsesser, I assume from your testimony that you might feel that if the same dollars—whatever the dollar figure is—were put into the capital fund, that you would be able to get better result. Is that correct?

Mr. ELSESSER. I believe it is a programmatic problem and I believe that if the HOPE VI is reformed to include the reforms that we are concerned with, which is one for one replacement, which is a right to return, which is an increased emphasis on the hard to house, then I think it is an effective program.

Without that, I think it leads to the shrinkage of the public housing, of the public housing that is available for the poorest families. And I do not think that serves those clients well.

Senator CRAPO. Mr. Wood, did you want to jump in on that?

Mr. WOOD. I do not know—I think I would yield primarily to the practitioners that are at the table. But if I understand your question, you are basically saying if we have an extra dollar is it better to put it into the capital fund or to devote it to HOPE VI?

That is a tough question to answer because they are really accomplishing, in my mind, somewhat different goals. HOPE VI is much broader because it has this, as someone referred to it, the social architecture aspect whereas the capital fund program basically is to maintain buildings and structures on an existing approach.

Mr. BARON. Senator, could I just say the other aspect of this that is critical is the mixed income aspect of it and changing the economics of these communities. The issue with respect to one-to-one is that there is a tremendous need for low-income housing in communities like Miami, all over, St. Louis, other places where we work.

The problem is that if you write in a one-to-one requirement in HOPE VI and you do not fund it, then it is an unfunded mandate. And what is going to happen locally is that authorities and all of us that are working together, legal services programs, resident organizations, are going to be shut down. And that is what happened when it was in the law before.

So if one is going to go that way, there is plenty of ground to build low income housing with market and mixed income communities. You got to make sure you fund it. If you do not fund it, nothing is going to happen. And that is the box.

Many of these sites are obsolete. A lot of them that were built with studio units to old standards back in the 1940's and 1950's. And to argue that a one-bedroom, 350-square-foot apartment in a site that was built in 1940 is holding up the development of three-bedroom townhouses is a real important point to understand.

So all I am suggesting, I have no problem with one-to-one ever, and never have. It is just that it is never funded.

Senator CRAPO. I just want to follow up on that point and then I will be done with my questions.

I think that I am focused on the issue that you are raising here, Mr. Baron and Mr. Elsesser, with my question with regard to the study that you are probably all familiar with done by Michael Brazley and John Gilderbloom with regard to the Park DuValle Revitalization Project in Louisville, Kentucky.

This study was reported in the American Journal of Economics and Sociology. And in the first paragraph of that study it concludes that HOPE VI tends to serve the needs of non-public housing tenants, 80 percent of whom are now residents of Park DuValle development and does not help the vast majority of residents who are displaced.

That gets to your one-to-one issue and I think it gets to your mixed income issue, as well.

Mr. WOOD. Right.

Senator CRAPO. The study says, and I will just read the last paragraph. It says in conclusion, the research implies that Hope VI enhances the lives of only a small number of public housing residents that it impacts and that the non-public housing residents seem to occupy a large majority of the housing units.

This study says a better way to spend the Federal money would have been to fund grassroots community nonprofits building more housing at a significantly lower cost and achieving the objective of building within established urban areas near good jobs, services and recreational opportunities.

I bet I have generated some comment there. Go ahead, Mr. Elsesser. We will give everybody a chance.

Mr. ELSESSER. Senator, if I may, without commenting on that specific study because I think that there are two questions that are separate. One is does the HOPE VI revitalize that community? Does it lead to office buildings, to markets, to other things in that community?

The other is what happens to the people that were there? Those are two very separate questions and answerable different.

In Miami, they failed both. But in some places they have done very well on the one. But I think that the question on the second as to who benefits and as to the benefit for the residents is a much more difficult question. And that is the thrust for the one for one and the right to return and the hard to house.

Senator CRAPO. I know I am using up too much time, but Ms. Henriquez and Mr. Baron, just quickly.

Ms. HENRIQUEZ. Thank you. If I might, the Boston experience is very different. First of all, one-for-one replacement, I have no place else to build except on the footprint of the development that I am now going to revitalize.

Second of all, at the Boston Housing Authority redevelopment deals on HOPE VI, 75 to 78 percent of all of our units have come back as public housing units. So that we do not displace people. And if we are building less numbers of units back, we run a lottery, we very carefully work and have a basket of services of relocation and needs and programs around each specific family. So we have not lost people in that regard. So some of those kinds of one-for-one replacements and those kinds of restrictions will make it much more difficult for us to operate in our community.

Senator CRAPO. Thank you. Mr. Baron, and then I better turn it back.

Ms. POPKIN. I actually was the one who was trying to pop in.

Senator CRAPO. OK, Dr. Popkin.

Ms. POPKIN. I had two responses. First of all, most of the people who have moved on have gotten vouchers and they are doing very

well. And they are not interested in returning. So their not coming back is not necessarily a bad outcome. I think we need to factor that in as well.

I think the other issue you raised about whether we should just continue funding public housing is that about a third of the people in our study are still in traditional public housing. Many of them were relocated there, more of the hard to house families. And they are not doing well. And they are now all concentrated in these traditional public housing developments. And there are very few working families left, even worse than there were before.

And it is only going to get worse. You are going to have more distressed public housing because of that situation. So I do not see that as a solution for the kinds of problems you get for concentrating poverty. If you just fund only that program, that is exactly what you are going to end up with.

Senator CRAPO. Thank you. And thank you, Mr. Chairman, for your indulgence.

Senator MENENDEZ. Thank you, Senator Crapo.

Let me just go to one or two last questions and then we will let you go for the day.

I think Mr. Baron hit it on the nail, it seems to me. And that is that if, at the end of the day, we zero out HOPE VI and we cut capital funds then the result, even in Mr. Elsesser's desirable goal, just does not happen. And so that is the fundamental question. If you zero out HOPE VI and then you also have what we have, which is the cut in the capital funds, then you ultimately do not achieve any of these goals.

I think the second thing that is important to recognize as we move forward in the debate over reauthorization is what Dr. Popkin just raised, which is that it is about housing for people. But it is also about quality of housing and life. If warehousing people for the sake of having a place is something that we are willing to accept as a society, I think that is wrong. We have gone to that experiment and it has not been a good one.

Second, if concentration of poverty is something that we think is good, then I think we can continue with the lessons of the past versus changing them.

In HOPE VI we had a very ambitious goal and maybe it is very ambitious and we should continue to be very ambitious. But we need to have the resources at the end of the day to meet that ambition, which is about providing decent quality affordable housing that people can truly call home in the context of a neighborhood, not a concentration of both poverty and warehousing of people.

Second, and how do we create ripple effects in communities that can give those people access to opportunities? We talk about that the ripple effect on the economic side is for someone else. It seems to me that very often it can provide—at least my own personal experience in New Jersey—is it can provide opportunity for the very people in those communities, the citizens of that public housing who then were able to avail themselves of employment and break some of the cycle of poverty that existed and look at the training and look at the other aspects of this.

So I think when we move forward in the debate we have to think about those elements as well.

The one thing I do want to ask Mr. Wood, it appears from your testimony that while some of these public housing authorities have not met deadlines and some others have had difficulties with HOPE VI, it seems to me that HUD itself has not been adequately overseeing and monitoring HOPE VI projects.

As part of your review did you come up with a list of recommendations to ensure that HUD is adequately monitoring these grants?

Mr. WOOD. We did and it is accurate that you are putting it in the past. And I would stress that these reports are about 3 years old. But at the time we certainly did find a number of weaknesses and made several recommendations which I alluded to in the opening statement and that are outlined in the written statement, basically clarify the guidance to their field staff in terms of what their responsibilities were for oversight, conducting required annual reviews of all of the projects that were in their jurisdictions.

We also recommended that HUD continue its practice of taking past grantee performance—if a grantee already had one of the grants and was applying for another, that they look at the performance on the first one when making a decision as to whether to award another grant. HUD has continued to factor that into annual funding notices.

