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HOUSE BILL MAKES SIGNIFICANT IMPROVEMENTS IN "HOPE VI" PUBLIC HOUSING REVITALIZATION PROGRAM

Provisions to Overcome Employment Barriers Need Strengthening

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Introduction

On January 17, the House of Representatives approved H.R. 3524, the HOPE VI Improvement and Reauthorization Act of 2007, by a vote of 271 – 130. The bill reauthorizes the program for 7 years, while making a number of important improvements.

Historically, HOPE VI — which provides grants to public housing agencies to revitalize severely distressed public housing projects — has received broad, bipartisan support. In recent years, however, in response to Bush Administration proposals to eliminate the program and to the overall drive to cut domestic appropriations, Congress has reduced annual funding for HOPE VI by more than 80 percent. (For 2008, the program is funded at \$100 million, down from \$625 million in 1999.)

There continues to be bipartisan interest in boosting funding for HOPE VI, however, and before significant new investments are made, it is important to reform the program to address weaknesses that have become evident over HOPE VI's 15-year history and to ensure that the program significantly improves families' lives, including the most disadvantaged families. The House bill would make many of the changes that are needed. (A substantially different reauthorization bill, S. 829, has been filed in the Senate but has not yet been fully considered by the Banking Committee.)

KEY FINDINGS

- HOPE VI aims to rebuild severely distressed public housing, improve economic conditions in the surrounding neighborhood, and help very poor families progress towards self-sufficiency, but the human side has been its weakest component. A House bill reauthorizing the program will improve housing outcomes for residents of public housing that undergoes HOPE VI redevelopment and provide new opportunities for hard-to-house families. The bill also contains measures to help overcome employment barriers faced by very disadvantaged families, although these could be strengthened further.
- 100,000 of the public housing units slated to be demolished under the first 15 years of HOPE VI awards will not be replaced by other units affordable to poor families. The House bill would stem this loss of affordable housing, a critical change in light of the 20 percent increase in "worst case" housing needs since 2001, by requiring that all units demolished under future HOPE VI awards must be replaced, with narrow exceptions.
- The House bill also promotes, as part of any new HOPE VI awards, key goals such as: housing choice and deconcentration of poverty through mixed income redevelopment, location of off-site replacement housing in low poverty areas, and greater assistance for displaced families in using housing vouchers.

HOPE VI is an ambitious program. It aims to rebuild housing, improve economic conditions in the surrounding neighborhood, and help very poor families progress towards self-sufficiency. In many localities it has achieved at least the first two of these goals, but its impact on residents has been mixed. As experts from The Urban Institute and The Brookings Institution stated in a 2004 comprehensive review of the program:

The [HOPE VI] program has achieved substantial success; it has demolished some of the most distressed and destructive housing environments, replaced them with much higher-quality housing and, in many cases, with mixed-income communities. Many residents who relocated with vouchers are living in higher-quality housing in safer neighborhoods. . . . However, the evidence also points to the urgent need for reforms in the HOPE VI program if it is to realize its full potential to improve the circumstances of very low-income families and communities.¹

The Bush Administration has argued that HOPE VI should be ended because it has achieved the initial goal of demolishing 100,000 severely distressed public housing units. However, some of the 1.2 million remaining units of public housing nationwide have deteriorated further because of persistent underfunding of public housing's operating and capital needs, and are now severely distressed. There are between 47,000 and 82,000 such units, according to a 2007 Urban Institute analysis.²

The Administration also has argued that HOPE VI's approach to addressing distressed public housing costs too much per unit replaced. But the Urban Institute analysis found that in many cases, it would cost the public sector more to do nothing about these housing developments than to make the investments needed to revitalize them. And doing nothing should not be an option when families are living in federally assisted but very substandard housing.

More modest rehabilitation — or simply demolishing the units and providing tenants with replacement vouchers to find new apartments — would require less in federal housing funds. But it would be unlikely to yield equivalent benefits for neighborhoods and cities, unless the private sector were poised to redevelop the area without government intervention. And if the area *were* undergoing such gentrification, vouchers alone would probably not permit families to remain in their neighborhood if they wished to do so.

Most importantly, no response to severely distressed public housing is likely to achieve HOPE VI's goal of better life outcomes for very poor families if it does not include comprehensive services to help them overcome substantial barriers to employment and, if they receive vouchers, to move to low-poverty communities if they wish to make such moves.

Given the major investment represented by each HOPE VI grant,³ policymakers should aim to maximize the program's positive results and minimize any negative impacts it might have on people who are displaced when their homes are demolished. As this report explains, the House bill would make significant changes in each of the key areas in which HOPE VI needs improving.

House Bill Would Stem the Loss of Units Affordable to the Lowest-Income Families

HOPE VI has funded the demolition of hundreds of distressed public housing developments across the country. By 2006, grants had been awarded for the demolition of about 149,000 units.⁴ However, only 49,000 new public housing units are planned to replace the lost units, a 33 percent

replacement rate.⁵ (Additional market-rate housing and units assisted with Low Income Housing Tax Credits (LIHTCs) have been built as part of HOPE VI projects, but these units are not affordable to the very poor families that typically occupy public housing receiving HOPE VI grants. Rents in LIHTC units are not based on income and may be at or near market rent levels.)

