

THE CHOICE NEIGHBORHOODS INITIATIVE: A NEW COMMUNITY DEVELOPMENT MODEL

HEARING
BEFORE THE
SUBCOMMITTEE ON
HOUSING, TRANSPORTATION, AND COMMUNITY
DEVELOPMENT
OF THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED TWELFTH CONGRESS
SECOND SESSION
ON
EXAMINING THE CHOICE NEIGHBORHOODS INITIATIVE AND HOW IT
COULD BE IMPROVED, AND HOW COST-EFFECTIVE CHOICE NEIGH-
BORHOODS AND ITS PREDECESSOR, HOPE VI, ARE IN TERMS OF OUT-
COMES FOR FAMILIES AND NEIGHBORHOODS AND GRANTEES IMPE-
LEMENTING ACTIVITIES IN OUR COMMUNITIES

MARCH 27, 2012

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TUESDAY, MARCH 27, 2012

U.S. SENATE,
SUBCOMMITTEE ON HOUSING, TRANSPORTATION, AND
COMMUNITY DEVELOPMENT,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Subcommittee met at 10:40 a.m. in room SD-538, Dirksen Senate Office Building, Hon. Robert Menendez, Chairman of the Subcommittee, presiding.

OPENING STATEMENT OF SENATOR ROBERT MENENDEZ

Senator MENENDEZ. Good morning, and let me say we are sorry we are starting a few minutes late. We had a conference call with several parties, and it lasted a little longer than I had expected.

The hearing of the Senate Banking Committee's Subcommittee on Housing, Transportation, and Community Development will examine the Choice Neighborhoods Initiative, both as it has been enacted through appropriations thus far and as it is proposed in my bill, the Choice Neighborhoods Initiative Act of 2011, S. 624.

Among the issues considered will be how the program differs from its predecessor, the HOPE VI program; how it could be improved; how cost-effective Choice Neighborhoods and HOPE VI are in terms of outcomes for families and neighborhoods and grantees' planning and implementation activities on the ground in our local communities.

Choice Neighborhoods aims to revitalize severely distressed communities of concentrated poverty which are often marked by high crime and unemployment rates, health disparities, struggling schools, and faltering civic institutions. Built on a foundation of over 15 successful years of bipartisan HOPE VI, Choice Neighborhoods embodies the best of HOPE VI, but builds on it by asking grantees to develop plans for integrated supports for residents, ensuring high-quality educational opportunities for children, access to transportation and jobs, and providing health options and job readiness skills for families. Moreover, Choice Neighborhoods expands HOPE VI redevelopment techniques to aid in providing redevelopment of private federally assisted properties alongside public housing, and there is huge demand for the program with local applications far outstripping the funds available for it.

All Americans should enjoy equal opportunity and access to affordable housing in safe neighborhoods. It is imperative that we continue to support Choice Neighborhoods as it provides long-term

viability for families and communities nationwide. I look forward to hearing from the witnesses as they discuss their experiences with HOPE VI and Choice Neighborhoods and the potential of Choice Neighborhoods as a practical, cost-saving solution to redevelopment of distressed housing and neighborhoods that leverage private, non-profit, and local resources to a much greater degree.

We are thrilled to have a host of witnesses. We are going to start off with the Honorable Sandra Henriquez, who is the Assistant Secretary for Public and Indian Housing at the U.S. Department of Housing and Urban Development. As part of the senior leadership team at HUD, Ms. Henriquez oversees the Nation's public housing, rental assistance programs, and Native American and Native Hawaiian programs. She is the past administrator and chief executive officer of the Boston Housing Authority and the past president and director of the Council of Large Housing Authorities.

With that, Madam Secretary, we appreciate your appearance. We would ask you to synthesize your statement for about 5 minutes. Your full statement will be entered into the record, and please proceed.

**STATEMENT OF SANDRA HENRIQUEZ, ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING, DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT**

Ms. HENRIQUEZ. Thank you very much, Mr. Chairman. It is good to be here, and thank you for this opportunity to discuss how the Choice Neighborhoods program uses proven tools to transform neighborhoods by revitalizing not just public housing but all kinds of federally supported housing in poor neighborhoods.

Today I want to describe the need for authorizing Choice Neighborhoods, how it builds on the progress of the HOPE VI program, and how at a time when our national economy is growing it helps local leaders turn around distressed neighborhoods that are critical to helping regional economies rebound.

In less than 2 years, this program has already had great success helping communities tackle housing distress and leveraging private dollars. I am particularly grateful for the leadership that you have shown, Mr. Chairman, in sponsoring legislation that would authorize Choice Neighborhoods formally.

As local leaders continue to dig their communities out of the worst recession since the Great Depression, we recognize that the cost of poverty, particularly concentrated poverty, to our society and to our economic future is high. Today more than 10 million people live in neighborhoods of concentrated poverty—surrounded by disinvestment, failing schools, troubled housing, and, worst of all, virtually no path to opportunity for themselves or for their children. And that is why this Administration has pursued Choice Neighborhoods, which builds on the HOPE VI public housing revitalization program pioneered by HUD Secretaries Jack Kemp and Henry Cisneros.

With strong bipartisan support, HOPE VI has created more than 90,000 housing units in healthy, mixed-income communities that were once troubled by distressed public housing, leveraging twice the Federal investment with additional private capital and raising the average income of residents by 75 percent or more.

Chairman Menendez, HOPE VI changed the face of public housing in America, but in many neighborhoods that is simply not enough. In Little Rock, Arkansas, a struggling neighborhood just southeast of the downtown area is being challenged by both a severely distressed public housing development, Sunset Terrace, as well as a severely distressed 50-unit HUD-assisted, project-based Section 8 development, Elm Street. Both properties have deteriorating foundations and structures, electrical and plumbing problems, and the surrounding neighborhood is affected by high crime, poor schools, and widespread vacancy.

In the past, this neighborhood would have presented a worst-case situation for HUD because two separate and distinct HUD program areas were contributing to its deterioration. With HOPE VI, the community could have redeveloped the public housing property, but the Elm Street housing development in Little Rock would have been out of reach simply because it was subsidized by a different program at HUD.

Now, we all know that residents do not make the distinction between public housing and project-based Section 8. Communities do not make that distinction, and those who engage in criminal activity certainly do not make that distinction. And 3 years ago, the only one making that distinction was HUD, but with Choice Neighborhoods, we are not anymore.

Indeed, having secured a Choice Neighborhoods Planning Grant, the Little Rock Housing Authority is partnering with the owner of the HUD-assisted development to engage city and civic leaders in turning around the neighborhood. Choice builds on HOPE VI by recognizing that the problem of high concentrations of distressed housing in a single neighborhood of concentrated property is not limited solely to public housing. Indeed, we are not only hearing this from private owners, but we hear it from public housing authority executive directors, from mayors, residents, and other leaders across the country. They are telling us that Choice Neighborhoods is exactly the kind of catalytic tool they need to revitalize distressed neighborhoods with the flexibility local leaders want and need to address their specific challenges, from improving neighborhood infrastructure to ensuring high-quality, early learning opportunities for children. They know that Choice Neighborhoods funds leverage significant dollars from the private and public sector. Already the \$122 million in implementation grants that we have made thus far has leveraged a combined \$1.6 billion, over 13 times their total grant award, with more to come as the redevelopment work accelerates.

Mr. Chairman, that is real and serious return on the Federal investment, but that is not all that Choice Neighborhoods leverages. Indeed, at a time when Federal dollars are precious, Choice Neighborhoods has been critical to strengthening taxpayer dollars further. In Seattle, a \$10 million grant is leveraging \$32 million from the Seattle Department of Transportation to ensure families can get to and from work, while Boston is leveraging \$350,000 in workforce investment funds to ensure residents can get the job training they need to be part of the 21st century economy.

New Orleans' grant is leveraged nearly \$1 million from Head Start and another half million from a federally qualified health

center so children can get the quality education and care they need to grow up healthy.

In San Antonio's Eastside neighborhood, where almost half of the area's residents live in poverty and drop out of school, Choice is working in concert with the Department of Education's Promise Neighborhoods program. As the city's Choice Neighborhoods planning grant helps the city plan to revitalize Wheatley Courts public housing, its Promise Neighborhoods grant will help improve schools. It is the same consortium of local and partner institutions at the table that are building a vision, a shared vision for this work, and this funding ensures public, private, and nonprofit partners are all working together to provide good schools and quality learning opportunities in the center of these neighborhoods.

It is about attacking interconnected challenges with comprehensive proven tools. It is about understanding that local problems require locally driven solutions. It is about understanding that the Federal Government can serve as an effective supporting partner. It is about making taxpayer dollars go as far as they can. But, fundamentally, it is about making sure every American gets a fair shot, whoever they are, wherever they live. That is what Choice Neighborhoods is all about. That is why we ask Congress to authorize this program, and that is why I am so appreciative of this opportunity to appear before you today.

Thank you and I look forward to your questions.

Senator MENENDEZ. Well, thank you very much for that overview.

Let me just take advantage that you are here and we are developing a record to ask you some questions, and I think you in some respects touched upon this, but I want to hone in for our colleagues who will be reading the transcript. How does Choice Neighborhoods represent a new model of community development compared to HOPE VI?

Ms. HENRIQUEZ. Thank you for the question. As you know, HOPE VI really was limited only for housing authorities to apply and really looked at revitalizing the footprint of the existing public housing developments. And the revitalization efforts beyond that footprint might have been able to be accomplished, but not necessarily with the same strength and vitality we see coming out of the Choice Neighborhoods program.

Choice differs in that it takes the lessons we have learned from housing authorities in their creativity in their local levels, but takes it a step further so that there are more partners at the table. Not only housing authorities can apply, but project-based Section 8 multi-family owners can apply, city governments can apply, and it really builds a comprehensive shared vision for community reinvestment and revitalization, looking beyond the public housing or the single housing site footprint.

It makes sure that the commitment is shared, the resources are shared, and, therefore, those resources will go further and have a greater impact in revitalizing well into the community neighborhood in which those properties are located.

Senator MENENDEZ. Now, in your testimony you referred to leveraging, which I appreciate. In that context, can you explain the importance of partnerships to the success of Choice Neighborhoods.

Ms. HENRIQUEZ. Partnerships are vitally critical, and through this process we have learned at HUD to be a better partner, to support visions of local government and communities. But, indeed, if you start really talking about what Choice brings to the table, it is to have people talking at the local level who maybe did not do that before to get investment, to figure out where people's individual resources are in a community, and bring them together in a conversation so that everybody then understands we are serving a similar constituency, but we want to make sure that our dollars are going further and we understand better as a community at the local level what a community needs to be healthy, all the things that we all take for granted, or many of us take for granted: good education, good public transportation, safety on our streets. All of what we would call the infrastructure, the backbone, and the amenities that one would find in any well-developed community, that is what we are trying to return to distressed communities through the Choice Neighborhoods program.

Senator MENENDEZ. And in your examples of successful leveraging or investments under the Choice Neighborhoods program created a ripple effect, would those have taken place but for Choice Neighborhoods, the likelihood of that?

Ms. HENRIQUEZ. The likelihood is that they would not have. We have seen some leveraging in the HOPE VI program. We see probably it is 2:1 or 3:1 in terms of the Federal investment. On the Choice side, we are already seeing 13 times.

I work to stress, though, that some of the leveraging and the benefits we will not see. They will continue to build. You will see better health outcomes, better education outcomes, more economic independence for residents in those communities. And so the ripple effect will be larger, longer, and stronger.

Senator MENENDEZ. That precipitates what was my next question. Can you give us examples of how this can improve cost-effectiveness? I would assume those are elements of it, the ones you just described.

Ms. HENRIQUEZ. They are. We believe that with these kinds of improvements and investments, you will do a number of things. You will revitalize not just the neighborhood where that Choice Neighborhoods grant is being implemented. You will continue a conversation on the ground. You will see reinvestment from the private sector coming back into other parts of that community. You will see, we believe, economic vitality, businesses reinvesting in those neighborhoods. We are just not sure of all of what you will see. We think that it will be to the level of something we will be measuring 10, 15, 20 years from now and beyond.

Senator MENENDEZ. Which then brings me to my final set of questions. In HUD's experience, what has been the local demand for programs like Choice Neighborhoods? And how many applicants are there, and how much is HUD able to fund?

Ms. HENRIQUEZ. We funded five implementation grants this past—a year ago. I think we had over 100 applications for that. We, therefore, right now have funded a total in 2 years of 30 planning grants so that local neighborhoods can start the conversation to get themselves ready to apply for an implementation grant. We have given 30 of those out, and we have had hundreds of inquiries

and applications for those limited numbers of planning grants as well. And the demand keeps building.

Senator MENENDEZ. One of our panelists on this next panel will say that this is actually a fairly small program and question whether or not that is of value considering that, among other issues. Are there benefits that accrue to applicants who apply for Choice Neighborhoods grants but do not get one?

Ms. HENRIQUEZ. I would say undeniably yes. While it is a relatively small program, the leveraging and the amount of other private and public sector dollars that come into the arena for revitalization keeps multiplying and multiplying and multiplying. The benefit of having planning grants even if those communities are not successful in getting an implementation grant is that the conversation and the shared vision and the shared planning moving forward really helps those communities begin to identify and leverage other kinds of programs and other kinds of dollars that they might not have thought about before, and they can do lots of that work with very little funding and at least identify the direction in which as a community they want to move. And as resources become identified, they can put those resources toward that shared vision. And I think that that is a huge benefit to begin the conversation and to get everybody at the table thinking about how they want all of their citizens to live.

Senator MENENDEZ. Well, I appreciate your testimony. In your testimony you say we can predict outcomes in health, education, and economic outcomes of children based on zip code.

Ms. HENRIQUEZ. That is correct.

Senator MENENDEZ. And it seems to me that that is a pretty sad reality. We should live in a Nation in which the happenstance of what zip code you live in is not the determinant of where you will end up in life.

Ms. HENRIQUEZ. We wholeheartedly agree.

Senator MENENDEZ. And so I look forward to working with you in this one area. This is only one of many, but one area that I think we can, for a relatively small amount of money, make a big difference.

Thank you very much for your testimony and for your leadership.

Ms. HENRIQUEZ. Thank you very much.

Senator MENENDEZ. With that, let me introduce our next panel, and I will ask them to come up as the Secretary leaves with the thanks of the Committee.

Ms. Maria Maio is the Executive Director of the Jersey City Housing Authority, which has more than 2,500 public housing units, more than 3,900 rental vouchers, and three HOPE VI demolition and revitalization programs. Ms. Maio has over 40 years of professional experience—because she was taken from the crib to start in this field—in planning, developing, financing, administering, and managing assisted housing in Jersey City. I have known her for a very long time, and I appreciate her coming from New Jersey to give us an on-the-ground perspective how Choice Neighborhoods is working in Jersey City. I appreciate your leadership. It has just been extraordinary.

Dr. Susan Popkin is the Director of the Urban Institute's Program on Neighborhoods and Youth Development. Dr. Popkin's re-

search has focused on the impact of the changes in housing policy over the past decade on the lives of the most vulnerable public and assisted housing families, including the HOPE VI panel study, the first large-scale systematic look at outcomes for families relocated from public housing. We welcome you to the Committee.

Dr. Anthony Sanders is a Distinguished Professor of Finance in the School of Management at George Mason University, a Senior Scholar at the Mercatus Center, and he has been before the Committee many times, and we appreciate him coming back with us again.

Mr. Paul Weech is the Executive Vice President for Policy and Member Engagement at the Housing Partnership Network. He has served as Vice President for mission strategy execution at Fannie Mae, Chief of Staff at the United States Small Business Administration, Staff Director for the Subcommittee on Housing and Community Development for this Committee—which is the most significant of all the Subcommittees—and Senior Analyst for housing and credit for the U.S. Senate Committee on Budget. We welcome you back to the Senate as well.

Mr. Egbert Perry is the Chairman and Chief Executive Officer of the Integral Group, a full-service development and real estate advisory and investment management firm. Mr. Perry has provided the entrepreneurial leadership and vision to grow the firm into a leading innovator in the field of mixed-use and mixed-income developments as well as a driving factor in creating private-public partnerships that create opportunity for development and redevelopment in underserved communities.

Let me welcome you all to the Committee. In the order in which I introduced you, starting with Ms. Maio, I will ask you to summarize your statement in about 5 minutes. All of your full statements will be included in the record, and with that, we welcome you.