Senator MENENDEZ. Thank you.

With that, let me thank you all for your testimony. We appreciate all of your insights and we look forward to continuing to engage with you as we consider reauthorization.

With that, the hearing is adjourned.

[Whereupon, at 3:15 p.m., the hearing was adjourned.]

[Prepared statements and additional material supplied for the record follow:]

PREPARED STATEMENT OF SENATOR MEL MARTINEZ

Good Afternoon Chairman Schumer and Ranking Member Crapo. Thank you for holding this afternoon's subcommittee hearing on a topic of utmost importance—reauthorization of the HOPE VI program.

HOPE VI has been credited with eliminating and replacing some of the most dangerous and dilapidated public housing in the country. As a former Secretary of HUD, I know firsthand that this program works. HOPE VI provides funds to renovate or demolish existing public housing and replace it with mixed-income communities. The benefit is that we can take neighborhoods that have been underserved, underdeveloped, and left without the resources residents need and raise the living standards of their communities so that they thrive.

I am pleased that Senator Mikulski is able to join us today to lend her expertise to this conversation. Since the early 1990's, Senator Mikulski has championed the effort to preserve HOPE VI, and I am very glad to be joined with her on legislation that would reauthorize and improve the program.

The legislation we have introduced builds on the past success of the program, affirms continuing need for the program, and makes several pragmatic adjustments based on the considerable experience that public housing agencies and their private sector partners have had in implementing HOPE VI for over a decade.

I am confident that today's hearing will highlight these points and reaffirm the need for Congress to act on this issue. I would like to thank my fellow committee members, Senators Dole, Reed, Schumer, Menendez, and Brown, for supporting this legislation.

I would also like to extend a warm welcome to my good friend and fellow Floridian, HUD Assistant Secretary Orlando Cabrera, who will join us on the second panel. The Administration and I have not always seen eye to eye on this specific program, but I am glad that we will have the opportunity to openly discuss some of the concerns that have been raised and hopefully put many of them to rest.

I know that we will continue to hear arguments from all sides as to what is the most effective way to fund public housing. I would like to stress that the HOPE VI program does so much more than just rebuild public housing stock; it revitalizes neighborhoods, makes investments in human capital, and forges sustainable communities.

I would like to welcome our other witnesses—particularly Mr. Elsesser also a Floridian. I look forward to hearing from all of you and engaging in a discussion about the merits of a program that fosters community development and involvement. Thank you.

STATEMENT OF ORLANDO J. CABRERA

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

Hearing before the Committee on Banking, Housing, and Urban Affairs
Subcommittee on Housing and Transportation

United States Senate



"HOPE VI"

June 20, 2007

Mr. Chairman and members of the Committee, 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 Senate Bill 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 committee 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

Mr. Chairman and members of the Committee, 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

Mr. Chairman, 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.

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Before the Subcommittee on Housing,
Transportation, and Community
Development, Committee on Banking,
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PUBLIC HOUSING

**Information on the
Financing, Oversight, and
Effects of the HOPE VI
Program**

Statement of David G. Wood, Director
Financial Markets and Community Investments



June 20, 2007



Highlights of GAO-07-1025T, a testimony to the Subcommittee on Housing, Transportation, and Community Development, Committee on Banking, Housing, and Urban Affairs, U.S. Senate

PUBLIC HOUSING

Information on Financing, Oversight, and Effects of the HOPE VI Program

Why GAO Did This Study

Since fiscal year 1992, the Department of Housing and Urban Development (HUD) has awarded more than \$6 billion in HOPE VI program grants to public housing authorities to revitalize severely distressed public housing and provide supportive services to residents. HUD has encouraged housing authorities to use their HOPE VI grants to attract, or leverage, funding from other sources, including other federal, state, local, and private-sector sources. Projects funded with public and private funds are known as mixed-finance projects.

This testimony is based primarily on three reports that GAO issued between November 2002 and November 2003, focusing on (1) the financing of HOPE VI projects, including the amounts of funds leveraged from non-HOPE VI sources; (2) HUD's oversight and administration of the program; and (3) the program's effects on public housing residents and neighborhoods surrounding HOPE VI sites. As requested, the statement summarizes the key findings from these reports, the recommendations GAO made to HUD for improving HOPE VI program management, and HUD's actions in response to the recommendations.

www.gao.gov/cgi-bin/getpr?GAO-07-1025T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David G. Wood at (202) 512-8678 or woodd@gao.gov.

What GAO Found

In its November 2002 report, GAO found that housing authorities expected to leverage—for each HOPE VI dollar received—\$1.85 in funds from other sources, and that the authorities projected generally increasing amounts of leveraged funds. GAO also found that even with the general increase in projected leveraging, 79 percent of the budgeted funds in mixed-finance projects that HUD had approved through fiscal year 2001 came from federal sources. GAO recommended that HUD provide the Congress with annual reports on the HOPE VI program, as required by statute, and provide data on the amounts and sources of funding used at HOPE VI sites. HUD has submitted these reports to Congress since fiscal year 2002. According to the 2006 report, HOPE VI grantees have cumulatively leveraged, from the program's inception through the second quarter of fiscal year 2006, \$1.28 for every HOPE VI grant dollar expended.

In its May 2003 report, GAO found that HUD's oversight of the HOPE VI program had been inconsistent for several reasons, including a shortage of grant managers and field office staff and confusion about the role of field offices. A lack of enforcement policies also hampered oversight; for example, HUD had no policy regarding when to declare a grantee in default of the grant agreement or apply sanctions. GAO made several recommendations designed to improve HUD's management of the program. HUD concurred with these recommendations and has taken actions in response, including publishing guidance outlining the oversight responsibility of field offices and notifying grantees that they would be in default of their grant agreement if they fail to meet key deadlines.

In its November 2003 report, GAO found that most of the almost 49,000 residents that had been relocated as of June 2003 had moved to other public or subsidized housing; small percentages had been evicted, moved without giving notice, or vacated for other reasons. Grantees expected that about half of the original residents would return to the revitalized sites. Limited HUD data and information obtained during GAO's site visits suggested that the grantee-provided community and supportive services had yielded some positive outcomes, such as job training and homeownership. Finally, GAO's analysis of Census and other data showed that neighborhoods surrounding 20 HOPE VI sites (awarded grants in 1996) experienced improvements in several indicators used by researchers to measure neighborhood change, such as educational attainment levels, average household income, and percentage of people in poverty. However, for a number of reasons, GAO could not determine the extent to which the HOPE VI program was responsible for the changes.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to be here today as the Subcommittee considers legislation to reauthorize the HOPE VI program. In 1992, Congress established the Urban Revitalization Demonstration Program, commonly known as HOPE VI, administered by the Department of Housing and Urban Development (HUD). Under this program, HUD competitively awards grants for revitalizing distressed public housing—through rehabilitation or demolition and construction of new, mixed-income developments—and for improving the lives of public housing residents through supportive services such as child care and job training. By providing funds for a combination of capital improvements and community and supportive services, the program seeks not only to improve the living environment for public housing residents, but also to help improve surrounding neighborhoods and decrease the concentration of very low-income families.

Since fiscal year 1992, HUD has awarded more than \$6 billion in HOPE VI grants to public housing authorities. Grant agreements, which serve as contracts between HUD and the grantees, specify the activities that the housing authorities must complete and key deadlines they must meet. To increase the number of affordable housing units developed at HOPE VI sites, HUD has encouraged housing authorities to use their HOPE VI grants to attract, or leverage, funding from other sources, including other federal, state, local, and private-sector sources. Projects funded with a combination of public and private funds are known as mixed-finance projects. HUD also has encouraged housing authorities to leverage additional funds for supportive services.

