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Testimony of Lisa B. Zukoff, Executive Director

Housing Authority of the City of Wheeling, West Virginia
to the
Housing and Community Opportunities Subcommittee
House Committee on Financial Services
on behalf of the
National Association of Housing and Redevelopment Officials
April 29, 2003

Good afternoon, Mr. Chairman. I am Lisa Zukoff, executive director of the Housing Authority of the City of Wheeling. I am representing the National Association of Housing and Redevelopment Officials, which is the nation's oldest and largest membership organization in the United States devoted to affordable housing and community development. NAHRO represents 19,000 agencies and housing professionals, including 95 percent of all local housing agencies. The Wheeling Housing Authority, a NAHRO member for 62 years, is a mid-size agency that owns and manages 600 public housing units and 421 Housing Choice Vouchers.

Wheeling won one HOPE VI grant of $17.1 million in 1999 to revitalize Grandview Manor and Lincoln Homes, public housing developments totaling 328 units in the eastern and historic northern sections of Wheeling that include sites of a former hospital and a dye plant. We first applied for the grant in 1998 but we were not successful. For many of our colleagues, obtaining the grant has required three or four applications, so we consider ourselves fortunate.

The Wheeling Housing Authority's mission is a commitment to building stronger neighborhoods by providing quality housing options and professional services for eligible residents of Ohio County, in partnership with the greater community. Respect for the dignity of the residents we serve is the foundation of all we do.

I am here today to speak to you about the HOPE IV program, and specifically H.R. 1614, "HOPE VI Program Reauthorization and Small Communities Main Street Rejuvenation and Housing Act of 2003."

I urge you to reauthorize the HOPE VI program. HOPE VI has undeniably and positively changed the face of Wheeling's public housing and the way this agency does business, provided residents with housing choice and economic opportunity, and helped stimulate the depressed economy of Wheeling. Managing the grant motivated my agency to re-examine its priorities and organization, and we established a new department in relocation and expanded our supportive services program, which also benefits our general public housing and housing choice voucher programs. We are now poised to become the affordable housing developer in the city. We also offer assistance to other agencies in our area attempting to obtain HOPE VI grants.

Statutory Changes for HOPE VI Reauthorization

H.R. 1614 seeks important changes to the HOPE VI statute that respond to criticisms of the program in the areas of agency capacity, residents' housing choice, and sustaining or increasing the amount of housing affordable to those eligible for public housing. NAHRO believes that the statutory changes could be further enhanced.

NAHRO recommends the following additional changes to the HOPE VI statute:

- Smaller public housing agencies do not have equal access to the HOPE VI grant for several reasons, some of which are regulatory. In statute, a further amendment to that recommended in H.R. 1614 to section 24(e)(2) **"Selection Criteria," should require that awards are representative of agency size and geographic location, from year to year.**

  Because the current application system poses obstacles in complexity and cost for smaller public housing agencies, **NAHRO recommends an alternative process that takes into consideration the resources available to these agencies, both in-house and in the community.** For example, HUD previously offered a planning grant, for which the applicant identified the distressed site and the general approach to revitalizing it. Planning grant funds helped to pay for the considerable pre-development costs of submitting an actual HOPE VI application. Funds would need to be reserved in each year's appropriation to ensure agencies that successfully completed the planning grant process would be able to receive funds to implement the revitalization plan. Planning grant funds could be leveraged.

- **Broaden the criteria of the definition of severely distressed public housing,** which now is based on the condition of the dwellings. A community in distress is also lacking economic opportunity, transportation, supportive services, quality schools, civic and religious institutions, and public services. These factors should be considered when identifying a severely distressed public housing development.

- In order to serve all members of the public housing community, the statute should be amended to **identify as eligible subjects for the grant developments that mainly serve the elderly or disabled persons,** in addition to developments that serve families (section 24(j)(2)).

- With regard to the issue of sustaining or increasing the amount of housing affordable to people eligible for public housing, NAHRO believes that **the provision in the 1937 Housing Act which prohibits development of additional public housing units should not apply to HOPE VI** (section 9(g)(3) of the Act).

