

**U.S. House of Representatives**  
Committee on Financial Services

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Testimony of Susan Popkin, Urban Institute, prepared for the hearing on H.R. 1614 HOPE VI Reauthorization and Small Community Mainstreet Revitalization and Housing Act for the Committee on Financial Services, April 29, 2003.

The views are those of the author and do not necessary reflect those of the Urban Institute, its board of trustees, or its sponsors.

Mr. Chairman and Members of the Committee: Thank you for inviting me to testify at this hearing on the proposed reauthorization of the HOPE VI Program.

The goals of HOPE VI are ambitious, seeking to address the physical problems of distressed public housing, while also improving the overall well being of the residents and promoting self-sufficiency. HOPE VI targeted some of the most beleaguered housing in this country—dilapidated public housing developments that had failed to deliver on the promise of decent housing for the poor. The problems HOPE VI seeks to address are among the most complex and difficult to solve.

My remarks today are based on the findings from Urban Institute's research on the impact of HOPE VI on original residents (policy brief is attached). Our findings indicate that the effects of the program on original residents have been mixed, but on balance the story is generally positive. Where HOPE VI has been implemented effectively, most former residents have clearly benefited. In these cases, residents have moved to lower-poverty neighborhoods and reported real differences in housing quality, safety, and improvements in mental health and outlook. There are still concerns and evidence that some former residents are struggling in the private market, that relatively few have returned to the new developments, and a large number face barriers to making the transition out of dilapidated public housing and to self-sufficiency.

In my full testimony submitted today, I highlight three findings from our research:

- Many former residents moved and made significant improvements in their living conditions. These families are living in better housing in less poor neighborhoods than their original HOPE VI developments.
- But a substantial proportion of families are struggling to find—and keep—housing in the private market. Many face challenges in paying higher utility costs and dealing with individual landlords. In sites with tight rental markets or where demolition far outpaces the production of new units, many former residents have ended up in other distressed communities.
- A large number of households face serious challenges, including disability and mental health problems, which threaten their ability to make a successful transition to either new mixed-income housing developments or the private market.

These findings support the continuation of HOPE VI, but also highlight the need for relocation plans that:

- reflect local rental market realities;
- offer better relocation services that provide housing search assistance to encourage residents to consider moving to lower-poverty neighborhoods;
- address the needs of “hard-to-house” residents, such as the disabled, large families, households with members with criminal records, and those with complex personal problems;

- provide enhanced community and supportive services that offer residents both pre- and post-move services; and
- include tracking and monitoring of residents.

Adopting these guidelines has the potential to improve outcomes for the original residents of HOPE VI developments by offering the opportunity for public housing families to move to better housing in safer communities, environments that can better serve the needs of these low-income families and help them to improve their life circumstances.

### **Evolution of HOPE VI**

To grasp the enormity of the task facing HOPE VI housing authorities, consider first the extent of the deterioration in the worst of the nation's public housing. By the 1990s, the worst public housing was widely regarded as a failure, housing tens of thousands of extremely low-income families in communities mired in the most destructive kind of poverty. Many developments were literally crumbling and marked by drug trafficking and violent crime. With poverty and unemployment came high rates of school dropout, illiteracy, and teen pregnancy.

The HOPE VI program was designed to move beyond bricks and mortar to address the social and economic needs of the residents in these developments and the health of the surrounding neighborhood. This extremely ambitious strategy targets the worst public housing in the nation with problems too ingrained to yield to standard rehabilitation efforts. The program's major objectives were:

- to improve the living environment for residents of severely distressed public housing by demolishing, rehabilitating, reconfiguring, or replacing obsolete projects in part or whole;
- to revitalize the sites of public housing projects and help improve the surrounding neighborhood;
- to provide housing in ways that avoid or decrease the concentration of very low-income families; and
- to build sustainable communities.

Between 1993 and 2001, HUD funded 165 HOPE VI revitalization grants, earmarking \$4.5 billion for redevelopment and supportive services activities. In addition, HUD awarded housing authorities nationwide 35 planning grants totaling \$14 million, and \$293 million for demolition. Housing authorities that receive HOPE VI grants must develop supportive services to help both original and new residents attain self-sufficiency. HUD estimates that with these grants some 71,900 units of distressed public housing will be demolished (of which 50,000 were occupied) and about 42,000 will be replaced. These funds will also support construction of 15,000 homeownership units, "affordable units" for the working poor, and market-rate units.

This shift away from project-based assistance took place just as the rental market tightened in many cities and the shortage of affordable housing became acute. By 2002, a minimum-wage worker could not afford to rent a standard two-bedroom unit in any U.S. city. Under ideal circumstances, vouchers could help bridge this gap and offer low-

income people a real choice of housing and neighborhood. But, in tight rental markets, landlords in better neighborhoods often do not want to accept voucher holders and recipients could end up once more clustered in poor communities.

In 2000, Congress commissioned the Urban Institute to investigate the impact of HOPE VI on original residents. Together with its partner, Abt Associates, the Urban Institute conducted two multi-city studies. The *HOPE VI Panel Study* is tracking the living conditions and well being of residents from five developments who were surveyed as revitalization began in mid- to late 2001. The *HOPE VI Resident Tracking Study* provides a snapshot of the living conditions and well being of former residents of eight properties in early 2001—between two and seven years after the housing authority received a HOPE VI grant. Our findings from these studies are described below.

### **Better Housing, Safer Neighborhoods**

Residents living in HOPE VI sites before they were redeveloped reported in the panel study that they faced terrible conditions—worse than those reported by other poor renters nationwide. About one-fifth of the respondents reported more than three housing problems (e.g., heating system not working, toilet not working, peeling paint, water leaks, cockroaches, rats, and mice), and another third reported two or three housing problems.