My testimony is based primarily on a series of three reports concerning the program that we issued between November 2002 and November 2003.¹ These reports focused on (1) the financing of HOPE VI projects, including the amounts of funds leveraged from non-HOPE VI sources, (2) HUD's oversight and administration of the program, and (3) the program's effects on public housing residents and neighborhoods surrounding HOPE VI

¹The three reports are *Public Housing: HOPE VI Leveraging Has Increased, but HUD Has Not Met Annual Reporting Requirement*, GAO-03-91 (Washington, D.C.: Nov. 15, 2002); *Public Housing: HUD's Oversight of HOPE VI Sites Needs to Be More Consistent*, GAO-03-555 (Washington, D.C.: May 30, 2003); and *Public Housing: HOPE VI Resident Issues and Changes in Neighborhoods Surrounding Grant Sites*, GAO-04-109 (Washington, D.C.: Nov. 21, 2003).

sites. As you requested, my statement summarizes the key findings from our work, the recommendations we made to HUD for improving HOPE VI program management, and HUD's actions in response to the recommendations.

In Brief:

- In our November 2002 report, which examined the extent to which housing authorities had leveraged HOPE VI funds with other sources of financing, we found that for revitalization grants awarded since the program's inception through fiscal year 2001, housing authorities expected to leverage—for each HOPE VI dollar received—\$1.85 in funds from other sources, and that the authorities projected generally increasing amounts of leveraged funds. However, HUD considered the level of leveraging to be somewhat higher, because it treated as "leveraged" other public housing funds that the housing authorities would have received even in the absence of their HOPE VI grants. Our analysis of mixed-finance projects HUD had approved through fiscal year 2001 indicated that 79 percent of the budgeted funds came from federal sources. This was a higher proportion than HUD data indicated, because HUD did not treat funds that grantees received through low-income housing tax credits as federal funds—even though the credits represent forgone federal income and are therefore a cost to the federal government. Finally, our analysis also showed that although the majority of funds budgeted overall for supportive services were HOPE VI funds, the amount of non-HOPE VI funds budgeted for supportive services had increased dramatically since the program's inception. We recommended that HUD provide the Congress with annual reports on the HOPE VI program, as it was required by statute to do, and to include in the reports the amounts and sources of funding used at HOPE VI sites. The first such report that HUD submitted to Congress was for fiscal year 2002. Based on data reported in HUD's 2006 annual report, HOPE VI grantees have cumulatively leveraged, from the program's inception through the second quarter of fiscal year 2006, \$1.28 for every HOPE VI grant dollar expended.
- In our May 2003 report, which examined several issues concerning HUD's management of the program, we found that the department's oversight had been inconsistent for several reasons, including limited numbers of grant managers and field office staff, and confusion about the role of field offices; however, in response to our recommendations, HUD has taken steps designed to address these problems. We found a number of instances of limited oversight; for example, by the end of 2002, HUD field offices had not conducted any of the required annual reviews for 8 out of 20 grants awarded 6 years earlier. According to field office managers, the reviews

had not been performed either because they lacked staff or because the offices did not understand their role in HOPE VI oversight. We also found that the status of work at HOPE VI sites varied, with construction completed at less than 10 percent of the 165 sites that had received revitalization grants through fiscal year 2001; that many grantees had missed deadlines specified in their grant agreements; and that HUD lacked clear enforcement policies to deal with such grantees. We made several recommendations designed to improve HUD's management of the program. HUD concurred with these recommendations and has taken actions in response, including publishing guidance on the oversight responsibility of field offices and notifying grantees that they would be in default of their grant agreement should key deadlines not be met. Because we have not examined HUD's oversight of the program since the 2003 report, we do not know the extent to which HUD's actions have corrected the problems we identified.

- In our November 2003 report, which focused on resident issues and changes in the neighborhoods surrounding HOPE VI sites, we found that public housing residents at HOPE VI sites had been affected in varying ways by the program, and that the neighborhoods surrounding the HOPE VI sites we examined had generally experienced improvements in indicators such as education, income, and housing, although we could not determine the extent to which HOPE VI contributed to the changes.² Most of the almost 49,000 residents that had been relocated as of June 30, 2003, had moved to other public housing or subsidized housing, and that small percentages had been evicted, moved without giving notice, or vacated for other reasons. At the time of our study, the grantees expected that about half of the original residents would return to the revitalized sites. The grantees had involved the public housing residents of HOPE VI sites in project plans to varying degrees. They had also provided a variety of community and supportive services to residents, and limited HUD data and information obtained during our site visits suggested that these had yielded at least some positive outcomes; for example, 31 of 49 participants in a Housing Authority of Pittsburgh health worker training program had obtained employment. Finally, according to our analysis of census and other data, the neighborhoods in which 20 HOPE VI sites (1996 grantees) are located had experienced improvements in a number of indicators used

²In examining neighborhood effects, we included only the projects that received grants in 1996. These were the first awarded after HUD allowed revitalization to be funded with a combination of public and private funds, which has become the HOPE VI model; further, because program effects can occur over time, focusing on the earlier projects may have increased the chances of detecting any such effects.

by researchers to measure neighborhood change, such as educational attainment levels, average household income, and percentage of people in poverty. However, for a number of reasons, we could not determine the extent to which the HOPE VI program was responsible for the changes.

Background

In 1992 the National Commission on Severely Distressed Public Housing (the Commission) reported that approximately 86,000, or 6 percent, of the nation's public housing units were severely distressed—characterized by physical deterioration and uninhabitable living conditions, high levels of poverty, inadequate and fragmented services, institutional abandonment, and location in neighborhoods often as blighted as the public housing sites themselves. In response to the Commission's report, Congress established the Urban Revitalization Demonstration Program, more commonly known as HOPE VI, at HUD. The program awards grants to public housing authorities (PHA). The grants can fund, among other things, the demolition of distressed public housing, capital costs of major rehabilitation, new construction, and other physical improvements, and community and supportive service programs for residents, including those relocated as a result of revitalization efforts. Beginning in 1996 with the adoption of the Mixed-Finance Rule, PHAs were allowed to use public housing funds designated for capital improvements, including HOPE VI funds, to leverage other public and private investment to develop public housing units. Public funding can come from federal, state, and local sources. For example, HUD itself provides capital funding to housing agencies to help cover the costs of major repair and modernization of units. Private sources can include mortgage financing and financial or in-kind contributions from nonprofit organizations.

HUD's requirements for HOPE VI revitalization grants are laid out in each fiscal year's notice of funding availability (NOFA) and grant agreement. NOFAs announce the availability of funds and contain application requirements, threshold requirements, rating factors, and the application selection process. Grant agreements, which change each fiscal year, are executed between each grantee and HUD and specify the activities, key deadlines, and documentation that grantees must meet or complete. NOFAs and grant agreements also contain guidance on resident involvement in the HOPE VI process. HUD encourages grantees to communicate, consult, and collaborate with affected residents and the broader community, but allows grantees the final decision-making authority. Grant applications are screened to determine whether they meet the eligibility and threshold requirements in the NOFA. A review panel (which may include the Deputy Assistant Secretary for Public Housing

Investments, the Assistant Secretary for Public and Indian Housing, and other senior HUD staff) recommends the most highly rated applications for selection, subject to the amount available for funding.

HUD's Office of Public Housing Investments, housed in the Office of Public and Indian Housing, manages the HOPE VI program. Grant managers within the Office of Public Housing Investments are primarily responsible for overseeing HOPE VI grants. They approve changes to the revitalization plan and coordinate the review of the community and supportive services plan that each grantee submits.³ In addition, grant managers track the status of grants by analyzing data on the following key activities: relocation of original residents, demolition of distressed units, new construction or rehabilitation, reoccupancy by some original residents, and occupancy of completed units. Public and Indian Housing staff located in HUD field offices also play a role in overseeing HOPE VI grants, including coordinating and reviewing construction inspections. Beginning in fiscal year 1999, HUD began to encourage HOPE VI revitalization grant applicants to form partnerships with local universities to evaluate the impact of their proposed HOPE VI revitalization plans.⁴

In 2003, Congress reauthorized the HOPE VI program and required us to report on the extent to which public housing for the elderly and non-elderly persons with disabilities was severely distressed. We subsequently reported that available data on the physical and social conditions of public housing are insufficient to precisely determine the extent to which developments occupied primarily by elderly persons and non-elderly persons with disabilities are severely distressed.⁵ Using HUD's data on public housing developments—buildings or groups of buildings—and their tenants, we identified 3,537 developments primarily occupied by

³The revitalization plan includes the grantee's HOPE VI application, budgets, a community and supportive services plan, a relocation plan, and any supplemental submissions that HUD requests following its review of the HOPE VI application or as a result of a visit to the site. The community and supportive services plan contains a description of the supportive services that will be provided to residents, proposed steps and schedules for establishing arrangements with service providers, plans for actively involving residents in planning and implementing supportive services, and a system for monitoring and tracking the performance of the supportive services programs as well as resident progress.