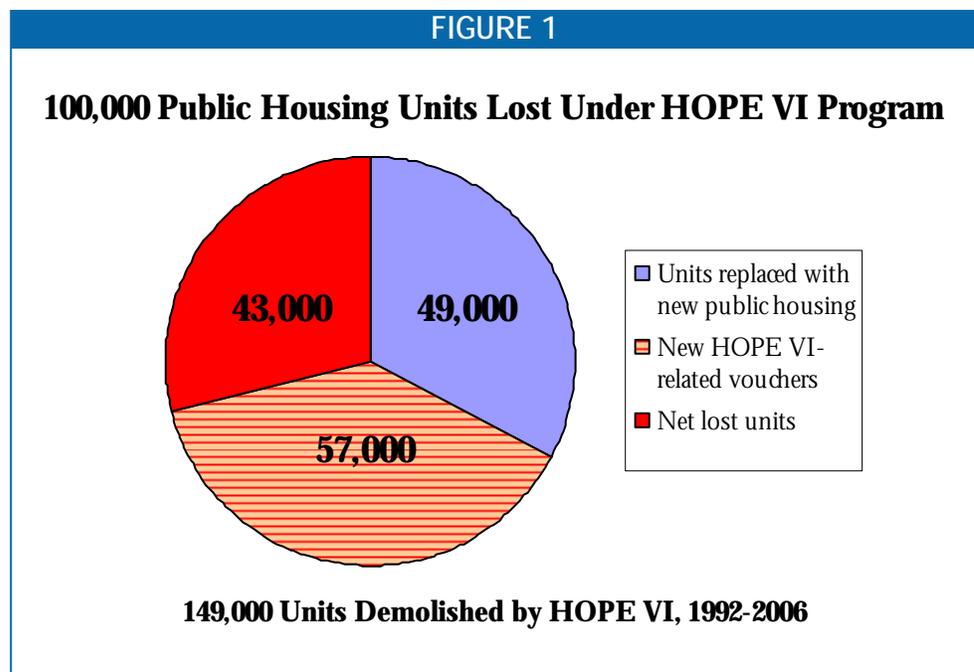
Locally, replacement rates have varied substantially. For example, grants approved for Miami’s Scott Homes/Carver Homes and New Orleans’s St. Thomas development call for replacement rates of roughly 9 percent and 12 percent, respectively.⁶ Chicago’s Plan for Transformation calls for replacing 36 percent of demolished units city-wide.⁷ In contrast, cities as different as San Francisco, Tucson, Washington, D.C., and Seattle have replaced *all* of their demolished public housing units as part of a mixed-income HOPE VI project.⁸ Communities received some tenant-based vouchers to help offset the loss of public housing (and to assist with relocation), but the number of new vouchers HUD has awarded for this purpose has been about 43,000 short of the 100,000 public housing units lost but not replaced.⁹

At a time when only about one out of four families eligible for public housing or the Section 8 voucher program receives assistance, and severe housing needs are increasing, the nation can ill afford such a loss of housing affordable to the poor. HUD has determined that in 2005, 6 million renter families without housing assistance had so-called “worst case housing needs,” meaning their incomes were

below 50 percent of the area median and their housing costs exceeded half of their income (or they lived in severely substandard housing). The number of such families jumped by roughly 20 percent between 2001 and 2005.¹⁰

There are several reasons why most local HOPE VI plans have not replaced all of the

affordable housing units that have been demolished. Federal policy has emphasized the creation of mixed-income communities over the replacement of lost public housing units. Few HOPE VI sites have sufficient land to build additional units for higher-income families without reducing the number of public housing units, yet federal policy has not encouraged the construction of additional replacement housing in other locations. In addition, to build the new communities, many housing agencies entered into partnerships with for-profit development companies, which often seek to minimize the number of below-market units in order to maximize profits.



Most importantly, current HOPE VI law does not require a community to propose full replacement of the housing to be demolished in order to win a grant. As a result, few communities have made the additional effort to provide the land and financing required to avoid a loss of affordable housing.

House Bill Would Require Full Replacement of Lost Units

H.R. 3524 requires, as a condition of approval of a HOPE VI grant, that the revitalization plan include replacement of all public housing in existence as of January 1, 2005 that would be demolished or disposed of as part of the plan. The HUD Secretary would be permitted to reduce the full replacement obligation by up to 10 percent in limited circumstances. In addition to this leeway available through a waiver process, communities would have substantial flexibility to develop a workable replacement plan. Applicants are free to decide how many total units to build on the original site; only one-third of any units replaced on the original site would have to be public housing. (A housing agency must provide some replacement units on-site unless it meets very narrow grounds for HUD approval of an exception.) Moreover, off-site replacement units could consist of public housing or Section 8 project-based vouchers (or other comparable housing assistance, which could be provided through state or local funds), and housing agencies and their development partners could use a variety of strategies to replace housing off-site, including acquisition or rehabilitation of existing units rather than new construction.

The bill gives a preference for grant proposals in which *more than* one-third of the replacement units rebuilt on the original site consist of public housing.¹¹ This higher ratio, however, must reflect a consultation process with residents, community leaders, and local officials, and must advance fair-housing goals; the units built on the original site must also result in a deconcentration of poverty.¹² In addition, the off-site replacement housing must be located within the housing agency's jurisdiction, must have a low concentration of poverty,¹³ and must advance fair-housing goals (see below). If sufficient land in low-poverty areas is not available, a housing agency may provide replacement housing in other jurisdictions, so long as the replacement housing is located within 25 miles of the original project.¹⁴

Exceptions to the Full-Replacement Requirement Are Appropriately Narrow

As noted above, the final House-approved bill allows HUD to reduce the number of required replacement units only by up to 10 percent, based on a showing of "compelling need" and particular "extenuating circumstances." Grounds for a waiver may include a court order, shortage of land, the extent of vacancies in the original public housing, and provision of larger units, community facilities such as day care or health facilities, and open space. HUD may also approve waivers based on other grounds, but not solely or primarily based on lack of funds.¹⁵ This last restriction is particularly important, as it will encourage housing agencies and their public and private partners to provide additional housing tax credits or other resources to help support the proposal.

Some critics of the House bill contend that it is impossible to replace all or nearly all units lost through the HOPE VI process, or that doing so would undermine the goal of deconcentrating poverty because the lack of available land would force all or most of the replacement units to be on the original site. For example, the "Additional Views" on the bill, submitted by some members of the Financial Services Committee from the minority party assert that "the one-for-one replacement mandate for HOPE VI projects will increase the overall cost of the program, reduce the number and

size of grants made available and discourage participation by the private market, which will lead to fewer families receiving assistance.”¹⁶

Such arguments ignore the fact that the requirement to deconcentrate poverty has *equal weight* in the House bill with the requirement to replace all units: only proposals to accomplish *both* goals would be eligible for funding. While the requirement to replace all units is likely to increase the overall amount of public and private funding required for any particular project (including Section 8 vouchers and housing tax credits as well as HOPE VI grants),¹⁷ that will affect only the number of grants awarded out of any given amount of funding Congress provides. Overall funding amounts for HOPE VI will still be decided through the annual appropriations process.

Moreover, there is no evidence that the bill would result in fewer *families* receiving the benefit of HOPE VI funding, though it may result in fewer *cities* receiving grants. As the program has matured, a substantial competition has emerged among developers to participate in HOPE VI projects. So long as projects are economically viable, there will be sufficient development partners — at least non-profit partners — to achieve the desired results.

The availability of a waiver due to “a severe shortage of land,” however, is troubling. Such a vague standard is likely to be difficult to apply. HUD should be required to determine that housing agencies do not use the supposed shortage of land as a pretext to exclude racial minorities and families with children from low-poverty areas. In addition, the provision should be modified to create an incentive for cities to remove regulatory barriers that are impeding replacement efforts.

