

**Testimony of
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on behalf of the Council of Large Public Housing Authorities,
before the House Subcommittee for Housing and Community Opportunity**

April 29, 2003

Good afternoon Chairman Ney, Ranking Member Waters and members of the Subcommittee.

On behalf of the Council of Large Public Housing Authorities (CLPHA) and the citizens of the great City of Atlanta, Georgia, who have greatly benefited from the investment made under the HOPE VI demonstration program, thank you for the opportunity to speak with you today. CLPHA members own and operate approximately 40% of all of the public housing assisted units and over 30% of all of the Housing Choice (Section 8) vouchers. Many of the HOPE VI grantees are CLPHA members.

We are delighted that this Subcommittee is considering authorizing HOPE VI-like legislation. Not only has the demonstration program been a catalyst for transforming distressed and disinvested neighborhoods in Atlanta, but it has also facilitated an environment where positive change in the lives of the residents has occurred.

I am here today to speak to you about my experience with the HOPE VI demonstration program in Atlanta. We have learned very compelling lessons—lessons which, in my opinion, provide an answer to the question, “how do we save large urban centers and, more importantly, restore the ‘social contract’ with the families and the thousands of children who are being left behind?”

Without exaggeration, the HOPE VI demonstration program is the most important urban revitalization effort that America has undertaken. In Atlanta it has: (1) brought communities and neighborhoods back to life; (2) helped to address broken neighborhood schools; (3) restored the social contract and (4) provided a bridge to mainstream America for families who have been institutionalized in warehouses of poverty, hopelessness and despair and who have consequently become marginalized by the rest of society. If executed properly and with a policy and outcome driven focus, the success we’ve experienced in Atlanta can be replicated in city after city.

Critics have said the HOPE VI Program has caused the loss of hard units. In Atlanta, this is completely false. A careful and thoughtful analysis will show that by attracting private resources to the development program, a larger number of affordable units have been preserved than otherwise could have been constructed with public housing dollars alone. In each mixed income community in Atlanta, the private resources supplement the public housing resources to fund the cost of the public housing assisted reserved units. No HOPE VI dollars are supplementing the cost of the non-public housing assisted units in mixed income communities. Any loss of the hard units is strictly a resource issue.

WE DID NOT GET HERE OVERNIGHT

Decades of shortsighted national housing policy, local mismanagement, and bureaucratic red tape have resulted in irreparable decay at nearly all of the Atlanta Housing Authority’s family communities. In Atlanta, we have been engaged in an across-the-board transformation since March 12, 1996, the date HUD approved the first mixed-income, mixed-financed neighborhood revitalization project. Since then, we have razed more than 5,000 dilapidated apartments throughout the city and leveraged approximately \$184 million of federal grants into roughly \$2.5 billion of private investment, public improvements, and related economic activity. Still, many Atlanta communities have yet to undergo revitalization. These communities, too, contain a broken social environment and obsolete buildings that are literally crumbling.

To address the unresolved communities, Congress should authorize a mixed-income, mixed-finance community development program that makes use of reasonable market assumptions and a proven business model. By authorizing a program that builds on the concepts of the HOPE VI demonstration program, Congress would honor its

obligation to provide qualified low-income citizens access to decent, affordable rental housing, maximize private investment, and ease federal financial obligations.

Let me add one caveat, however. No federal dollars should be expended unless they can be shown to support positive outcomes. Congress should not authorize a program based on failed policies or programs. Bad public policy developed in Washington results in bad public outcomes in Atlanta and other cities. We have been using the HOPE VI demonstration program to attend to Atlanta's problems created by bad public policy – some of which was created in Atlanta and some of which was created here in Washington.

Bad public policy isn't an academic argument. It has real and lasting effects on the families who live in poor communities. I will never forget meeting with a committee of residents whose community we hoped to revitalize. When we showed them the architectural designs of what a new community would look like, one said to me, "I know you're not planning for me because that's too nice." All of her neighbors agreed. Consider that these are Americans whose living condition was so bad for so long that it was impossible for them believe they could achieve a better life. They had come to believe that they were being penalized because of their poverty. Surely that is the very definition of despair and hopelessness.

Warehousing the poor has made a legacy out of poverty, trapping great-grandmothers, grandmothers, mothers, children and children with children in a cycle where the only conceivable aspiration is to one day get a public housing apartment of your own.

MAKING CHANGE

In Atlanta, we developed a two-step process for making change happen:

Commitment 1: Candidly assess the situation and understand the problem.