⁴GAO-04-109.

⁵*Public Housing: Distressed Conditions in Developments for the Elderly and Persons with Disabilities and Strategies Used for Improvement*, GAO-06-163 (Washington, D.C.: December 9, 2005)

elderly residents and non-elderly persons with disabilities. Data from HUD and other sources indicated that 76 (2 percent) of these 3,537 developments were potentially severely distressed.

Grantees Had Projected A General Increase in Leveraged Funds, Primarily From Federal Sources

According to our analysis of HUD data for our November 2002 report, housing authorities expected to leverage an additional \$1.85 in funds from other sources for every dollar received in HOPE VI revitalization grants awarded since the program's inception through fiscal year 2001.⁶ However, HUD considered the amount of leveraging to be slightly higher because it treated as "leveraged" both (1) HOPE VI grant funds competitively awarded for the demolition of public housing units and (2) other public housing capital funds that the housing authorities would receive even in the absence of the revitalization grants. Even when public housing funds were excluded from leveraged funds, our analysis of HUD data showed that projected leveraging had increased; for example, 1993 grantees expected to leverage an additional \$0.58 for every HOPE VI grant dollar (excluding public housing funds), while 2001 grantees expected to leverage an additional \$2.63 from other sources (excluding public housing funds). But, our analysis of HUD data through fiscal year 2001 also indicated that 79 percent of funds that PHAs had budgeted came from federal sources, when low-income housing tax credit funding was included. Finally, our analysis showed that although the majority of funds budgeted overall for supportive services were HOPE VI funds, the amount of non-HOPE VI funds budgeted for supportive services increased dramatically since the program's inception. Specifically, while 22 percent of the total funds that fiscal year 1997 grantees budgeted for supportive services were leveraged funds, 59 percent of the total that fiscal year 2001 grantees budgeted were leveraged funds.

Although HUD had been required to report leveraging and cost information to the Congress annually since 1998, it had not done so at the time of our 2002 report. As required by law, this annual report is to include the cost of public housing units revitalized under the program and the amount and type of financial assistance provided under and in conjunction with the program. We recommended that the Secretary of Housing and Urban Development provide these annual reports to Congress and include

⁶GAO-03-91. To determine the extent to which grantees had leveraged federal and nonfederal funds, we analyzed data from HUD's HOPE VI reporting system on grants awarded. This data primarily consisted of budgeted or projected funds.

in these annual reports, among other things, information on the amounts and sources of funding used at HOPE VI sites, including equity raised from low-income housing tax credits, and the total cost of developing public housing units at HOPE VI sites, including the costs of items subject to HUD's development cost limits and those not subject.⁷

In response to this recommendation, HUD issued annual reports to Congress for fiscal years 2002 through 2006 that include information on the amounts and sources of funding used at HOPE VI sites. In each of these reports, HUD included the amount of funds leveraged from low-income housing tax credits in its data on non-federal funds.⁸ Based on data reported in the 2006 annual report, since the program's inception HOPE VI grantees have cumulatively leveraged \$1.28 per HOPE VI grant dollar expended.⁹ Currently, we have work underway examining, among other things, how and the extent to which leveraging occurs in several federal programs, including the HOPE VI program.

HUD's Oversight of Projects and Enforcement of Program Requirements Had Been Inconsistent

Our May 2003 report found that a variety of factors diminished HUD's ability to oversee HOPE VI grants.¹⁰ In particular, the limited numbers of grant managers, a shortage of field office staff, and confusion about the role of field offices had diminished the agency's ability to oversee HOPE VI grants. Our site visits showed that HUD field staff was not systematically performing required annual reviews. For example, for revitalization grants awarded in 1996, some never received an annual review and no grant had had an annual review performed each year since the grant award. From our interviews with field office managers, we determined that there were two reasons why annual reviews were not performed. First, many of the field office managers we interviewed stated that they simply did not have

⁷Pursuant to the Quality Housing and Work Responsibility Act of 1998, HUD's total development cost policy limits the amount of public housing funds—including HOPE VI funds—that housing authorities may spend to construct a public housing unit. This per-unit limit does not apply to funds leveraged from other sources.

⁸In 2002 HUD reported the amount of funds budgeted for grants. For the annual reports covering fiscal years 2003 through 2006, HUD reported the amounts of funds expended for grants.

⁹U.S. Department of Housing and Urban Development, *2006 Annual Report to Congress on HOPE VI*, (Washington, D.C.: January 2007). Data based on funds expended as of the second quarter of fiscal year 2006. Total HOPE VI grant dollars expended include revitalization and demolition grants.

¹⁰GAO-03-555.

enough staff to get more involved in overseeing HOPE VI grants. Second, some field offices did not seem to understand their role in HOPE VI oversight. For instance, one office thought that the annual reviews were primarily the responsibility of the grant managers. Others stated that they had not performed the reviews because construction had not yet started at the sites in their jurisdiction or because they did not think they had the authority to monitor grants.

As a result of our findings, we recommended that HUD clarify the role of HUD field offices in HOPE VI oversight and ensure that the offices conducted required annual reviews. In response to this recommendation, HUD published new guidance in March 2004 that clarified the role of HUD field offices in HOPE VI oversight and the annual review requirements. According to the guidance, HUD field office responsibilities include conducting an annual risk assessment, which should consider such factors as missed deadlines and adverse publicity and should be used to determine whether an on-site review should be conducted and which areas of the HOPE VI grant should be reviewed. The published guidance included a risk assessment form and sample monitoring review reports. While HUD's action was responsive to our recommendation, we have not examined the extent to which it has corrected the problems we identified in our 2003 report.

Our 2003 report also noted that the status of work at HOPE VI sites varied, and that the majority of grantees had missed one or more of three major deadlines specified in their grant agreements: the submission of a revitalization plan to HUD, the submission of a community and supportive services plan to HUD, and completion of construction. We made recommendations to HUD designed to ensure better compliance with grant agreements. More specifically:

- Of the 165 sites that received revitalization grants through fiscal year 2001, 15 had completed construction at the time of our review.¹¹ Overall, at least some units had been constructed at 99 of the 165 sites, and 47 percent of all HOPE VI funds had been expended. In general, we found that the more recently awarded grants were progressing more quickly than earlier grants. For example, fiscal year 1993 grantees had taken an average of 31 months to start construction. In contrast, the fiscal year 2000 grantees started construction an average of 10 months after their grant agreement

¹¹GAO-03-555.

was executed.¹² HUD cited several reasons that may explain this improvement, such as later grantees having more capacity than the earlier grantees, the applications submitted in later years being more fully developed to satisfy NOFA criteria, and HUD placing greater emphasis on reporting and accountability.

To further improve its selection of HOPE VI grantees, we recommended that HUD continue to include past performance as an eligibility requirement in each year's NOFA—that is, to take into account how housing authorities had performed under any previous HOPE VI grant agreements. In response to this recommendation, HUD stated in its fiscal year 2004 NOFA that a HOPE VI application would not be rated or ranked, and would be ineligible for funding, if the applicant had an existing HOPE VI revitalization grant and (1) development was delinquent due to actions or inactions that were not beyond the control of the grantee and (2) the grantee was not making substantial progress towards eliminating the delinquency. According to the fiscal year 2006 NOFA, the ratings of applicants that received HOPE VI grants between 1993 and 2003 can be lowered for failure to achieve adequate progress.

