

**Testimony of Sheila Crowley, MSW, Ph.D.**  
**President of the National Low Income Housing Coalition**  
**presented to the**  
**Financial Services Committee**  
**United States House of Representatives**  
**March 17, 2010**

Chairman Frank, Ranking Member Bachus, and Members of the Committee, thank you for the opportunity to testify today on the Administration's proposed Choice Neighborhoods Initiative (CNI).

I am Sheila Crowley, President of the National Low Income Housing Coalition. Our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens.

The National Low Income Housing Coalition (NLIHC) is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes. 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 homes, especially those with the most serious housing problems, including people without homes. NLIHC is funded entirely with private contributions.

The Choice Neighborhoods Initiative is HUD's contribution to the Obama Administration's efforts to find "place-based" solutions to pressing social problems, in which the combined resources of multiple federal agencies are brought to bear on discrete geographies. These are places in need of fundamental transformation to end entrenched poverty and accompanying social and material distress. In particular, CNI is intended to transform neighborhoods with distressed housing, including, but not limited to, federal public or assisted housing.

The Choice Neighborhoods Initiative is offered by the Obama Administration as the next generation of attention to severely distressed public and assisted housing and is described as "building on the success of HOPE VI," the redevelopment program for severely distressed public housing that began in 1993. As the committee knows well, the National Low Income Housing Coalition and others have been highly critical of HOPE VI as it has been implemented in both the Clinton and Bush Administration.<sup>1</sup> It should come as no surprise then that we

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<sup>1</sup> Crowley, S. (2009). "Hope VI: What went wrong," In H. G. Cisneros and L. Engdahl (Eds.), *From Despair to HOPE: Hope VI and the New Promise of Public Housing in America's Cities*. Washington, DC: Brookings, pp.229-248; Moses, G. (2007, June 22). Testimony before the Housing and Community Opportunity Subcommittee of the U.S. House of Representatives Financial Services Committee on behalf of the National Low Income Housing Coalition; Elsesser, C. F. (2007, June 20). Testimony before U. S. Senate Banking, Housing, and Urban Affairs Committee, Subcommittee on Housing, Transportation, and Community Development on behalf of the National Low Income Housing Coalition; Center for Community Change. (2003). *A hope unseen: Voices from the other side of Hope VI*. Washington, DC: Author; National Housing Law Project. (2002). *False hope: A critical assessment of the Hope VI public housing redevelopment program*. Oakland, CA: Author.

approach a proposal that is rooted in HOPE VI with some skepticism.

What I will offer in my testimony is:

- a review of our critique of HOPE VI and efforts at its reform,
- how we understand CNI is alike and different from HOPE VI, with suggestions on ways to strengthen the most recent publicly released iteration of CNI that would help gain our support, and
- comments on how CNI fits into the larger context of the national shortage of homes that are affordable for people with the lowest incomes.

## HOPE VI

HOPE VI is widely praised as responsible for the transformation of many public housing developments in varying stages of distress and the creation of well-designed homes in attractive communities. These successes come at a steep price, however. This brief critique of HOPE VI falls into two areas: displacement and the affordable housing shortage.

*Displacement.* As of September 30, 2008, 72,265 public housing families had been displaced by HOPE VI. Some of them were able to move to better homes in better communities with the use of Housing Choice Vouchers, others moved to homes and neighborhoods that were no better or even worse than the ones they vacated (with vouchers or to other public housing developments), and what happened to some residents remains unknown. Of the 72,265 families displaced by HOPE VI, as of September 30, 2008, only 17,382 had returned to the revitalized HOPE VI communities, a return rate of 24%.<sup>2</sup>

The residents whose housing and neighborhoods did not improve tended to be those with the most serious and complex problems including old age, physical and mental illnesses, low educational and employment success, or multigenerational families. Many residents who did move to less poor neighborhoods still struggled to earn enough to sustain their new homes.<sup>3</sup>

In all cases, displacement was involuntary. The disruption of a home that occurs when a move is not freely chosen by the people who must move is one of the most serious actions a government can take. In the history of United States, poor people and people of color have disproportionately been subjected to forced relocation. HOPE VI is one more chapter in this sad history. Forced relocation, even with good intent, must be approached with extreme caution. The first principle should always be to do no harm.