Bill Would Enable More Families to Live in Lower-Poverty, Less Racially Concentrated Areas

The House bill’s provisions concerning replacement housing represent a careful balancing of often-conflicting policy goals. Two of the bill’s goals are primary: grant recipients must replace all or nearly all lost public housing units with units subject to comparable eligibility and long-term affordability restrictions, and must do so in a manner that deconcentrates poverty.¹⁸ The deconcentration requirement, coupled with the selection preference the bill gives proposals that attract private capital, likely will mean that most of the replacement units will have to be located elsewhere. (The only exceptions will be cases where the original site can accommodate a substantial increase in the total number of units.) In recognition of the long-lasting effect of the replacement obligation, the deconcentration mandate takes precedence regardless of the number of residents who wish to return to the revitalized site.

The bill’s emphasis on providing comparable replacement housing in other locations represents a major policy advance. The bill states that such locations, in addition to being “low-poverty” areas, must “affirmatively further fair housing.”¹⁹ While the exact parameters of this obligation — rooted in the federal Fair Housing Act — are complex and subject to changing interpretations by HUD and the courts, it essentially requires the housing agency to locate some of the replacement housing outside areas of minority concentration, as defined by HUD.

Most residents of public housing awarded HOPE VI grants to date have been members of racial or ethnic minority groups, largely African American.²⁰ This pattern is likely to continue, as most severely distressed public housing that would be eligible for HOPE VI grants is likely to house predominantly African American families and to be located in predominantly African American neighborhoods.²¹ This reality reflects the historic legacy of segregation in the public housing

program: most developments that serve families with children are located in areas that are not only poor but also racially concentrated.²²

While HOPE VI has enabled many families to move to areas with lower poverty, it has made minimal progress in helping families move to areas that are less racially concentrated.²³ This is true even for families that have relocated with housing vouchers. Securing affordable options in low-poverty neighborhoods that are not racially concentrated will help achieve the new — and very important — program goal the House bill would establish for HOPE VI: “promoting housing choice among low- and very low-income families.”²⁴

House Bill Likely to Improve Outcomes for Original Residents

Typically, the residents remaining in the kinds of physically dilapidated and crime-ridden developments that qualify for HOPE VI are those with no better housing choices. They are extremely poor, and most are black or Hispanic single mothers with children.²⁵ This group faces additional challenges beyond those faced by other poor (largely female-headed) households of color.

In particular, these individuals are in far worse health than low-income households overall or black women overall, with very high rates of asthma and depression, according to the Urban Institute’s HOPE VI Panel Study. The adults show rates of arthritis, asthma, depression, diabetes, hypertension, and stroke more than twice those of black women, a population already at elevated risk. Their mortality rates far exceed national averages.²⁶ In short, this is an extremely vulnerable population, which faces serious obstacles both to successful relocation and to gainful employment.

An important goal of HOPE VI is to improve the lives of the severely disadvantaged families that live in distressed public housing. Yet the human side of HOPE VI has been its weakest component. What progress has occurred has resulted largely from relocating a portion of families through the use of vouchers. The HOPE VI Panel Study found that former residents of demolished developments who relocated using Housing Choice Vouchers live in substantially better housing in neighborhoods where, by and large, they feel dramatically safer than they did in their public housing developments. Both parents and children report feeling less worried and anxious and children show fewer behavior problems.²⁷

But this group constitutes only a minority of the residents displaced by HOPE VI projects, and even they have suffered financial hardships, as discussed below. The families with the greatest barriers to self-sufficiency — and therefore the most need for assistance — have typically *not* been helped by HOPE VI. Rather, they have been displaced from their homes and social networks, shifted to other public housing where living conditions are little better than what they left, and excluded from returning to the rebuilt communities.

The House bill includes a number of policy changes that would improve the effectiveness of the human side of HOPE VI. Housing agencies would be required to involve residents more actively in planning the redevelopment, reducing their anxiety about the impending changes and the risk that they will move prematurely. Residents’ advice also may result in a better plan, as occurred in Pittsburgh where residents were integrally involved in the planning process.²⁸ In addition, agencies would have to keep track of displaced families so that families are made aware of any changes in their relocation and rehousing options and available services.

Enhancements in relocation planning and services should enable more displaced families to succeed in using vouchers to obtain suitable housing. If they wish to return to the original site or move into a replacement unit in another location, they typically will be able to do so. In combination with the full-replacement requirements discussed above, these changes will provide families with increased opportunities to choose to move to neighborhoods with lower poverty. Finally, economic outcomes for families may improve as a result of several provisions in the bill, but further changes in this area, such as adding a selection criterion regarding the likely effectiveness of the public housing agency's plan to increase employment and earnings among original residents, would be beneficial.

Relocated Families Face Significant Hurdles

Most public housing residents living in units slated for HOPE VI redevelopment have had to be relocated as their buildings were demolished. (Relocation outside of the development can sometimes be avoided by phased redevelopment, which is required by the House bill "to the greatest extent practicable."²⁹) As of June 30, 2003, 50 percent of residents had moved to other public housing projects, while 31 percent had used Section 8 vouchers to secure housing on the private market.³⁰ (These percentages vary across sites; in some locations, vouchers are much more common than moves to other public housing.³¹)

Families coming from public housing without experience in the private housing market and with serious health concerns often have difficulty using vouchers. This hard-to-house population includes grandparents caring for their grandchildren, families with members who have disabilities and require accessible units, very large households, and families coping with an array of problems such as limited work histories, low levels of education, domestic violence, and depression. These households are generally relocated to other traditional public housing developments.

Unfortunately, concentrating households with multiple problems in traditional developments can quickly create the same sorts of problems as those in their previous developments. As a result, families' living conditions can actually *worsen* after they are relocated. Children who move to other traditional developments — particularly girls — show serious increases in behavioral problems, while their families fail to enjoy any increases in safety, continuing to confront serious crime and disorder in their homes, according to the HOPE VI Panel Study.³²

Further, moving out of public housing can impose additional financial responsibilities on families unable to meet them. One of the most frequent problems seen in the HOPE VI Panel Study was difficulty in paying utility bills, the expenses of which are often included in the rent in public housing. Overall, the study found that families that moved with vouchers were substantially more likely to report financial hardship than those that moved to other public housing developments.³³ (It is unclear to what extent these problems stem from inadequate family budgeting or from voucher subsidy levels and utility allowances that are set too low to cover actual costs, or some combination of the two.)