- For at least 70 percent of the grants awarded through fiscal year 1999, grantees had not submitted their revitalization plans or community and supportive services plans to HUD on time.¹³ Moreover, the large majority of grantees had also missed their construction deadlines; in the case of 9 grants, no units had been constructed as of the end of December 2002. HUD had taken some steps to encourage adherence to its deadlines; for example, HUD began requiring applicants to provide a certification stating that they had either procured a developer for the first phase of development, or that they would act as their own developer.

However, HUD did not have an official enforcement policy to deal with grantees that missed deadlines. As a result, we recommended that HUD

¹²At the time of our analysis, 9 of the fiscal year 2000 grantees had not started construction. As a result, we could not be sure that the fiscal year 2000 grantees, as a whole, had moved faster than earlier grantees. Until these grantees start construction, we cannot be sure that the fiscal years 1999 and 2000 grantees, as a whole, have moved faster than earlier grantees.

¹³We omitted from our analysis 5 fiscal year 1995 grants that were awarded during a second round of funding because each grantee signed a grant agreement with HUD that contained unique deadlines specific to that grant. The revitalization plan deadlines for the fiscal years 2000 and 2001 grants had not yet passed at the time of our study.

develop a formal, written enforcement policy to hold public housing authorities accountable for the status of their grants. HUD agreed with this recommendation, and in December, 2003 notified several grantees that they were nearing deadlines and that failure to meet these deadlines could result in HUD placing the grant in default. According to the 2006 NOFA, HUD may withdraw funds from grantees that have not proceeded within a reasonable timeframe, as outlined in their program schedule.

About Half of Public Housing Residents Were Expected to Return to Revitalized Sites, while Evidence Suggested That Communities Surrounding Some HOPE VI Sites Had Improved

In our November 2003 report, we found that most residents at HOPE VI sites had been relocated to other public housing, or other subsidized housing, and that grantees expected that about half of the original residents would return to the revitalized sites.¹⁴ In our examination of sites that had received HOPE VI grants in 1996, we found that the housing authorities had involved public housing residents in the planning and implementation process to varying degrees. Further, HUD data and information obtained during our site visits suggested that the supportive services provided public housing residents yielded at least some positive outcomes. Finally, according to our analysis of census and other data, the neighborhoods in which 1996 HOPE VI sites are located had generally experienced positive improvements in educational attainment levels, average household income, and percentage of people in poverty, although we were unable to determine the extent to which the HOPE VI program contributed to these changes.

Most Original Residents Were Relocated to Other Public Housing, and About Half Were Expected to Return to Revitalized HOPE VI Sites

According to HUD data, approximately 50 percent of the almost 49,000 residents that had been relocated as of June 30, 2003, had been relocated to other public housing; about 31 percent had used vouchers to rent housing in the private market; approximately 6 percent had been evicted; and about 14 percent had moved without giving notice or vacated for other reasons. However, because HUD did not require grantees to report the location of original residents until 2000, grantees had lost track of some original residents. Although grantees, overall, expected that 46 percent of all the residents that occupied the original sites would return to the revitalized sites, the percentage varied greatly from site to site. A variety of factors may have affected the expected return rates, such as the numbers and types of units to be built at the revitalized site and the criteria used to select the occupants of the new public housing units.

¹⁴GAO-04-109.

**Among 1996 Grant Sites,
Resident Involvement in
the HOPE VI Process
Varied, While Supportive
Services Yielded Some
Positive Outcomes**

We found that the extent to which the 1996 grantees involved residents in the HOPE VI process varied.¹⁹ Although all of the 1996 grantees held meetings to inform residents about revitalization plans and solicit their input, some of them took additional steps to involve residents in the HOPE VI process. For example, in Tucson, Arizona, the housing authority waited until the residents had voted their approval before submitting the revitalization plan for the Connie Chambers site to the city council. In other cases, litigation or the threat of litigation ensured resident involvement. For instance, under a settlement agreement, the Chicago Housing Authority's decisions regarding the revitalization of Henry Horner Homes were subject to the approval of the Horner Resident Committee.

Overall, based on the information available at the time of our 2003 report, grantees had provided a variety of community and supportive services, including case management and direct services such as computer and job training programs. Grantees had also used funds set aside for community and supportive services to construct facilities where services were provided by other entities. Information we collected during our visits to the 1996 sites, as well as limited HUD data on all 165 grants awarded through fiscal year 2001, indicated that HOPE VI community and supportive services had achieved or contributed to positive outcomes. For example, 31 of 49 participants in a Housing Authority of Pittsburgh health worker training program had obtained employment, while 114 former project residents in Louisville, Kentucky had enrolled in homeowner counseling and 34 had purchased a home.

**1996 HOPE VI
Communities Experienced
Positive Changes**

According to our analysis of census and other data, the neighborhoods in which 1996 HOPE VI sites are located generally have experienced improvements in a number of indicators used to measure neighborhood change, such as educational attainment levels, average housing values, and percentage of people in poverty. For example, our analysis showed that in 18 of 20 HOPE VI neighborhoods, the percentage of the population with a high school diploma increased, in 13 neighborhoods average housing values increased, and in 14 neighborhoods the poverty rate decreased between 1990 and 2000. For a number of reasons—such as relying on 1990 and 2000 census data even though HOPE VI sites were at varying stages of completion—we could not determine the extent to which HOPE VI contributed to these changes. However, we found that several studies

¹⁹GAO-04-109.

conducted by universities and private institutions also showed that the neighborhoods in which HOPE VI sites are located had experienced positive changes in income, employment, community investment, and crime indicators. For example, one study found that per capita income in eight selected HOPE VI neighborhoods increased an average of 71 percent, compared with 14.5 percent for the cities in which these sites are located, between 1989 and 1999.

We also observed that the HOPE VI program also may influence changes in neighborhood indicators by demolishing older, distressed public housing alone. For example, in the 6 HOPE VI neighborhoods where the original public housing units were demolished, but no on-site units had been completed, measured educational attainment and income levels increased.

Mr. Chairman, this concludes my prepared statement. I would be happy to answer any questions at this time.

Contacts and Acknowledgments

For further information on this testimony, please contact David G. Wood at (202) 512-8678. Individuals making key contributions to this testimony included Alison Gerry, John McGrail, Lisa Moore, Paul Schmidt, and Mijo Vodopic.

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Chairman Schumer, Ranking Member Crapo, and Senators of the Subcommittee:

I appreciate the opportunity to testify in connection with the Reauthorization of the HOPE VI Program. I am Richard D. Baron, Chairman & CEO of McCormack Baron Salazar, a St. Louis-based firm which has been involved nationally in the development of mixed-income communities since the late 1970s.

My partner, Kevin McCormack and I, were directly involved in the design of the “mixed-finance”, HOPE VI initiative working directly with former Secretary Henry Cisneros and his staff in early 1994. Our recommendations to the Department for “privatizing” the future development of public housing as part of larger mixed-income projects grew out of our thirty years of experience in creating affordable housing. Our firm has been involved in the development of nineteen HOPE VI communities throughout the country involving forty separate phases and 9,169 units. The firm has done nearly \$1.9 billion of development and manages a rental portfolio of 16,000 units.

My original purpose for suggesting the mixed-finance model reflected my belief that the original public housing program of 1937 had lost its market of working families and was increasingly isolating low income families from adjoining neighborhoods. Housing Authorities were often estranged from local government, and generally PHAs had no sense of local housing markets and their beleaguered management undermined

efforts to improve adjacent inner-city areas. Public housing had become the housing of “last resort” in most cities.