What we found in 1994 and what we continue to find in all the communities that have not yet been redeveloped are circumstances such as what I described earlier. Despite our efforts to privatize the management, to strictly enforce the lease, and to improve the living conditions to their highest possible standard, our efforts are not enough to break the grip of the downward spiral of urban physical and social decay. Without comprehensive revitalization, these horrible conditions repeat themselves. In the large public housing family communities you'll find extreme, multi-generational poverty—average incomes of approximately \$7,300 per year; exceedingly high rates of unemployment—only 15% of the able-bodied population working; captive elementary schools in public housing communities performing at severely substandard levels, typically at the lowest rungs on uniform test; high levels of illiteracy or functional illiteracy at graduation; high truancy rates; high crime rates; no new private investment for decades; and high levels of disinvestment in the surrounding neighborhoods.

Commitment 2: Maintain high expectations, propose an achievable solution to the problem, and stop implementing policies that yield bad outcomes.

In the fall of 1994 what we decided to do in Atlanta was to stop warehousing poor families in concentrated poverty. The HOPE VI demonstration program allowed us to pursue this strategy. With the revitalization of Techwood/Clark Howell, Atlanta sought to create a healthy mixed-income community; to cease the concentration of poverty; to end the stigma of the public housing program; to leverage the HOPE VI grant funds; and to mainstream the families into the larger community.

COMMISSION FOR SEVERELY DISTRESSED PUBLIC HOUSING

More than a decade ago, Congress saw a need for developing new ideas to address the severe housing and social problems in Atlanta and other cities when it created the Commission for Severely Distressed Public Housing. The findings of that Commission called for experiments in American cities. Ultimately, through the Urban Revitalization Demonstration program (later to be known as HOPE VI), cities and communities were called on to create their own approaches. The challenge was to revitalize severely distressed public housing by encouraging local housing

agencies to turn distressed, high-density projects into livable communities. Initially, eligibility for funding was restricted to public housing authorities in the 40 largest metropolitan areas and other public housing authorities on HUD's troubled authority list. Atlanta was eligible under these criteria, and we embraced the opportunity afforded by the demonstration program to try something new.

Until the flexibility of the demonstration program, federal law barred Atlanta and other housing agencies from demolishing uninhabitable property without replacing it with a 'hard unit.' No matter how obsolete a structure was or how bad the sociology of the community, it was impractical to demolish the uninhabitable unit. Federal law also stipulated that any housing development receiving public housing subsidy could only be owned by a local housing agency. These public policy restrictions made it impossible to address the troubles plaguing Atlanta and other large urban cities.

While the demonstration program eased these restrictions, the legal, regulatory and financial model that enabled mixed-income community development had not been conceptualized under the original guidelines. The legal, regulatory and financial model for public/private ownership and leveraging public housing development dollars with private funds had to be developed. AHA and its private sector development partner, The Integral Partnership of Atlanta, worked with HUD during a 12-month period to create the legal, regulatory and financial model to develop the first mixed-income community in the nation, Centennial Place. The financial closing for the development of Phase I of Centennial Place in March 1996 gave birth to the nation's first master-planned, mixed-finance, mixed-income development with a public housing component. This model was promoted and endorsed by HUD and became the national model for development of mixed-income, mixed-finance communities under the HOPE VI Program.

DEFINING A MIXED-INCOME COMMUNITY

A mixed-income community in Atlanta is a market rate community owned by a public/private partnership, with an affordable component seamlessly inside of it. In most of Atlanta's mixed income communities, the public housing component is no greater than 40%. Market rate principles dictate the quality, management, and sustainability of the property. There are more private dollars in mixed-income developments than public dollars, and the private sector development partner controls the development and management of the property. The bankers and other investors have financial expectations and covenants that must be met, the standards must be held high. The long term success of mixed-income communities is driven by the same market factors that drive the success of every other real estate development: the competition to attract market rate renters and the need to meet debt service and achieve specified returns on investment require that the properties are managed and operated at a superlative and competitive level.

To date, with 11-mixed income communities having been developed in Atlanta, since 1996, there has been no inability to attract market rate renters. The average occupancy across all income segments that comprise the mixed-income communities is 95%, comparable to the high-end rental market in Atlanta.

This level of success takes time and effort. Unlike the existing HUD modernization or rehab programs, developing a mixed-income, mixed-finance community is identical to developing a traditional market-rate, multi-family residential development, save one point: a level of bureaucracy not borne by the private sector. Like private sector development, mixed-income, mixed-finance developments require private financing, equity loans, zoning changes, and all the other factors associated with private development. But they also involve the relocation of hundreds of families, razing dozens of buildings, and preparing the site. Moreover, although HOPE VI dollars are not used, the site's master plan typically includes securing funding and building infrastructure matters like public streets, storm and sewer ways, new or rehabbed schools, recreation facilities, retail development, and other related tasks. During this time, resident communication, HUD review, and other extra steps are managed. Needless to say, developing a mixed-income, mixed-finance community is not simply a matter of putting the work out to bid and then placing it under contract. Simply put, it takes time. And, finally, given the success of the development is contingent upon the huge influx of private investment, it must be responsive to the local real estate market and tax credit cycles.