STATEMENT OF MARIA MAIO, EXECUTIVE DIRECTOR, JERSEY CITY HOUSING AUTHORITY

Ms. MAIO. Thank you, Chairman Menendez. I greatly appreciate your invitation and am honored to be here today to testify before the Subcommittee.

As you are aware, the Jersey City Housing Authority received one of the first 2010 Choice Neighborhoods planning grants and now is in the midst of preparing an application for a Choice Neighborhoods Implement Grant.

As has been mentioned, Choice Neighborhoods builds upon the model and achievements of the HOPE VI program. HOPE VI has transformed communities by turning severely distressed public housing into mixed-income, mixed-use, and revitalized communities that serve as long-term assets in their neighborhoods. HOPE VI has led the way in establishing new partnerships and leveraging additional resources. HOPE VI has also been a pioneer and laboratory for neighborhood place-based redevelopment. This has been true for us.

The Jersey City Housing Authority has been awarded three HOPE VI Revitalization Program grants, which have resulted in 730 constructed units and 275 planned units in mixed-income communities including public housing, affordable, and market-rate

units. Our HOPE VI communities have served as a model for developing quality sustainable affordable housing, which has been applauded by City, State, and Federal officials and residents of public housing and the broader community and imitated by private and not-for-profit developers.

Our HOPE VI programs met the goals of rebuilding severely distressed public housing, deconcentrating poverty, leveraging non-Federal funds—for us \$3 for every dollar of HOPE VI—and providing higher-quality, efficient affordable housing with reduced operating costs through the physical transformation to mixed-income developments and a Community and Supportive Services Program that focused on self-sufficiency initiatives, with a major goal of reducing unemployment.

The HOPE VI program also began the organizational transformation of the Jersey City Housing Authority from property manager to developer. Today the housing authority is regarded as the major affordable housing developer in the city. Severely distressed public housing has been replaced with lower-density housing that complements the existing neighborhood, new developments that are community assets, and attracting a diverse economic resident population in well-maintained housing. Critics of the stereotyped public housing have become the strongest supporters of our HOPE VI developments.

Much of the success of our HOPE VI program is the result of our strong commitment to Section 3 local hiring initiatives. To date, 500 public housing/local residents have been hired and \$22 million has been targeted to Minority Business Enterprises. To date, 66 percent of the public housing units in HOPE VI developments have been leased to former relocatees. But perhaps the best indication of success comes from a public housing resident who returned to a HOPE VI development and expressed how her child can “sleep in peace, I don’t hear gun shots in the middle of the night.”

Whereas the major HOPE VI focus was on addressing severely distressed public housing, Choice capitalizes on the strengths of institutions and assets of the neighborhood, convenes all neighborhood stakeholders and encourages their input, and pulls together disparate developments in various stages to plan and implement a singular comprehensive neighborhood transformation plan through tried-and-true successful public-private partnerships.

The Choice Neighborhood Initiative will allow us to expand on our successful public-private partnerships to develop a comprehensive plan for a neighborhood that includes the transformation of Montgomery Gardens, our remaining high-rise family development within the broader McGinley Square-Montgomery Corridor Neighborhood. Montgomery Gardens is currently perceived as a liability to further renewed investment in the neighborhood.

Perhaps most importantly, the transformation of Montgomery Gardens to a new Choice community that guarantees one-for-one replacement housing, ensures that the inevitable gentrification that will accompany market rate development will be addressed by the inclusion of affordable housing resulting in a quality mixed-income community.

In closing, I thank you for the opportunity to testify today and am available for any questions. Thank you.

Senator MENENDEZ. Wow, you set a precedent. You still had a minute.

Ms. MAIO. I know.

[Laughter.]

Ms. MAIO. I am from Jersey.

[Laughter.]

Senator MENENDEZ. Only the strong survive. All right.

Dr. Popkin? No pressure for the rest of the panel.

Ms. POPKIN. I do not know if I can match that.

STATEMENT OF SUSAN J. POPKIN, PH.D., DIRECTOR, PROGRAM ON NEIGHBORHOODS AND YOUTH DEVELOPMENT, URBAN INSTITUTE

Ms. POPKIN. Senator Menendez, thank you for inviting me to appear here today. For the past 14 years, I have been studying the impact of the HOPE VI program on the original residents of public housing projects that are demolished and replaced. While most of my research has focused on Chicago, I have conducted research in 13 HOPE VI sites around the country. The testimony I present here today draws from four major studies: the HOPE VI Panel Study, which tracked residents from five sites across the country; the Chicago Panel Study; the Chicago Family Case Management Demonstration; and the new HOST Demonstration.

The three main takeaways from this research are:

Because of HOPE VI redevelopment, most former residents now live in better housing and neighborhoods that are considerably less poor and dramatically safer than their original distressed public housing communities.

HOPE VI was less successful in helping families improve their economic circumstances and was not a solution for the most vulnerable households.

Our subsequent research makes clear that many families require more intensive, better coordinated services and that comprehensive community redevelopment efforts seeking to improve the well-being of all residents in distressed neighborhoods will need to provide intensive services that intentionally target both vulnerable children and adults.

HOPE VI was at its core a housing intervention, and there is no question that the program changed the face of public housing and succeeded in its goal of improving residents' life circumstances. Our studies find that the majority of families have experienced meaningful improvement in their housing and overall quality of life as a result of HOPE VI redevelopment, even though most residents have not moved back to the new, mixed-income communities. Most residents are living in communities that are less poor and dramatically safer. For example, after relocation, the proportion of respondents in our study who rated violence—shootings, attacks, and sexual assault—as big problems in their communities declined by more than 50 percent. The benefits of these improvements in safety are profound, with residents reporting significantly lower levels of anxiety and fear and describing being able to sleep better and feeling comfortable letting their children play outside.

But this research also highlights the significant challenges that remain, particularly residents' shockingly poor health and persist-

ently low levels of employment, problems that will require more intensive, focused interventions. At every age level, HOPE VI Panel Study respondents are more likely to describe their health as fair or poor than other adults and to report suffering from a range of chronic, debilitating conditions, including arthritis, asthma, obesity, depression, diabetes, hypertension, and stroke. The mortality rate for these residents was stunningly high—more than twice that of the general population.

In addition to providing an improved living environment, HOPE VI sought to help residents attain self-sufficiency. However, our research shows that employment rates have remained persistently low, averaging just under 50 percent. Physical and mental health problems, particularly mobility limitations, are by far the biggest barrier to employment.

Many residents who leave public housing struggle to make ends meet. Our studies show that many are forced to make tradeoffs between paying their rent and keeping up with utility payments and even affording food for their families.

The HOPE VI program was not a solution for the most vulnerable former residents, the subset of hard-to-house families who make up a large share of the population in distressed public housing and struggle with multiple complex problems like physical and mental health problems, low levels of educational attainment, weak labor force attachment, substance abuse, and domestic violence.

For the past 5 years, the Urban Institute has been working with housing authorities to test more intensive service models to address these deeper challenges. Our first demonstration ran from 2007 to 2010, providing participants with intensive case management, transitional jobs, financial literacy training, and mobility counseling to support participants in moving to communities that offered better opportunities.

The demonstration was remarkably successful, engagement was high, and participants reported gains in employment, physical and mental health, and housing and neighborhood conditions, but the benefits of intensive services and case management for adults did not trickle down to their children.

Developing effective place-based models that do reach youth is critical not only for improving the lives of individual children but also for ensuring the health and viability of public and mixed-income communities. If successful, these strategies can reduce problems that drive residents away from neighborhoods: vandalism, drug trafficking, fighting, and gang activity.

The Urban Institute's new, multisite HOST Demonstration is testing these kinds of dual-generation service models aimed at improving the life chances of vulnerable low-income families living in both public and mixed-income communities.

Incorporating intensive case management and permanent supportive housing for the most vulnerable residents into Choice Neighborhoods and any other comprehensive redevelopment efforts is one way to ensure that these initiatives truly meet the needs of all public housing families. The Choice Neighborhoods Initiative builds on the successes of HOPE VI and broadens the scope of revitalization efforts beyond public housing to the surrounding community, including schools and other types of housing. However, if this

new effort is to be more successful than its predecessor in improving the lives—and long-term life chances—of the families who suffered the worst consequences of living in distressed public housing, it must incorporate strategies that effectively address their needs. None of these solutions are simple, and all will require a long-term commitment to improving the quality of life for these families and ensuring better futures for their children.

Thank you.

Senator MENENDEZ. Thank you.

Dr. Sander.

**STATEMENT OF ANTHONY B. SANDERS, PH.D., DISTINGUISHED
PROFESSOR OF FINANCE, GEORGE MASON UNIVERSITY
SCHOOL OF MANAGEMENT**

Mr. SANDERS. Senator Menendez and distinguished Members of the Committee, my name is Dr. Anthony B. Sanders, and I am the Distinguished Professor of Finance at George Mason University and a senior scholar at the Mercatus Center. It is an honor to testify before this Committee today.

I am here to discuss a proposed Senate bill, S. 624, the Choice Neighborhoods bill. This bill calls for \$350 million in 2012 for competitive grants to revitalize distressed neighborhoods.

As someone who has lived on the South Side of Chicago and outside of Elizabeth in Jersey City, New Jersey, I clearly understand the spirit of what this legislation is attempting to do.

But \$350 million spread over the United States for distressed neighborhoods is a drop in the bucket. Bear in mind that Stanford University recently built a business school campus—two buildings—for \$345 million. And yet Detroit, Cleveland, and many other inner cities continue to suffer.

Now, I have a question and a suggestion. The Department of Housing and Urban Development Secretary Shaun Donovan is an advocate of improving the quality of housing projects in the United States. Why didn't HUD find this money in their \$47.2 billion budget through effective budget management or additional requests? I do not know the answer to that, but that would have seemed to have been a more likely way to do this.

But another way to help solve the problem is to unleash the free market on housing. Taking a page from President Reagan and the Democratic majority playbook, we could use fiscal policy to increase the supply of clean, affordable housing by offering accelerated depreciation deductions on multifamily housing. This will increase the supply of housing without having to go through the housing authorities per se and not-for-profits, and it would actually increase the supply again of livable housing, which some cities are woefully short on.

The Reagan/Democratic congressional approach—known as the Kemp-Roth Economic Recovery Tax Act of 1981—was put in to increase depreciation deductions on multifamily housing using the Accelerated Cost Recovery System. Under this legislation, all property was depreciable for tax purposes over 15 years, and for low-income housing, 200 percent declining balance depreciation was available. Furthermore, rehabilitation expenditures for low-income

housing could be amortized over 5 years. The act worked so well that it was amended in 1986 with the follow-up act.

We could once again use fiscal policy to help solve the public housing problem. I would prefer this approach to smaller allocations of capital in trying to get to this.

To be sure, such legislation would create additional deficits, but the stimulative effects to the economy and the distressed neighborhoods could be greater than the lost tax income received by the Federal Government.

Now, recently, Bank of America announced a "Mortgage to Lease" trial program to avoid foreclosure and yet another property going into REO and out in the already flooded market. This proposal will keep homeowners in their current home but switch them to renters. It is a way to stabilize neighborhoods hit by the foreclosure crisis and curtail neighborhood blight by keeping a portion of the properties off the market.

Again, I appreciate the other aspects of the Choice Neighborhoods legislation that have been discussed so far. There are other ways we can help in the total crisis. So I would just advocate this is not big enough. We need something bigger, a bigger hammer to solve the problem.

Thank you for the opportunity to testify.

Senator MENENDEZ. Thank you, Dr. Sanders. I can see you are originally from Jersey as well.

Mr. Weech.

**STATEMENT OF PAUL N. WEECH, EXECUTIVE VICE PRESIDENT
FOR POLICY AND MEMBER ENGAGEMENT, HOUSING PART-
NERSHIP NETWORK**

Mr. WEECH. Mr. Chairman, thank you. And on a personal note, thank you so much for letting me come testify today. As a former staffer of this Committee, I spent an awful lot of time on the dais up there behind you, and I had the privilege to sit at this table several times during markups of housing legislation. But it is the first time I have gotten to be here as a witness, and I really on a very personal level think that is—I am tickled.

Anyways, I am honored to be here today with you to represent the Housing—

Senator MENENDEZ. I hope you feel that way at the end of the hearing.

[Laughter.]

Mr. WEECH. Be nice.

Senator MENENDEZ. I am always nice to former staffers.

Mr. WEECH. Good. Thank you. Thank you.

I am honored to be here representing the Housing Partnership Network today and also to discuss the Choice Neighborhoods Initiative.

The Housing Partnership Network is a member-driven collaborative of about 99 entrepreneurial nonprofits from all across the country that build, manage, and finance affordable housing. Our members include lenders, single-family and multi-family developers, property owners and managers, and housing counselors.

Mr. Chairman, on behalf of the network, I want to strongly support S. 624, the Choice Neighborhoods Initiative Act. I urge this

Committee to report the bill to the full Senate at your earliest possible convenience.

My main message today is to voice my strong support for the role of nonprofits in the Choice Neighborhoods process as reflected in your bill. Too often, when people hear the word “nonprofit,” it conjures up an image of a small office staffed by highly motivated, well-meaning people working hard to make a difference. Unfortunately, the nonprofit image also conjures up a picture of an organization that does not have a lot of financial and operating capacity. In fact, as outlined in my written testimony, the membership of the Housing Partnership Network includes some of the strongest nonprofit developers in the country, many of whom have worked side by side with the public housing community on HOPE VI projects and several of whom are already involved in Choice Neighborhoods implementation and planning grants.

As nonprofits, our members are aligned with the public sector and its mission goals. Our members care about community impacts and are dedicated to positive outcomes for the residents. At the same time, the network members are operating like business enterprises, bringing good business practices and efficiency to complicated development efforts.

I would also like to applaud the expansion of Choice Neighborhoods to allow the redevelopment of both private and public housing. Whether distressed real estate is publicly owned or privately owned, it has the same negative effects on the people in the communities in which it is located. In fact, I would argue that we jettison artificial division in the program between publicly owned and privately owned housing. All Choice Neighborhoods programs should compete based on the strength and experience of the developer, on the quality of the partnerships committed to the development, on the ability to leverage other private resources, and on the outcomes for the residents. In an open competition, the very best projects will rise to the top, and the Federal Government will maximize its social return on investment.

Choice Neighborhoods improves on HOPE VI by requiring and promoting greater linkages to the other systems that make a community successful. A successful community includes good schools, accessible health care, basic retail services like grocery stores, and access to transportation that connects residents to jobs.

The Administration deserves significant credit for its work to break down the silos that divide the Federal agencies, and the effort to connect this housing with opportunity is also a place where Congress could do more to support these efforts, and your bill goes a long way there, Senator.

Finally, I would like to comment on how important it is to enact the authorization. The lack of permanent authorization makes the future development environment uncertain. Real estate development requires extensive planning activities and a long lead time. Acquiring property and holding it is expensive.

Choice Neighborhoods developments will have an even longer lead time as developers assemble and formalize new partnerships across multiple disciplines. When the program funding and rules are institutionalized, more strong players will step up to the plate to participate.

In closing, Mr. Chairman, I would like to reiterate how important the work you are doing is for America's urban, suburban, and rural communities. In all kinds of places, federally assisted properties have fallen into distress for any of a variety of reasons: the natural aging of the assets, inadequate funding, overleveraging, a change in market conditions, a change in tenancy sometimes, and poor property management. Whatever the cause, these properties have had a negative effect on their residents and the surrounding communities. The blight at the center of the neighborhood can keep people from buying homes nearby and can prevent new investment from coming in. A public investment like Choice Neighborhoods can change the negative market dynamic and send the community and, more importantly, the lives of the people who live in those communities on a positive upward trajectory.

Thank you.

Senator MENENDEZ. Thank you very much.

Mr. Perry.

**STATEMENT OF EGBERT L.J. PERRY, CHAIRMAN AND CHIEF
EXECUTIVE OFFICER, THE INTEGRAL GROUP LLC**

Mr. PERRY. Thank you, Mr. Chairman. I am honored to have the opportunity to be in front of you today to speak in support of Senate bill 624, the Choice Neighborhoods Initiative, which we do believe is a new model for community development.