Our own experience repeatedly demonstrated that if public resources were combined with private capital, and where possible, philanthropic resources economically integrated housing developments could be created that were sustainable, better designed, and available to low and moderate income families without the “stigma” of public housing associated with the sites. I knew that if we could leverage HOPE VI funds with low-income tax credits, as well as other local resources, far better neighborhoods would emerge. This is precisely what has happened across the country. For example, state housing finance agencies, prior to HOPE VI, with few exceptions had virtually nothing to do with local PHAs. This has changed dramatically. HOPE VI has forced HUD and PHAs to view “public housing” as part of a much larger, local market, and its success now provides a new approach for creating housing for low-income families.

The other important element of the HOPE VI program involved funds for Community and Supportive Services (“CSS”). These resources have made it possible to support the families and children of the new communities by connecting and focusing local service providers and schools in more productive ways as partners in the redevelopment.

Our HOPE VI communities have dramatically improved neighborhoods, overcome decades of deterioration and blight, stabilized local schools, reduced crime, created jobs, and re-claimed areas of cities for new investment. It represents one of the most significant domestic programs of the past thirty years – given the partnerships that have been created between federal, state, and local government, and the added resources of local philanthropies. I would urge the Congress to re-authorize the HOPE VI program and insure that funds are appropriated to allow the program to continue at an accelerated pace.

U.S. Senate

Committee on Banking, Housing, and Urban Affairs, Subcommittee on Housing,
Transportation, and Community Development

Dr. Susan J. Popkin
The Urban Institute

Testimony of Susan Popkin, Urban Institute, prepared for the hearing on S. 829 HOPE
VI Improvement and Reauthorization Act, June 20, 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 reciprocity, 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 (Burton 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).

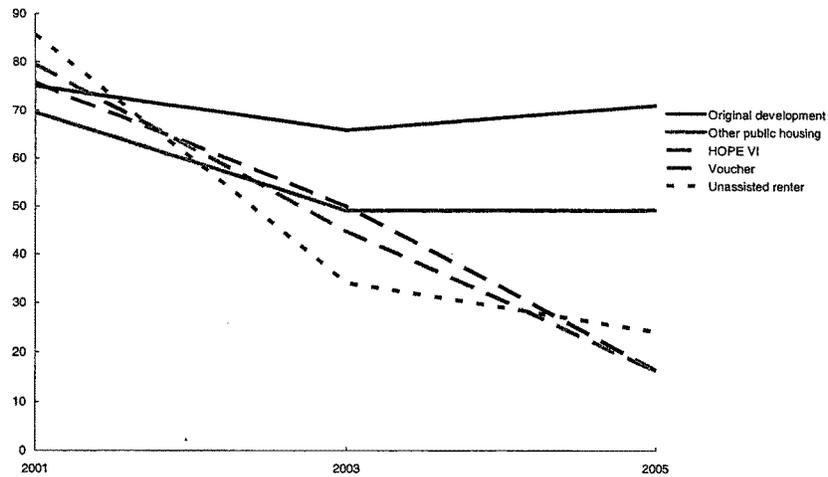
Residents Are Living in Dramatically Safer Neighborhoods

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 problems³ 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.

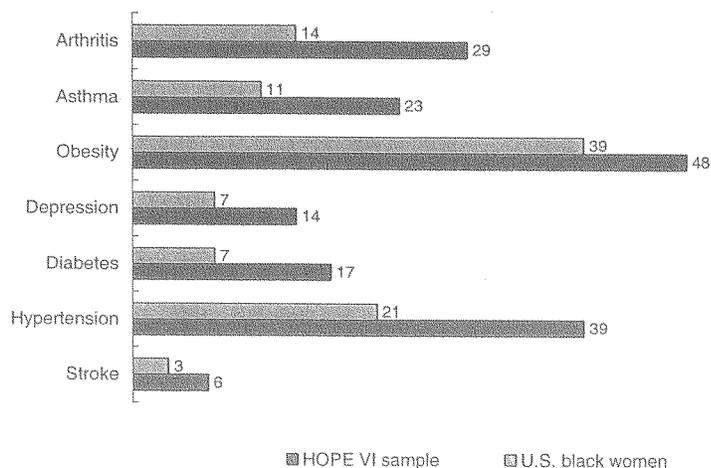
Poor Health is the Biggest Challenge

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 difficulty 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.

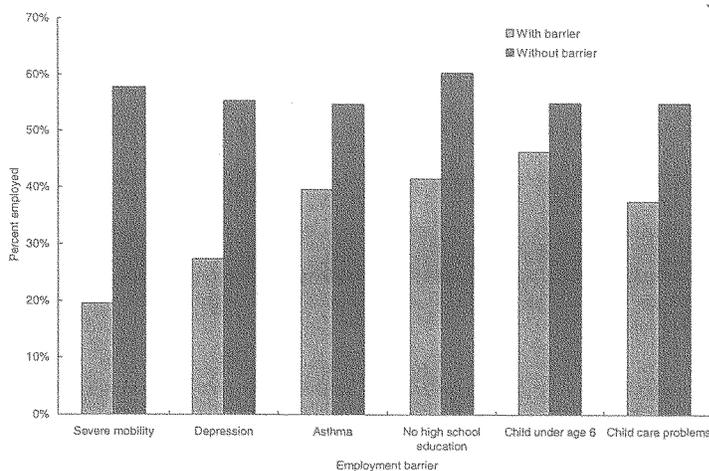
As discussed above, HOPE VI Panel Study respondents are in extremely poor health; these health problems are by far the biggest barrier to employment. Among

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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-

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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.

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Testimony of Charles F. Elsesser Jr.

Member, Board of Directors, *National Low Income Housing Coalition*

presented to

Senate Banking, Housing and Urban Affairs Subcommittee on Housing,
Transportation and Community Development

United States Senate

June 20, 2007

INTRODUCTION

I would like to thank Chairman Schumer, Ranking Member Crapo and members of the Housing, Transportation and Community Development Subcommittee for holding this important hearing on the reauthorization of the HOPE VI program.

My name is Charles F. Elsesser Jr., and I am a staff attorney at Florida Legal Services in Miami and a longtime board member of the National Low Income Housing Coalition (NLIHC), which I am representing today. Florida Legal Services is a statewide Florida law firm representing very low income families and individuals. I have been a housing attorney for over 35 years, and have spent the last 15 years working in Miami where I spend most of my time representing organizations of public housing and subsidized housing residents.

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

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concerned citizens. NLIHC does not represent any sector of the housing industry. Rather, NLIHC works 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.

HOPE VI IN MIAMI

I would like to share some particular experiences of families affected by the HOPE VI project in Miami, which I believe are illustrative of the HOPE VI program nationally. While some of the problems with the redevelopment of the site are unique to Miami, the problems which I am describing here are not. They are the result of flaws within the HOPE VI program, flaws which are largely not addressed by S. 829.

In 1999 the Miami Dade Housing Agency was awarded a HOPE VI grant for the Scott Homes/Carver Homes public housing project in the Liberty City neighborhood of Miami. The two projects housed approximately 850 largely African American families. The initial configuration of the redeveloped project provided only 80 public housing units. While that number has since increased, the amount of units approved by HUD still dictates that the vast majority of the relocated families will remain unable to return to the redeveloped site.

At this point, all families (1,178 including family separations) have been relocated from the project, largely with Section 8 vouchers, and the buildings have been almost totally demolished.

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Nevertheless, after almost seven years the site remains largely vacant, with only a small number of individual Habitat for Humanity homes having been constructed.

During the last 10 months my office and several community organizations have been involved in a concerted effort to find the families that were relocated from Scott Homes using Section 8 vouchers. What we found was that a significant number—up to 50%—had lost their vouchers and were no longer receiving any housing assistance. I have attached to this testimony a newspaper story stating that over 600 of the relocated families were no longer receiving housing assistance. Despite our continued efforts to locate these families, several hundred families remain lost to the housing system, which means that, despite having been relocated only a few years ago, they are no longer receiving any housing assistance.

For the past several months we have been locating these families through community outreach and their stories have been nothing short of horrific. Many, if not most, of these families have been rendered homeless - with children sometimes separated from their parents due to the economic circumstances. Many were living doubled up on friends or relatives floors. Others were in homeless shelters.