In addition, families using vouchers are frequently displaced again within a few years of their initial move, often because the marginal housing in which they lived failed a later inspection or its owners decided they no longer wished to rent to the families.³⁴ This presents another challenge. In Miami, more than half of the families relocated from the Scott Homes/Carver Homes lost their voucher assistance within a few years of relocation. Many of these families ended up homeless.³⁵

Another problem faced by many families that move with vouchers is that the neighborhoods to which they move are still poor and largely minority. Poverty rates may not be as high as in the areas they left, but the destination neighborhoods for most families are still quite poor.³⁶ Overall, 39 percent of HOPE VI families who relocated with vouchers moved to areas in which at least 30 percent of residents were poor.³⁷ In contrast, the voucher program typically achieves substantially better results for minority families. In the 50 largest metropolitan areas, 25 percent of African American and 28 percent of Hispanic voucher holders lived in such poor neighborhoods (compared to 8 percent of white voucher holders).³⁸ Some cities have shown particularly bad results. For example, families in Chicago that relocated with vouchers ended up in poor neighborhoods that were nearly entirely minority.³⁹ Similarly, in Richmond, Virginia, 82 percent of voucher holders moved to job-poor census tracts, containing less than 0.7 percent of the jobs in the metropolitan area.⁴⁰

In short, without housing vouchers *and* improved relocation assistance, the extremely impoverished families that have been living in public housing will be hard-pressed to find decent, stable, and affordable living conditions when they are displaced by HOPE VI redevelopment.

Relocation Changes in the House Bill

The House bill includes a number of changes designed to address the problems faced by families relocating in conjunction with HOPE VI. It would require housing agencies to provide all displaced families with “comprehensive assistance necessary to relocate the members of a household, . . . including counseling regarding housing options and locations and use of tenant-based assistance, case management services, assistance in locating a suitable residence, site tours, and other assistance.”⁴¹ Such services are typically not provided to families issued regular vouchers. While many agencies already provide some additional assistance to families relocating as part of HOPE VI, this new requirement would help ensure that all agencies provide the comprehensive services many displaced families require to succeed with vouchers.

In addition, agencies would be required to continue to provide relocation assistance with subsequent moves until at least two years after the end of the development period.⁴² (The final bill allows the development period to extend up to 4.5 years.) This new requirement is likely to have significant benefits. It will help prevent the loss of assistance if families are forced to move, as in the Miami situation described above, and it also will enable many families to make voluntary second moves to better neighborhoods. Chicago’s experience with such second move counseling indicates that it can have a significant impact in helping families move to lower poverty neighborhoods.⁴³

The House bill would also require agencies to ensure that families relocating with vouchers have options to move to communities with lower poverty rates that are less racially concentrated, and that, once relocated, families will not face financial burdens.⁴⁴ To accomplish this, it is possible that agencies, in addition to providing services to families, will have to adjust the maximum subsidy paid by the vouchers or the amount they assume families will need to cover their utility costs.

These are all positive changes. But the bill’s relocation provisions could be further strengthened by ensuring that HUD allocates sufficient relocation vouchers. In the past, HUD has awarded HOPE VI grants and relocation vouchers through two separate administrative processes. An agency could receive a HOPE VI grant premised on a revitalization and relocation plan that needs a certain number of new vouchers, with no assurance that it will receive the funding for the vouchers when relocation begins. Indeed, in some years Congress has required that agencies provide the

funds to cover the first year of voucher payments out of their HOPE VI grants, with renewal costs then shifting to the voucher account. The Notice of Funding Availability for 2007 HOPE VI funds aims to coordinate the funding award processes, but limits the number of relocation vouchers available to the number requested at the time of the HOPE VI application.

The bill aims to be certain to avert past problems by requiring agencies to include in their HOPE VI application an estimate of the number of relocation vouchers they will need.⁴⁵ But the bill does not explicitly authorize the funding of vouchers needed for relocation. Nor does it address the priority of such funding needs over other possible claims on funds appropriated for the broad purposes addressed by “tenant protection” vouchers. (In contrast, the final House bill includes authorization for the new project-based vouchers needed to comply with the bill’s one-for-one replacement requirement.⁴⁶) Future problems could be averted by including such additional provisions regarding relocation vouchers in the final legislation.⁴⁷

Ensuring that Displaced Families Are Not Excluded From Redeveloped Housing

In many cases, public housing agencies have imposed stringent criteria for readmission and residence in the new public housing units; these criteria prevent many displaced residents from returning. HUD typically has ignored the impact of screening policies on the readmission of original residents to HOPE VI developments. In essence, HUD has used the program as an unauthorized opportunity to expand the controversial Moving-to-Work Demonstration (currently limited to 30 agencies), implementing new requirements without the transparency of the rule-making process or the benefits of evaluation.⁴⁸ For example, applicants for 2007 HOPE VI grants are encouraged to impose “reasonable” time limits on occupancy of revitalized public housing units as a self-sufficiency strategy.⁴⁹

HUD encourages agencies to adopt strict screening policies for redeveloped housing. Many agencies — or the private managers of the redeveloped housing — use credit checks as a requirement for readmission, which can lead to the exclusion of residents even if they have complied with public housing requirements for decades.⁵⁰ Some agencies require that non-disabled residents be employed, in some cases for as many as 30 hours per week, despite barriers to work such as lack of child care or multiple health problems.⁵¹ In Chicago, such proposed screening requirements were estimated to exclude about 85 percent of the original residents from returning to HOPE VI developments.⁵²

In theory, agencies that impose such stringent reoccupancy criteria should provide families with the services they need to meet the requirements by the time the units are ready for reoccupancy. But agencies have not done so, and many families that wish to return have not been allowed to. HUD, meanwhile, has allowed agencies to exclude these families. The families left behind are the same disadvantaged families HOPE VI is supposed to help.

The House bill changes this ineffective paradigm. To protect displaced families, it would prohibit agencies from excluding them based on criteria that could not be grounds for evicting families from public housing.⁵³ If an agency wants more tenants to be employed, it can provide services to help achieve this goal (as discussed below), but it cannot deny readmission based on a family’s employment status. Moreover, the bill makes clear that HOPE VI is not a license for agencies or HUD to ignore the rules that otherwise apply to the public housing and voucher programs. Such a reassertion of congressional authority is long overdue.