This initiative would help to transform distressed neighborhoods and public and assisted projects into viable and sustainable mixed-income neighborhoods by linking improvements with appropriate services, schools, public assets, transportation, and access to jobs. My support comes not only as a result of my obvious appreciation for the tremendous benefits that would accrue from a public policy perspective, but also as a private practitioner in the real estate field.

My firm is 20-years old, and we have been involved in a number of HOPE VI projects across the country, as well as other affordable developments, including projects here in the Nation's capital, Baltimore, and Atlanta, which is our headquarters.

Now, unlike a lot of real estate firms, we are involved both as commercial real estate developers as well as community developers. If you think of commercial real estate development as focused on transactions and, therefore, intent on maximizing the returns to the investors and other partners, think instead of community development as more transformation as opposed to transactional—transformational because it calls for the intersection between public policy and private enterprise, which in and of itself is a very difficult one to take, and especially for those of us in the private sector, and that has given rise to the importance of public-private partnerships.

It also means that the goals we seek to achieve are both hard and soft—hard in the sense that you are trying to achieve economic returns that make sense for the capital invested, but soft because you are also trying to address the human condition, which is a much more challenging undertaking.

This was the problem that the best HOPE VI developments tried to achieve—this was the solution they were trying to achieve and

this was the problem they were trying to undertake. And so from our perspective, we seek to do one thing very important with the Federal dollars: it is to leverage those dollars as much as possible to attract other local public funds as well as private debt and equity capital in order to achieve something that would not be possible if left up to the pure marketplace, but at the same time we are trying to work as hard as we can to restore the market forces so that the private marketplace will carry the development the rest of the way. Otherwise, you would be intent on looking for unending sources of public subsidy.

Now, I spoke about our prior HOPE VI development experience, and I want to cite one example that I think is indicative of what Choice Neighborhoods intends to build on and will do things that in HOPE VI were nice to have that now will become pretty much mandatory under Choice. Those things are, in the case of HOPE VI, it was possible to successfully do a HOPE VI development and take on a housing challenge, and a housing challenge only. You could not do that under Choice. You could not respond and be received favorably without having addressed education and some of the other initiatives that are important to create what we call "quality-of-life infrastructure."

And so if you think about it, in this development we took on a project that was the first public housing project in the United States, Techwood Homes, and a picture of Techwood shows 1,100 housing units, household income \$4,300 per year, and all of that was not earned income; a crime rate that was 35 times the average crime rate across the city; and if that was not enough, a captive elementary school right in the heart of the development that ensured that we were destroying the next generation.

So we created a set of shared goals between our firm and the Atlanta Housing Authority, and those shared goals reflected the priorities of the authority as well as the priorities of the private development partner to create something that was truly transformational. I will tell you it was heroic work in the sense that it took a lot of heavy lifting and partnerships that were nice to have under HOPE VI but were not required. It was a successful development, but in the final analysis, it was extremely difficult, and we think that Choice Neighborhoods as an initiative offers the opportunity to make those things so much easier and encourage the collaboration to take place at the front end.

The people who speak adversely about Choice Neighborhoods really have not spoken to people on the ground, whether that is city governments that see the tax rolls swelling as a result of this leveraged investment and this revitalization or the families that have benefited from this.

So I strongly encourage and support the bill and encourage you to do so as well. Thank you, Mr. Chairman.

Senator MENENDEZ. Thank you very much. Thank you all for your testimony. Let me flesh out a few more things with you all so we can more fully develop the record.

Dr. Sanders, I do not believe your testimony disagrees with the need to address public and private distressed housing across the Nation, right? Am I correct in that assessment?

Mr. SANDERS. You are correct.

Senator MENENDEZ. And it seems to me that the other housing solutions you cite such as increasing depreciation deductions on multi-family housing and the Bank of America's mortgage-to-lease programs are probably good ideas.

Mr. SANDERS. Yes, they are supplemental.

Senator MENENDEZ. But they do not really—but my concern is that they do not really deal with what to do about distressed public and HUD-assisted housing. So my sense from your testimony—I am just trying to get the synthesis here—is that you basically have a view that this is just too small to be consequential.

Mr. SANDERS. It is not big enough.

Senator MENENDEZ. OK.

Mr. SANDERS. May I add something else, Senator?

Senator MENENDEZ. Surely.

Mr. SANDERS. When they were first doing HAMP over at the Administration, I met with Treasury and I saw what their proposal was for HAMP on the housing side, and my proposal said, "This is way too small. You are trying to put out a fire with a glass of water." So sometimes these proposals just end up being very modest, and they could be big. Again, Stanford University spent this amount just on two buildings. So yes, this is not big enough.

Senator MENENDEZ. And so the response to that would be if we were to do nothing, even the suggestions that you have, which I personally agree with but do not deal with the distressed public housing market or public assisted market, would have no impetus. And I just think that the leveraging that Secretary Henriquez suggested has happened is worthy beyond the dollars, but I see your point, and certainly we would love it to be more robust, but we need to start—from my perspective we need to start somewhere.

Let me ask you, Ms. Maio, in your view how does Choice Neighborhoods in your own experience—and Jersey City is a great place because it has been the beneficiary of both HOPE VI projects as well as the planning on Choice Neighborhoods. How does it differ from HOPE VI in your experience on the ground in Jersey City?

Ms. MAIO. We are in the middle of a planning grant, and as I indicated preparing a Choice Implementation Grant application, and I hope I do not offend anybody by saying this, I think Choice is HOPE VI on steroids. It is basically the notion of looking way beyond just the public housing site and the notion of looking even beyond the benefits to just public housing residents. It is bringing so many more entities to the table. It is bringing the private developers, the not-for-profits, the board of education, I mean, the list goes on and on and on. And that is why I agree with the Assistant Secretary. The planning process, doing all of this up front—and I think that is where Mr. Perry was going. All the work that has to be done up front to coordinate all these entities, to come up with a plan that we all agree with.

I will tell you a little story that as part of this planning process we have to have community meetings, not just with public housing but all the stakeholders in the neighborhood. We had a meeting a week and a half ago. They applauded us. I have never been applauded.

[Laughter.]

Ms. MAIO. That was a first. Typically, when you implement a HOPE VI program, because of the relocation and the negativity associated with that, it brings out things, you know, in terms of difficulties with families relocating. The issues of mental health, that is a grave issue. I could not agree with Dr. Popkin more on that. I think now that Choice will give us an opportunity to collaborate with partners that we never dealt with. We are partnering with the Pre-Natal Consortium. I know Choice talks about cradle to college. We are talking about prenatal. We are talking about even before the child is born and what are the implications for the mother's health, the implications then for the child's health.

The board of education, the charter school—we have the charter school and a pre-K now working together using combined spaces. So making those new connections, making the connections that were already there, and bringing us to the table as a convener. We in the public sector have spent our lives convening meetings, sometimes positive, sometimes not, but we are used to that give and take. We are used to meetings where people have criticisms as well as accolades for us. And being able to put all that together so that—one of the gentlemen said, this is not a plan, this is a vision, and I think that is what we want to talk about. This is much bigger than HOPE VI.

I hope I have answered your question.

Senator MENENDEZ. Actually, you answered my follow-up as well. [Laughter.]

Ms. MAIO. I am from Jersey.

Senator MENENDEZ. Invite me to your next Choice Neighborhoods planning session so that I can share your process.

Let me ask you, Dr. Popkin, you mentioned that HOPE VI was less successful in helping families improve their economic conditions, including persistently low levels of employment and poor health conditions. How do you think the Choice Neighborhoods model incorporates methods to address the deficiencies that HOPE VI had? Or maybe deficiencies—well, I do not know. Maybe it did not meet all of the aspirations we would have had of HOPE VI.

Ms. POPKIN. I think HOPE VI was really a housing intervention with the hope that moving people somewhere else would have all these other benefits for families. I think the research we have done shows it is much harder to move those kinds of outcomes for people who have been very disconnected from the labor market and are very sick, dimensions. So I think the kind of work we have done over the past few years where we have worked on using housing as a platform for services, integrating services in a coordinated way into a housing redevelopment shows a lot of promise, and that is the only time in any of the research I have done I have seen the employment numbers move or the health numbers stop getting worse.

So I think that kind of effort to really integrate and coordinate, like Ms. Maio is talking about, holds a lot of promise.

Senator MENENDEZ. And if you were to synthesize for me—I mean, you did some of this in your testimony. What are some of the most important outcomes of your extensive study? If you were to highlight it for me, what would you say?

Ms. POPKIN. Of integrating services?

Senator MENENDEZ. Yes.

Ms. POPKIN. We saw employment numbers rise. In all the years I have been tracking people through HOPE VI and through the Moving to Opportunity demonstration, I have never seen the employment change. So with an intensive transitional jobs program, even in the worst labor market in memory, we saw employment increase for the participants. We are following up this year to see if that was sustained after the services were done.

We saw people's health ratings stabilize, and the main reasons for that seem to be the regular contact with case managers and some reduction in substance abuse. And, again, I have never seen health improvement in any of the research we have done. I have only seen it get worse as people get older.

What we did not see were any benefits trickling down to the kids, and that I think is a major concern. There is a lot of hope with the case management strategy that if you could improve maternal depression, for example, you will see kids' outcomes improve, and we did not see that. So the new work that we are doing is really very intentionally incorporating services for children and youth. You said prenatal, but really intensively targeted case management for kids, outreach to families to get very little kids enrolled in early childhood programs, and we are in the midst of that evaluation so I cannot tell you if it is working yet, but we are hoping we will see some movement on those outcomes.

Senator MENENDEZ. Well, that is interesting because it seems to me that, of course, in the first instance, what we were trying to do with HOPE is stop the warehousing of people and creating senses of community, but there were other elements, and it seems that some of them were moving in the right direction. I am hoping that Choice Neighborhoods can go beyond that.

Mr. Weech, you talked in your testimony about silos that divide Federal agencies, and certainly my bill works to try to break those silos down. But you suggest that more can be done. Can you give me some sense of what you think might be able to be done?

Mr. WEECH. Yes, it is interesting. I thought of that, Senator, before I came because obviously there is some great stuff happening through the partnerships on the ground. You are getting better coordination at the local level between the housing developers and the other providers who service the schools, and Choice Neighborhoods is really driving some nice new partnerships. But it still means having to access the different delivery systems from the Federal Government.

Now, this Administration deserves a lot of credit. They have been doing terrific kind of on the administrative level of trying to coordinate better with the other agencies and the grant programs. Things that we might consider that would be more aggressive would be requiring joint NOFAs and single applications that get sent to all of the Federal agencies involved and make it much easier for the applicants, say, on a Choice Neighborhoods application to have assurances of these other dollars flowing into their projects and cementing the partnerships on the ground.

Senator MENENDEZ. And you talked about well-managed affordable housing as a platform for a wider array of positive social outcomes. How can the Choice Neighborhoods serve as that platform?

And what types of specific outcomes for residents do you envision possibly resulting from it?

Mr. WEECH. Well, rolling back the tape, you know, all of the non-profit property managers in my organization are trying to bring resident services to the people that they are serving, and the biggest challenge for them is really kind of the consistency of those funding streams. It is an annual grant-writing process, it is fundraisers, and it is a big challenge on services.

What Choice Neighborhoods is doing, what your bill does in the planning process and in the implementation process, is it is really starting to get those funding streams more closely aligned and working together. And so, you know, I am hoping that Dr. Popkin can back us up on this, but we see already with the redevelopment process better outcomes in terms of public safety and people's sense of well-being, people are sleeping at night, and by carrying these linkages to these more intensive services, we would like to hope that you have better educational outcomes for the kids, better job opportunities for the residents, and better health outcomes.

Senator MENENDEZ. Mr. Perry, I really appreciated your testimony. I think you presented an honest and sometimes taboo tidbit about community developers, that while you are committed to transformation, obviously one of your goals is to indeed make a profit. So my question is: How does Choice Neighborhoods help you balance between both of those goals—the legitimate goal of making a profit and at the same time some of the societal benefits? Does it?

Mr. PERRY. It absolutely does, and thank you for the question. In fact, as a developer you are often challenged to take the long view because returns are not immediate. And with Choice Neighborhoods, what you are able to do is take on those kinds of things that I call or refer to as “quality-of-life initiatives” that create long-term value. When you or I decide to buy a home, if we have school-aged kids or think we will, we certainly want a neighborhood that has a good school. And so in some respects, if you look at it, when we make that purchase, we are making an investment decision that has a long lifetime on it, and so developers focus on wanting to see real estate values go up over time, so we want to be in those kinds of communities. Choice allows us to take on blighting influences in the neighborhood, and by overcoming those blighting influences, market forces get restored.

I indicated that we have done a number of HOPE VI's, and I consider Centennial Place to be one of those, and the elements of that development include a brand-new K–5 math, science, and technology-themed elementary school, early childhood development centers, YMCAs, and high-quality housing were in a neighborhood anchored by two major institutions, Georgia Tech and Coca-Cola. But they were there when this same site, Techwood Homes, the worst of the worst, existed. And so it means that unless the linkages are intentional, well thought out, and put in place up front, you can still get bad outcomes. I think Choice ensures that you have to do that homework up front in order to submit a successful application.

Senator MENENDEZ. Now, I think the public-private partnership model is critical to the success of Choice Neighborhoods, and I was intrigued—you mentioned four metrics that you use to measure

your ability to mitigate risk without ignoring public policy priorities. Can you share the details on the metrics that you use? Or are they proprietary?

Mr. PERRY. They are not, and if they were, they are not after I submitted the written testimony.

[Laughter.]

Mr. PERRY. Certainly we have investors, lenders, and other partners that have put capital in, so we have to ensure that we provide at least a reasonable return. Most of the investors in those kinds of communities understand they are not going to make maximum dollars, but they at least expect a reasonable return, so that is important.

We are doing this to help families and individuals make it into the next generation successfully, and so we have positive outcomes that we have to achieve with respect to the families that are impacted by these community rebuilding efforts.

We are also focused on impact in the surrounding neighborhoods, and I will give you anecdotally—in the case of Centennial, I will tell you that one and a half blocks south of our site, a site that was suffering from just total disinvestment, we now have the largest aquarium in the world, a \$300 million aquarium, a \$200-plus million Coke museum, a complex of high-risk office buildings, condos, hotels, all of which together total about \$2.5 billion of private investment that I would say would not have been remotely possible if the redevelopment effort had not been taken on. So that is impact to a surrounding neighborhood.

And then, finally, the impact to the local jurisdiction, specifically now you have a site that is 60 acres that was off of the tax rolls that is now on the tax rolls paying significant taxes, unfortunately or fortunately, depending on which side of the table you are; and at the same time, an impact that is even broader than that site also contributing to those tax revenues.

So those four are the metrics we look at to bring all of the stakeholder together to support one of these comprehensive revitalization efforts.

Senator MENENDEZ. Very helpful.

One final question, Mr. Weech. You said in your testimony that you do not believe my bill should have separate distinctions for privately owned versus publicly owned distressed housing in terms of grants. And while I agree with you that distressed housing has identical impacts on the people who live there regardless of ownership, the only thing is I remain concerned about the negative effects on the physical state of public housing throughout the country during a time of declining Federal and State budgets for housing assistance. Is that a concern that you share?

Mr. WEECH. Absolutely, Senator, longstanding—in fact, when I was here on the Committee, the Commission on Distressed Public Housing produced its work, and the HOPE VI program came out of that. And part of the motivation for us on HOPE VI was to find a way to get the capital we needed to meet the backlog modernization needs in public housing. So as a network, we are totally supportive of a variety of strategies to recapitalize the public housing inventory which has been underinvested in for a long time.

I think I was making more the point that in a competitive grant program, it does not make sense to me to have HUD run two separate grant competitions. Most of the applicants for the Choice Neighborhoods grants were public housing agencies, which says to me that the experience they have on HOPE VI, the quality of development teams they put together, they will continue to compete very successfully for the grant dollars.

Senator MENENDEZ. Well, thank you all for sharing your expertise today. I think that the Choice Neighborhoods Initiative builds on the bipartisan success of the HOPE VI programs and incorporates what we have tried to do, an innovative, holistic approach to solving the dire needs of distressed HUD-assisted housing by leveraging public and private resources to address not only the distressed housing but also the community blight that often surrounds failed housing developments.

In my mind, Choice Neighborhoods ultimately will create jobs, having a ripple effect, attracting a variety of State, local, and private investment in revived communities. We have seen in the last year alone that Choice Neighborhoods has leveraged about \$1.6 billion in private funding, and whenever we can do that, I think that when you can take even admittedly, as Dr. Sanders would suggest, a relatively small program but leverage it to \$1.6 billion, that is a good place to be.