ATLANTA'S CUMULATIVE SUCCESS

As of today, AHA is serving more families than in 1994 and in substantially better living conditions.

Since March 1996, the AHA (using HOPE VI grants and other public housing development dollars) has demolished distressed public housing units in nine communities. To date, in partnership with our private sector development partners, AHA has sponsored the development of 11-mixed income communities. Approximately \$184 million of HOPE VI and other public housing development dollars has leveraged \$2.5 billion of new investment in the City of Atlanta, with a combination of private investment, local government investment and related economic activity.

As a result of the revitalization program, our Housing Choice Voucher Program has grown from approximately 6,000 vouchers in 1996 to approximately 12,000 vouchers today. The success rate for families in the relocation program has been 95% and the AHA's utilization rate is 97%, with greater than 60% of the families living in lower poverty neighborhoods.

At least 75% of the families who have relocated to the Housing Choice program are living in better neighborhoods, with lower poverty rates and better amenities. The employment rate of families who relocated into the Housing Choice Program has improved by 300%.

Families who have returned to the mixed-income, mixed-finance communities are living in wonderful communities with substantially improved living conditions. Independent research shows that residents are four times more likely to be employed after returning than when they left.

PROPOSED NEXT STEPS

One-hundred percent of AHA's properties are managed by nationally recognized real estate management companies, and our agency is considered a High Performing agency by HUD. Despite our efforts, harsh physical and social conditions exist in the large public housing communities where mixed-income strategies have not been attempted or funded. Atlanta needs a successor to the current HOPE VI demonstration Program and I would submit other cities do as well.

Congress has invested almost \$5 billion to see what innovation can accomplish, and, with ten years of work behind us, it is clear what works and what doesn't. Clearly, what demonstrably works ought to form the foundation of any new housing policy. What doesn't must be scrapped. Congress should cull Best Practices from Atlanta's experiences and those of other cities to authorize a program to address the severely distressed public housing that remains. The problem identified by the Commission for Severely Distressed Public Housing has not been solved. But it can be.

We know that the traditional approach to providing affordable housing resources is prohibitively expensive, both socially and financially. For decades following the inception of public housing, the federal government alone footed the costs of developing and maintaining what can only be called warehouses for the poor. At the same time, local governments had to carry the increased costs of public and social services needed to address the despair and dysfunction associated with "the projects." It is obvious that this approach is untenable. We as taxpayers can't afford it from a purely financial standpoint, but we as a nation can't afford it from a societal standpoint. Maintaining these "Residential Brownfields" is a losing proposition, and no city in the country – not one – can do it. Tax dollars should not perpetuate a housing condition that condemns, stereotypes, stigmatizes, and, for all practical purposes, damns the people it is supposed to help. And that's what we are doing if we maintain the status quo.

If we are going to use tax dollars to provide housing resources to eligible low-income individuals and families, then we should make a commitment not to spend dollars on programs that we know don't work; programs that foster and widen social and economic isolation. At a minimum, we should agree to do no further harm.

PROPOSED GUIDING PRINCIPLES

Building on the “Best Practices” formed, Congress should write, authorize and fund an effort that is driven at the local level by existing market conditions, housing and community needs, and local resource availability; e.g., low income housing tax credit cycles, private activity bond volume cap, and absorption of market rate units in the community.

Administrative oversight of this mixed-income, mixed-finance program cannot be overly prescriptive, however. Guiding principles should be used to measure outcomes and the reauthorization should be shaped by three guiding principles:

Principle Number 1 - We must deconcentrate poverty and eliminate the stigma associated with public housing. The objective is to create market rate communities owned by public/private partnerships which seamlessly include affordable components. True market driven mixed-income communities with a blend of rental and owner-occupied dwellings are needed to replace ghettos of concentrated poverty because concentrated poverty promotes chaos. It creates an environment conducive to criminal exploitation, and the deeper the poverty, the more vulnerable people become. Conversely, by deconcentrating poverty we have seen the emergence of the ability to participate in society; an increase in social and economic upward mobility (demonstrated by higher employment and lower TANF dependency). It helps return, or sometimes introduce, individuals to the mainstream of society.

Nonetheless, small communities, in Atlanta that means fewer than 100 units, can be managed and sustained if adequate operating and capital funding is provided. For instance, the AHA owns and operates 17 Senior Communities that are professional managed by private companies. With strategic capital investment, we can sustain these properties and continue to improve the quality of life for the residents. The Public Housing Reinvestment Strategy proposed by HUD may be a good source of raising capital for these smaller communities and in smaller urban or rural areas as well.