Improving Economic Results

There is some evidence that HOPE VI redevelopment has helped bring economic activity back to communities that had previously been written off by the business community.⁵⁴ Case studies of four HOPE VI sites suggest that with careful planning, redevelopment can attract new investment and increase property values in the surrounding community. At those sites, revitalization has correlated with improved quality-of-life indicators such as increased household incomes and workforce participation rates and reduced unemployment.⁵⁵

There is a significant caveat, however. Because of the barriers keeping many residents from returning to these communities, the above indicators largely reflect a new population of residents. Evidence regarding the *original* residents indicates no improvement in employment rates four years after relocation began.⁵⁶

HOPE VI grantees are allowed to use up to 15 percent of their grants for a combination of relocation assistance and “community and supportive services” to help residents increase self-sufficiency and improve their lives. (Services may include on-site computer learning centers, day care facilities, after-school programs, and employment training programs and job referrals.) Agencies can increase their chance of winning a grant by proposing credible, comprehensive service plans involving experienced partner organizations. Yet despite this selection preference, agencies typically have spent much less than permitted on social services.⁵⁷

Spending of HOPE VI funds on social services may be low because agencies are able to leverage the services needed through partnerships, rather than paying for them directly. Even if that is the case, however, the types of services offered by HOPE VI grantees have failed to produce notable improvements in residents’ economic status. The HOPE VI Panel Study found that “HOPE VI relocation and voluntary supportive services are unlikely to affect employment or address the many factors that keep disadvantaged residents out of the labor force.”⁵⁸

The greatest barrier to employment by far is the original residents’ extremely poor health. Residents’ health problems have not improved with changes in location, which means that these obstacles have not been overcome. Moreover, the disruption inherent in the redevelopment process itself undermines the effectiveness of employment services.⁵⁹

Improvements Made by the House Bill Regarding Economic Outcomes

The House bill makes it possible for agencies to spend more on services to promote self-sufficiency, but it is not clear that they will take advantage of this opportunity. The bill increases the share of HOPE VI funds that an agency may spend on “community and supportive services” from 15 to 25 percent of the grant, and excludes relocation-related services from this limitation. Taken together, these changes permit agencies to increase substantially the amount of HOPE VI funds used for services to help displaced families overcome barriers to work. But there is still no requirement that agencies spend any particular amount, and services must still compete with development projects for a finite amount of HOPE VI funds.

The bill also clearly requires services to be provided to displaced families as well as new residents of HOPE VI-supported housing, closing a loophole in the original program, and extends the period of time in which services must be provided until at least two years after redevelopment is completed. Thus, the bill requires that at least minimal services be offered to families.

However, the bill fails to require HUD to consider the *quality* of the proposed service component of the program — whether it will focus resources in the manner needed to achieve increased work and earnings during the period services are provided — in the grant award decisions. Further, the bill allows agencies to define their own performance benchmarks related to supportive services, which likely means that many agencies will continue to focus on “inputs” — such as the number of training slots offered — rather than outcomes.

The disappointing results over the past 15 years of services for displaced families suggest that this area of the bill requires major changes to make it more likely that residents will be able to overcome the daunting barriers to improved economic outcomes. Experts from the Urban Institute have recommended a number of specific changes in the self-sufficiency efforts of HOPE VI grantees to make these services more effective.⁶⁰ The House and Senate should consider these suggestions and others in order to improve the final legislation.

Providing Opportunities for “Hard-to-House” Families

Despite these shortcomings, the House bill would likely make the HOPE VI program into an important part of the solution to the problems faced by some of our most disadvantaged families. The bill includes a selection preference for applications that provide replacement housing “that is likely to be most appropriate and beneficial for families whose housing needs are difficult to fulfill,” including new applicants as well as displaced households in need of special services.⁶¹

Combined with the provisions discussed above that will improve relocation assistance and require full replacement of lost units, this new preference for supportive housing-type models may avoid harm to the most vulnerable families, many of whom would otherwise have to move into other public housing that is as bad or worse than the housing they left.⁶²

Conclusion

H.R. 3524 makes important improvements in HOPE VI, which should address some of the problems that became apparent in the first 15 years of the program. In particular, the bill will lead to better housing choices and outcomes for the thousands of families displaced by HOPE VI developments. The bill also contains an important new requirement that all or nearly all demolished housing be replaced, which is particularly critical at a time of rising need for affordable housing.

Final HOPE VI reauthorization legislation should build on these key features of the House bill, while strengthening it in some key areas, particularly in making sure that vouchers are available for displaced families and in the effectiveness of services provided to families facing barriers to employment.

¹ Susan J. Popkin, Bruce Katz et al., “A Decade of HOPE VI: Research Findings and Policy Challenges,” Urban Institute, 2004, p. v.

² Margery Austin Turner et al., “Severely Distressed Public Housing: The Costs of Inaction,” Urban Institute, March 2007. For both estimates, the Urban Institute researchers looked only at public housing developments not scheduled for demolition or replacement in census tracts with poverty rates above 30 percent. The lower figure is based on the developments considered to be seriously deteriorated (based on a HUD REAC score below 75) with more than 30 percent of residents relying primarily on welfare income. The higher figure assumes somewhat less stringent measures of physical deterioration (REAC score below 80) and welfare dependency (more than 25 percent).

³ HUD figures indicate an *average* cost per unit developed with HOPE VI of \$153,441, of which \$63,114 (or 41 percent) is contributed by the HOPE VI program. These figures include demolition and site preparation as well as construction of all units, including market rate and tax credit-assisted units as well as public housing. It appears that the figures do not include relocation costs, housing voucher assistance, or resident services and are not adjusted for inflation of expenditures in earlier years. Statement of Orlando J. Cabrera, Asst. Secretary, U.S. Department of Housing and Urban Development, Subcommittee on Housing and Community Opportunity of the House Financial Services Committee, June 21, 2007, p. 6. The Urban Institute found a *median* per unit development cost of \$160,400, with 37 percent of the cost covered by HOPE VI, and an additional median cost for resident services *per original resident* of \$7,620. Margery Austin Turner et al., "Estimating the Public Costs and Benefits of HOPE VI Investments: Methodological Report," July 2007, p. 16. Estimates by GAO were considerably higher: \$223,190 per unit for development alone (without demolition etc.), and \$248,720 including all costs. GAO's estimates are based on HUD and housing agency data for HOPE VI projects funded in 2000 and earlier. GAO, "Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs," GAO-02-76, January 2002, pp. 21, 62. It is unclear whether the difference in time period covered is sufficient to explain the considerable difference in these cost figures.

⁴ About 92,000 of these units were demolished through revitalization grants; the remaining 57,000 were demolished through so-called "demolition-only" grants. See next note for sources. HUD has not yet announced the 2007 HOPE VI awards.