I would be remiss if I did not note here that increasing the supply of affordable housing will require an increase in resources. Presently, only the public housing program's operating and capital subsidies offer the deep subsidy required to make units affordable to those eligible for public housing. In public housing, the average annual family household income is $10,315. At the statutory 30 percent of income for rent, that's $257 per month. This is inadequate to cover operating costs or debt service. Fully 45 percent of family incomes in all public housing are below 30 percent of the median income of the area in which they live. The HOPE VI grant, like the capital fund, can subsidize the capital cost of the units, but an ongoing operating subsidy is needed. HOPE VI and other family self-sufficiency programs seek to increase residents' incomes, which theoretically would increase rent revenues. For example, my agency has a very successful Self Sufficiency Program with 72 participants which enables our residents to increase their incomes, but the increased rent they would pay is transferred to an escrow account for future use in education or purchasing a home. Nationally, of all residents of public housing, about 42 percent stay five years or less. Residents move up and out of public housing, which means rent revenues do not significantly increase.

The Administration has reduced funding for and eliminated several housing and community development programs over the past five years (2000-2004). This is sending a negative signal to financiers, developers, tax credit syndicators, and other entities that now routinely partner with public housing agencies and local governments to provide housing and community improvements. Reductions in the public housing operating and capital funds signal to these partners that public housing development projects like HOPE VI are becoming too risky as the federal commitment to affordable housing appears to evaporate. Although we have seen no direct evidence of this aversion to risk in higher financing fees, for example, there is anecdotal evidence of increasing skepticism. The HOPE VI program depends on housing choice vouchers for relocation and replacement housing, but the proposal to block-grant the program to states has caused a negative reaction among these partners, who aren't sure that funds will be in place to support all vouchers in the future.

Along with a commitment to re-authorize the HOPE VI program must come a commitment to adequately fund the capital, operating and housing choice voucher programs that support HOPE VI and the residents served by public housing.

Small Community Main Street Rejuvenation Program

H.R. 1614 section 3 introduces a new grant program for non-public housing grantees using public housing funds. NAHRO, which represents both public housing and community development interests, has considered the proposal thoughtfully, but must point out that the Federal Home Loan Bank, Economic Development Initiative, HOME and Community Development Block Grant programs provide funding for local affordable housing development and improvements to commercial areas. Small communities have access to these funds directly and through states, consortia, urban counties and other means. We cannot recommend using scarce public housing funds for non-public housing programs.

Continued Need for HOPE VI Grants

HUD receives many more applications for HOPE VI grants than it has funds:

FY1996 - 138 applications received, 44 funded.
FY1997 - 127 applications requesting over $2 billion received; 23 funded.
FY1998 - 101 applications requesting $1.9 billion received; 20 funded.

FY1999 - 80 applications requesting $1.78 billion received; 21 funded.
FY2000 - 74 applications requesting $1.8 billion received; 18 funded. HUD used $5,000 from the demolition grant fund to fully fund the 18th implementation grant.
FY2001 - 66 applications requesting $1.8 billion received; 16 funded, an indeterminate number of approved applications were not funded because of lack of funds.
FY2002 – 58 applications, 28 funded.

Between 1997 and 2001, about $10 billion was requested in 448 applications but only $2.8 billion (28% of requested) was awarded to 98 projects (22 percent of applications) potentially leaving more than 350 HOPE VI sites without resources.

Relocation and Resident Choice in Housing

There are four points to consider about the impact of HOPE VI revitalization on a community.

- First, no one wants to move, nor be required to move, so that their home can be torn down. This is a radical step and one that creates much anxiety in the community, but the alternative is unmitigated deterioration. HUD should be certain that the developments submitted for the HOPE VI program are truly severely distressed. NAHRO members have suggested examining the HUD Reform Act to determine whether HUD can view the proposed projects before making final grant awards. Housing agencies must be advocates for their residents throughout the revitalization process, as other partners in the program may respond to other motivating factors.

- Second, a key component of HOPE VI is de-concentration of poverty, which means that there will no longer be a community solely comprising low-income families. That condition is a major contributor to the failure of the original development. There will be a mix of incomes in the revitalized community.

- Third, not all residents of the original site will be able to return, nor will all of them necessarily want to return. For some, HOPE VI is a door to opportunity. For others, public housing is viewed as an entitlement. Still others welcome change to their community and seek to return to the location after a temporary relocation. Each HOPE VI grantee has met with one or more of these reactions. Some have handled it better than others.