That notwithstanding, HUD's Initiative is not a viable substitute for HOPE VI like program at large communities. As proposed it does not, among other things, offer access to sufficient capital to make substantive physical change or to sufficiently eliminate the stigma associated with public housing projects and the negative impact that stigma has on private investment. It is not enough to take a band aid approach to buildings which have outlived their useful life, and, more importantly, these communities will retain the taint of public housing. That taint would likely, depending on local conditions, overshadow any proposed market rate component, dooming the marketability and long-term viability of those communities and of the proposed investment.

Principle Number 2: We must form public/private partnerships.

Financial and social stakeholders should play a partnering role in the neighborhood revitalization efforts.

The HOPE VI funds must come in as seed capital. The cost of relocation, demolition, environmental remediation, and a substantial contribution toward the hard cost of developing a public housing assisted unit and supportive service programs are critically important investment costs, but for which there are limited sources of funds or none altogether. No lender or private developer will provide resources for these costs because there is no monetary return to addressing the “residential Brownfields.”

The dynamic between the public and private sectors must be changed. Substantive private involvement introduces a discipline the current public housing program does not have. The creation of the public/private partnership guarantees a built-in “accountability” feature because private sector involvement guarantees that the communities remain sustainable and desirable, and the introduction of private investment results in higher community performance standards and expectations. With this built-in accountability, HUD can focus on measuring outcomes and not managing process. As it stands now, current HUD procedures subject a development process to what appear to be the arbitrary application of modernization practices and timetables.

Private developers, private investors, and other key stakeholders must be incented to play a significant role in the neighborhood revitalization efforts. Market standards and principles must be utilized. HUD must resist the temptation to be too prescriptive. Partners must have a vested interest in the outcome and continued success of the revitalization, which is critical to a leveraging strategy. Participants who view themselves only as contractors may not

have the same alignment of interests. As partners, stakeholders can participate based on unique roles and strengths, minimizing duplication of efforts or funding constraints. One of the most attractive features of HOPE VI is the ability to use public funds as seed money to attract other necessary investment, and our ability to fill this role as a partner must be maintained. Public housing funds alone are not sufficient to create the wholesale transformations that are needed.

A review of the regulatory burden placed on public housing assisted units in mixed-income communities should be undertaken. A more reasoned approach to establishing timeframes would consider market absorption and the cyclical availability of financial resources that would need to be leveraged, including low-income housing tax credits, private activity bonds and other subsidies. For guidance, HUD can look to other economic development programs which have longer time horizons, even up to 10 years, for economic development and community building.

Principle Number 3: We must rebuild communities, not just housing. Community building requires better public schools, recreational facilities, and economic development.

Federal officials should consider ways to foster and provide cross-departmental or agency incentives for localities to work together, in a holistic manner, to build the opportunity for human development. Coordinating the distribution of funds for public infrastructure, transportation, and education and strategies that facilitate and attract future private investment in the surrounding neighborhood must be encouraged.

We must embrace a broad, shared understanding of a new local paradigm and a willingness to create based on enlightened community self-interest. The results here in Atlanta have been a tremendously improved sociology, better neighborhood schools, more neighborhood reinvestment, higher rates of employment among the assisted families, and reduced crime by more than 90%. In total, the change has resulted in a promising future instead of a certain failure.

To illustrate the point, one needs to consider Centennial Place Elementary school which sits on the former site of the nation's first public housing project, Techwood Homes (early HOPE VI recipient). The school serves downtown neighborhoods, including Centennial Place, a thriving, mixed-income community where residents work, pay rent, and abide by their rental agreement and the law. Unlike the concentrated poverty that once occupied the real estate, the neighborhood is socially and geographically integrated into the broader community and it's an environment that is safe. Performance at Centennial Place Elementary School has gone from the cellar through the roof – performing higher than national averages on standardized tests. Several other elementary schools in more recently revitalized communities have shown substantial improvements as well.

Centennial Place Elementary has several lessons for those of us helping to shape public policy. First and foremost, all children can learn if provided with an environment that is devoid of chaos and hopelessness. Failure should not be a given track for children living below the poverty line any more than it should be for a child living in an affluent setting. And finally, children develop and grow in a whole environment. Certainly where they learn matters, but where they live matters, too.

In closing, the HOPE VI mixed-income, mixed-finance concept is a strategic investment in America's future. This program should be reauthorized and funded at least at the levels of the past ten years and increased if the need is determined and the results justify the investment. Strategies should be encouraged that look at ways of creating tools for smaller cities and rural areas that have distressed public housing communities or that lack housing options. In closing, let's invest in America's families, children and neighborhoods; it is the way that we can continue to be a truly great nation.