

TESTIMONY TO UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
HEARING ON “THE ADMINISTRATION’S PROPOSAL TO REVITALIZE
SEVERELY DISTRESSED PUBLIC AND ASSISTED HOUSING:
THE CHOICE NEIGHBORHOODS INITIATIVE”

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Chairman Frank, Ranking Member Bachus, and distinguished members of the committee, thank you for the opportunity to provide this testimony on the Administration’s proposed “Choice Neighborhoods Initiative.” Over the past 10 years I have studied the HOPE VI program and other forms of public housing transformation at both the national and local level. I have conducted a study of the *Hollman v. Cisneros* consent decree that resulted in the demolition of over 900 units of public housing and the redevelopment of a 73-acre site in Minneapolis. I have also evaluated the Harbor View

HOPE VI redevelopment in Duluth, MN which entailed the demolition of 200 units of public housing and the redevelopment of that site. I have created a database of more than 300 HOPE VI projects through 2007 that combines project information with census data in order to track neighborhood changes taking place in the communities surrounding the redevelopment sites. I am also working with a data base of all public housing demolitions since 1995 and have combined that with resident demographic data to examine the impact of public housing demolition on minority residents of public housing.

The Choice Neighborhoods Initiative Act (CNIA) of 2010 is an expansion of the HOPE VI program of public housing revitalization. This Bill proposes to expand HOPE VI, which currently applies only to public housing, to a much wider range of assisted housing operated by local governments, community development corporations and other non-profit agencies, and private sector owners. CNIA is based on the successes of the HOPE VI program in transforming public housing developments into attractive and vibrant mixed-income communities that have drawn middle income families and private sector investment to neighborhoods that have long lacked that type of investment. These successes, however, have come at some expense to the very low income families that had been living in the public housing communities demolished to clear the way for this transformation, and at some cost to the nation's long-term ability to address the housing needs of the poor. Any attempt to expand the HOPE VI model should incorporate not only elements that attempt to replicate the impressive neighborhood changes generated by HOPE VI, but also features that preserve assisted housing and protect the families currently living in those neighborhoods.

The lessons of HOPE VI

The HOPE VI program is now more than 16 years old, and policy makers have a relatively rich track record from which to draw. Furthermore, there is a significant body of research on the record of HOPE VI projects in cities across the country. Studies have examined the neighborhood impacts of public housing transformation and the effects of displacement and relocation on the original residents of the projects redeveloped.

Some of the lessons learned over the 16 years that HOPE VI has been in operation have been incorporated into the CNIA proposal. The program itself is based on one of the main lessons of HOPE VI – that the transformation of older, poorly managed and maintained assisted housing projects into new, mixed-income communities can trigger the return of the middle class and private investment to older, inner-city neighborhoods. The HOPE VI experience further suggests that successful transformation is more likely when other, non-housing related changes and improvements accompany the housing redevelopment. This prominently includes upgrading schools, public safety, and commercial retail opportunities. In addition, the program experience shows that successful transformation is more likely when the neighborhood benefits from amenities such as geographic proximity to downtowns and to major cultural or educational institutions. In fact, several HOPE VI projects located near downtown districts have spawned significant private sector investment and dramatic neighborhood turnarounds. From very early on in the evolution of HOPE VI, HUD emphasized the importance of targeting neighborhoods with the greatest potential for spillover investment, resulting in

many HOPE VI projects that have triggered patterns of gentrification that have radically redefined the communities.

The CNIA proposal incorporates these lessons by calling for redevelopment plans that a) incorporate critical community improvements that go beyond upgrading the housing stock, b) leverage funds from other public sector programs or the private sector, and c) link with local educational partners to enhance the quality of local schools. Perhaps most importantly, CNIA targets neighborhoods with demonstrated “long-term viability” that includes “adjacency to low poverty neighborhoods” and proximity to major cultural amenities (see section 5(c)). In these respects, the CNIA proposal seems to directly apply what has been learned through HOPE VI. In other respects, however, the CNIA proposal ignores lessons from the HOPE VI experience, especially as they relate to the experiences of the low-income families directly. It is to these that I now turn.

Summary of lessons from HOPE VI and other public housing transformations not integrated into CNIA

1. Not all families living in the housing targeted by HOPE VI wished to move. In the cases in which residents were asked by researchers, typically more than half responded that they would have preferred to remain in their public housing communities. For many residents, the favored solution to the conditions in which they lived was to improve the community, not tear it down and force their own relocation. This is likely to be true for residents of the communities targeted by CNIA, yet there is nothing in the program that speaks to minimizing

displacement and demolition, nor, in a broader sense, of shaping redevelopment plans according to the wishes and interests of the residents.