I have a series of requests: the testimony of Mayor Landrieu of New Orleans, a letter of support from the Local Initiatives Support Corporation, a letter of support from the Stewards for Affordable Housing for the Future. I ask unanimous consent that they all be included in the record. Without objection, they will be.

Senator MENENDEZ. I want to take the Chair's prerogative to recognize a Rangel Fellow who has worked with us particularly on this issue and did a lot of work to make this a very successful hearing. She will be leaving us. So, Oneshia, thank you very much, Oneshia Herring, thank you very much for your work, and we appreciate your service.

The record will remain open for a week from today if any Senators wish to submit questions for the record. I would ask our panelists if they do receive such questions that you answer as expeditiously as you can so we can finalize the record. This has been incredibly helpful, and with the thanks of the Committee, this hearing is adjourned.

[Whereupon, at 11:44 a.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF SANDRA HENRIQUEZ

ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

MARCH 27, 2012

Chairman Menendez, Senator DeMint and Members of the Committee, thank you for this opportunity to discuss the Choice Neighborhoods program. As you know, with your leadership, Mr. Chairman, in less than 2 years, this program has already had great success helping communities tackle housing distress and leveraging private dollars. Indeed, the \$130 million of funding we have awarded to thirty-five communities through implementation and planning grants under this program has already leveraged a combined \$1.6 billion of other investments in those neighborhoods, over 12 times their total grant award.

Indeed, I am grateful for the leadership that you have shown, Chairman Menendez, in sponsoring legislation that will formally authorize Choice Neighborhoods. We are grateful as well to Chairwoman Waters for her leadership in advancing a similar effort in the House of Representatives. We want to work with Congress to authorize Choice Neighborhoods so that local leaders can count on the Federal Government as a partner in their neighborhood revitalization efforts.

Today, I want to describe the need for authorizing Choice Neighborhoods, how it builds on the progress of the HOPE VI program and how it helps local leaders turn around distressed neighborhoods that are critical to helping regional economies rebound as our national economy is growing.

Background

Indeed, Mr. Chairman, in many ways we meet at an encouraging moment: when our economy is growing, jobs are being created and foreclosures are down. We've added private sector jobs for two straight years, for a total of over 3.9 million jobs. In the last year, 2.2 million private sector jobs were added—and we've added more jobs in the last 6 months than any 6-month period in nearly 6 years. Indeed, in many cities, the tide is turning—unemployment is dropping, vacancy rates are improving, and investment is going up—but certain neighborhoods remain stubbornly resistant to change.

Even still, as local leaders dig their communities out of the worst recession since the Great Depression, we recognize that the cost of poverty, particularly concentrated poverty, to our society and to our economic future is very high. Today, more than 10 million people live in neighborhoods of concentrated poverty—surrounded by disinvestment, failing schools, troubled housing, and, worst of all, virtually no path to opportunity for themselves or their children.

In fact, research shows that one of the most important factors in determining whether or not children will do better financially than their parents is whether or not they grow up in one of these high-poverty neighborhoods.¹ We can predict health, economic, and educational outcomes of children based on zip code. Further, a conservative estimate finds that allowing millions of children to grow up in poverty costs the United States more than \$500 billion per year, or more than 4 percent of GDP.²

In a globalized information economy, where a country's success is built on its human capital development, the conditions of our highest-poverty neighborhoods, among other factors, are preventing children from taking advantage of educational opportunities and building the skills they need. We must revitalize America's high-poverty neighborhoods in order to educate our way to economic success.

Connected Challenges: Distressed Housing and Neighborhoods

That's why this Administration has pursued Choice Neighborhoods, which builds on the HOPE VI public housing revitalization program pioneered by my predecessors at HUD, Secretaries Jack Kemp and Henry Cisneros.

With strong bipartisan support, HOPE VI has already created over 90,000 public housing units in healthy, mixed-income communities that were once troubled by distressed public housing—leveraging twice the Federal investment in additional private development capital and contributing to an increase of 75 percent or more in the average income of residents in such communities. This increase might partially result from higher-income residents moving into the area.

¹ http://www.economicmobility.org/assets/pdfs/PEW_NEIGHBORHOODS.pdf

² Holzer HJ, Schazenbach, DW, Duncan, G, and Ludwig, J (2007) The Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing Up Poor. National Poverty Center Working Paper Series #07-04.

Why Choice Neighborhoods?—In 1994, the media spotlight briefly focused on the nightmarish conditions in one Washington DC neighborhood’s large, distressed housing developments—Frederick Douglass, Stanton Dwellings, Parkside Terrace and Wheeler Terrace. To quote a report commissioned by Secretary Cisneros, Washington Highlands presented a “worst-case situation” for HUD. As the report stated, “two separate and distinct HUD program areas [were] alleged to be contributing to the deterioration” of the neighborhood—public housing and Project-based Section 8.

Thanks to HOPE VI, local and national nonprofits, the DC government and private developers had ready access to a program to develop the public housing properties—and had secured other financing to build a new community center, elementary school, public library, and a parks and recreation facility. But the challenge didn’t end there, because the two other housing developments in Washington Highlands didn’t qualify for HOPE VI funding, simply because they were subsidized by different programs at HUD.

The media didn’t make the distinction. The residents didn’t make the distinction. Gangs and drug dealers certainly didn’t make the distinction. And thankfully, the community leaders who were fighting to turn the neighborhood around didn’t make the distinction either. The only one to make the distinction was HUD.

Choice Neighborhoods builds on HOPE VI by recognizing that the problem of high concentrations of distressed housing in a single neighborhood of concentrated poverty is not limited to public housing.

Indeed, many communities are struggling with the challenge of distressed housing in severely declining neighborhoods. The financial crisis intensified and expanded disinvestment in these neighborhoods, causing spillover effects in surrounding areas—an impact that is felt particularly strongly in neighborhoods with a large amount of distressed HUD-subsidized housing, whether public housing or assisted housing.

We have heard from Public Housing Authority executive directors, mayors, and other leaders across the country that they need a tool that is sufficiently catalytic to revitalize these neighborhoods, and get their cities headed in the right direction. Existing funding sources like CDBG, HOME, LIHTC, and the Rental Assistance Demonstration can address some symptoms, but are simply not catalytic or substantial enough to effectively restore high-need neighborhoods. Choice Neighborhoods is exactly the kind of tool that those local leaders are asking for, and it is currently helping change the trajectories of cities across the country.

Building upon HOPE VI by expanding beyond public housing to include other, almost indistinguishable HUD-assisted housing, Choice Neighborhoods transforms destabilizing, distressed housing into mixed-income and professionally managed housing. But Choice Neighborhoods also provides the flexibility that local leaders need to address their specific challenges, whether it’s a need to improve neighborhood infrastructure, or ensure high-quality early learning opportunities are available for young children. Choice Neighborhoods attracts and leverages private investment, philanthropic funding, and other public investments, to strategically address these challenges. The first five Choice Neighborhoods Implementation Grantees have used their \$122 million of funding to leverage a combined \$1.6 billion, over 13 times their total grant award. And the 30 additional grantees who have received funding to spur their plans and preparations for Choice Neighborhoods revitalization have used their \$7.6 million of awarded funding to leverage \$13 million in other funds.

Additionally, in part because of rural set-asides, Choice Neighborhoods is restoring neighborhoods in smaller cities and towns, which are experiencing challenges similar to those in larger metropolitan areas. In towns in rural areas like Meridian, MS and Salisbury, NC and small cities like Opa-Locka, FL local leaders are using Choice Neighborhoods to form and implement their own solutions to regenerate opportunities and their economies.

In short, over the last two decades, HUD made significant strides in reducing the amount of severely distressed public housing through the HOPE VI program, which, once all funds are expended, will have replaced a total of over 100,000 public housing units that were formerly part of some of the most distressed housing stock. However, this work is not finished—in part because HOPE VI didn’t address the most distressed HUD Assisted Housing, which Choice Neighborhoods tackles head on. In order to revitalize neighborhoods with large stocks of distressed HUD-assisted

housing, and provide local leaders with the flexible, catalytic tool they need, we must build on the success we're already seeing through Choice Neighborhoods.

Grantee Spotlight: Salisbury, NC—Salisbury is a small town in a rural area of Eastern North Carolina. As a direct result of Choice Neighborhoods, the Housing Authority and city of Salisbury have partnered to create a Transformation Plan targeting the West End neighborhood and Civic Park Apartments, a 72-unit public housing complex within West End. Civic Park Apartments suffers from failing building structure, water infiltration and substandard electrical systems. The City considers West End its most distressed neighborhood, with a poverty rate of 28 percent, a neighborhood vacancy rate that is nearly five times the County average, and a low-performing middle school. Through their Planning Grant, the Housing Authority and the City will work with a nationally recognized planning firm, Stogner Architecture, to develop an actionable local plan for coordinated investment. They will conduct a locally based needs assessment, continue to partner and build their capacity, and create plans for rehabilitating the neighborhood's public and assisted housing stock, developing an early childhood education center, and supporting existing neighborhood assets.

Catalyzing Recovery by Targeting Housing and Neighborhoods

Because of the interconnections between housing and the health and economies of neighborhoods, high-poverty neighborhoods with severely distressed HUD-assisted housing are strong candidates for return on Federal investment. Moreover, like other infrastructure, investments in housing last over the life-cycle of the improvements and generate long-term payoffs to neighborhoods and local economies.

Under HOPE VI, Choice Neighborhoods' predecessor, we saw that removing blighted public housing and replacing it with economically sustainable, mixed-income housing, not only replaced severely distressed housing, but also reduced poverty, crime, and unemployment; increased income and property values; and triggered investment, business growth, and local jobs.

A typical 700-unit redevelopment of distressed public housing boosts home values, and generates local revenues of \$6.5 million over a 20-year period.³ A recent study looking at four sites estimated that three out of the four investments directly increased the surrounding areas' home values by a total of \$14 million to \$107 million. Home values in the fourth site kept pace with the rapid increases in the local area.⁴

Increased home values not only highlight how targeted Federal investments can improve the surrounding area, but also show the enormous potential that these investments have to unlock private sector demand for and investment in these neighborhoods.

Removing isolated, distressed properties and creating communities with connected, defensible spaces also contribute to decreased crime. Drops were especially large when this work was done in concert with police. For example, in Centennial Place in Atlanta, GA, the site of one project where fellow panelist Egbert Perry led so much great work, crime dropped by an astonishing 93 percent.⁵ These drops in crime have often been much larger than those in other comparable local neighborhoods, and can generate significant savings over the life-cycle of the housing.^{6,7}

Grantee Spotlight: San Antonio, TX—The San Antonio Housing Authority, the local United Way, and their partners have secured both a Choice Neighborhoods Planning Grant and a Promise Neighborhoods Planning Grant for the Eastside area. The Eastside neighborhood is held back by several interconnected problems. The neighborhood vacancy rate is more than three times the County rate and almost half of the area's residents live in poverty. In addition to distressed public housing, the neighborhood also strug-

³Turner, *et al.* (2007). Estimating the Public Costs and Benefits of HOPE VI Investments: Methodological Report. The Urban Institute.

⁴Zielenbach and Voith. (2010). *HOPE VI and Neighborhood Economic Development: The Importance of Local Market Dynamics*. *Cityscape*. 12, No. 1: 99–131.

⁵Turbov and Piper. (2005). *HOPE VI and Mixed-Finance Redevelopments: A Catalyst for Neighborhood Renewal*. Washington, DC: Brookings Institution. Vol 8.; *From Despair to Hope: Hope VI and the New Promise of Public Housing in America's Cities*. (2009).

⁶Zielenbach and Voith. (2010).

⁷Turner, *et al.* (2007).

gles with very low performing schools, including the Sam Houston High School where more than half of all students drop out. The Housing Authority recognizes that, even if the housing is replaced, market rate renters will not move into the area without better schools. As a result of these aligned Federal investments, the Housing Authority, United Way, the City, a local university, and their partners are building on new city efforts and private industry growth and are crafting an integrated, data-driven plan that links educational improvements to mixed income housing and neighborhood revitalization.

Targeted investments in housing also create jobs through construction related work and multiplier effects. Federal investment, combined with the massive private sector leverage that these investments marshal, translate into substantial numbers of new jobs, further contributing to the re-growth of these local economies. Meanwhile, the continued return of private investment in homes, businesses, and other infrastructure propels this cycle of increased jobs and growth. At its core, Choice Neighborhoods is a job-generator: directly creating jobs through its investments, and indirectly creating the conditions for private capital—and work—to flow back into disinvested neighborhoods. We estimate that the Choice Neighborhoods grants awarded thus far and combined leveraging will create thousands of jobs.

Using a Proven Approach & Generating Local Solutions

Choice Neighborhoods builds on HOPE VI successes. With HOPE VI, communities used financing from multiple private and public sources to remove blighted public housing and replaced it with sustainable mixed-income developments that cost far less to operate than the original, ailing housing. This approach attracted new businesses and market-rate renters and opened up opportunities for families to live in affordable, decent housing in safer neighborhoods.

However, Choice Neighborhoods has significantly improved upon HOPE VI by requiring that the housing investment enable and align with a comprehensive locally driven neighborhood plan. Local leaders, often including local elected officials and city staff, begin by assessing the needs in their neighborhood, then craft a plan that is responsive to those needs, and rooted in effective, evidence-based practices. Choice Neighborhoods provides them with the flexibility and resources to execute on those locally driven plans.

Choice Neighborhoods was designed to ensure leaders could carry out their vision and respond to the specific challenges in their community. For example, under Choice Neighborhoods distressed housing stock is not just limited to public housing; often distressed public housing and other distressed HUD-assisted housing is located side by side. Now, both types of housing are eligible to be the focus of a grant, giving local leaders a tool to address whichever types of HUD-assisted housing present challenges in their communities.

Grantee Spotlight: Little Rock, AR—In Little Rock, AR, a struggling neighborhood just Southeast of the downtown area is being challenged by both a severely distressed 74-unit public housing development, Sunset Terrace, and a severely distressed 50-unit HUD-assisted, Project-Based Section 8 development, Elm Street. Both properties have deteriorating foundations and structures, have persistent electrical and plumbing problems, lack defensible spaces, and have other serious design flaws. The surrounding neighborhood is affected by high crime, poor schools, and has a vacancy rate that is over three times the county rate. To address these needs, the Little Rock Housing Authority has partnered with Volunteers of America National Services, the owner of the Project-Based Section 8 development, to engage City and civic leaders in turning around the neighborhood. They have secured a Choice Neighborhoods Planning Grant and are working with Quadel Consulting to create a plan that builds off of other recent development efforts, including the Department of Education's Promise Neighborhood Program, Neighborhood Stabilization investments, and HUD's Sustainable Communities Initiative.

Local leaders also need to be able to address the specific challenges in these neighborhoods when it is not just the housing that needs fixing. Data show that market rate rental and homeownership demand in a neighborhood is driven by the quality of the institutions and assets in that area, such as schools, grocery stores,

parks, public safety, access to transportation, and proximity to jobs and businesses. Improvements to these assets create the conditions for neighborhood change.⁸

Choice Neighborhoods makes it easier to make this happen. Choice Neighborhoods provides a framework that recognizes the effective practice of pairing housing revitalization with a broad intervention in a target neighborhood. And critically, Choice Neighborhoods provides the flexibility needed to bring in the public and private partnerships that will catalyze these changes. The program allows local leaders to use up to 15 percent of the grant to focus on human development-related investments in early education, job training, health, and other areas. Choice Neighborhoods also allows 15 percent of funds to be used for critical neighborhood improvements, like providing gap financing for grocery stores, financial institutions, and other retail, and removing blight caused by vacant private housing. When communities can't otherwise access sources of funds to address critical needs, these gap-filling funds represent "glue money" that garner new leverage and hold together key strategies.

Choice Neighborhoods also enhances local flexibility by enabling the best-poised leader to drive this process. Under HOPE VI, only housing authorities could apply for grants. This limitation sometimes left other key players out of the process, making it far too easy to miss opportunities to streamline local efforts and leverage the greatest return on an investment. Choice Neighborhoods now encourages the highest capacity and best situated applicant, whether a mayor or other local officials, public housing authority, nonprofit, tribal entity, or private developers to directly apply for a grant.

