

Testimony of Howard Husock

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Thank you Mr. Chairman.

I am testifying in favor of the Department of Housing and Urban Development's budget proposal for the HOPE VI program.

It's not easy to speak, in effect, in favor of a moratorium, or perhaps a phase-out, of an admittedly popular program. And there is no doubt that HOPE VI developments have replaced distressed housing and provided homes which are better than their residents could otherwise have afforded.

But beyond a superficial attractiveness, there are significant questions about HOPE VI which, especially at a time of budget constraint, must be taken quite seriously.

Question One. Are we confident that HOPE VI developments will be well-maintained?

It's important to keep in mind that the developments which previously stood on their sites were also hailed, at one time, as a great step forward. This was true even of the public housing high-rises now so thoroughly discredited. It is far easier to cut ribbons on new

projects than to maintain those projects over time and, like other public housing before it. HOPE VI faces fundamental maintenance challenges: because, purposely, so many of its residents have low incomes and thus pay low rents, these developments will depend on a combination of market-rate rents and public subsidies. Neither is an assured income stream. Moreover, we must always wonder whether those managing subsidized housing have the capacity and competence to maintain it over time. The track record in this regard has not been reassuring. So it is that before we spend millions more on additional HOPE VI developments, it is far from inappropriate to see whether those built to date can be well maintained.

Question Two: Will middle-income tenants choose to live in HOPE VI developments?

Just because a development has designated a number of units for middle-income tenants or owners is no assurance that such households will move in, especially in a period when declining rents and real estate prices make other options more affordable. I've already been told by a HOPE VI developer in Chicago that he is doubtful that he can attract the requisite number of middle-income tenants for a development in the city's State Street corridor. This is a crucial question for two reasons. Not only will the developments need income from market-rate residents to ensure proper maintenance but income-mix is a key part of the theory of HOPE VI; based in the belief that higher-income households will set good examples for those of lower income. If it proves to difficult to attract—or just as important, to retain—higher-income households, the developments could quickly become new versions of the housing they replaced.

Question 3: Can we be sure that the HOPE VI social experiment will work? We have proceeded on the supposition that the presence of middle-income households will provide positive role models for those of lower income. But we should keep in mind that this is a hypothesis, not a proven approach. Sociologists, after all, have long recognized that it is difficult for households of significantly divergent incomes to establish relationships.

We cannot rule out the possibility that there will be friction between these two income groups, as has happened when Section 8 rent voucher households have moved into higher-income neighborhoods, such as the south suburbs of Chicago. Nor can we rule out the possibility that under-supervised children in lower-income households—in which, overwhelmingly, there is only one parent present—may provide negative role models for children in middle-income households.

Question 4: Is new housing designated for those of very low-income in keeping with our larger goals for American family structure? By designating large numbers of HOPE VI units for households of very low income, we ensure that we will be reserving units for single-parent households. Such households dominate existing public and otherwise subsidized housing. HUD figures show that only 8 percent of public housing households have two parents and children as residents. HOPE VI is providing new units for single-parent households which, in contrast to our overall public assistance policy, will come with no time limit. We must ask whether we are providing—at costs which have topped \$200,000 a unit, not including any implicit cost of land acquisition—better housing for single-parent families than that which lower-income two-parent families could afford—

and are thereby sending a message inconsistent with our broader efforts to encourage the social stability and effective child-rearing which two-parent families, in the aggregate, provide.

Question 5: Is HOPE VI making the best use of the land on which its developments have, or will, be built? In gauging the cost of HOPE VI developments, we should not confine ourselves to the cost of construction and administration. We must also keep in mind that even a well-built and well-maintained development may have what economists call opportunity costs. In plain English, it is quite possible that subsidized housing may not be the best economic use for some past or potential HOPE VI sites. In Boston, for instance, the HOPE VI development in the city's Mission Hill section occupies a site adjacent to some of the best hospital and medical education facilities in the world. It is quite possible that, were the land put up for public bid, that other private or non-profit use might well have been made of it—boosting the city's economy and providing jobs for rich and poor alike. Should we assume that, simply because public housing has occupied a particular site, that subsidized housing of some kind must always occupy that site? If we do so, we risk creating what I have termed a frozen city, one in which economic growth is much more difficult to attain. Keep in mind that public housing in New York City occupies acreage equivalent to 156 World Trade Center sites.

I would be less than candid were I not to concede that I am skeptical, indeed, about the wisdom of the HOPE VI program. Still, I hope that those committed to improving our cities and, especially, improving the prospects for the poor, will understand the

importance, and sincerity, of the questions I've tried to raise here today. The fact that, in my view, the answers to all are very much in doubt makes the proposal to pause, at this point, and take stock of the program, the right policy choice.