2. Displaced families tended not to relocate to “other neighborhoods of choice” as optimistically envisioned by the HOPE VI program or by the drafters of CNIA. Instead, they typically relocated nearby, in the same or other racially segregated neighborhoods with poverty rates above the average for the city and well above the average for the metropolitan area. Even when residents moved to neighborhoods that seem to be less distressed than their original community, there is evidence that this did not produce consistent life-improvements. Residents, it seems, judge neighborhood quality in ways that do not correlate strongly with the census-based measures used by program administrators and researchers to guide or judge relocation efforts.
3. Only a small percentage of original residents ever make it back to the redeveloped site. So few return, in fact, that it makes little sense to list the redevelopment itself as one of the benefits for original residents. The length of time between initial displacement and completion of the redevelopment limits the rate of return, as do new screening criteria applied by the private sector property managers employed at most of the redevelopment sites. CNIA makes reference to this phenomenon in section 8(a) by calling for transformation plans that “demonstrate that each tenant who wishes to return to the on-site or off-site replacement housing may return.” Yet, the Act provides no clues as to how this requirement is to be reconciled with the mixed-income objectives of the program that will in most cases lead to a significant reduction in assisted units.

4. The HOPE VI program was authorized after a National Commission on Severely Distressed Public Housing (NCSDPH) studied and documented the extent of severely distressed public housing in the U.S. The Commission recommended a program of rehabilitation and modernization of this housing stock. The HOPE VI program, however, went far beyond the Commission's vision in both the extent of the redevelopment pursued (becoming a program of widespread demolition instead of rehabilitation and modernization) and in the number of units affected (demolishing far more than the 86,000 severely distressed public housing units originally estimated by the Commission). This is one of the most important lessons of HOPE VI; that without controls over the scope of the program, it expanded quickly to activities that were more invasive and disruptive than necessary and to properties that did not require such interventions. In fact, examples of successful, transformative public housing rehabilitation exist, but have been ignored or discounted in the implementation of HOPE VI. Some HOPE VI developments that have been demolished and redeveloped were regarded by their tenants as well-functioning communities that could have been preserved with a more thoughtful and moderate plan of rehabilitation, and did not exhibit the extreme dysfunction and distress initially targeted by the NCSDPH. The potential for CNIA to lead to a repetition of this pattern in which functioning communities are unnecessarily eliminated in favor of a demolition approach calculated to produce the greatest amount of neighborhood change is, I believe, great. To my knowledge there has been no effort parallel to that undertaken by

NCSDPH to document the number of distressed units of assisted housing that require the redevelopment model called for in this proposal.

5. The little evidence that exists on the operation of mixed-income communities indicates that people in mixed-income communities tend not to interact across class lines. The main advantage of life in a mixed-income community from the standpoint of very low income families is the improved property management that typically accompanies the presence of middle income residents.
6. The most consistent and strongest benefits reported by families displaced from the HOPE VI program are in the area of increased sense of safety and increased perception of social order in their new neighborhoods. This (and improved property management) could be produced by improving existing neighborhoods rather than through demolition and redevelopment.
7. Other hoped-for benefits of HOPE VI have not reliably been produced. These include better educational experiences and performance for the children of HOPE VI families, and physical and mental health improvements.
8. There has been no self-sufficiency, employment or income benefit to families displaced by public housing transformation. In fact, there is some evidence that displacement and moving to housing subsidized with Housing Choice Vouchers disrupts employment and induces greater levels of economic insecurity among many low-income families.
9. Families displaced by HOPE VI suffer disruptions in the social support networks they rely upon to make ends meet. Researchers have made a distinction between the supportive social capital that low-income residents use to “get by” on a daily

basis, and the leveraging social capital (such as contacts that lead to employment or to greater economic self-sufficiency) they use to “get ahead.” The HOPE VI research shows that forced displacement tends to disrupt supportive ties while doing little to enhance leveraging ties.

10. HOPE VI redevelopment and demolition projects have resulted in a significant reduction in the number of public housing units in operation nationally. The conversion of tens of thousands of public housing units into tenant-based voucher subsidies has put significant pressure on the affordable housing stock in many cities and has significantly reduced the nation’s stock of assisted housing at a time when need continues to grow.

The record of disruption for displaced families, and the combination of modest, inconsistent, and in some cases non-existent individual-level “benefits” from public housing transformation suggests that the HOPE VI model of demolition and displacement should be modified or abandoned. Yet, the CNIA as drafted incorporates only extremely modest concessions to the disappointing record of HOPE VI. In short, CNIA seems to be an attempt to replicate the positive neighborhood effects of the HOPE VI program without incorporating meaningful provisions to protect or enhance the well-being of families displaced during the redevelopment process.

CNIA also repeats the mistake of reducing the stock of low-cost housing that is the hallmark of HOPE VI. This, despite the fact that need for affordable housing among very low-income families remains acute. The National Low Income Housing Coalition estimates a national shortage of 2.8 million affordable units. This shortage has been

exacerbated by the tens of thousands of public housing units demolished through HOPE VI that have not been replaced. The CNIA proposal will result in a program that would accelerate the loss of assisted housing.