Grantee Spotlight: San Francisco, CA—McCormack Baron Salazar, a private development company, and the San Francisco Housing Authority, along with partners like Lennar Homes (a publicly traded real estate development company), the City, School District, and Urban Strategies were awarded a Choice Neighborhoods Implementation Grant to execute their local vision for the Eastern Bayview neighborhood. Forty percent of Eastern Bayview residents live in poverty and the neighborhood suffers from high vacancies, poor schools, and inadequate access to job centers in downtown and Silicon Valley. The neighborhood also contains the Alice Griffith public housing site, a highly distressed collection of barracks style housing scattered over a 22-acre site. Through their Choice Neighborhoods grant, the team will build a total of 1,210 mixed-income units, replacing the 256 units of public housing and creating a new master-planned community with market-rate and workforce housing. The team has also identified a clear plan and goals to address their local needs. They are building upon the San Francisco Unified School District's progress to improve the quality of their schools and develop complementary educational opportunities. They have also set employment targets and are working with the Job Readiness Initiative and the local Citybuild program to provide job training and placement. Additionally, the team is bringing in needed everyday services and jobs by improving streetscapes to attract retail, removing blighted housing, and pursuing new commercial assets, fresh food stores, and a new bus rapid transit with direct connections to key commuter rail lines.

Demonstrating Capacity & Leveraging Investments

Choice Neighborhoods establishes a high bar for grantees. The program is a highly competitive grant program. In the first year alone, HUD received over 160 applications but awarded only 22 grants.

These grants require local leaders to demonstrate that they have a solid, high quality plan and the capacity needed to carry it out. Local leaders must use evidence-based practices and real-time results to inform their work. Additionally, many of the Choice Neighborhoods Implementation Grantees have been working with these communities for years and have strong partnerships with organizations that have successfully revitalized neighborhoods. For example, in New Orleans, the Housing Authority and City are working closely with McCormack Baron Salazar, a private development group that has been involved in turning-around neighborhoods across the country, as well as Urban Strategies, a nonprofit group that has successfully convened local partners and aligned their revitalization efforts.

⁸Weissbourd, Bodini, and He. (2009). *Dynamic Neighborhoods: New Tools for Community and Economic Development*. Living Cities.

Local leaders can't succeed in turning around disinvested neighborhoods without securing necessary partnerships and highly leveraging their investments. For this reason, Choice Neighborhoods reserves a substantial number of points in its competitive process for those applicants who have secured leverage far above their grant amount and who demonstrate that they are aligning their work with existing efforts, thereby streamlining resources and achieving greater efficiencies. This approach rewards leaders who are breaking through silos and working with public and private agencies, such as school districts and police, major market actors like private real estate developers, and anchor institutions like universities and hospitals. As a result, the five Choice Neighborhoods Implementation Grantees have leveraged a combined \$1.6 billion, over 13 times their total grant award. This total includes new, refocused, and streamlined funds from private investors, cities, universities, foundations, and a range of local partners. Even Choice Neighborhoods Planning Grants that amount to only \$250,000 to \$300,000 for each neighborhood have pulled in substantial amount of leverage. During the past 2 years, Planning Grantees have leveraged over \$13 million in planning funds alone to add to the \$8 million they received in Choice Neighborhoods grants.

Grantee Spotlight: New Orleans, LA—In New Orleans, Choice Neighborhoods will spur the revitalization of the Iberville/Treme neighborhood, where 52 percent of families live in poverty, with a plan centered on the transformation of distressed, highly concentrated public housing into mixed-income housing that preserves the historic character of the neighborhood. The partnership, led by the city of New Orleans and its Housing Authority, will take advantage of the neighborhood's adjacency to the French Quarter, bringing back the streetcar named Desire, and expanding the reach of New Orleans' strong tourism economy to include the musical and cultural heart of Treme. The project will replace 821 units of public housing in a new, mixed-income neighborhood, with over 2,400 total units being built. A new hospital, clinic, and biomedical research facility, tied to integrated job training, will create critical employment opportunities for neighborhood residents and expand access to needed health care. And through the Choice Neighborhoods partnership with the Recovery School District, Louisiana's fastest-improving school district, children growing up in the neighborhood will have access to quality educational opportunities. All of this work is aligned by a \$30.5 million Choice Neighborhoods grant that leverages over \$1 billion in private, nonprofit, and other investments into the community.

Aligning Federal Funding so Taxpayer Dollars Go Further

Choice Neighborhoods also offers a new way for local leaders to access Federal resources more efficiently. Because Choice Neighborhoods grants are place-based and driven by local solutions, HUD's grants can now be used in concert with other Federal investments around places and local needs.

HUD has been aligning Choice Neighborhoods investments with those from the Department of Education, Justice, and Health and Human Services. Both Choice Neighborhoods and the Department of Education's Promise Neighborhoods, a companion program focused on transforming educational opportunities, include preferences for applicants who are coordinating these programs. The programs have also used some of the same measures and definitions to eliminate the need for local leaders to deal with redundant reporting requirements and implementation barriers. Currently, five Choice Neighborhoods Planning Grant neighborhoods have Promise Neighborhood Planning Grants, including communities in San Antonio, Texas, Little Rock, Arkansas, and Tulsa, Oklahoma.

Additionally, the Department of Justice is aligning significant investments with Choice Neighborhood Grants. The Department of Justice has devoted \$2 million of their resources to support the public safety strategies of Choice Neighborhoods Implementation Grantees through the Public Safety Enhancement (PSE) Initiative. Choice Neighborhoods Grantees have recently submitted applications for the PSE grants, which will fund local innovations and evidence-based solutions to decrease violence, gang activity, and illegal drug activity. The Department of Justice has also committed to aligning its upcoming \$15 billion Byrne Criminal Justice Innovation Program with Choice Neighborhoods.

The Department of Health and Human Services is also incentivizing alignment with Choice Neighborhoods. Applicants for community health center improvements are asked to describe how they are working with Choice Neighborhoods grantees if there is one in their area and receive points for those collaborations.

Finally, Choice Neighborhoods grantees are aligning substantial Federal investments at the local level. Some examples include resources from other Federal agencies such as: *Department of Transportation*—Seattle is leveraging \$32.3 million from the Seattle Department of Transportation; *Department of Health and Human Services*—New Orleans is leveraging \$962,000 from Head Start and \$500,000 from a federally Qualified Health Center; and *Department of Labor*—Boston is leveraging \$348,600 of Workforce Investment Act funds. The Federal Partnership for Sustainable Communities has become a key driver in helping jurisdictions target their neighborhood revitalization efforts and align them with larger regional plans, providing even greater leverage out of our Choice Neighborhoods investments.

Through coordinating and co-locating these Federal resources, Federal funds stretch further and are more effective. For example, local leaders who improve schools with Promise Neighborhood grants will be better able to attract market rate renter families back to the area and prepare the future workforce. Likewise, we expect that students living in Choice Neighborhoods' safe, decent, affordable housing will be better able to concentrate on school and achieve higher test scores, consistent with previous findings of the impact of safe, decent, affordable housing on educational outcomes.⁹

Meeting Communities Where They Are

Choice Neighborhoods also meets communities where they are. That is why Choice Neighborhoods has dedicated a small, but significant portion of the overall allocation for Planning Grants. These Planning Grants ensure that those local leaders and communities who are not yet able to fully undertake a successful neighborhood revitalization can start down that path. By the end of their planning period these grantees will have developed a locally driven plan based on their needs and evidence-based practices, secured the necessary partnerships and leverage, and built their own capacity and the capacity of their partners and stakeholders so that they are ready to effectively implement the plan. Planning Grants also include competitive preferences for communities that could particularly benefit from these investments, such as rural communities and neighborhoods that are designated as Promise Neighborhoods.

What Local Leaders are Telling Us

We have heard from mayors, PHA Executive Directors, economic development directors, and other leaders across the country that they need Choice Neighborhoods to help unlock the potential of their most distressed neighborhoods. They need this tool for those neighborhoods to recover, and for their cities to recover, tapping into the underlying economic strength of those neighborhoods. The intensity of the challenges faced in neighborhoods that have been mired in disinvestment for decades is so strong, it's only through a catalytic investment like Choice Neighborhoods that those cities can get them on the right track—and ensure that the kids growing up there can access the opportunity that every American deserves.

And so, Mr. Chairman, Choice Neighborhoods is about attacking interconnected challenges with comprehensive, proven tools. It's about understanding that local problems require locally driven solutions—and that the Federal Government can serve as an effective partner in supporting these solutions. It's about making taxpayer dollars go as far as they can. But fundamentally, it's about making sure every American gets a fair shot—whoever they are, and wherever they live. That's what this program is all about—and it's why I so appreciate this opportunity today. Thank you and I would be happy to answer any questions.

PREPARED STATEMENT OF MARIA MAIO EXECUTIVE DIRECTOR, JERSEY CITY HOUSING AUTHORITY MARCH 27, 2012

Chairman Menendez, Ranking Member DeMint and Members of the Subcommittee, my name is Maria Maio and I am the Executive Director of the Jersey City Housing Authority (JCHA) of Jersey City, New Jersey. The JCHA is the 2nd largest PHA in New Jersey serving nearly 20,000 low and moderate income seniors, families and persons with disabilities in its Public Housing and Housing Choice Voucher Programs.

⁹ See, e.g., MacArthur's "How Housing Matters" series at: http://www.macfound.org/site/c.lkLXJ8MQKrH/b.6547839/k.163E/How_Housing_Matters_Recipients_by_Subject.htm#education.

I greatly appreciate your invitation and am honored to be here today to testify before the Subcommittee regarding, "The Choice Neighborhoods Initiative: A New Community Development Model." As you are aware, the JCHA received one of the first Planning Grants awarded under the Choice Neighborhoods Initiative as funded through the FY 2010 appropriations bill for the Department of Housing and Urban Development. Now, we are currently in the midst of preparing an application for an Implementation Grant under the Choice Neighborhoods program, and I will have more to say on that later in my testimony.

I also want to commend you, Chairman Menendez, for authoring the bill to establish and implement Choice Neighborhoods in S. 624, "the Choice Neighborhoods Initiative Act of 2011", which would permanently authorize the program. Although the program has been funded for the last few years through the appropriations process, CNI has lacked the critical legitimacy of an authorized program conferred through the regular order of Congress. The hearings today will begin to rectify that deficiency.

As has been mentioned, Choice Neighborhoods builds upon the model and achievements of the HOPE VI program. HOPE VI has transformed communities by turning severely distressed public housing into mixed-income, mixed-use and revitalized communities that serve as long-term assets in their neighborhoods. HOPE VI has led the way in establishing new partnerships and leveraging additional resources. HOPE VI has also been a pioneer and laboratory for neighborhood place-based redevelopment.

In a MacArthur Foundation study commissioned by the Council of Large Public Housing Authorities, the study found that HOPE VI redevelopments have had significant economic and fiscal impacts on their surrounding areas. The HOPE VI neighborhoods in the study showed major drops in violent crime rates, increases in household income and rising home values. The study concluded that HOPE VI is a useful and cost-effective approach for catalyzing positive economic change in local communities. This has been true for us.

The JCHA has been awarded three HOPE VI Revitalization Program grants, which have resulted in 730 constructed units and 275 planned units in mixed income communities including public housing, affordable and market rate units. Our HOPE VI communities have served as a model for developing quality sustainable affordable housing, which has been applauded by City, State, and Federal officials and residents of public housing and the broader community and imitated by private and not-for-profit developers. Our HOPE VI Programs met the goals of rebuilding severely distressed public housing, deconcentrating poverty, leveraging non-Federal funds and providing higher quality, efficient affordable housing with reduced operating costs through the physical transformation to mixed income developments and a Community and Supportive Services Program that focused on self-sufficiency initiatives, with a major goal of reducing unemployment.

The HOPE VI Program also began the organizational transformation of the JCHA from property manager to developer. Today the JCHA is regarded as the major affordable housing developer in the city. Severely distressed public housing has been replaced with lower density housing that compliments the existing neighborhood, new developments that are community assets and attracting a diverse economic resident population in well maintained housing. Critics of the stereotyped public housing have become the strongest supporters of our new HOPE VI developments.

Much of the success of our HOPE VI Program is also a result of our strong commitment to Section 3 local hiring initiatives. To date, 500 public housing/local residents have been hired and \$22 million has been targeted to Minority Business Enterprise businesses.

To date, 66% of the public housing units in HOPE VI developments have been leased to former relocatees. But perhaps the best indication of success comes from a public housing resident who returned to a HOPE VI development and expressed how her child can "sleep in peace, I don't hear gun shots in the middle of the night".

Choice Neighborhoods proposes to do the same by transforming neighborhoods of extreme poverty into mixed-income neighborhoods of long-term viability. It proposes to revitalize severely distressed housing, improve access to economic opportunities, leverage investments in well-functioning services, help foster effective schools and education programs, public assets, and help improve access to public transportation and improved access to jobs.

Whereas the major HOPE VI focus was on addressing severely distressed public housing, CHOICE capitalizes on the strengths of institutions and assets of the neighborhood, convenes all neighborhood stakeholders and encourages their input, and pulls together disparate developments in various stages to plan and implement a singular comprehensive neighborhood transformation plan through tried-and-true

successful public-private partnerships. It was with these goals in mind that the JCHA applied for and was awarded a CHOICE Planning Grant last March.

The CHOICE Neighborhood Initiative is a natural extension of the HOPE VI Program. It will allow us to expand on our successful public/private partnerships to develop a comprehensive plan for a neighborhood that includes the transformation of Montgomery Gardens, our remaining high rise family development within the broader McGinley Square-Montgomery Corridor Neighborhood. Montgomery Gardens is currently perceived as a liability to further renewed investment in the neighborhood.

Perhaps most importantly, the transformation of Montgomery Gardens to a new CHOICE community that guarantees one for one replacement housing, ensures that the inevitable gentrification that will accompany market rate development will be addressed by the inclusion of affordable housing resulting in a quality mixed income community. At the JCHA we made a commitment to one for one replacement housing, however we recognize it may not be a viable replacement policy for every community.

Properly implemented, we believe Choice Neighborhoods will be a broad place-based solution to help address the housing, transportation, energy, education, workforce, environmental, health, business and development needs of neighborhoods and communities. We hope that with passage of this legislation we can work towards a more streamlined implementation process, and we stand ready to work with HUD on improving implementation of their current Choice Neighborhoods program.

For example, we must be sure to create the type of environment that encourages and incentivizes the private sector to participate, and we must be careful to not be overly prescriptive in the implementation process. Under HOPE VI, the implementation process was structured such that public and private partners could come to the table and develop unique solutions to local housing challenges.

We would like to see this same kind of successful structure adopted in the Choice Neighborhoods implementation process. We should also develop an implementation process that creates an intentional alignment of funding opportunities with other Federal agencies. We believe Choice Neighborhoods can be vitally important to long-term livability and can be an effective strategy to promoting sustainable communities for succeeding generations.

One aspect of the legislation we believe is critically important—particularly as Choice Neighborhoods continues the legacy of HOPE VI—is the focus on public housing which we believe must be maintained. Three years ago, HUD acknowledged that there are three times the number of distressed developments in public housing as compared to assisted housing. We appreciate the legislation acknowledging this focus by designating not less than two-thirds of the amounts made available in any fiscal year, or two-thirds of the units assisted under Choice Neighborhoods shall be public housing units.

We would further recommend that applicants for Choice Neighborhoods should either be, or partner with, a public housing agency; or, if no public housing agency is available or interested, then other eligible entities are subsequently considered.

In closing, I thank you for the opportunity to testify today on S. 624 authorizing the Choice Neighborhoods Initiative.

PREPARED STATEMENT OF SUSAN J. POPKIN, Ph.D. *

DIRECTOR, PROGRAM ON NEIGHBORHOODS AND YOUTH DEVELOPMENT
URBAN INSTITUTE

MARCH 27, 2012

Mr. Chairman and Members of the Committee, thank you for inviting me to appear here today. For the past 14 years, I have been studying the impact of the HOPE VI program on the original residents of public housing projects that are demolished and replaced. While most of my research has focused on Chicago, which had more distressed public housing than any other city in the country, I have conducted research in 13 HOPE VI sites across the country. The testimony I present here today draws from four major studies: The HOPE VI Panel Study, which tracked residents from five sites across the country; the Chicago Panel Study; the Chicago Family Case Management Demonstration; and the new HOST Demonstration.