  The Wheeling Housing Authority approach was to learn from other's experiences, then put in place the best system possible for relocation and supportive services. Our existing sites had a turn over rate of about 33 percent annually, and in Grandview Manor, many of the residents already were on the housing choice voucher waiting list. Others had no income, and were re-located to other public housing. We provided extensive housing counseling to ensure that regardless of a resident's final relocation site, they had been provided housing choice and an opportunity to improve their situation. Through comprehensive landlord outreach, we were able to enroll in our section 8 program many new landlords in non-impacted neighborhoods, which helped us de-concentrate Grandview Manor and Lincoln Homes.

- Fourth, the HOPE VI program requires leveraged financing, but does not provide sufficient public housing dollars to rebuild on or off-site the same number of units demolished. That may require a HOPE VI grant three times the amount of those awarded. Units affordable to families eligible for public housing require deep subsidy and can carry little or no debt service, as the rents are too low to support the operating costs of the units. Therefore, fewer units available to public housing-eligible families can be built in a HOPE program. An obvious solution to this is to increase resources for development of public housing-eligible units, whether it is a one-time capital subsidy or an ongoing operating subsidy, or both. In order for other existing programs to reach out to very low-income families, subsidies must be layered, which means fewer families can be served.

HOPE VI is about people and the buildings and environment in which they live. Our developments, Grandview Manor and Lincoln Homes, were built in 1940, and had outlived their useful lives. We worked very closely with the residents of these communities to ensure that they understood what having a HOPE VI grant meant. We visited other HOPE VI sites with them, invited them to ask questions and contribute to the revitalization plan. When it came time to relocate residents, our older residents cried as they left their homes of 20 and 30 years – and we cried with them. But with portable housing choice vouchers, families were finally able to move to communities where jobs are more plentiful than in Wheeling – places like Virginia, Orange County, Florida, and Columbus, Ohio. Elderly and disabled residents preferred to move into other public housing units. Others chose to stay in Wheeling, either permanently or temporarily relocated. Of 194 families in place at the start of our HOPE VI program, 35 were evicted, 67 chose housing choice vouchers, 47 chose other public housing, and 45 families moved out of the program, either into other subsidized housing or into the private market.

The HOPE VI grant pays for all relocation costs for the residents. We hired a contractor to perform relocation services. But we soon found that our staff could do this better and for lower cost, as we know our residents and our market area. We established an in-house relocation department. The coordinator is a public housing resident. We developed memorandums of agreement with 30 service agencies worth $1.2 million in in-kind services to provide support to residents and prepare them to move into the redeveloped site, or to find other opportunities in work, community and family life.

The eligibility criteria for those who will move into North Wheeling, which is managed by Wheeling Neighborhood Ventures, Incorporated, a non-profit subsidiary of the Wheeling Housing Authority, are stringent and include a credit check as well as criminal background checks and other requirements of public housing admission. In the credit check, we examine whether the family is able to pay basic expenses, such as rent and utilities. We published an admission and continued occupancy policy that describes the process for obtaining a unit in the redeveloped site. I note that our general public housing has similar criteria. For the HOPE VI site, we have a local preference for those who lived at the sites previously, or are working families, the elderly and disabled. We received 487 applications for our North Wheeling site. Of those, we denied 181. Problems include applicants who had violated the housing choice voucher program (3), had poor tenant histories (11), had a criminal history (7), had poor credit (153), or had some other issue (7). We manage a site-based waiting list, which now stands at 95 families.

Our first phase will be fully leased as of May 1, 2003, just three years from receipt of the funds. (We received the award notice in August 1999, obtained a signed grant agreement from HUD in January, 2000 and received our first access to pre-development funds in April 2000).

Can every family from the original site move into the redeveloped site? Probably not. One of the premises of HOPE VI is to reduce concentrated poverty. Not all households can move into the redeveloped site. Those who do prefer to live in the new community are provided with appropriate counseling to prepare them for the considerable change in environment. Many of the families prized the housing choice vouchers, and as I mentioned earlier, were able to relocate to other communities of opportunity. But "dislocation" in our community is a misnomer. Relocation is a better descriptor of proactively working with residents from the earliest planning meetings to identify housing needs and housing choices for the former residents of Grandview Manor and Lincoln Homes.