*Affordable Housing Shortage.* The second major criticism of HOPE VI has been that it has contributed to the severe shortage of rental homes that the lowest income people in the United States can afford. In the U.S. today, there are 9.2 million extremely low income (ELI) renter households (incomes of 0-30% of their area median) and only 6.1 million rental homes they can afford (i.e. pay no more than 30% of their income for their housing). For every 100 extremely low income household in the U.S, there are just 37 rental homes that are affordable

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<sup>2</sup> Kingsley, T.G. (2009). ). "Appendix A." In H. G. Cisneros and L. Engdahl (Eds.), *From Despair to HOPE: Hope VI and the New Promise of Public Housing in America's Cities*. Washington, DC: Brookings, pp. 299-306.

<sup>3</sup> Popkin, S. J. & Cunningham, M.K. (2009). "Has HOPE VI transformed residents' lives?" In H. G. Cisneros and L. Engdahl (Eds.), *From Despair to HOPE: Hope VI and the New Promise of Public Housing in America's Cities*. Washington, DC: Brookings, pp. 191-203.

and available to them.<sup>4</sup> As a result, these households pay precariously high portions of their income for the homes, leaving little left for other necessities. Nearly three quarters (71%) of ELI renter households spent over half of their incomes for housing in 2007 and the average ELI renter spent 83% of household income on housing.<sup>5</sup> The shortage of affordable rental homes for extremely low income households is the principle cause of homelessness in the U.S.

As a result of HOPE VI, there are many fewer public housing units that the lowest income people could afford. Prior to 1995, federal statute required “one-for-one replacement” of any public housing that was demolished. Congress repealed “one-for-one replacement” in 1995 and never provided enough funds for HOPE VI projects to replace the number of public housing units that were lost. HOPE VI proponents will point to data that shows a near equal number of replacement units at many HOPE VI sites. However, in these mixed income communities, only a portion of the new units are affordable to the extremely low income people and/or the people who lived in the public housing before.

*HOPE VI reform.* Congress has been grappling with reform of HOPE VI for several years, even as the annual funding for HOPE VI shrunk from a high of \$755 million in FY94<sup>6</sup> to \$135 million in FY10. The program was supposed to sunset in 2002, but was reauthorized until 2006 with some protections for tenants. Since then, it has been reauthorized each year in annual appropriations.

Under the leadership of Housing and Community Opportunity Subcommittee Chairwoman Maxine Waters (D-CA), the House crafted and passed H.R 3524, the HOPE VI Improvement and Reauthorization Act of 2008, on January 17, 2008 by a vote of 271-130. This bill provided far-reaching reforms long sought by NLIHC and other advocates, including mandatory evidence of severe distress, one-for-one replacement, resident right to return, resident involvement and services, and relocation services. Unfortunately, the Senate bill (S. 829) introduced in the 110<sup>th</sup> Congress did not offer the same reforms and was never taken up by the Banking, Housing, and Urban Affairs Committee. In considering the proposed CNI legislation, we urge the committee to make it as strong or stronger on these core issues as you did in H.R. 3524.

### **CNI vs. HOPE VI**

*Eligibility.* The first and principle difference between CNI and HOPE VI is that CNI is not restricted to public housing redevelopment nor are eligible grantees limited to public housing agencies. In CNI, eligible properties also include other federally assisted housing and privately owned, unassisted housing. (CNI documents supplied by HUD are inconsistent on whether or not a neighborhood would be eligible if all the housing was privately-owned and unassisted.) Eligible grantees include the full range of potential partners from local governments, community development corporations, assisted-property owners, and private, non-profit and for profit entities, in addition to public housing agencies. Public housing agencies and advocates are

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<sup>4</sup> Pelletiere, D. (2009). *Preliminary assessment of American Community Survey data shows housing affordability gap worsened for lowest income households from 2007 to 2008*. Washington, DC: National Low Income Housing Coalition.

<sup>5</sup> National Low Income Housing Coalition tabulations of 2007 American Community Survey.

<sup>6</sup> U.S. Department of Housing and Urban Development, “HOPE VI Program Authority and Funding History,” updated March 2007, p. 1.

understandably concerned that the program will draw dollars away from the public housing that is still in need of redevelopment.<sup>7</sup>

The premise is that a distressed neighborhood may include housing in need of redevelopment with any number of different forms of ownership. The draft legislation provides some criteria of what a distressed neighborhood would look like –high poverty rate, high crime rate, high rates of vacant, abandoned, or substandard housing, poorly performing schools – but also would require that a neighborhood have the potential to be turned around, assessed primarily by its proximity to high functioning community institutions and services.