* The views expressed are those of the author and do not necessary reflect those of the Urban Institute, its trustees, or its funders.

Twenty years ago, dilapidated, high-crime public housing developments populated by impoverished, female-headed households were a powerful symbol of the failures of U.S. social welfare policy. HOPE VI was a key element of a bold effort to transform these public housing communities and demonstrate that housing programs could produce good results for residents and communities. The program provided grants to housing authorities to replace their most distressed developments—those with high crime rates, physical decay, and obsolete structures—with new, mixed-income, mixed-tenure communities. In a departure from earlier efforts to “rehabilitate” public housing, HOPE VI sought to move beyond “bricks and mortar, and provided funding for supportive services for residents intended to help them move toward self-sufficiency and improve their life circumstances” (Popkin, Levy, and Buron 2009).

HOPE VI was, at its core, a housing intervention, and there is no question that the program has changed the face of public housing—hundreds of those dilapidated structures have been replaced with attractive new developments, and the program has sparked innovations in financing and management (Katz 2009; Popkin *et al.*, 2004). The program succeeded in improving many families’ housing situations and quality of life. Evidence from The Urban Institute’s comprehensive HOPE VI Panel Study and its follow-up, the Chicago Panel Study, shows that many former residents received Housing Choice Vouchers or moved into mixed-income developments. These residents now live in better housing in neighborhoods that are considerably less poor and distressed and provide safe environments for them and their children.

However, as I will discuss, HOPE VI was less successful in helping families improve their economic circumstances and was not a solution for the most vulnerable households. Findings from the Moving to Opportunity Demonstration (Sanbotmutsu *et al.*, 2011) and from evaluations of individual HOPE VI initiatives show similar results (Popkin, Levy, and Buron 2009). These findings suggest that Choice Neighborhoods and other new comprehensive community redevelopment efforts that seek to improve the well-being of low-income residents in distressed neighborhoods need to provide services and support that will help address the complex challenges many of these families face in moving toward self-sufficiency.

Better Housing in Safer Neighborhoods

The HOPE VI Panel Study tracked outcomes for 887 residents from five sites around the United States: Shore Park/Shore Terrace (Atlantic City, NJ); Ida B. Wells Homes/Wells Extension/Madden Park Homes (Chicago, IL); Few Gardens (Durham, NC); Easter Hill (Richmond, CA); and East Capitol Dwellings (Washington, DC) from 2001 to 2005 (Popkin, Levy, and Buron 2009). The Chicago Panel Study (Popkin *et al.*, 2010a) continued the research, surveying the Chicago sample.¹

This research concluded that for the most part, HOPE VI succeeded in its goal of improving residents’ life circumstances. The majority have experienced meaningful improvement in their quality of life as a result of HOPE VI redevelopment, even though most residents have not moved back to the new, mixed-income site. HOPE VI Panel Study respondents who moved to the private market or mixed-income developments reported substantial improvements in the quality of their housing. At baseline in 2001, respondents from all five sites reported intolerable and hazardous housing conditions; when we followed them up in 2005, their circumstances had improved substantially, and relatively few reported serious problems with their housing (Comey 2007). Four years later, findings from the Chicago Panel Study (Buron and Popkin 2010; Popkin *et al.*, 2010a) documented continuing improvements, with virtually all former residents reporting better housing quality, regardless of whether they now lived in mixed-income housing, in the private market with a voucher, or in rehabilitated traditional public housing.

Even more significantly, HOPE VI brought about dramatic improvement in respondents’ sense of safety. The proportion of Panel Study respondents reporting “big problems” with violent crime and drug sales declined consistently after relocation. In Chicago, the trends were even more striking: respondents’ perceptions of violence and disorder in their neighborhoods decreased significantly across every measure the study tracked, with fewer than 25 percent reporting major problems with disorder (drug trafficking, sales, loitering, and gangs) by 2009. Likewise, the proportion of respondents who rated three indicators of violence (shootings and violence, attacks, and sexual assault) as a big problem in their community declined by more than 50 percent. The benefits of the improvements in safety are profound, with residents reporting significantly lower levels of anxiety and fear and in qualitative

¹ The Urban Institute has just completed a 10-year follow-up with the Chicago Panel Sample; results from that research will be available in summer 2012.

interviews, describing being able to sleep better, and feeling comfortable letting their children play outside (Popkin and Cove 2007; Popkin and Price 2010).

Finally, respondents who had left traditional public housing living in communities that were much less poor than their original public housing developments, even if they were not living in a new mixed-income development. After relocation, half of those renting in the private market were living in neighborhoods that had poverty rates below 20 percent—in Chicago in 2009, a quarter of the sample were living in communities where the poverty rate was less than 15 percent (Buron, Levy, and Gallagher 2007; Comey 2007; Popkin *et al.*, 2010a).

Significant Challenges Remain

But this research also highlights the significant challenges that remain—particularly residents’ shockingly poor health and persistently low levels of employment—problems that will require more intensive, focused interventions. At every age level, HOPE VI Panel Study respondents are much more likely to describe their health as fair or poor than other adults overall and even than black women, a group with higher-than-average rates of poor health. Further, HOPE VI Panel Study respondents report high rates of a range of chronic, debilitating conditions, including arthritis, asthma, obesity, depression, diabetes, hypertension, and stroke. Mental health is a very serious problem for these respondents—not only depression, but reported rates of anxiety and other indicators were also very high: Overall, 29 percent of HOPE VI respondents indicated poor mental health (Manjarrez, Popkin, and Guernsey 2007). Four years later, the Chicago Panel Study found a deteriorating situation, with more than half the respondents rating their health as fair or poor—a rate four times that of the general population. Underscoring the severity of the problem, the mortality rate for these residents was stunningly high—more than twice that of the general population (Price and Popkin 2010).

In addition to providing an improved living environment, the HOPE VI program’s goals included helping residents attain self-sufficiency. However, the evidence from our research shows that employment rates have remained persistently low, averaging just under 50 percent, although these rates reflect considerable cycling in and out of the labor market (Levy 2010; Levy and Woolley 2007). Our research shows that health problems are by far the biggest barrier to employment: in 2005, among working-age respondents, nearly a third (32 percent) reported poor health, and most of them (62 percent) were unemployed. At each round of surveys, the strongest predictor of not working was having severe challenges with physical mobility (*e.g.*, being unable to climb a flight of stairs or walk four blocks without resting). Depression also substantially reduced the probability of being employed, as did having been diagnosed with asthma and being obese.

Finally, even though moving out of distressed public housing has generally improved residents’ well-being, findings from the Urban Institute’s research provide an important cautionary note about the challenges that these households may face when they move to the private market with vouchers (Buron, Levy, and Gallagher 2007). Moving out of public housing presents new financial management challenges: private-market property managers can be less forgiving of late rent payments than public housing managers, making it imperative that rent is paid on time. Also, since utilities are generally included in the rent in public housing, many former public housing residents are inexperienced in paying utility bills. They can find coping with seasonal variation in utility costs, particularly heating costs in the winter or spikes in gas costs, very daunting. At the 2005 follow-up and again in Chicago in 2009, we found that residents who moved to the private market with vouchers were significantly more likely to report trouble paying their utility bills than those still living in traditional public housing (Levy 2010). Likewise, voucher holders were more likely than public housing households to report financial hardships paying for food. However, voucher holders were significantly less likely than public housing residents to be late paying their rent. It appears that former residents might be making tradeoffs, choosing to pay their rent on time to remain lease compliant and delaying utility payments.²

The Most Vulnerable Need More Intensive Support

Although it improved the circumstances of many former residents of distressed public housing, it is also clear that the HOPE VI program was not as successful in addressing the more complex social and economic challenges facing these very low-income families. In particular, it was not a solution for the most vulnerable—the subset of families who are “hard to house” because of multiple, complex problems that

² These findings are consistent with new research from the Moving to Opportunity Demonstration (Sonbanmatsu *et al.*, 2011).

make them ineligible for mixed-income housing or unable to cope with the challenges of negotiating the private market with a housing choice voucher. These families are not typical of all public housing residents, but make up a large share of those living in the kind of distressed public housing complexes targeted for redevelopment (Popkin, Cunningham, and Burt 2005; Theodos *et al.*, forthcoming).

These findings led the Urban Institute to work with housing authorities to test more intensive service models. The Chicago Family Case Management Demonstration (Popkin *et al.*, 2010b; Theodos *et al.*, 2012) provided one model for serving the needs of the most vulnerable public and assisted housing families. The Demonstration developed and tested an innovative program for serving the needs of the most troubled public housing residents—households with high rates of physical and mental health problems, low levels of educational attainment, weak attachment to the labor force, and high levels of involvement in public systems (criminal justice, child welfare). The Demonstration, a partnership of The Urban Institute, the Chicago Housing Authority (CHA), and Heartland Human Care Services, ran from March 2007 to March 2010, providing residents from the CHA's Dearborn Homes and Madden/Wells developments with intensive case management services, where clients saw their case managers at least once a week; a Transitional Jobs program that provided subsidized jobs and on-the-job training; financial literacy training; and mobility counseling to support participants in moving to communities that offered access to better schools, jobs, and amenities. The Urban Institute conducted a rigorous evaluation of the initiative.

The Demonstration was remarkably successful in implementing this wraparound supportive service model for vulnerable public housing residents. The lead service provider was able to adapt the service model as residents relocated with vouchers or to mixed-income housing, while sustaining high levels of engagement. Participants perceived improvements in service quality and delivery, and providers felt more effective and engaged. Strikingly, participants reported gains in employment, health, improved housing and neighborhood conditions, and reduced levels of fear and anxiety. The average costs for the intensive services per household were relatively modest, about \$3,600 per year or \$1,600 more than the standard CHA service package.³

Most significantly, despite an extremely difficult labor market, self-reported employment among working-age Demonstration participants *increased* from 49 percent in 2007 to 59 percent in 2009, likely due to the support participants received from the intensive Transitional Jobs program (Parilla and Theodos 2010). Also striking was the finding that, in contrast to the results of the HOPE VI and CHA Panel studies, Demonstration participants' health did not decline over time. Between 2007 and 2009, participants' health status remained remarkably stable; in fact, more respondents reported improvements than declines. Further, while there was no change in the proportion of respondents who reported poor mental health or clinical depression, respondents did report significant reductions in anxiety.

As was the case with HOPE VI, Demonstration participants experienced gains in their housing and neighborhood quality, although the majority (59 percent) remained in traditional public housing. Participants perceived that relocating had major benefits, with four out of five reporting that they live in better-quality housing than at baseline. Like their counterparts in the HOPE VI studies, Demonstration participants also moved to neighborhoods where they feel safer, have more connections with their neighbors, and report less physical and social disorder (Theodos and Parilla 2010).

Still, it was clear that it was easier to improve residents' housing and neighborhood conditions than to address their physical and emotional health. Even the intensive case management and clinical services the Demonstration provided were only able to make a small dent in health outcomes for participants—seemingly stabilizing their overall health, reducing anxiety, and lowering levels of alcohol consumption. While health stabilized overall, levels of chronic illness and mortality rates remained strikingly high (Popkin and Getsinger 2010). This modest progress underscores the depth of the challenges facing these families—and service providers.

Finally, findings from the Chicago Family Case Management Demonstration paint a disturbing picture of at-risk children and youth living in extremely troubled households. These children have endured years of living in violent and chaotic environments; in many cases, their parents were so distressed—suffering from mental and physical illness, struggling with substance abuse, dealing with histories of trauma—that they were unable to shield their children from the worst effects of the stresses surrounding them. Although the Demonstration took a family focused ap-

³ Costs varied considerably by level of need and service take-up, with high-risk participants using the most services.

proach, no services or case managers were explicitly dedicated to children and youth; at the follow-up, these children were still experiencing alarming levels of distress and exhibiting high levels of behavior problems and delinquency (Getsinger and Popkin 2010).

Moving to Dual-Generation Strategies

The Chicago Family Case Management Demonstration offers important lessons on what it will take to help improve the well-being of even the most vulnerable families. However, even though that demonstration succeeded in improving many outcomes for adults, the benefits did not extend to children and youth. Developing effective place-based models that reach youth is critical not only for improving the lives of individual children and youth, but also for ensuring the health and viability of public and mixed-income communities. If youth engagement strategies are successful, they can reduce critical neighborhood problems such as vandalism, drug trafficking, fighting, and gang activity—the disorder and violence that have considerable impact on other residents and can drive away other residents. The Urban Institute's new, multisite HOST (Housing Opportunities and Services Together) Demonstration builds on lessons learned from our earlier research in Chicago. Launched in December 2010, HOST is testing innovative, two-generation service models to improve the life chances of vulnerable low-income families living in public and mixed-income housing communities. At its core, the demonstration aims to address parents' key barriers to self-sufficiency—such as poor physical and mental health, addictions, low levels of literacy, lack of a high school diploma, and historically weak connection to the labor force—while simultaneously integrating services and supports for children and youth. HOST is currently being implemented in three carefully selected sites in variety of settings—from those serving high need populations in traditional public housing located in high poverty neighborhoods to populations in newly developed mixed-income neighborhoods. The three participating housing authorities and sites are: 1) Chicago Housing Authority, Altgeld Gardens; 2) Home Forward (Formerly the Housing Authority of Portland), New Columbia and Humboldt Gardens mixed-income developments; and the District of Columbia Housing Authority, Benning Terrace. The New York City Housing Authority is also planning on joining the demonstration, and will likely plan to serve families in the Brownsville community.

During its 2-year implementation, the HOST Demonstration will identify strategies and services that help the families at greatest risk and offer the best potential for strengthening the community. This information will inform the Federal Government's multiagency Neighborhood Revitalization Initiative, which encompasses the Department of Housing and Urban Development's Choice Neighborhood program, the Department of Education's Promise Neighborhoods program, and the Department of Justice's Byrne Criminal Justice Innovation program. Looking forward, HOST will help answer critical questions about what works for whom and provide important insight into how local communities implement similar dual-generation models to improve the life chances of their most vulnerable children and families.

Incorporating Services into Comprehensive Community Initiatives

Incorporating intensive case management and permanent supportive housing for the most vulnerable residents into Choice Neighborhoods and any other comprehensive redevelopment efforts is one way to ensure that these initiatives truly meet the needs of all public housing families. The Choice Neighborhoods initiative builds on the successes of HOPE VI and broadens the scope of revitalization efforts beyond public housing to the surrounding community, including schools and other types of housing. However, if this new effort is to be more successful than its predecessor in improving the lives—and long-term life chances—of the vulnerable families who suffered the worst consequences of living in distressed public housing, it is essential that it incorporate strategies that effectively address their needs (Popkin and Cunningham 2009). None of these solutions are simple, and all will require a long-term commitment to improving the quality of life for these households, and ensuring better futures for their children.

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PREPARED STATEMENT OF ANTHONY B. SANDERS, Ph.D.

DISTINGUISHED PROFESSOR OF FINANCE
GEORGE MASON UNIVERSITY SCHOOL OF MANAGEMENT

MARCH 27, 2012

Senator Menendez and distinguished Members of the Committee, my name is Dr. Anthony B. Sanders and I am the Distinguished Professor of Finance at George Mason and a Senior Scholar at the Mercatus Center. It is an honor to testify before this Committee today.

I am here to discuss a proposed Senate bill: S. 624, the Choice Neighborhoods Bill.¹ The Bill calls for \$350 million in 2012 for competitive grants to revitalize distressed neighborhoods.

Three-hundred-fifty million dollars spread over the United States for distressed neighborhoods is a drop in the bucket. Bear in mind that Stanford University recently built a business school campus for \$345 million.²

This Bill is a revision of the HOPE VI program that was less than a success.³ As of June 1, 2010 there have been 254 HOPE VI revitalization grants awarded to 132 housing authorities since 1993-totaling more than \$6.1 billion.

And yet Detroit, Cleveland, and many other inner cities continue to suffer. What are the changes to HOPE VI that give us hope that it will help? These changes are supported by housing advocates, private developers, HUD, and numerous community groups listed below.

What are the changes to HOPE VI that give them hope?