Progress in HOPE VI

Development capacity among housing agencies may have been a legitimate concern in the past, but current trends in the program do not support this. In 1994, it took an average of 1,425 days from the execution of the grant agreement for a housing agency to submit a mixed-finance proposal to HUD. That figure is reflective of the lack of experience among grantees and HUD in a complex program that had few guidelines and no model to follow. By 2000, that time was reduced to 154 days on average. In 1994, it took HUD 1,354 days to approve the mixed-finance proposal, again a reflection of the department's expertise. By 2000, that time was reduced to only 52 days on average. The proposals submitted by housing agencies are of a higher quality, and agencies now do much of the work in advance of the project deadline for submitting various components to HUD for approval – partly because the notice of funding availability demands readiness.

The federal government's commitment to eliminating severely distressed public housing has brought about new standards, techniques and opportunities in affordable housing development that has had a multiplier effect in the public housing community. The Wheeling Housing Authority, like dozens of other HOPE VI grantees, did not have the full expertise to implement a HOPE VI grant the day it was awarded. When HOPE VI was a new program, HUD itself learned as it moved to implement the program. But after 10 years of housing agencies, residents, developers, financiers, service agencies and HUD working together to build a considerable knowledge base, the learning curve for new grantees is greatly reduced. In the past three years, my staff and I have learned much from others' experiences in resident involvement, financing, relocation, tax credit closings, construction, and more. There are now a few training courses offered in HOPE VI redevelopment and housing finance, there is a listserve and a web site for the program, and there are strong, formal and informal networks among grantees and other stakeholders.

Housing agencies often are the main source for affordable housing development and management in their communities, especially smaller communities like mine. These agencies have the capacity to develop and manage housing using local and state-funded programs. Through my agency's experience with HOPE VI, we have become tax-credit certified and are now in position to provide housing development and management services to our community. If we hadn't had the opportunity to learn through the HOPE VI program, we would not be in this position and our community would be worse off. Again, Wheeling is just one of many HOPE VI grantees that has acquired development skills that now benefit the broader community.

Our involvement does not stop at the Wheeling city line. We have reached out to our neighbors in Charleston and Huntington. The Charleston Housing Authority, which owns about 1200 public housing units, has a 300-unit development that qualifies as distressed. They agencies have applied multiple times for HOPE VI grants but did not yet receive funding. We have shared our application with them, invited them to an informational meeting with our developer, and otherwise provided assistance that hopefully will result in grants in 2003.

Administrative capacity is needed to implement and manage a HOPE VI program. For example, at the closing on the first phase at historic North Wheeling, we had 170 documents required for due diligence on the phase one tax credit financing. That did not include the HUD phase one closing – at that point, the documents filled four 5" binders. The program is recognized for its highly regulatory, complex nature. Many of the areas that concern us are regulatory, not statutory. However, **convincing HUD to adopt a simplified monitoring role** rather than the hands-on role it has undertaken may take an effort beyond the reach of regulation.

