

**Written Statement of The Honorable Orlando J. Cabrera, President and Chief Executive Officer of National Community Renaissance and former Assistant Secretary for the Office of Public and Indian Housing at the United States Department of Housing and Urban Development**

Good afternoon Mr. Chairman, Ranking Member Bachus, and members of the Committee. My name is Orlando J. Cabrera and I am President and Chief Executive Officer of National Community Renaissance, a national developer of affordable housing, and former Assistant Secretary for Public and Indian Housing at the Department of Housing and Urban Development. Thank you for inviting me to testify before the Committee regarding the Administration's Proposal to Revitalize Severely Distressed Public and Assisted Housing and, more specifically, the Choice Neighborhoods Initiative.

From a policy perspective, the Choice Neighborhoods Initiative is a worthy evolutionary step forward for the HOPE VI program provided it focuses on addressing and overcoming HOPE VI's significant shortcomings and further focuses on encouraging local decision-making and input over federal concerns.

The idea of Choice Neighborhoods is an undeniable improvement if executed correctly. Choice Neighborhoods is an initiative that allows the full spectrum of housing providers, non profits, for profits, local governments and community development corporations in addition to public housing authorities, all of who own housing that houses low income Americans, to compete for Choice Neighborhoods allocation in order to rehabilitate and preserve units. The greater competition should lead to better outcome from a housing policy perspective.

With the exception of HOPE VI units, many public housing units are now over 70 years old and not any newer than 30 years old. HOPE VI was designed to address the rehabilitation of public housing units, but has struggled to be consistently efficient. HOPE VI has succeeded best when allocated to public housing authorities that are located in states with workable low income housing tax credit allocation systems and with supportive local governments. HOPE VI objectives have been challenged when they are located in local jurisdictions with limited capacity and burdened by policy expectations that delay the building or rehabilitation of units.

Choice Neighborhoods should focus on encouraging the allocation of resources to competitors that demonstrate that they can build what they represented they would build within the time frame that they committed.

**Similarities to HOPE VI**

Choice Neighborhoods has much in common with HOPE VI. Both HOPE VI and Choice Neighborhoods rely on competition for access to awards. HUD's proposal focuses on leveraging which is a fancy way of saying that the winning development

will use a minimum federal investment and draw in a maximum non-federal investment in a mixed finance setting. Both of those commonalities are great.

Like HOPE VI, Choice Neighborhoods focuses on de-concentrating poverty. Also, a Choice Neighborhoods allocation is an added layer of financing allocation to the multi-layered financing packages that ultimately constitute the financing of an affordable housing development. Finally, Choice Neighborhoods, like HOPE VI, will support new construction, demolition, and rehabilitation. Additionally, because it focuses on challenged communities, it draws on a broader aspiration than simply addressing distressed public housing.

### **The Differences between the Programs**

The most important difference between HOPE VI and Choice Neighborhoods is the community-based focus of the grants, the expansion of the nature of the potential competitor beyond public housing authorities, and the added focus on assisted housing. Choice Neighborhoods also differs from HOPE VI because it serves a broader housing modality and broader range of housing providers – a goal that some on this committee have long sought that the HOPE VI program would aspire to achieve. That important difference will help communities and not just developments.

Doubtlessly, it will be troublesome to some stakeholders that Choice Neighborhoods proposes to be open to competitors in addition to public housing authorities. It should not be. Allowing competitors to rehabilitate assisted housing units will better preserve affordable units over time for our Nation's communities and will allow for greater innovation within the program itself provided that the focus is readiness to proceed and efficacy of process.

It may appear that public housing authorities will be worse off if Choice Neighborhoods is passed because HOPE VI solely permitted public housing authorities to compete for HOPE VI allocations. One of HOPE VI's greatest shortcomings was the fact that just under 30% of allocated HOPE VI funds from 1993 through 2003 had not been expended as of 2005. HUD improved that shortcoming significantly between 2005 and 2008. Adding a competitive layer to Choice Neighborhoods has the potential of making the program still more efficient and better assures that the program addresses the utilization shortcomings of HOPE VI.