- Expands eligible properties to privately owned and managed but severely distressed HUD-assisted housing, that serves as affordable housing for an extended period of time;
- Expands eligible applicants to include local governments, nonprofits, and for-profit developers to apply jointly with a public entity such as a Public Housing Authority;
- Ensures coordination and efficient use of resources by requiring transformation plans to address not only housing, but jobs, supportive services, economic development, education, recreation, and transportation;
- Allows conversion of vacant or foreclosed properties to affordable housing as an eligible project, which addresses the foreclosed and vacant homes plaguing many communities;
- HUD had \$265M for this work in 2010 and currently has \$165M available in 2011. The bill would authorize the Choice Neighborhoods Initiative at \$350M as a full replacement for HOPE VI.

This is another move toward private-public partnerships like we have with Fannie Mae and Freddie Mac, the mortgage giants in conservatorship. Private-public partnerships sound like a "free market" solution, but they are not. In 2010, the grant recipients were housing authorities where \$22 million per development was common.⁵ Now the idea is to open up the grants for nonprofits and for-profit developers to join hands with public housing authorities to deliver the same public housing solution that has been a failure for decades.

¹ <http://confoundedinterest.files.wordpress.com/2012/02/choice-neighborhoods-bill-as-introduced.pdf>.

² Stanford Graduate School of Business, "Stanford Graduate School of Business Launches New Knight Management Center to Enable Innovative Curriculum and Engage Students Across University," April 15, 2011, <http://www.gsb.stanford.edu/news/headlines/knightmanagementcenteropens.html>.

³ U.S. Department of Housing and Urban Development Web site, "HOPE VI," http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/hope6.

⁴ Carlos A. Manjarrez, Susan J. Popkin, and Elizabeth Guernsey, "Poor Health: Adding Insult to Injury for HOPE VI Families," Metropolitan Housing and Communities Center, June 5, 2007, http://www.hartfordinfo.org/Issues/wsd/Housing/gblock/HOPEVI_Health.pdf.

⁵ U.S. Department of Housing and Urban Development Web site, "FY 2010 HOPE VI Revitalization Grant Awards," http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/hope6/fy10awardees.

After billions of dollars have been spent, Hope VI and this bill should focus on a better way to help the poor rather than “a lick of paint” approach public housing. After all, \$350 million is a drop in the proverbial bucket.

A Better Way

The Senate and the House have taken an important step recently in terms of trying to unshackle the free market and encourage job creation. Job creation is important to solving the problems of our lower-income households, allowing them to possibly escape public housing.

But not everyone will be able to escape public housing. While our public housing is far better than many other countries: a visit to various public housing projects will convince you that improvements in public housing are still needed.

The Administration and Congress have set aside staggering amounts of money for housing and mortgage programs already. HAMP, HARP 2.0, the Attorney General Settlement of \$25 billion, the proposed FHA Refi program from President Obama’s 2012 State of the Union Address, HUD’s 2012 Budget of \$47,199,000,000,⁶ and the losses of Fannie Mae and Freddie Mac to taxpayers of \$160 billion puts the amount thrown at housing by various government entities at over \$230 billion in recent years.

Department of Housing and Urban Development Secretary Shaun Donovan is an advocate of improving the quality of housing projects in the Nation. But why can’t HUD find \$350 million in their \$47.2 billion budget through effective budget management? Does HUD not deem Choice Neighborhoods Initiative important enough to fund in its own budget?

A better way to help solve the problem is to unleash the free market on housing. Taking a page from the President Reagan (and Democratic majority) playbook, we should use fiscal policy to increase the supply of clean, affordable housing by offering accelerated depreciation deductions on multifamily housing. This will increase the supply of housing without having to go through housing authorities and not-for-profits.

The Reagan/Democratic Congressional approach (also known as the Kemp-Roth “Economic Recovery Tax Act of 1981” (Pub.L. 97–34)⁷ was to increase depreciation deductions on multifamily housing using the Accelerated Cost Recovery System (ACRS).⁸ Under this legislation, all property was depreciable for tax purposes over 15 year and for low-income housing, 200 percent declining balance depreciation was available. Furthermore, rehabilitation expenditures for low-income housing could be amortized over 5 years. The Act worked so well that it was amended in 1986 with the 1986 tax act.

We could once again use fiscal policy to help solve the public housing problem. I would prefer this solution to the “lick of paint” approach to revitalizing distressed neighborhoods.

To be sure, such legislation could create additional deficits, but the stimulative effects to the economy and the distressed neighborhoods could be greater than the lost tax income received by the Federal Government.

Recently, Bank of America announced a “Mortgage to Lease” trial program.⁹ To avoid foreclosure and yet another property going to Real Estate Owned (REO) and out in the already flooded housing market, this proposal from Bank of America will keep homeowners in their current home but switch them to renters. It is a way to stabilize neighborhoods hit by the foreclosure crisis and curtail neighborhood blight by keeping a portion of distressed properties off the market.

Between stimulating the construction and rehab or public housing and initiatives like Bank of America’s “Mortgage to Lease” trial program, we now see better potential to fix the problems of public housing.

Thank you for the opportunity to testify.

⁶U.S. Department of Housing and Urban Development Web site, “FY 2012 Budget Summary,” February 2011, <http://portal.hud.gov/hudportal/documents/huddoc?id=fy2012budget.pdf>.

⁷U.S. Congress Joint Committee on Taxation, “General Explanation Of The Economic Recovery Tax Act of 1981, (H.R. 4242, 97th Congress, Public Law 97–34),” December 31, 1981, <http://www.jct.gov/publications.html?func=startdown&id=2397>.

⁸Karl Case, “Investors, Developers, and Supply Side Subsidies: How Much is Enough?” Housing Policy Debate 2 no. 2 (1991), <http://www.wellesley.edu/Economics/case/PDFs/InvestorsDevelopers.apr1991.pdf>; and James Poterba, “Tax Reform and Housing Market in the Late 1980s: Who Knew What, and When Did They Know It?” Federal Reserve Bank of Boston Conference Series (1992), <http://www.bos.frb.org/economic/conf/conf36/conf36g.pdf>.

⁹Anthony B. Sanders, “Private Market Solution to Foreclosure: Bank of America’s Lease Alternative to Foreclosure,” Confounded Interest blog, 22 March 2012, <http://confoundedinterest.wordpress.com/2012/03/22/private-market-solution-to-foreclosure-bank-of-americas-lease-alternative-to-foreclosure/>.

PREPARED STATEMENT OF PAUL N. WEECH

EXECUTIVE VICE PRESIDENT, POLICY AND MEMBER ENGAGEMENT
HOUSING PARTNERSHIP NETWORK

MARCH 27, 2012

Chairman Menendez, Ranking Member DeMint, and Members of the Housing Subcommittee: Thank you so much for inviting me to testify today. I am honored to be with you to discuss the Choice Neighborhoods Initiative and to represent the Housing Partnership Network.

About the Housing Partnership Network

The Housing Partnership Network is a member-driven collaborative of 99 entrepreneurial nonprofits that build, manage, and finance affordable housing. Our members include mission-driven lenders, housing developers, property owners and managers, and housing counselors—all of whom are managing their enterprises based on good business practices while at the same time working to provide their residents with decent, affordable places to live in healthy and sustainable communities.

Through peer-to-peer exchanges organized by the Network, our members come together to share best practices, create innovative solutions to housing and community development challenges, and launch collaborative businesses that enhance their sustainability and impact.

Our members are domiciled in 32 different States and in the District of Columbia. HPN members operate over large geographic areas—at least on a citywide basis, but more often on a regional, State-wide, multistate, or even a national footprint. The membership has operations in all 50 States.

In the Chairman's State of New Jersey we are very pleased to count the New Communities Corporation (NCC) as a member. Founded in 1967 after the Newark civil disorders, NCC is—like most of the members of the Housing Partnership Network—among the more comprehensive and the larger community development organizations in the United States. NCC has developed and financed 3,000 housing units serving 7,000 residents in Newark, Jersey City, and Orange. NCC provides day care, alternative education, social services, job training, employment services, and health care to residents of the Newark area. A list of all the HPN members is included in this testimony as Attachment A.

These strong nonprofit organizations are critical institutions at the center of affordable housing and community development efforts in many areas of the country. Their combination of mission focus and business discipline brings a new capacity to deal with longstanding neighborhood needs. They are, in effect, small- and medium-sized businesses. HPN members succeed because they are skilled in creating effective partnerships with State and local governments, private sector actors, financial institutions, and the civic leaders in the communities where they operate. They have demonstrated experience as effective stewards of public resources and as entrepreneurial actors capable of magnifying the community impact of public funds by using these to leverage private resources. These organizations demonstrate that there are economies of scale in this work and they bring financial strength through the diversification of their revenues.

Collectively, the 99 HPN members have developed or preserved more than 230,000 affordable homes, financed more than 420,000 homes, and counseled more than 600,000 families. As a group, the Network members have over 13,000 employees and nearly a \$1 billion in annual revenues. We estimate that the value of the housing developed or financed by the membership since 1980 exceeds \$67 billion. The point of the statistics is that the members of HPN are sophisticated, high-capacity social enterprises with long records of accomplishment in affordable housing and community development.

Support for S. 624 and the Choice Neighborhoods Approach

On behalf of this group of organizations, Mr. Chairman, I am here to strongly endorse Senate bill 624, *The Choice Neighborhood Initiatives Act of 2011*. I urge the Committee to report this legislation to the full Senate at its earliest possible opportunity. I am testifying today for the Network, but would also like to acknowledge the good work and leadership of the Choice Neighborhoods Coalition of which we are a member. I attach the Coalition's letter to the Senate Banking Committee in support of the Choice Neighborhoods program in the hope that it can also be included in the record with this testimony (See Attachment B).

The Choice Neighborhoods program builds on the long record of success of the HOPE VI program. I was here on the Senate Banking Committee staff when HOPE VI was launched. The program has had a long and successful run providing local communities with the resources required not just to renovate and rehabilitate dis-

tressed residential real estate, but to actually transform communities where both the physical and social systems were not working effectively before the public investment. With the application of HOPE VI grants, highly distressed, dysfunctional public housing high-rise communities were transformed into sustainable mixed-income communities where low-income and middle-income families could live together and the surrounding landscape was transformed from one of blight and decay to one that encourages additional private investment. The positive changes that occurred in community after community around the country as a result of the HOPE VI effort are visible in hundreds of before and after photos.

The Choice Neighborhoods Initiative builds on the HOPE VI record of success but also introduces three important changes that we strongly endorse. Most importantly, Choice Neighborhoods expands the focus of the program beyond just public housing developments to include equally distressed properties under nonpublic ownership. In too many communities, distressed privately owned HUD-assisted housing resides side-by-side with the distressed public housing inventory. While we are entirely sympathetic to the underfunded capital needs of the public housing inventory and support a variety of strategies to address this challenge, the insight of Choice Neighborhoods is that whether the distressed real estate is publicly owned or privately owned, it has the same negative effects on the people who live in those properties and those who live in the communities surrounding those properties. Local governments struggling to combat the infection of blight and spiraling disinvestment need a tool to reposition this distressed real estate or the community assets will remain blighted, undervalued, a drain on the community, and a contributor to poor social outcomes.

The second important innovation is that Choice Neighborhoods builds on HOPE VI by allowing local governments, nonprofits, and for-profit developers (in conjunction with the local government) to step into a lead development role where previously the lead grantee role on HOPE VI efforts was the sole province of public housing agencies. This is an important breakthrough. As outlined above there is now within the affordable housing delivery system a solid and growing set of highly competent nonprofit institutions capable of not only leading complicated, multi-sourced, multi-outcome developments, but in many places providing the Federal and/or local government with a redevelopment leadership option that has the potential to provide greater positive outcomes for the community. A strong nonprofit developer is mission-aligned with the public sector and can often bring skills and flexibility not available to the public actors. At the same time, like for-profit development entities, these organizations bring business-like approaches and the ability to work with and leverage private capital. As the Choice Neighborhoods program evolves we would like the government to embrace a more open competition for the resources where developments and development plans are selected based on the strength and track record of the counterparties and their ability to deliver on positive, measurable social and real estate outcomes on behalf of the residents and the broader community. Competition should lead to better outcomes. In practice, many HOPE VI redevelopments were the result of successful public/private/not-for-profit partnerships. The Choice Neighborhoods program going forward should continue to encourage these types of partnerships to flourish where each party brings value and expertise that translates into better outcomes for the residents and the community.

Finally, the Choice Neighborhoods approach advances on the HOPE VI model by requiring and promoting even greater linkages and synergies between the redevelopment effort and other public systems that make a community successful and increase opportunities for low-income residents. A successful community includes good schools, accessible health care, basic retail services like healthy grocery stores, access to jobs or access to transportation that connects residents to jobs, and strong support services for the individuals in the community who need these services. HOPE VI recognized that the revitalization of distressed public housing with high concentrations of poverty required services for needy families; Choice Neighborhoods goes further to advance new connections—especially with its efforts to create linkages to good schools, educational opportunities, and health care. The Administration deserves significant credit in its implementation of the Choice Neighborhoods program in its work to break down the silos that divide Federal agencies. This is a huge challenge and a place where Congress could do much to support for these efforts.

There are hundreds of good Choice Neighborhoods projects already under consideration. In the FY 2010 and FY 2011 funding rounds, HUD received 236 applications from public, private, and nonprofit sponsors in 37 States, the District of Columbia, Puerto Rico, and the Virgin Island. From these, HUD has so far selected 5 proposals for implementation grants and 30 for planning grants.

The Network's Practitioner-Based Experience with Choice Neighborhoods

The collective experience of HPN members reflects the evolution of affordable housing policy in this country. Over the past 25 years we have learned a great deal about what successful affordable housing does for its residents and the communities in which it is located. Poorly managed housing is associated with decay and other undesirable social outcomes. Decent, well-managed affordable housing is the platform for a wider array of positive social outcomes. Successful housing is housing that contributes to the success of its residents: this means linkages to jobs, services, health care, education, and the broader community. Housing that serves residents of different incomes often works better than housing that increases concentrations of poverty. Choice Neighborhoods embodies this learning and advances it.

Nearly all Housing Partnership Network members are engaged in the spirit of the Choice Neighborhoods agenda through the work they carry out every day. Our multifamily housing developers are not only providing high quality affordable places to live for low-income seniors and families, but are working to link those families to health services for seniors, after-school programs for kids, and job preparedness services for heads of households.

Our Community Development Financial Institution (CDFIs) members, in particular, are providing the financing and capital across a spectrum of community development activities as part of successful community revitalization efforts. In addition to financing affordable housing development, CDFIs in the Network are providing innovative financing to community facilities like senior centers, loans to child care facilities that allow the parents of pre-school kids to go to work, charter schools that are advancing educational opportunities, community health care facilities providing accessible, lower-cost services, and investments to link communities to transit.

The Housing Partnership Network would be remiss if it did not recognize the Chairman's strong leadership in supporting the CDFI industry and especially his work in sponsoring the CDFI Bond Guarantee program. The Bond Guarantee program has the potential to revolutionize the scale and impact of the organizations working so hard to revitalize America's low-income communities by providing long-term patient capital. We would like to continue to work with you and your staff to achieve the successful launch of the CDFI Bond Guarantee program.

Several Housing Partnership Network members are already active participants in the Choice Neighborhoods effort. Preservation of Affordable Housing, Inc. (POAH) was the winner of one of the first implementation grants. POAH received a grant to transform the 504-unit Grove Parc Plaza Apartments in Chicago into Woodlawn Park, a new mixed-income, mixed-use development that will be the anchor for a comprehensive Woodlawn revitalization. With its \$30.5 million Choice Neighborhoods grant, POAH expects to leverage \$272 million of total development in the area over the next 5 years. The city of Chicago is a key partner in the project's implementation and many other community organizations will also participate including the Woodlawn Children's Promise Community (WCPC), the Woodlawn New Communities Program, and Metropolitan Family Services.

The POAH plan highlights both the capacity of this strong, national, nonprofit developer to lead a complex development process as well as the ability of the Choice Neighborhood Grants to catalyze a major change in a community. Through the process, POAH will demolish the existing, distressed apartment complex and replace it with a healthier mixed-use, mixed-income community with 420 units and 95,000 square feet of retail and community space. All of the affordable units in the original buildings will be replaced 1-for-1 through investments in other properties in the surrounding neighborhoods, in some cases repositioning foreclosed and abandoned properties to create an additional 575 units of mixed-income dwellings.