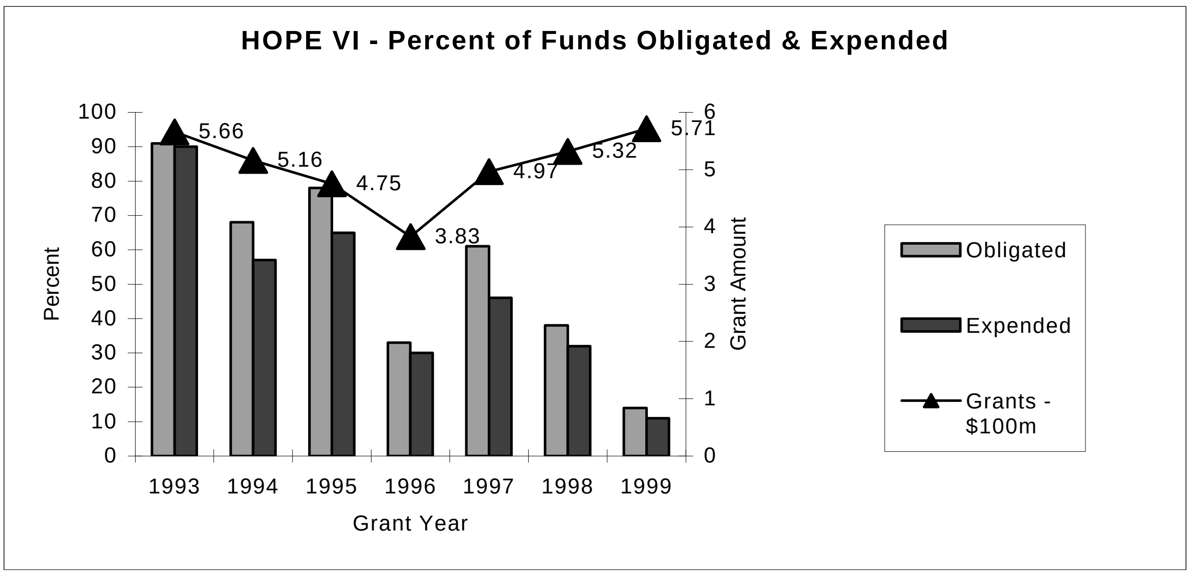
How long does it take to demolish and rebuild an entire community? Under other HUD programs, housing is rehabilitated, built new, or acquired. Commercial districts are renovated with new store fronts, lighting and street furniture. But only in the HOPE VI program is there a complete transformation of the distressed development that was, to what are now vibrant, healthy communities with a mix of housing choices, incomes, stores, new schools and other civic and social services. If we are willing to make a grant of $20 million for such a venture, leveraging an additional $50 million, then why aren't we willing to wait a few years for the investment to bear fruit? So far, it has. In just over three years, the Wheeling Housing Authority moved from novice grantee to sophisticated developer, completed the first phase of our project with 39 rental and 27 home ownership units in phase one, and started phase 2, with another 47 rental units and 21 single-family houses for purchase. These numbers are impressive—it represents the first new housing built in the inner city of Wheeling in 40 years.

Occupancy and Grant Close-Out

HUD recently said that there are only about a dozen grants closed out. Grant close-out is an administrative function that does not accurately reflect when people began living in the new housing. HOPE VI developments are built in phases. Occupancy of those units is a better indicator of the program's progress. As of June 30, 2002, public housing units in thirty-two sites (not phases) were fully re-occupied by families that had been relocated from the original site, and public housing units in 16 more sites were re-occupied between 91 percent and 52 percent. Grant years for the projects range between 1993 and 2000.

In the six-year period from 1993 to 1999, about 3,300 units were re-occupied by families that had been temporarily relocated. From 2000 through June 30 2002, over 4,000 public housing units were re-occupied in one-third the time. From an average rate of 550 units a year, progress jumped to 1,600 units per year on average. For the same time periods, overall occupancy increased from an average of about 1,000 a year to 7,300 average per year. This is indicative of the increasing capacity of housing agencies, HUD and their partners to do the work of revitalization.

Obligation and Expenditure of Funds—"Pipeline" Issues
The HOPE VI program awarded $4.5 billion in grants from FY 1993 to FY 2001. As of June 30, 2002, 42 percent of all funds had been expended (grant years 1993-2001). All units for all grants are expected to be occupied or re-occupied by the last quarter of 2011. Given that the current date (2003) is about halfway between 1993 and 2011, it seems reasonable that half the HOPE VI funds have been expended at this time.



In this chart, the bars represent the percentage obligated and expended of total grant funds awarded for that year. The line shows the total grant amount for each year in 100 millions. Where the bars are closest to the line, obligation and expenditure are nearly completed. Grant years 1994 and 1996 appear to have problem grants. We don't know whether these cases have been resolved by HUD since this data was generated (June 2002). As the years move forward from 1997-1999, the distance from the line to the bar increases, illustrating the newness of the grants. Aside from the two years mentioned, the chart shows a steady progression of obligation and expenditure for the program.

HOPE VI funds appear to be moving faster than the private (leveraged) funds, which are only 21 percent expended through FY 2001 grants (data as of June 30, 2002). Of other public housing funds in the projects, 43 percent are expended. The faster expenditure rate for HOPE VI/public housing funds may be due to the fact that the projects are front-loaded with expenses paid for by the public housing agency such as relocation, financing fees, project management, demolition and site preparation. A more detailed review of the financials in the quarterly report would need to be conducted to verify this assumption.