The following are two typical stories from former Scott Homes' households—both long time residents of public housing—who were recently located through community-based outreach.

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Case Stories

Ms. B: Shortly after she relocated from Scott Homes due to HOPE VI, Ms. B lost her Section 8 voucher 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.

Mr. P: Mr. P is a single father of four children. Mr. P relocated from Scott Homes with a Section 8 voucher which he lost when he was unable to locate a suitable rental. Forced into homelessness, Mr. P had no choice but to split up his family and move his children into the homes of different family members. After becoming separated from their father, all of Mr. P's children began to have trouble in school and subsequently developed behavior problems.

The families we are working with in Miami had lived in public housing without difficulty. However, they were unable to maintain their Section 8 vouchers for more than a brief period after relocation. The largest single reason for the loss of their voucher was their inability to find a *second* suitable, affordable rental after their lease at their initial relocation residence expired. While the housing agency provided a security deposit and search assistance to find the first dwelling, no assistance was provided for the second. And their initial landlords often refused to return the initial security deposit to the tenants or delayed that return for months. Thus, relocated

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families with incomes ranging around \$9,000 - \$10,000 a year were forced to find a security deposit of often two to three thousand dollars in order to rent a second dwelling. Tenants who were unable to lease up a new dwelling within the Section 8 voucher time limits lost their voucher.

In addition, in Miami as elsewhere, the Section 8 voucher program imposed a plethora of new rules and regulations on families who were already traumatized by the relocation. No longer were they dealing with a locally situated public housing "rent office." Instead, they were required to negotiate a totally new, centralized Section 8 bureaucracy, to comply with rigorously enforced time limits for finding a new rental, to cope with the delays involved in HQS inspections, to comply with private landlord demands, etc. Failure to negotiate any of these demands often led to the loss of the voucher. When combined with the extremely low income (median \$9,000) of the families who resided at Scott Homes, it is not hard to understand the extremely high failure rates.

Unfortunately, these are not the families studied when evaluating the success of a HOPE VI project. Indeed, these families are largely not heard from again - becoming an unevaluated statistic. Most importantly, I believe that these circumstances are hardly unique to Miami-Dade but rather are inherent in the HOPE VI process. It is only because of the efforts of Miami community organizations, the ex-Scott Homes tenants, and the new County Housing Agency management that these *lost* households are being located in Miami. These families, whose lives have been so disrupted, are the very families whose lives were supposed to be improved by the HOPE VI project.

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HOPE VI SHOULD NOT BE REAUTHORIZED THROUGH S.829 IN ITS CURRENT FORM

Based on HOPE VI's track record in Miami and across the country, the NLIHC believes that the HOPE VI program should not be re-authorized through S. 829 in its current form. Opposition to HOPE VI remains very strong in the low income housing advocacy community that works with and represents public housing residents.

This opposition is not based on an objection to the revitalization of public housing or providing services to public housing residents. Instead, 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. Therefore, NLIHC approaches the possibility of reauthorization with considerable caution.

NLIHC's RECOMMENDATIONS

NLIHC developed a HOPE VI reauthorizing position in 2002 based on the impacts of HOPE VI projects in Miami and across the country. Our recommendations focus on two major aspects of the HOPE VI program: the loss of affordable housing stock and the impact of HOPE VI on residents.

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While Senator Barbara Mikulski introduced S.829 with the best of intentions, NLIHC believes the proposed legislation fails to include key provisions that would alleviate many of the well-documented, serious problems with HOPE VI.

Specifically, S.829 fails to address the following key suggestions that we have proposed for how the program must be improved before it is reauthorized and additional federal resources are expended on it.

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

S. 829: The bill does not provide for the one-for-one replacement of public housing units. The bill does include language including sustaining or creating affordable project-based units as one of the selection criteria for HUD to consider in selecting grant applications. In addition to falling short of requiring one-for-one replacement of much-needed affordable housing for the lowest income households, the bill continues the current policy of allowing the HUD Secretary to not apply this, or any other, selection criteria when considering HOPE VI grant applications.

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.

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Authorizing the loss of units affordable to extremely low income people and redeveloping units affordable only to higher income people is not sound public policy. Across the nation the families who are most impacted by the high costs of housing—those paying more than 50% of their income in rent—are extremely low income families with incomes below 30% of median income. These are families that are often best served by public housing. According to NLIHC tabulations of 2005 American Community Survey PUMS data, in New York state, a very high cost housing state by any measure, only 10% of renters paying more than half of their incomes toward housing have incomes above 50% of area median; 69% are extremely low income, with incomes below 30% of area median. In Idaho, only 7% of renters paying more than half of their incomes toward rent have incomes above 50% of area median; 70% of families paying more than half of their incomes on rent are extremely low income. In Maryland, only 4% of renters paying more than half of their incomes for housing have incomes above 50% of median; 77% of families paying more than half of their incomes toward rent are extremely low income.

If there is any lesson to be taken from the experiences of the Miami families, it is the vital necessity to require a one-for-one replacement of public housing units. 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.

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

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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. It would prevent the type of stall of the HOPE VI project after relocation and before reconstruction as occurred in Miami. 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.

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

S. 829: The bill explicitly allows undefined “re-occupancy criteria” to be placed on residents of the public housing who wish to return to the revitalized housing. This additional screening of residents who will be allowed to return to their homes is unconscionable.

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.

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C. Mandate Compliance with the Uniform Relocation Act

S. 829: The bill refers to the Uniform Relocation Act (URA), within the selection criteria that the Secretary can waive. The URA would be used as a reference to ensure that payments required under the URA are included in an applicant's budget for relocation costs. The bill does not require compliance with the URA.

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

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D. Strengthen Definition of “Severely Distressed”

S. 829: The bill codifies current HUD practice of requiring an architect or engineer’s certification regarding physical distress as part of the grant award selection criteria, which, again, the HUD Secretary has the authority to waive.

A stronger definition of severely distressed is needed to ensure that HOPE VI funds are not wasted and that viable public housing units are not lost. A stronger severely distressed definition would 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

S. 829: Like current practice, the bill only provides residents with participation opportunities in the pre-application phase of HOPE VI. Resident participation requirements should be strengthened beyond the pre-application phase of HOPE VI to encompass all phases of application, redevelopment, relocation, services, return of residents, monitoring of displaced residents and reporting to HUD and Congress.

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F. Create a Private Right of Action

Absent from S. 829 and current statute is another needed HOPE VI reform: private right of action. NLIHC recommends that any new statutory provisions must 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.

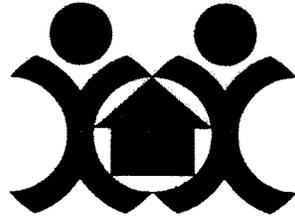
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Prioritize Preservation of Public Housing

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 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 put 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.

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



Boston Housing Authority

TESTIMONY

of

**SANDRA B. HENRIQUEZ
ADMINISTRATOR AND CEO
BOSTON HOUSING AUTHORITY
BOSTON, MASSACHUSETTS**

Before the

U.S. SENATE

**SUBCOMMITTEE ON HOUSING, TRANSPORTATION
AND COMMUNITY DEVELOPMENT**

of the

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

JUNE 20, 2007

TESTIMONY BEFORE THE
SENATE SUBCOMMITTEE ON HOUSING, TRANSPORTATION
AND COMMUNITY DEVELOPMENT
of the
BANKING, HOUSING AND URBAN AFFAIRS COMMITTEE
June 20, 2007

Mr. Chairman, Ranking Member and Members of the Senate Subcommittee on Housing, Transportation and Community Development of the Banking, Housing and Urban Affairs Committee, I am Sandra B. Henriquez, Administrator and CEO of the Boston Housing Authority in Boston, Massachusetts. The BHA serves a total of 10% of the city's population: 5 % in its 12,000 public housing units, the remaining with rental assistance via 11,500 Section 8 Housing Choice Vouchers. We are the largest single landlord in the City of Boston.