Given the requirement that potential “choice neighborhoods” be near these institutions and services, it is highly likely that these neighborhoods are on the cusp of gentrification. CNI investment could fuel gentrification unless necessary precautions are taken. In addition to preserving existing public and assisted housing in the neighborhood, the program should also include safeguards to preserve the homes (and their affordability) of the lowest income unassisted households in these neighborhoods, helping to assure that all existing residents benefit from any redevelopment.

To insure against the net loss of affordable homes and to protect the housing options of unassisted extremely low income households currently living in these neighborhoods, CNI grantees should be required to develop and adhere to a long term Affordability Plan. Such a plan would include an initial assessment of housing affordable to extremely low and very low income households (both assisted and unassisted) in the neighborhood. The Affordability Plan should show how the grantee would assure that the number of deeply affordable units will be maintained and expanded over the next 30 years. Grantees must identify resources and partners that would help accomplish the Affordability Plan. HUD should have the resources and authority to monitor and enforce these plans.

To further assure long term affordability of the existing homes in a neighborhood, eligible grantees should be limited to partnerships that have as their central focus the preservation and expansion of affordable housing for the lowest income households. A threshold criterion for a successful applicant should be a history of mission-driven commitment to the neighborhood in question. Finally, to preserve public resources and further assure long term affordability, the grant agreement should maintain public ownership of existing publicly held land.

*Right to return.* Another feature of CNI as currently proposed that differentiates it from HOPE VI is a right to return for displaced residents who want to return IF they were “lease-compliant” at the time of relocation and remain “lease-compliant” during the relocation period. We applaud HUD for proposing this important policy, but are concerned about the lack of a definition of “lease-compliant.” We recommend instead that any tenant whose right of occupancy had not been validly terminated at the point of relocation or during the relocation period should have the right to return. We also urge the CNI legislation explicitly prohibit original residents from being rescreened for eligibility.

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<sup>7</sup>Cavanaugh, G. (forthcoming). “The national commission on severely distressed public housing – a revisit worth making.” *Journal of Housing*.

It appears that the CNI proposal would remove the existing requirement that before project-based Section 8 tenants are required to relocate, their replacement housing is already built, as set forth in the annual HUD appropriations bill. Indeed, construction of replacement homes before any are demolished should be standard practice whenever feasible to minimize the disruption of forced relocation. Certainly, any redevelopment should acknowledge the school calendar and minimize moves during the school year.

*One-for-one.* The draft CNI legislation also asserts that one-for-one replacement of public and assisted housing is required, a fundamental difference with HOPE VI as currently in statute. However, the CNI proposal contains a very large loophole. A complete reading of the bill reveals it is possible that half of the hard units of housing could be demolished and not replaced. The proposal allows half of the units to be replaced with tenant-based vouchers if: 80% of vouchers issued in the local housing market in the last two years have been leased up in 120 days or less; existing vouchers are widely dispersed (with no definition of “widely dispersed”); and there is a “relatively high” vacancy rate of homes affordable at the current voucher payment standard (again no definition of “relatively high”).

The argument is that some communities may have such excess housing stock that it is not cost effective to build new housing. But a tenant-based voucher does not a replacement unit make. If there is excess housing stock, grant funds should be used to maximize the energy efficiency and long term sustainability of existing homes and to attach project-based vouchers to them to assure affordability for the lowest income households in the wider community. We support the proposed provision to allow 100% of the replacement units to be subsidized by project-based vouchers. At the same time, we would object to any effort to allow the mobility function of project-based vouchers to be waived and suggest that the legislation expressly prohibit the HUD Secretary from doing so.

The CNI proposal appears to remove the existing requirement of one-for-one replacement of project-based Section 8 units upon the transfer of the contract, as set forth in the annual HUD appropriations bill and as included in the housing preservation bill that Chairman Frank will introduce shortly this week. This requirement should be maintained in the CNI proposal and expanded to cover other federally assisted housing.

Even if CNI is authorized, the amount of funding that will be made available for it in the foreseeable future is so limited that there is no valid argument for granting the flexibility to use such a high percentage of tenant-based vouchers. HUD should use this as an opportunity to reward one-for-one replacement as a measure of excellence in a given application, whether through redeveloped hard units or through project-based vouchers.

*Deconcentration of poverty.* Both CNI and HOPE VI reference the ill effects of the concentration of poverty and seek to reduce the number of poor people who live near one another, as a means of offering them greater opportunity. One way this is manifested in the housing redevelopment debate is where the replacement housing should be built, either on site where the previous development stood or at some other site in the community or region with greater access to services and opportunities.