Penalties for Slow Obligation and Expenditure
Withdrawal of funds for failure to perform is addressed in the 1937 Housing Act sec. 24, subsection "(i) Withdrawal of Funding --- If a grantee under this section does not proceed within a reasonable time frame, in the determination of the Secretary, the Secretary shall withdraw any grant amounts under this section that have not been obligated by the public housing agency. The Secretary shall redistribute any withdrawn amounts to one or more other entities capable of proceeding expeditiously in the same locality in carrying out the revitalization plan of the original grantee." To date, no grantee's funds have been withdrawn. HUD staff and consultants work closely with the grantees to ensure progress is made.

Leveraging Private Funds and the Process of Assembling and Application
We began planning one year in advance of the application, probably the minimum lead time necessary to prepare a reasonable application. Working with our residents and consultants, we developed a basic plan, conducted feasibility and market studies, garnered the support of local and state government officials, especially the state housing finance agency, conducted cost analyses, identified sources of funds for up-front costs such as tax credit financing fees ($35,000), and marketed our program extensively. Our city council passed a resolution providing $1.5 million in Community Development Block Grant funds to the project. We obtained the support of 30 service agencies and developed memorandums of agreement with them. We sought to tie in with existing programs, such as the Workforce Investment Board and union training programs, instead of duplicating their efforts.

Marketing the program is the key to obtaining leveraged financing sources. The greater part of my work entailed educating local lenders and other financing sources about the nature and goals of the HOPE VI program, and on the details of our plan. In leveraging, money gets money – once we had a few commitments, we were able to gather more.

And after all that, we did not obtain a grant in 1998. We re-tooled for the 1999 application process, and did win $17.1 million to implement our plan.

The HOPE VI application process has become increasingly demanding as the program ages, concerns and criticisms are gathered, and administrations change. The FY 2002 notice of funding availability represented the most stringent requirements to ensure that agency/development team capacity, financial commitments and resident participation were well-addressed. The NOFA was so restrictive that it would have precluded compliance, until HUD issued a correction on the low-income housing tax credit criteria. We believe that a policy of "screening out, not screening in" can result in exclusion of worthy grant applications and creates a process-oriented system that may fail to consider the merits of individual proposals.

The notice of funding availability changes each year, so previous applications cannot be directly re-used. It costs nearly $200,000 to assemble an application, which in reality is a nearly finished deal, with tax credits, relocation, financing and service commitments in place. Smaller communities like Wheeling, Charleston and Huntington have scarce resources. In some communities, it can be a stretch for the agency to find appropriate partners for the application, and to fund the pre-development process. Re-instituting the use of planning grants may be an improvement for smaller housing agencies.

Loss of Affordable Units

The public housing development program was last funded in 1995. At the same time, the HOPE VI notice of funding availability (NOFA) included a requirement for demolition of severely distressed public housing and has continued to do so. Later, HUD added a "demolition-only" grant category, meaning demolition of severely distressed units without the funds for replacement housing, or a requirement to replace any units. Consider that severely distressed housing has a high vacancy rate, may be uninhabitable, and would cost far more to rehabilitate than to rebuild – by the definition of distress, the properties ought to be torn down.

But by the definitions of de-concentration and mixed-finance, mixed-income redevelopment, the same number of public housing units cannot be rebuilt on the site. A mixed-finance development is one that is built using funds from a variety of sources. These programs may have specific tenant eligibility requirements, use restrictions, and so forth. The varying eligible income levels create the mixed-income nature of the development. The HOPE VI program requires that the housing agency leverage the HOPE VI funds to obtain non-public housing financing. For example, a typical HOPE VI site may use HOPE VI, public housing operating subsidy, HOME and CDBG dollars, Federal Home Loan Bank loans, Low-Income Housing Tax Credits, bonds, private equity and conventional loans.