⁵ The demolition-only grant figures are based on HUD data available at http://www.hud.gov/offices/pih/programs/ph/hope6/grants/demolition/2003master_dem.pdf, accessed Jan. 10, 2008, and reflect grants made through 2003, the last year that such funds were awarded. The revitalization grant figures are based on HUD's HOPE VI Revitalization Grant Program: Quarterly Progress Report for the second quarter of fiscal year 2006, which reflects grants made through fiscal year 2004, updated by data on the 2005 and 2006 awards on HUD's HOPE VI webpage. HOPE VI grants also have been used to fund the rehabilitation of nearly 10,000 units of public housing that were not demolished.

⁶ Statement of Charles Elssesser, Jr. to the Senate Committee on Banking, Housing, and Urban Affairs Subcommittee on Housing, Transportation, and Community Development on Reauthorization of the HOPE VI Program, June 20, 2007, p. 2 (re Miami); U.S. General Accounting Office, "HOPE VI Resident Issues and Changes in Neighborhoods Surrounding Grant Sites," GAO-04-109, November, 2003, p. 13 (re St. Thomas).

⁷ See The Chicago Housing Authority Plan for Transformation, 2002, http://www.thecha.org/transformplan/files/plan_for_transformation_brochure.pdf.

⁸ GAO-04-109, note 6 above, p. 13 (re San Francisco and Tucson); Statement of Michael Kelly, Executive Director of the District of Columbia Housing Authority, to the Subcommittee on Housing and Community Opportunity of the House Financial Services Committee on Reauthorization of HOPE VI, June 21, 2007, p. 7; "Rainier Vista Redevelopment Plan," <http://www.seattlehousing.org/Development/rainiervista/plan3.html>.

⁹ According to the statement of HUD Assistant Secretary Cabrera submitted to the House Financial Services Committee on June 21, 2007, page 2, "56,524 tenant-based housing vouchers have or will be provided under the HOPE VI Revitalization and HOPE VI Demolition-only grant programs as replacement housing." It is likely that this figure includes HOPE VI-related vouchers issued in 2005 and 2006 (7,306, according to notices published by HUD in the Federal Register). Some of these vouchers may have been attached to particular developments (called "project-basing") in order to provide replacement housing units. Under the project-based component of the Section 8 voucher program, the subsidy is attached to the unit but families retain the option to move with voucher assistance after the first year.

¹⁰ U.S. Department of Housing and Urban Development, Office of Policy Research and Development, "Affordable Housing Needs 2005: Report to Congress," May 2007, Table A-4, and U.S. Department of Housing and Urban Development, Office of Policy Research and Development, "Affordable Housing Needs: A Report to Congress on the Significant Need for Housing," December 2005, Table A-4. For an explanation of the estimate that only one in four eligible families receive federal housing assistance, see Douglas Rice and Barbara Sard, "The Effects of the Federal Budget Squeeze on Low-Income Housing Assistance," February 1, 2007, n. 21, <http://www.cbpp.org/2-1-07hous2.htm>.

¹¹ It is unclear whether this preference is available only if the additional on-site public housing units are needed to enable residents who are elderly or have disabilities to return to the revitalized development, or whether in such cases the applicant is to receive some form of "extra credit" under this preference category. The provision also may require HUD to penalize applicants that do *not* propose sufficient on-site replacement housing for this population. See H.R. 3524 section 7(a), inserting new Section 24(e)(2)(C)(xv) of the U.S. Housing Act, 42 U.S.C. §1437v(e)(2)(C)(xv).

¹² Specifically, poor households must make up a smaller share of the rebuilt units — including the non-public housing units — than they did of the demolished units. See section 8 of the bill, inserting new Section 24(j)(2)(A)(iv).

¹³ The bill does not define a “low” concentration of poverty for purposes of the location of off-site replacement housing. It is presumably up to HUD to determine whether it is an absolute standard (e.g., an area with less than 10 percent poor residents), or a relative standard, and if the latter whether the comparison is to the jurisdiction or metropolitan area as a whole or to the neighborhood of the original site.

¹⁴ See H.R. 3524, Section 8, inserting a new subsection (j)(2)(B)(ii) into Section 24 of the U.S. Housing Act. It is most likely that public housing agencies would use project-based vouchers to provide replacement housing outside their jurisdiction. Administering public housing in another jurisdiction would require the explicit permission of the local government. Many public housing agencies are permitted by state law to administer housing vouchers in a broader geographic area than that in which they could build public housing.

¹⁵ See H.R. 3524, Section 8, inserting a new subsection (j)(1)(B) into Section 24 of the U.S. Housing Act. The waiver provision was added by the Managers’ Amendment adopted on January 17, 2008, during consideration of the bill by the full House.

¹⁶ HOPE VI Improvement and Reauthorization Act of 2007, H.R. 3524, H. Rpt. 110-507 (January 3, 2008), p. 46. Of the 11 Republicans who signed the Additional Views, 5 — including the ranking members of the full Financial Services Committee and the Housing Subcommittee — voted in favor of final passage after the waiver provision was added and other changes were approved.

¹⁷ In his testimony in June 2007, HUD Assistant Secretary Cabrera criticized the bill’s full replacement requirement in part on the grounds that it would be costly. He assumed that the \$63,000 HOPE VI investment to date per replacement unit (see note 3 above) would apply to all replacement units required by the bill. This assumption, however, is incorrect. Replacement units that are not going to be operated as public housing in the future may have little or no HOPE VI funds invested. For example, the construction (or purchase and rehabilitation) of a replacement building could be paid for with Low Income Housing Tax Credits and loans, with the loans repaid over time through project-based vouchers and regular rents. In such a situation, HOPE VI funds may only be used to cover part or all of the land cost — land is not an eligible cost in the LIHTC program — substantially reducing the HOPE VI per unit investment.

¹⁸ Replacement housing also must be “green.” The details of the “green” requirements were substantially revised by the managers’ amendment adopted prior to final House passage of the bill, in part to respond to criticisms by The National Association of Home Builders, HUD and leading Republicans on the Financial Services Committee. We do not discuss these provisions.

¹⁹ See H.R. 3524, Section 8, inserting a new subsection (j)(2)(B) and (j)(4) into Section 24 of the U.S. Housing Act.

