

**Statement of  
Brian Tracey, Senior Vice President  
Bank of America**

**Before the**

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

**April 29, 2003**

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Good Afternoon.

Chairman Ney, Ranking Member Waters and members of the subcommittee, my name is Brian Tracey. I am senior vice president and Community Development Market Executive for Bank of America.

Thank you for this opportunity to testify on behalf of Bank of America and the National Association of Affordable Housing Lenders regarding the HOPE VI program.

Bank of America, headquartered in Charlotte, North Carolina, is the nation's first coast-to-coast bank and the third largest in the US by assets. Bank of America operates in 21 states and the District of Columbia and has offices located in 30 countries.

NAAHL is the association of America's leaders in moving private capital to those most in need. Members include the who's who of private sector lenders and investors in affordable housing and community development.

Community Development at Bank of America works to help build stronger and healthier neighborhoods throughout the country. Bank of America associates are developing real estate, providing financing and making equity investments, a variety of financial tools and programs in working with individuals, government, non-profit organizations and businesses.

One of those tools is the HOPE VI program. Community Development at Bank of America has been involved as a lender, investor, or developer in more than two dozen Hope VI projects in Charlotte, Nashville, Baltimore, Seattle, Chicago and Houston. Public grant funds, largely the HOPE VI resources, have been used to leverage private debt and equity capital, the latter commonly in the form of Low Income Housing Tax Credits, to transform existing public housing sites, revitalize the surrounding community, and, importantly, improve the lives of public housing residents.

The redeveloped sites commonly contain several types of property ranging from public housing through unsubsidized rental housing to homeownership opportunities.

Bank of America's first Hope VI project provides an overview of what we at Bank of America think of the program, and informs our opinions regarding the proposed changes to the HOPE VI program included in HR 1614.

Bank of America's first Hope VI project was First Ward Place in Charlotte, North Carolina. It was completed in 1998. First Ward Place involved the comprehensive redevelopment of an Uptown Charlotte neighborhood. More than 33 government agencies, community groups and private businesses participated in First Ward Place. This widespread involvement was unprecedented in Charlotte at that time.

The redevelopment transformed a crime-ridden and badly deteriorated public housing complex, the former Earle Village, into a mixed-income urban neighborhood containing public housing units, affordable and market-rate apartments, townhouses, and single-family homes. Today, First Ward Place includes mixed-income rental developments, including over 130 homes set aside for public housing residents, and market-rate for-sale homes.

First Ward Place now has important community services such as a childcare center and a community facility with computer classrooms and meeting rooms, previously non-existent in this community. Bank of America has opened what we call a Make-A-Difference Center – providing after-school programs, tutoring, adult education, and computer literacy classes, a private investment by Bank of America made possible in part by the dramatic improvements to the neighborhood from the HOPE VI redevelopment.

Funding and equity capital for First Ward Place came from a broad base of local support, including loans through Bank of America, a loan from the Charlotte Housing Authority, a loan from the Charlotte Mecklenburg Housing Partnership, an equity investment from Charlotte Housing Authority, and a tax credit equity investment from Bank of America. The City of Charlotte also committed to provide infrastructure improvements to widen and beautify the streets around First Ward Place.

Our goal, and the community's goal, for First Ward Place was to create a strong neighborhood of skilled, employable and economically independent residents, living in safe, comfortable homes, with room for people from all income-levels.

We know there are tremendous tangible benefits from investments in affordable housing, job training and childcare. We can look at a housing development and know that we have helped create decent, affordable housing for many. We can look at a newly built home and know that for the first time a family feels differently about themselves from owning a home. But we also know, inherently, that there are benefits in ways that can't be seen or measured. With better housing and more jobs, comes less crime, improved schools --- and greater hope and increased pride in themselves and their neighborhood.

Importantly, the transformation of First Ward Place, made possible by HOPE VI funding, has resulted in private capital flowing to areas adjacent to the community, creating a multiplier effect often overlooked in judging the success of HOPE VI developments.

Bank of America is very proud of the success of First Ward Place, as well as the many other HOPE VI projects where we have been involved as lender, investor, or developer and believes there is merit in continuing the program.

Now, I would like to offer some observations with regard to the proposed changes to HOPE VI, which is contained in HR 1614.

Based on our experience, the general principle of integrating public housing redevelopment and reinvestment programs with similar efforts in the larger adjacent neighborhood would appear to be good public policy.

The goal is to expand the scope and scale of resources available for neighborhood redevelopment. However, policy makers should be cognizant of changes that would meaningfully reduce the level of resources available for development and redevelopment of federally assisted housing.

The proposal to assist public housing authorities to take advantage of established private capital markets – moving certain public housing developments to project-based Section 8 – and make more effective use of other mainstream affordable housing and community development tools and techniques, has the potential to become a compelling new tool for sustainable preservation of affordable housing.

Bank of America would welcome the opportunity to expand and deepen its role in the redevelopment of public housing and severely disinvested communities. More and better tools are required. The implementation of any such proposal should build on existing established practice. Many lenders, including Bank of America, have significant experience in providing financing for properties with project-based Section 8 vouchers. This experience can provide models for the implementation of any new proposal.

As for existing programs, other HUD funds are available, including CDBG and HOME, designed to provide assistance to small communities for revitalization or redevelopment projects. However, while these are useful programs, they are often not significant enough to fund the dramatic changes called for in HOPE VI redevelopments, such as the demolition of high-rise public housing.

One criticism of the HOPE VI program is that progress is slow.

Some public housing authorities may initially lack the experience needed to undertake real estate development work with private partners, causing delays. But one benefit of the program is the public/private development partnership that should ultimately result in the housing authority gaining real estate development skills.

HOPE VI development work takes place within a public housing regulatory framework, with compliance, ownership, and capital structures more demanding than would be the case with alternative structures.

Many HOPE VI developments are complex by the nature of the real estate itself, and would be slow to progress regardless of the funding source.

Finally, let me comment on one other issue – managing change in a HOPE VI neighborhood. Importantly, neighborhood goals are identified early in the HOPE VI process with government and the community provided a great amount of influence over the outcomes of the redevelopment effort. While there may be some displacement of residents to public housing in other parts of a community as a result of a HOPE VI development, we view revitalization that leads to ethnically diverse communities with a range of incomes as a favorable outcome, as long as safe and decent housing is available for those displaced. Where HOPE VI programs are truly successful, and that has been our experience, a complete and radical change in the character and composition of the neighborhood has been avoided. There must be room for everyone.

In summation, Bank of America and the National Association of Affordable Housing Lenders believe that HOPE VI is a valuable and effective tool for revitalizing neighborhoods, while improving the lives of public housing residents. Private capital will play a role in improving public housing, but the extent of the affordable housing crisis for the poorest of the poor is such that government is still needed as a catalyst, helping to spark private investment. We believe that HOPE VI should be one such spark.

Thank you for the opportunity to participate in this hearing. I would be glad to answer any questions.