Limited resources for developing actual public housing units (sometimes called hard units to distinguish them from voucher units) also prevent housing agencies from building more public housing off-site. Most public housing families have an income considerably below 30 percent of area median income – the definition of extremely low-income. Units that are affordable to extremely low-income families require deep subsidy. At this time, only the public housing program provides capital and operating subsidy at the level needed to sustain units affordable to extremely low-income families. Capital and operating funds cannot be used to develop or support incremental (additional) units.

For replacement housing at North Wheeling, we used housing choice vouchers, and vouchers layered with tax credit units, in addition to planning for 177 hard units in the fully developed site. Through this mix, we have provided "one for one" replacement of all units, on or off-site, that were occupied at the time of relocation.

The success of the HOPE VI program is tied to public housing funding, including the Capital Fund, operating subsidy, and housing choice vouchers. Each of these programs plays a critical role in HOPE VI developments. The Capital Fund is used to augment public housing development and other costs, the operating subsidy supplies the deep subsidy needed to make public housing units viable in the mixed-finance development, and housing choice vouchers are a critical tool for replacement housing. If funding for these programs is cut or the programs drastically altered, investors in HOPE VI projects become risk-averse and are less likely to participate. Without their contribution, the program cannot move forward. It is critical that Congress and HUD provide adequate funding for the Capital Fund, operating subsidy and the housing choice voucher program. Funding the HOPE VI program cannot be at the expense of these programs.

The lack of affordable housing in this country is an issue which is greater in scope than the HOPE VI program. One can debate whether the units demolished under HOPE VI were viable or not, and should count towards the inventory of affordable housing, or not, but the fact remains that there is an affordable housing crisis in America that affects renters, prospective home buyers and homeowners alike.

The Public Housing Reinvestment Initiative and an Alternative to HOPE VI
The HOPE VI program has three components that are critical to the program's success: the size of the grant, the focus on improving living conditions and opportunity for residents, and the mixed-finance, mixed-income redevelopment approach that de-concentrates poverty.

HOPE VI in 1993 offered grants of up to $50 million. In 2002, the cap dropped to $20 million. Nevertheless, it is sufficient to attract an average of $2.63 in non-public housing funds for every dollar of HOPE VI funds as of 2001, according to a November 2002 General Accounting Office report. By contrast, the median capital fund grant in 2002 was $179,587. The crafters of the Quality Housing and Work Responsibility Act of 1998 sought to enliven the capital fund by permitting it to be used for loan collateral and other financing purposes; however, HUD has not yet produced a rule to implement this program. Instead, agencies apply on an ad-hoc basis to HUD. About 20 agencies have closed deals under this provision.

In its 2003 budget proposal, HUD introduced the Public Housing Reinvestment Initiative (PHRI). This provision would permit housing agencies to convert moderately needy developments to project-based section 8 assistance, using the property and increased rents from the section 8 program for income and debt service. Congress did not accept the provision. HUD has resubmitted the proposal for FY2004. It now includes an 80 percent loan guarantee feature. NAHRO is generally supportive of the proposal as a tool that may work well in some public housing developments, but it is no substitute for HOPE VI. PHRI does not provide the large infusion of cash to attract investment in public housing, nor is it financially feasible to use this approach for severely distressed public housing. The cost of rehabilitating or replacing the units requires debt service beyond what PHRI can provide. The program does not include funds for supportive services to residents or the development of mixed-finance, mixed-income communities which in HOPE VI developments de-concentrates poverty and provides residents with housing options.

PHRI and the capital fund do not appear to be alternatives to the power of HOPE VI.

One alternative that has been discussed among the NAHRO membership is a revolving loan fund. This fund would make loans at zero to two percent interest, with a 30-year payback term. Housing agencies would have flexible use of the funds for a variety of affordable housing uses.

Conclusion
HUD Secretary Mel Martinez said at FY 2004 budget and appropriations hearing that the HOPE VI program has reached its goal of demolishing 100,000 units. But the goals of HOPE VI are much broader than this. By NAHRO's estimate, there are about 350 communities that have applied for funds over the years and not received funding – showing that there still is considerable need for the program.

HOPE VI has or is revitalizing over 190 communities over the past 10 years. What began as a demonstration program has blossomed into an economic engine that is changing the face of public housing and public housing agencies. Please consider re-authorizing the program at a level of $625 million.

Thank you very much for the opportunity to speak to the subcommittee today. My full written testimony is submitted for the record.

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