Choice Neighborhoods would be improved by incorporating the idea that readiness to proceed is central to the initiative. Choice Neighborhoods allocations should help the construction of developments by encouraging the thoughtfully quick and focused over the unfocused and unready and by encouraging accountability at the risk of losing the money – an outcome not easily achieved in HOPE VI transactions.

Invariably, every effort such as Choice Neighborhoods seeks to accomplish large laudable objectives and winds up serving the country less well if it loses focus on that which is important: constructing or rehabilitating the Nation's aging public and assisted housing units in an efficient and financially sustainable way. A focus on funding the construction, rehabilitation, and demolition of units makes eminent sense. However, potentially adding policy and, presumably, review connections to other non-housing programs – and asking HUD or, more worrisomely, others outside the team building the housing to evaluate the substantive value of such added elements – will result in adding time to the development timeline. Adding that complexity risks the same negative outcome that plagued many HOPE VI-funded developments: a lag in the use of allocated funds and an increase in the time between conception of a development and people living in units that serve a community well.

Secondly, it is a challenge to imagine how one would incorporate coordination with federal transportation, education, environmental, labor, and health elements and still have an efficient and agile competitive allocation system. If a cross-agency coordination system with a proven and effective track record in connection with affordable housing development were already in place, then adding such elements might be more understandable. But from a development perspective – not to speak of what one can safely presume are many state and local perspectives – short of an existing successful model, such a layer of cross-agency coordination gives one considerable pause.

The Choice Neighborhoods Initiative recognizes that assisted housing needs help too. Units constructed under any assisted housing program, for example, HUD's Mod Rehab and Section 236 programs, are nearing technical and actual obsolescence and will need the opportunity to compete for Choice Neighborhood allocations in order to be preserved. Choice Neighborhood appropriately recognizes that assisted housing is aging and needs help too.

The nation's public housing and assisted housing stock needs a program that will more vigorously induce the private sector to finance the transformation of units over time and thereby relieve the pressure on federal appropriations to do the job. Public housing is easier to transform when it is not solely dependent on Section 9 appropriation for capital improvements. Public housing has a capital needs backlog that, given the current and likely future fiscal climate, cannot be adequately addressed without providing a tool that will attract private capital into the cause of rehabilitation in a way that the HOPE VI program has not.

Public housing in particular, in addition to being a modality of affordable housing, represents a financing device that has long discouraged participation from the private sector. Operating funding and capital funding have been under enormous stress for a long time and based on this budget, will continue to be into the foreseeable future. Creating units using a tool, like Choice Neighborhoods, that will be served by a transformed mode of funding that allows such subsidy to be used to

pay for debt service is the key to creating a workable way to rehabilitate, preserve, and finance the construction of units with a comparatively minimal amount of taxpayer funding.

One last thought. the Choice Neighborhoods Initiative includes a focus on supportive services to some degree. One of National Community Renaissance's strengths is its focus on services for its residents, from the very young to the elderly. Our focus on providing services often is the driving force behind the creation of communities. Our services are offered with a purpose; we measure how well those services help those they are intended to assist. The Choice Neighborhoods Initiative includes a supportive services component in its utilization menu. I would suggest that if supportive services are provided, metrics should accompany the an service plan simply because those metrics will tell you what residents want which should always be the central concern.

### **Conclusion**

Public housing and assisted housing units will be serving the Nation for decades to come. In order for us to best serve low income Americans over time, I suggest that our focus should always be on narrow and well defined objectives. Above all, do what needs doing in order to get the job of constructing, preserving and rehabilitating quality public and assisted housing units done well, efficiently, and thoughtfully. That said, I would also ask that Congress resist the urge to do too much. Invariably good ideas become laden by good intentions and serve the Nation less well than they otherwise would if those ideas were kept focused. Lastly, I would offer that this Congress would achieve a great accomplishment by simply focusing on facilitating the largely private sector financing of the construction and preservation of affordable units in an economical and efficient way – which for the taxpayer would be a significant achievement in and of itself. Certainly, the Choice Neighborhoods Initiative improves the HOPE VI program's step in that direction.

Again, thank you for inviting me to testify regarding Choice Neighborhoods. As always, I will happily answer any questions you may have.