The latest version of the Administration’s proposal adds language that more clearly expresses support for building some of the redeveloped public or assisted housing on the original

site or in the targeted neighborhood. Without such a requirement for redevelopment on site, the promise of a right-to-return is an empty one.

One the other hand, housing choice is maximized if affected residents who want to move to a new neighborhood are provided with decent housing, the best possible relocation assistance and mobility counseling. The proposed bill requires such assistance, but could be more specific about what services are mandatory and what services are simply eligible for funding.

*Resident participation.* Both CNI and HOPE VI assert a high value on residents having an active role in the planning and implementation of the transformation of their communities. The proposed CNI bill has inclusive local planning as one of 17 criteria that HUD will use to select CNI grantees. Experience with HOPE VI shows that authentic resident participation requires considerable investment of time and skill by the grantee or others. Moreover, if done poorly, it is more disempowering than no participation at all.<sup>8</sup>

The CNI legislation should include more specificity on how CNI grantees will engage residents of public and assisted housing and residents of the broader neighborhood, based on best practices for resident participation. In addition, the provision that allows up to 10% of the appropriated funds to be used for planning grants should expressly allow some of those funds to be used for resident and community education and participation efforts. Such funds could go to organizations that are independent from the grantee to encourage more authentic participation.

*Housing plus services.* Another similarity between CNI and HOPE VI is the emphasis on providing a range of services to residents to advance their social, physical, and economic well-being. This is particularly important for residents who are elderly, disabled, in poor health, have limited education or employability, and other vulnerabilities. High quality, intensive casework services are fundamental to achieving successful outcomes.

While most of the grant funds should be used for housing redevelopment purposes, each grant should include sufficient funds to conduct the best possible assessment of the needs and strengths of every resident who will be affected by the neighborhood intervention and to carry out a service plan based on that assessment. While some of those services may be accessed through existing providers and resources in the community, the well-being of any person should not depend on the ability of the grantee to leverage scarce service dollars. Limiting the funds that can be spent on services to 15% may be too restrictive. The amount going to services in each grant should be based on real costs.

CNI applicants should also be required to comply with HUD's Section 3 program to provide economic and employment opportunities to low and very low income individuals. In addition, HUD should make clear that failure to comply will result in reduction or removal of CNI funding.

*What is affordability?* The CNI proposal is unduly vague in its presentation of how housing affordability is defined and gives the HUD Secretary broad latitude to establish the affordability restrictions on newly developed housing, thereby allowing housing that is unaffordable to ELI and VLI households to be developed with CNI resources. While existing

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<sup>8</sup> Crowley, S. (2009).

laws would apply to units that continue to be public or assisted housing, there are no such requirements for the privately owned housing that would be purchased and redeveloped with CNI funds. Strict income targeting and rent setting based on resident income should be required of each grantee. CNI grantees should be expressly required to honor the Brooke rule and to assure deep income targeting of units proportional to the need in the community. While there is a need for discretion and flexibility in any national program, the CNI proposal needs more structure to ensure the best use of scarce federal funds.

### **CNI in the Broader Context**

The merits of the CNI proposal notwithstanding, it is a new HUD program that will have little or no impact on the millions of extremely low income people for whom housing affordability and stability are still out of reach. The number of neighborhoods that can be transformed is very small (five at the most?) at the level of funding that the Administration is proposing. It seems like some variation of this kind of redevelopment scheme is proposed every few years. (And they usually end up with less than promised results.) Yet, the affordable housing crisis for the poorest people in our country continues unabated.

The Obama Administration and Congress should tackle the macro problem of the shortage of homes that are affordable to the neediest of our citizens. We urge that an agreement be reached soon on how to provide the initial capitalization of the National Housing Trust Fund. This should be followed quickly by agreement on long term revenue sources to allow the program to go the scale needed to actually change the supply side of the supply and demand equation for housing that the lowest income people can afford. Revenue sources need to be sufficient to reach the goal of 1.5 million new homes over ten years.

Further, Congress should significantly increase the number of housing vouchers that are authorized each year. The 150,000 new vouchers in H.R. 3045, the Section 8 Voucher Reform Act, is a good start. We think the size of the voucher program needs to be doubled to impact the way the market will respond to the huge pent up demand for good housing that extremely low income families can afford.

Distressed neighborhoods can be transformed if the people who live there have real housing choices in the marketplace.

Thank you for the opportunity to testify today.