I am also the President of the Council of Large Public Housing Authorities (CLPHA), whose 60 members represent virtually every major metropolitan area in the country. On any given day, CLPHA members are serving more than one million households. Together they manage almost half of the nation's multi-billion dollar public housing stock, and administer 30 percent of the Section 8 voucher program. They are in the vanguard of housing providers and community developers.

I am pleased to be invited here today to testify on "The Reauthorization of the HOPE VI Program" and, more specifically on S. 829, the HOPE VI Reauthorization and Improvement Act of 2007. I commend Senator Mikulski and all the sponsors for introducing this bill and showing such strong support for the program.

As you know, HOPE VI—the Revitalization of Severely Distressed Public Housing Program—is one of the most significant neighborhood reinvestment strategies of the last decade. This program has transformed communities of despair and unrelenting concentrations of poverty into mixed-income neighborhoods that will serve as long-term

assets in their communities. This is a program that appeals to urban, suburban, rural, metropolitan and non-metropolitan communities and the Senators representing those communities. It enjoys strong aisle-crossing bi-partisan support, most recently evidenced during the introduction of S. 829.

The numbers on this program are impressive. Since 1993, the HOPE VI Program has demolished over 76,250 units of public housing with over 103,600 new housing units to be created and over 48,000 units occupied to date. Also, the \$5.8 billion in HOPE VI grants awarded by HUD have leveraged an additional \$12.1 billion in other public and private investments.

HOPE VI grants serve as the critical seed capital to leverage additional public and private sector investment in distressed neighborhoods. This innovative “first money in” approach, combined with unprecedented regulatory flexibility, has allowed public housing authorities (PHAs) to build first-time partnerships with private developers, state governments and other partners. As a result, a new market has been created of private investors and lenders who now view mixed-income, mixed-finance public housing as a good investment.

The City of Boston has been awarded three HOPE VI Grants – Mission Main and Orchard Gardens in Roxbury, and Maverick Landing in East Boston – totaling \$115 million. Using these HOPE VI funds as a starting point for the redevelopment of these very distressed public housing sites, we were able to raise an additional \$293 million of non-HOPE VI funds to complete the redevelopment of these sites. For every \$1 of HOPE VI funds, BHA leveraged \$2.55 of non-HOPE VI funds (low income housing tax credit equity, city funds, state funds, other public housing funds, other private funds). We developed a total of 1,130 affordable rental units, 108 affordable homeownership units (this includes the 51 loan-to-purchaser transactions that occurred as part of Maverick), and 181 market-rate rental units.

Research has shown that this investment improves the lives and livelihoods of public housing residents, who without HOPE VI, would continue to live in isolated communities with high concentrations of poverty. Per capita incomes in HOPE VI neighborhoods have risen by 71 percent, while unemployment has declined by 8.4 percent. In addition, by increasing the supply of affordable housing through the provision of over 22,000 housing choice vouchers, HOPE VI has empowered relocated residents to integrate into neighborhoods with better jobs and better schools.

In Boston, the revitalization efforts have had a profound effect on the surrounding neighborhoods. Prior to the Orchard HOPE VI program, 30% of adult residents at Orchard were employed and 90% of the residents had incomes of less than \$20,000. Since the onset of the Orchard program, household income has increased by 70%; average assessed property values in the neighborhood has increased by 31.8%; and \$293.8 million has been invested in the neighborhood.

Prior to the completion of the Mission Main HOPE VI program, people were afraid to walk in or around the neighborhood. Now, the Mission Main neighborhood is one of the most vibrant and active neighborhoods in the City. Artists, doctors, students and other professionals are all eager to work and live here. Occupancy of the market-rate units at Mission Main has always been strong, with a waiting list for these units.

The Maverick Landing development was named "Best Overall Housing Development" by Affordable Housing Finance Magazine, 2006, and was the recipient of the Massachusetts Governor's Smart Growth Award in 2005. Maverick Landing combines renewable energy and innovative urban design. The redevelopment of Maverick has led the market in East Boston and has opened up several acres of underutilized urban land for housing production, which will create several hundred more units of housing in this neighborhood. According to the findings from a study that is being conducted of the impact that the Maverick HOPE VI program is having on the surrounding neighborhood, the Maverick redevelopment program has helped to reinforce nearby developers' commitment to their high-end residential projects.

In Boston, we have linked the HOPE VI program with educational opportunities in a variety of forms including: computer training classes; providing low-income middle school youth access to college-based education and training in video production, fashion design, civil engineering and social activism; providing education and training for hundreds of front line workers in the health care and research sector; and linking high school students with college opportunities. I mention this, because the schools aspect is a significant feature of S. 829 and its linkage with education reform. It is based upon research findings that if community revitalization is linked with education reform, the outcomes and impacts on the families and the neighborhoods are substantially greater and more sustainable.

While I understand and appreciate the sentiments which gave rise to the provisions of the legislation's linkages to education, I do think the provisions are too restrictive in mandating a comprehensive educational reform and achievement strategy for any and all HOPE VI applicants. Just as education districts are locally funded—most often through property taxes—education strategies should be locally designed without the added burden of coordinating housing and development objectives and strategies. Perhaps a better approach to retaining the educational objectives in the legislation would be to encourage educational linkages and give added weight to HOPE VI applications that develop an education strategy.

Generally, I support the provisions of the legislation protecting residents experiencing displacement and relocation due to revitalization and redevelopment of public housing units; and I am generally supportive of the provisions regarding performance benchmarks. In Boston, we place a high value on coupling resident's relocation needs with services. We create a relocation plan for each HOPE VI property in concert with the development's tenant leaders, hold community meetings, building meetings and individual family meetings around that plan, and provide guarantees of the right to return to the newly-constructed development for relocates who are lease compliant. We create a

basket of services around each family in order to facilitate their moves, school assignments, transportation requirements and other needs that might arise.

In addition, in Boston we are working on a Birth to Five School Readiness Initiative. We know that housing that is not distressed, that fits within the landscape of the surrounding neighborhood and is seen as a safe refuge for even the youngest of children, among other factors, increases the likelihood of success of those children in later years.

I contend that we will not know fully the benefits of the HOPE VI program, unless and until we calculate the decreases in health care (due to use of healthier building materials), the decreases in utility costs due to the use of energy technologies in construction, the decreases in pollution when redevelopment is also transit-oriented, and rising household incomes that allow greater opportunities for families and their children. Perhaps we will never be able to calculate the transformative impact HOPE VI has on the human potential.

I also want to take this opportunity to comment on the disturbing approach to the HOPE VI program and funding that the current Administration has taken. Beginning in 2004, the Bush administration began to severely limit funding for the HOPE VI program. In its 2006 and 2007 budgets, the administration proposed zeroing out the program and rescinding the previous year's appropriation. Congress rejected those proposals, although in 2006, there was only enough money to fund 4 grants out of 26 applications. With smaller HOPE VI grant sizes and fewer grantees, the wide-scale revitalization of previous years is not possible. This is a troubling trend especially in light of the fact that there are over 189,000 public housing units that are most likely distressed and in need of HOPE VI revitalization. It is worth noting that this large number of distressed units is also in part due to the continued underfunding of the Public Housing Capital Fund which has intensified over the last several years.

HUD takes the position that the original intent of HOPE VI has been completed and that any remaining properties in need of modernization and redevelopment should use

alternative programmatic and financing strategies. I reject the view that the original intent of HOPE VI has been completed. This legislation—S. 829—recognizes that the revitalization and redevelopment work of public housing is not complete, is still underway, and requires a strong federal commitment to finish the work that has begun.

I want to commend the sponsors of S. 829 for authorizing the program at an amount sufficient to make a real difference and to have a real impact in revitalization and redevelopment strategies. At \$600 million, the program would be able to operate at sufficient size and volume to begin to whittle down the tremendous backlog of modernization need.

In conclusion, thank you for the opportunity to testify before the Subcommittee today and I hope you will give my remarks careful consideration as you move forward with the reauthorization of this very necessary and vital program.