²⁰ In a baseline study of 23 of the sites awarded HOPE VI grants in 1993, 20 had more than 80 percent minority residents. (One site was already vacated; the other two had minority populations of 56 and 62 percent.) Fourteen of the sites had African-American populations greater than 90 percent. Linda Fosburg, Susan J. Popkin, and Gretchen P. Locke, “An Historical and Baseline Assessment of HOPE VI: Volume 1: Cross-Site Report,” U.S. Department of Housing and Urban Redevelopment, 1996, pp. 3-11. At baseline, the five sites in the HOPE VI Panel Study had an average African-American population of 89 percent. Four of the sites were at least 90 percent African-American, while Easter Hill in Richmond, CA, was 58 percent African-American and 40 percent Hispanic. Susan J. Popkin et al., “HOPE VI Panel Study: Baseline Report,” Urban Institute, 2002, p. 2-2.

²¹ According to HUD data, about a third of public housing residents were non-Hispanic whites in 2005. As of the mid-90s, a majority of white public housing residents did not have minor children and lived in buildings restricted to people age 62 or older or who have disabilities. (See Goering et al. in the next note.) There is no reason to expect that the share of family public housing units occupied by white families would have increased significantly (or at all) in the intervening years. The Government Accountability Office recently estimated that only 2 percent of elderly/disabled public housing projects are severely distressed. United States Government Accountability Office, “Distressed Conditions in Developments for the Elderly and Persons with Disabilities and Strategies Used for Improvement,” (GAO-06-163), 2005, p. 11.

²² See Cara Henrickson, “Racial Segregation and Income Deconcentration in Public Housing,” *Georgetown Journal on Poverty Law and Policy*, Vol. 9, Winter 2002, p. 44 (on historical patterns of segregation) and p. 53 (on current segregation); John Goering, Ali Kamely, and Todd Richardson, “The Location and Racial Composition of Public Housing in the United States: An Analysis of the Racial Occupancy and Location of Public Housing Developments,” U.S. Department of Housing and Urban Redevelopment, 1994, p. 24 (on the racial concentration of family developments).

²³ Families tracked by the HOPE VI Panel Study that relocated to other public housing remained in communities that were 91 percent minority; those who moved with vouchers lived in communities that were 86 percent minority. Jennifer Comey, "HOPE VI'd and On the Move," Urban Institute, 2007, p. 5. Four case studies of fully redeveloped sites showed that even when creating a mixed-income community, the original sites may retain high black majority populations (as high as 96 percent). Of the four, only Centennial Place in Atlanta experienced a significant increase in racial diversity. Mindy Turbov and Valerie Piper, "HOPE VI and Mixed-Finance Redevelopments: A Catalyst for Neighborhood Renewal," Brookings Institution Metropolitan Policy Program, 2005, p. 39.

²⁴ H.R. 3524, section 2, inserting a new fifth program purpose in Section 24(a) of the U.S. Housing Act, 42 U.S.C. 1437v(a)(5).

²⁵ Nearly 80 percent of participants in the HOPE VI Panel Study had annual incomes of \$15,000 or less at baseline; two-thirds reported incomes of \$10,000 or less. Susan J. Popkin et al., "HOPE VI Panel Study: Baseline Report," Urban Institute, 2002, pp. 2-2, 2-3.

²⁶ See Carlos A. Manjarrez, Susan J. Popkin, and Elizabeth Guernsey, "Poor Health: Adding Insult to Injury for HOPE VI Families," Urban Institute, 2007.

²⁷ For a summary of the findings of the HOPE VI Panel Study to date, see Testimony of Dr. Susan J. Popkin, June 21, 2007, http://www.urban.org/UploadedPDF/901088_HOPE_VI.pdf.

²⁸ Patricia Murphy, "The Housing That Community Built," *Shelterforce*, Vol. 61(5), November/December 2004, pp. 11-13.

²⁹ See H.R. 3524, Section 8, inserting a new subsection (j)(3) into Section 24 of the U.S. Housing Act.

³⁰ U.S. General Accounting Office, "HOPE VI Resident Issues and Changes in Neighborhoods Surrounding Grant Sites," (GAO 04-109, 2003), p. 9. These data reflect the relocation of almost 49,000 residents from the large number of sites for which HOPE VI grants were awarded in 1996.

³¹ The 5 sites in the HOPE VI Panel Study were awarded grants in 1999 and 2000. As of 2005, 43 percent of the residents at baseline had relocated with housing vouchers, 22 percent moved to other public housing, 15 percent were no longer assisted (10 percent rented in the private market, 4 percent were homeowners, and 1 percent were homeless or in prison), and 16 percent were still in the original development. Jennifer Comey, "HOPE VI'd and On the Move," Urban Institute, 2007. It is unclear whether the higher percentage of families relocating with vouchers in the Panel Study compared with the GAO analysis is representative of a trend that continued with later grantees, or was based on circumstances unique to the 5 sites in the Panel Study or the particular period when vouchers were needed for this later cohort of families.

³² Megan Gallagher and Beata Bajaj, "Moving On: Benefits and Challenges of HOPE VI for Children," Urban Institute, 2007, pp. 4-5; Susan J. Popkin and Elizabeth Cove, "Safety is the Most Important Thing: How HOPE VI Helped Families," Urban Institute, 2007, pp. 5-6.

³³ Larry Buron, Diane K. Levy and Megan Gallagher, "Housing Choice Vouchers: How HOPE VI Families Fared in the Private Market," Urban Institute, 2007.

³⁴ A risk of the voucher program, unlike the public housing program, is that families can be forced to move due to such actions or decisions by their landlords.

³⁵ Statement of Charles Elsesser, Jr., Board Member of the National Low Income Housing Coalition, to the Committee on Banking, Housing, and Urban Affairs Subcommittee on Housing, Transportation, and Community Development on Reauthorization of the HOPE VI Program, June 20, 2007, pp. 3-4. Fortunately, the Miami experience was not duplicated in the sites followed by the Urban Institute as part of the HOPE VI panel study.

³⁶ Two different large-scale studies of families that relocated with vouchers found average decreases in neighborhood poverty of 16-17 percent. Jennifer Comey, "HOPE VI'd and On the Move," Urban Institute, 2007 (average poverty rates declined from 39 to 23 percent); Buron et al., "The HOPE VI Resident Tracking Study," 2002 (average poverty rates declined from 43 to 26 percent). The Buron study reported that nearly 40 percent of families ended up in neighborhoods with poverty rates of 20 percent or lower.

³⁷ J. Thomas Kingsley, Jennifer Johnson, and Kathryn L. S. Pettit, "Patterns of Section 8 Relocation in the HOPE VI Program," *Journal of Urban Affairs*, Vol. 25(4), 2003, pp. 433-438.