Recommendations

I offer the following recommendations to modify the existing CNIA draft bill:

1. The CNIA as drafted allows for up to 50% of demolished units to be permanently lost (replaced only through vouchers). The preservation of publicly assisted, low-cost units should be made a priority in this program.
2. Section 8(b) describing one for one replacement of units lost should be amended to limit the number and percentage of units that may be replaced by tenant-based vouchers.
3. Section 8(b)(6) as currently written regards an 80% lease up rate for vouchers as evidence that there is an adequate supply of affordable rental housing in the area. Such a finding allows the use of tenant-based vouchers as replacement housing. The logic of this provision is perverse; it suggests that even if up to one in five families cannot successfully lease up a unit with a tenant-based voucher in four months of trying, it is permissible to further reduce the supply of low-cost units. This provision should be struck from the bill and the standards for demonstrating a surplus of affordable housing in an area made more rigorous.
4. The transformation plan should require the preservation of affordability nearby and set out concrete steps to be taken to accomplish this goal. This could be accomplished by requiring that a portion of the grants awarded be set aside for

- subsidies to preserve affordable housing in the neighborhood, including project- and tenant-based subsidies for neighboring properties and residents not currently receiving them.
5. The selection criteria for the projects should prominently include the degree to which affordable housing is preserved on site and in the surrounding neighborhood.
 6. The program should include specific guidelines for acceptable income-mixes to maximize affordability within the redevelopment. This is especially important for smaller projects. In smaller projects located in gentrifying neighborhoods the project itself may represent a large percentage of the total affordable housing in the neighborhood. Unlike large public housing developments that can be home to hundreds of units and thousands of people, the assisted projects operated by for-profit and non-profit owners are likely to be much smaller and to therefore make up a much smaller proportion of all units within a neighborhood. In those cases, the emphasis should be on preserving affordability rather than creating an income mix within the project. Congress should consider a sliding scale of income mix in which greater mix is required of larger projects (500 units or more) and greater preservation of affordability is required in smaller projects (e.g., projects with fewer than 100 units).
 7. The Act should be written to encourage the sequencing or phasing of revitalization, whether rehabilitation or demolition/redevelopment, to keep people on site or to move them directly into replacement housing. Phased redevelopment

and the construction of replacement units before demolition can minimize the disruption to existing tenants.

8. The Act as written includes a provision in section 8(a) allowing each lease-compliant tenant who wishes to return to the on-site replacement housing to do so. At the same time, however, the program as currently written is aimed at converting affordable housing developments into mixed-income developments, a process that almost invariably reduces the number of affordable units on site. There is a potential conflict between these two objectives, and the Act provides no guideline as to which will be sacrificed for the other in cases where they do diverge. Given my previous arguments about the lack of affordable housing and the need to minimize disruptions for residents, this conflict should be resolved in favor of guaranteeing the return of all families who so desire.
9. Expand the limit on social services beyond 15% of the grant amount. Displacement has been shown to disrupt the social support networks of very low income families relocated from public housing, and it has not enhanced employment or economic self-sufficiency. Thus, in addition to minimizing displacement, the program should provide more social services to minimize the disruptions of displacement and to enhance the prospects for residents to benefit from relocation where relocation is unavoidable.
10. Given the consistent and sizable disproportionate impact on African-American families that the demolition of public housing has produced, the annual report required in section 13 should include a summary of the demographics of displaced households, including but not limited to an analysis of the possible disparate

impact on people of color. Disparate impact would be defined by a comparison of the demographic profile of residents in units redeveloped by CNIA and residents of comparable developments within the city not redeveloped.

An alternative approach to CNIA

Better than a modification of the current draft bill, the Committee should give consideration to an alternative approach to the issue of distressed assisted-housing projects. The evidence from HOPE VI shows that the benefits from relocation are experienced mainly by families who desire to move out in the first place. For families who did not wish to move, the relocation produces little to no benefits, and significant disruption. Thus, families living in existing assisted housing who desire to move out and convert their subsidies to vouchers should be encouraged and allowed to do so. Congress could issue a number of “conversion vouchers” to accommodate these families. The vacancies produced by allowing the mobility of families who wish to move can then be utilized to accomplish a phased rehabilitation/redevelopment of the project in which the families who wish to remain can be kept on site and then moved directly into new units as they are completed.

As for the desirability of mixed-income developments, there is no reason why the creation of these projects should be tied to the transformation of existing affordable projects (and in turn to the overall reduction in the size of the assisted housing stock). Given the sizable deficit in affordable units across the country, the continued need for low-cost subsidized housing, and the fact that the administration feels that mixed-income developments are an effective way of building such housing, a program of new

construction or expansion of the stock should be pursued. If the Administration or Congress believes that mixed-income communities can provide affordable housing opportunities and do so in a way that does not produce unintended negative neighborhood-level outcomes, then we as a nation should embark on a program of expansion of assisted housing according to this model. Mixed-income developments should be supported by legislation that allows them to happen without tying them to demolition, displacement, and a reduction in the stock of assisted housing.