In the census tracts where these developments are located, poverty rates exceed 40 percent. Residents described these neighborhoods as extremely dangerous: about three-quarters said they that drug trafficking and criminal activity is serious in their projects and two-thirds reported living with shootings and violence.

Families that left these developments described better housing in safer neighborhoods. Voucher holders and unsubsidized households have generally moved to census tracts with lower levels of poverty than their original public housing development. The lower poverty rates represent a real improvement for many original residents—overall, about 40 percent of the residents (excluding HOPE VI returnees) are in areas that have poverty rates of less than 20 percent. These new neighborhoods are safer too.

Families also reported significant improvements in their housing quality. Nearly two-thirds (63 percent) reported that their housing unit is in good or excellent condition, and most (85 percent) said that their new unit is in the same or better condition as their original public housing unit.

### **Health Barriers**

Many HOPE VI families waiting for relocation have physical and mental health problems. These problems can create severe barriers to a successful housing transition. More than one-third of adult respondents reported having a chronic illness or health condition, such as high blood pressure, diabetes, or arthritis. Further, more than one-fifth of adults have been diagnosed with asthma. The situation for older adults is particularly severe, with just 10 percent reporting good or excellent health, compared with 39 percent for all adults over 65 nationally.

Mental health problems are widespread. Nearly one in three respondents (29 percent) reported poor mental health, almost 50 percent higher than the national average.

Further, nearly one in six adults had experienced a major depressive episode within the past 12 months.

HOPE VI children are also in worse health than other children their age. One in five children age 6 to 14 has asthma; the figure for younger children is one in four, more than three times the national average. Parental reports about children's behavior suggest that mental health is also an issue for these kids. About two-thirds of older children (age 6 to 14) have one or more reported behavior problems; about half have two or more.

Highlighting the impact of these barriers, fewer than half of the respondents were employed prior to relocation. These residents cited health problems and a lack of adequate child care as major barriers to employment, along with caring for sick family members, suffering from extreme fear and anxiety, and looking unsuccessfully for work.

### **Housing Instability in the Private Market**

A substantial proportion of former residents are struggling to meet basic needs that were covered in public housing. Overall, 40 percent of the respondents that have been relocated to new neighborhoods reported problems paying rent and utilities, and about half are having difficulty affording enough food.

Former residents who now live in private market housing face the most serious challenges because they now face larger additional utility cost. Fifty-nine percent of voucher users say they have had difficulty paying rent or utilities in the past year, as do 52 percent of households that receive no housing assistance. Further, unsubsidized households are more likely than public housing residents or voucher users to report doubling up with other families (13 versus 4 percent) and moving multiple times since relocating.

Finally, in sites with tight rental markets or where demolition far outpaces the production of new units, residents may be more likely to end up in other distressed communities.

### **The Future of HOPE VI**

These findings suggest the need for strong supportive services to help more families live in better housing and become more self-sufficient, as well as alternative approaches to ensure that all former residents are adequately housed. Housing authority relocation plans should reflect the following:

#### ***Heavy Reliance on Vouchers Is Not Appropriate for All Rental Markets.***

Vouchers work well when rental markets are relatively loose. However, when markets are tight and the supply of affordable housing—particularly in good neighborhoods—limited, voucher holders may end up clustered in other distressed communities or unable to use their vouchers at all. Housing authority plans must reflect local reality; those in tight markets should be required to carefully specify how they will provide replacement housing for their current residents.

***Vouchers Are Not the Solution for All Residents.*** Housing Choice vouchers offer residents choice, but place some at risk of frequent disruptive moves. In particular, former residents that have weak credit histories or complex family problems are at a disadvantage in the private market, where landlords' rules may be more restrictive than those in public housing. Housing authorities should help families make replacement housing choices that will work for their households and also ensure that there are effective case management and follow-up services for former residents with multiple risk factors.

***Alternative Approaches for the "Hard to House."*** Residents that face multiple, complex problems may not be able to make a transition to either private or new, mixed-income housing. Public housing has served as the housing of last resort for America's poorest for the past two decades. A substantial proportion of those still living in distressed developments are literally one step away from becoming homeless—and may become so if relocated to the private market. Policymakers need to consider more comprehensive approaches, such as supportive or transitional housing, for these hard-to-house families. These services are costly, complicated, and require careful coordination but without these services HOPE VI is unlikely to realize its potential as a powerful force for improving the lives of low-income families.

***Relocation and Supportive Services.*** Supportive and relocation services must be more comprehensive and include effective case management. Service packages that emphasize only employment will not meet the special needs of residents with physical and mental health problems, disabilities, or such complex problems as domestic violence, substance abuse, members with criminal records, and poor credit histories. Further, housing authorities must provide more intensive housing search assistance and encourage moves to lower poverty neighborhoods. Finally, to prevent former residents from becoming clustered in poor communities, housing authorities should work with landlords to dispel myths about both the voucher program and its participants. They should also offer clients information about a range of neighborhoods where they can look for housing.

***Tracking and Monitoring Resident Outcomes.*** It is important for housing agencies to track resident's right to return and monitor outcomes over time. The availability of these data will allow HUD to make ongoing improvements to the HOPE VI program, offer the appropriate technical assistance to housing agencies, and evaluate the effectiveness of the program over the long term.

During this testimony I have described the conditions in public housing prior to HOPE VI, the goals the program hoped to achieve, describe findings in our research, and changes related to resident relocation that will improve the program. Taken together these make a strong case for the continuation of HOPE VI.