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- ³⁸ Deborah J. Devine et al., “Housing Choice Voucher Location Patterns,” U. S. Department of Housing and Urban Development, August 2002, p. 28. The data in this study are from 2000, the same year as the data in the Kingsley paper in the prior note.
- ³⁹ Paul Fischer, “Where Are the Public Housing Families Going? An Update,” Lake Forest College, June 9, 2004, p.2-3.
- ⁴⁰ Lallen T. Johnson-Hart, “Residential Outcomes of HOPE VI Relocatees in Richmond, Virginia,” Virginia Commonwealth University, 2007, pp. 64, 68.
- ⁴¹ H.R. 3524, section 11, inserting new subsection 24(s)(2).
- ⁴² H.R. 3524, section 8, inserting new subsection 24(g)(4)(A).
- ⁴³ Mary K. Cunningham and Noah Sawyer, “Moving to Better Neighborhoods with Mobility Counseling,” *A Roof Over Their Heads Brief 8*, Urban Institute, 2005. The study notes, however, that families relocated from public housing were less likely to benefit from the types of services offered by the particular mobility program, and recommends changes to make such a program more effective for such families.
- ⁴⁴ H.R. 3524, section 8, inserting new subsections 24(h)(4) and (j)(4). Families that do not receive the relocation assistance required by the bill could appeal to HUD through an administrative hearing process. (See new subsection 24(n).) Currently, families aggrieved by the relocation process may be able to seek relief in court (if they can obtain legal assistance), but there are no formal avenues for them to seek intervention by HUD.
- ⁴⁵ H.R. 3524, Section 8, inserting subsection 24(e)(2)(B)(iii). By using the term “estimate” the bill implies that agencies are not limited by their initial figure.
- ⁴⁶ H.R. 3524, section 8, inserting new subsection 24(j)(5).
- ⁴⁷ H.R. 1851, The Section 8 Voucher Reform Act (SEVRA), passed by the House in July, 2007, includes an authorization for tenant protection vouchers “in connection with the HOPE VI program.” Section 6(a), inserting new section 8(dd)(1)(B)(vi). If that provision becomes law — the Senate has not yet considered the bill — that provision would provide the authorization for the relocation vouchers needed for the HOPE VI program that are not specifically authorized by the House bill. But the SEVRA provision does not address the interrelationship between the award processes for HOPE VI and Section 8.
- ⁴⁸ For more information on the MTW program, see Will Fischer and Barbara Sard, “Inspector General Reports on HUD’s Moving to Work Demonstration Raise Serious Questions,” Center on Budget and Policy Priorities, July 13, 2006, <http://www.cbpp.org/7-13-06hous.htm>.
- ⁴⁹ See 72 Federal Register 41,832 (July 31, 2007). Such limits may only apply to households headed by a person under age 62 who does not have disabilities. There is no legal authority for HUD’s action.
- ⁵⁰ HUD rules allow agencies to use credit checks to help determine whether new applicants for public housing are likely to meet their financial obligations, but once a family is admitted, its previous credit history becomes irrelevant to continued tenancy.
- ⁵¹ Public housing agencies are permitted to establish a preference for admission of working families — and have considerable flexibility to define “work” — but only agencies in the Moving-to-Work demonstration are permitted to *require* work as a condition of admission or continued occupancy.
- ⁵² William P. Wilen and Rajesh D. Nayak, “Relocated Public Housing Residents Face Little Hope to Return: Work Requirements for Mixed-Income Public Housing Developments,” *The Clearinghouse Review Journal of Poverty Law and Policy*, Vol. 39(7-8), 2004, p. 530.
- ⁵³ H.R. 3524, Section 8, inserting subsection 24(m)(3).
- ⁵⁴ U.S. General Accounting Office, “HOPE VI Resident Issues and Changes in Neighborhoods Surrounding Grant Sites,” (GAO 04-109), 2003, pp. 25-26. Some sites showed statistical improvements on some measures, while conditions declined on other indicators. The analysis emphasized that larger regional and economic trends may affect neighborhood conditions in ways that cannot be easily identified.
- ⁵⁵ Mindy Turbov and Valerie Piper, “HOPE VI and Mixed-Finance Redevelopments: A Catalyst for Neighborhood Renewal,” Brookings Institution Metropolitan Policy Program, 2005, p. 66.
- ⁵⁶ Diane K. Levy and Mark Woolley, “Relocation is Not Enough: Employment Barriers Among HOPE VI Families,” Urban Institute, 2007, p. 1.

⁵⁷ As of the second quarter of fiscal year 2006, expenditures on community and supportive services (known as CSS) accounted for only 8.5 percent of total expenditures. U.S. Department of Housing and Urban Development, HOPE VI Revitalization Grant Program: Financial Summary Report for 2QFY2006. These figures may not include 2005 and 2006 grants.

⁵⁸ Levy and Woolley, "Relocation is Not Enough: Employment Barriers Among HOPE VI Families," Urban Institute, 2007, p. 1.

⁵⁹ An evaluation of the Ranier Vista redevelopment in Seattle showed that even with intensive services based on the successful Jobs-Plus model, "the effectiveness of community-building and employment services is inevitably undermined when a place is severely disrupted and redefined by redevelopment activities." Carolina Katz Reid, Edward Liebow, and Gabrielle O'Malley, "Building Community during HOPE VI Redevelopment: Lessons from a Seattle Case Study," *Human Organization*, Vol. 65(2), 2006, p. 200.

⁶⁰ See Diane K. Levy and Mark Woolley, "Relocation is Not Enough: Employment Barriers Among HOPE VI Families," Urban Institute, 2007, p. 6. The authors highlight the need to address the particular barriers to employment faced by individual families, including child care and health issues, rather than just offering job training and placement services as is typical. They also emphasize the importance, demonstrated by recent research in the welfare-to-work area, of GEDs for adults without high school education.

⁶¹ H.R. 3524, Section 8, inserting subsection 24(e)(2)(C)(xiii). As amended by a final procedural motion, this selection preference was modified to deny any preference for proposals that indicate that they will provide housing opportunities for ex-offenders who otherwise meet public housing admissions requirements. This change, proposed by Republican leadership, runs counter to the Second Chance Act, H.R. 1593, which the House recently passed. If this language is not deleted in final legislation, it is important to clarify that this language does not otherwise alter the tenant selection or readmission criteria for replacement housing units.

⁶² The HOPE VI Panel Study found that "at every site, hard-to-house families were more likely to end up in traditional public housing than in the private market, and so ended up little better off than they were at baseline." Susan J. Popkin and Elizabeth Cove, "Safety Is the Most Important Thing," Urban Institute, 2007, p. 6.