WCPC and the Urban Educations Institute have designed a comprehensive educational initiative designed to improve access and outcomes from early childhood through college, for all Woodlawn children. A new, 15,000 square foot community resource center at the heart of the development will feature a satellite Center for Working Families, providing tailored skill-building and job connections to residents. And, the project will implement a gang violence initiative that incorporates a range of data-tested anti-gang enforcement strategies—including more intensive community policing and coordination with community watch block clubs and parent school patrols.

I should also note that an HPN CDFI member, the Low Income Investment Fund (LIIF), CDFI has provided a loan to POAH in support of the Woodlawn redevelopment financing package.

HPN members are also leading or participating in Choice Neighborhoods planning grants. The Community Action Project of Tulsa County, Inc. (CAP), for example, received a round one Choice Neighborhoods planning grant as the lead developer. CAP

has partnered with Brightwaters Housing Partners and McCormack Baron Salazar to revitalize the Eugene Field neighborhood of Tulsa, Oklahoma. The Eugene Field neighborhood is one of Tulsa's poorest and most isolated communities. It has experienced a violent crime rate more than double the rest of the city. The Brightwaters Apartments in the neighborhood is a 200-unit HUD-assisted property. In addition to redeveloping this property, the local effort will leverage existing volunteer-led activity in the community with a state-of-the-art preschool, a fresh foods market, and a new playground. The project is expected to move Brightwaters toward a mixed-income development and include expanded CAP efforts to link the residents of the community to supportive services and job opportunities.

Columbus, Ohio-based National Church Residences (NCR), a national nonprofit that owns and manages 20,000 units in 28 States, is a key partner and co-grantee in a project led by the Columbus Metropolitan Housing Authority that also includes Ohio State University and the city of Columbus. Their project would redevelop a 26-acre site known as Poindexter Village as well as the surrounding neighborhood. Omni Development in Providence, Rhode Island is participating as a key partner to the Providence Housing Authority in a planning grant around a proposed redevelopment of the Olneyville neighborhood. The Community Preservation and Development Corporation (CPDC) in Washington, DC is a partner on a planning grant awarded to the District of Columbia Housing Authority, Kenilworth Courts, and the Kenilworth-Parkside Resident Management Corporation. CPDC owns and manages the Mayfair apartment complex which is an anchor asset in the community targeted for revitalization.

Policy Observations and Proposals

This practitioner-based experience serves to inform the suggestions we would make to this Subcommittee as you move to mark up the Choice Neighborhoods legislation. We would like to make these comments for your consideration:

1. *Institutionalize the program.* It is important to put an authorization in place. While the Choice Neighborhoods program is up and running already, this is due to the actions of the Appropriations Committee. We are hopeful that Congress will continue to advance this important work in future appropriations acts. However, an authorization would provide a more predictable framework for the program. Choice Neighborhoods implicates many long-standing, difficult public policy issues. Affordable housing program design is often about choosing between place-based and people-based strategies, about the sometimes competing desires to create mobility and choice for households to seek opportunity versus focusing on building communities of opportunity. Policy makers need to think through the challenges of balancing the positive impacts of new investment and regeneration on surrounding property values with the sometimes negative effects of rising rents and displacement through gentrification. These are all perennially challenging public policy issues reflecting competing values. The HUD program implementation is addressing these issues, but future policymakers will be tempted to revisit all of these issues and can do so more readily in the current legal environment. In short, the lack of a permanent authorization makes the future development environment uncertain.

Real estate development requires extensive planning activities and a long lead time. Acquiring land or property and holding it is expensive. In the case of Choice Neighborhoods eligible efforts, the upfront costs will, of necessity, be elevated as partnerships across multiple disciplines are formed and formalized. Many HPN members—who are the types of organizations one would like involved in the development process as strong counterparties—have not stepped up to compete because of the uncertainty in program funding, lack of an authorization, and uncertain probability of success. When the program funding levels and its rules are institutionalized the strongest players in the not-for-profit sector will be more willing to absorb the upfront costs and take on the risks to compete. A predictable grant-making process over multiple years will increase the strength of the applications. It is important for this Committee to put in place an authorization that provides more permanent guidance and a lasting authorization framework.

2. *Embrace the equivalency of publicly owned and privately owned distressed housing.* Distressed housing has identical impacts on the people who live there and on the neighborhoods that surround that property. We would recommend that the Choice Neighborhoods program move toward a level competitive playing field unrelated to the ownership of the properties. With limited resources at the Federal level, Congress should set up the competition for Choice Neighborhoods grants devoid of set-asides for one type of housing, or one type of developer versus another. Projects should compete head to head for the public resources based on the strength and experience of the lead development counterparty, on the quality of the cross-silo part-

nerships committed to the development, on the leverage achieved in bringing in other nonpublic resources, and on the quality, assurance, and effectiveness of the intervention on the lives of the residents living in these communities. The competition for the resources will allow the very best projects to rise to the top and the Federal Government will maximize the social return on its public investments.

3. *Continue to Encourage Multi-disciplinary Approaches.* It is important that Choice Neighborhoods legislation continue to push for a more holistic approach to community development at the local level. The central challenge with Choice Neighborhoods is how to use HUD funding for a specific real estate transaction to drive a much broader program of community change. The legislation deals with this challenge by using HUD funding for housing redevelopment and allowing a certain amount of the grant to pay for community improvements and services as an incentive for localities to bring other funding such as transportation, job training, or school construction. Federal officials must also be encouraged to act in a multi-disciplinary manner. Resources from the various relevant Federal programs have different rules, different timing, and different institutional delivery systems that serve as a barrier to local leaders accumulating the funds need to address the range of needs in a particular place. There are reasons for all of the different program requirements. This is not something that can be solved quickly or easily. The Administration deserves great credit for its work to break down the programmatic silos across the range of relevant Federal agencies. For example, under Secretary Donovan's leadership, HUD has been working closely with the Department of Transportation on coordinating housing and transportation policy. More can be done by Congress to encourage and facilitate the coordinated delivery of Choice Neighborhoods with other Federal resources.

4. *Assure Adequate Funding for Both Choice Neighborhoods and Other Core Affordable Housing Programs.* Within the Housing Partnership Network there is a significant concern that the increasingly constrained Federal discretionary appropriations picture is pitting funding for one Federal housing program against another. This is felt most keenly through the pressure on critical affordable housing tools like the HOME program and the project-based Section 8 accounts. Both programs are essential in the production and preservation of affordable housing in this country. HOME is a very important and successful block grant program, providing gap funds that allow development and preservation projects to move forward. HOME has been wrongly maligned in the press recently and as a result has suffered some serious cuts in the appropriations process. We are also working with Congress to restore the HOME funds and to fully fund the Section 8 program.

In this era of hard caps on appropriations, some perceive that funding for Choice Neighborhoods could come at the expense of funding for core programs like HOME and Section 8. This is a false and unfortunate choice. Each of the programs addresses a different, yet critical need. We need to identify sufficient funds to do both.

Conclusion

In closing, Mr. Chairman and Members of this Subcommittee, I would like to reiterate how important the work you are doing is for America's urban, suburban, and rural communities. In all kinds of places, federally assisted properties that have fallen into distress for any of a variety of reasons—the natural aging of the asset, inadequate funding, over-leveraging, a change in market conditions, a change in tenancy, and poor property management. Whatever the cause, these properties have had a negative effect on their residents and the surrounding communities. The presence of these properties is pulling down values for blocks and sometimes miles around. The blight at the center of the neighborhood can keep people from buying homes nearby and can prevent new investment coming in. A public investment like Choice Neighborhoods can change the negative market dynamic and send the property, the community, and most importantly the lives of the people who live there on a new positive upward trajectory. Thank you.

ATTACHMENT A

**Housing Partnership Network Membership List**

Abode Communities	Los Angeles CA
ACTION-Housing, Inc.	Pittsburgh PA
Aeon	Minneapolis MN
Affordable Housing Partnership	Albany NY
AHC, Inc.	Arlington VA
Atlanta Neighborhood Development Partnership, Inc	Atlanta GA
Bellwether	Seattle WA
Boston Community Capital	Boston MA
BRIDGE Housing Corporation	San Francisco CA
Capitol Hill Housing	Seattle WA
Champlain Housing Trust	Burlington VT
Chicago Community Loan Fund	Chicago IL
Chicanos Por La Causa	Phoenix AZ
Cleveland Housing Network	Cleveland OH
Common Ground	New York NY
CommonBond Communities	St. Paul MN
Community Action Project of Tulsa County	Tulsa OK
Community Development Corporation of Brownsville	Brownsville TX
Community Development Corporation of Utah	Salt Lake City UT
Community Housing Partners Corporation	Christiansburg VA
Community Preservation and Development Corporation	Washington DC
Community Reinvestment Fund	Minneapolis MN
Community Services of Arizona	Chandler AZ
Community Ventures Corporation	Lexington KY
Covenant Community Capital Corporation	Houston TX
Dallas City Homes	Dallas TX
Eden Housing	Hayward CA
Family Housing Fund	Minneapolis MN
Federation of Appalachian Housing Enterprises	Berea KY
Foundation Communities	Austin TX
Great Lakes Capital Fund	Lansing MI
Greater Metropolitan Housing Corporation	Minneapolis MN
Greater Minnesota Housing Fund	Saint Paul MN
Greater Rochester Housing Partnership	Rochester NY
Gulf Coast Housing Partnership	New Orleans LA

HAPHousing	Springfield MA
Heartland Housing, Inc.	Chicago IL
Hispanic Housing Development Corporation	Chicago IL
Homeport aka Columbus Housing Partnership	Columbus OH
Homes for America	Annapolis MD
Homewise	Santa Fe NM
Hope Enterprise Corporation	Jackson MS
Housing Assistance Corporation	Hyannis MA
Housing Development Corporation MidAtlantic	Lancaster PA
Housing Development Fund	Stamford CT
Housing Partnership Development Corporation	New York NY
Housing Partnership, Inc.	Louisville KY
IFF	Chicago IL
Indianapolis Neighborhood Housing Partnership	Indianapolis IN
LINC Housing Corporation	Long Beach CA
Long Island Housing Partnership, Inc.	Hauppauge NY
Low Income Investment Fund	San Francisco CA
Massachusetts Housing Investment Corporation	Boston MA
Mercy Housing	Denver CO
Metro Community Development, Inc.	Flint MI
Metropolitan Boston Housing Partnership	Boston MA
MidPen Housing Corporation	Foster City CA
Minnesota Home Ownership Center	St. Paul MN
Mississippi Housing Partnership	Jackson MS
Montgomery Housing Partnership	Silver Spring MD
National Affordable Housing Trust	Columbus OH
National Church Residences	Columbus OH
National Community Renaissance Rancho	Cucamonga CA
National Housing Trust/Enterprise Preservation Corporation	Washington DC
NCB Capital Impact	Arlington VA
Neighborhood Development Foundation New Orleans	New Orleans LA
Neighborhood Housing Services of Chicago	Chicago IL
Neighborhood Housing Services of New York City	New York NY
Nevada H.A.N.D., Inc.	Las Vegas NV
New Community Corporation	Newark NJ
New York Mortgage Coalition	New York NY
NHP Foundation	Washington DC
North Carolina Community Development Initiative	Raleigh NC
Ohio Capital Corporation for Housing	Columbus OH
Omni Development Corporation	Providence RI
<u>Planning Office for Urban Affairs, Inc.</u>	Boston MA
<u>Preservation of Affordable Housing, Inc.</u>	Boston MA
Progressive Redevelopment, Inc.	Decatur GA
<u>Project for Pride in Living, Inc.</u>	Minneapolis MN
Raza Development Fund, Inc	Phoenix AZ
REACH Community Development, Inc.	Portland OR

Religious Coalition for Community Renewal	Charleston WV
Rocky Mountain Communities	Denver CO
San Antonio Housing Trust Foundation	San Antonio TX
Settlement Housing Fund	New York NY
Sioux Empire Housing Partnership	Sioux Falls SD
South County Housing	Gilroy CA
South Shore Housing	Kingston MA
Southwest Minnesota Housing Partnership	Slayton MN
St. Ambrose Housing Aid Center	Baltimore MD
Tarrant County Housing Partnership	Fort Worth TX
Tenderloin Neighborhood Development Corporation	San Francisco CA
The Caleb Foundation	Swampscott MA
The Housing Partnership	Charlotte NC
The Housing Trust	Santa Fe NM
The Phipps Houses Group	New York NY
The Reinvestment Fund	Philadelphia PA
Wesley Housing Development Corporation	Alexandria VA
Wisconsin Partnership for Housing Development	Madison WI

Coalition for Choice Neighborhoods

Senator Tim Johnson
 Chairman, Senate Committee on Banking, Housing
 and Urban Affairs
 534 Dirksen Senate Office Building
 Washington, DC 20510

Senator Richard C. Shelby
 Ranking Member, Senate Committee on Banking,
 Housing and Urban Affairs
 534 Dirksen Senate Office Building
 Washington, DC 20510

April 1, 2011

Dear Senators:

The undersigned cities and public and private organizations are writing to urge that you include funding for Choice Neighborhoods as Congress finalizes the fiscal year 2011 spending bill for the Department of Housing and Urban Development. Choice Neighborhoods builds on the legacy of the HOPE VI program by providing grants to fund the transformation of HUD-assisted public and privately owned multifamily housing.

Choice Neighborhoods gives local communities a tool to transform distressed neighborhoods into sustainable mixed-income neighborhoods with the affordable housing, safe streets, and good schools every family needs. Choice Neighborhoods grants are primarily used for the redevelopment of public and HUD-assisted housing, but they can leverage a variety of federal, state, local, and private resources to implement comprehensive neighborhood revitalization strategies.

The challenges for communities caused by concentrations of poverty and the blight of distressed multifamily real estate are not limited to the public housing inventory. Public housing and other HUD assisted housing are often located within the same neighborhoods and serve families with extremely low incomes who are similar in their needs. Choice Neighborhoods is a worthy successor to HOPE VI that allows for the revitalization of both public housing and other HUD-assisted multifamily housing.

Choice Neighborhoods is an innovative, holistic approach that leverages private resources to address blight that often surrounds failed housing developments. Choice Neighborhoods will create jobs and there will also be a ripple effect in the revived communities that will now attract additional private investment. Like the HOPE VI program, Choice Neighborhoods presents an opportunity to think about the redevelopment of housing not simply as a 'bricks and mortar' exercise, but also as a platform for larger community revitalization. As a comprehensive, place-based approach to serving both people and neighborhoods, the program holds a great deal of promise as the way to reduce poverty and income inequality.

Choice Neighborhoods is a central element of the Administration's Neighborhood Revitalization Initiative to provide local communities with the tools they need to transform distressed, high-poverty neighborhoods into neighborhoods of opportunity. The Neighborhood Revitalization Initiative brings together HUD and the Departments of Education, Health and Human Services and Justice to collaborate to give communities better access to the variety of federal programs that address complex problems in low-income neighborhoods.

HUD received 161 applications for the 2010 funding round for Choice Neighborhoods and could only fund less than 25 of these. This demand demonstrates the wisdom of the Choice Neighborhoods approach of giving localities a tool to deal with neighborhood dysfunction exacerbated by distressed housing developments. This is the time to fund this thoughtful, cost-effective program. Thank you for your consideration.

Sincerely,

Atlanta Housing Authority
 City of San Francisco
 CommonBond
 Common Ground
 Community Preservation and Development Corporation
 Eden Housing, Inc.
 Enterprise Community Partners
 E.R. Bacon Development, LLC
 Housing Partnership Network
 Jonathan Rose Companies
 Local Initiatives Support Corporation
 McCormack Baron Salazar
 Mercy Housing
 National Housing & Rehabilitation Association
 National Housing Trust
 Preservation of Affordable Housing, Inc.
 Purpose Built Communities, LLC
 Related Companies of California
 Smart Growth America
 Stewards of Affordable Housing for the Future
 The Community Builders, Inc.
 The Integral Group

Questions or comments? Please contact: choicecoalition@sahfnet.org.

PREPARED STATEMENT OF EGBERT L.J. PERRY

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
THE INTEGRAL GROUP LLC

MARCH 27, 2012

Good morning Chairman Menendez and Members of the Subcommittee. My name is Egbert Perry. I am Chairman and Chief Executive Office of The Integral Group LLC, a private, for-profit real estate firm focused on implementing urban development projects nationally. I am honored to have the opportunity to come before you this morning to give you my testimony in support of “The Choice Neighborhood Initiative: A New Community Development Model.” This initiative would help to transform distressed neighborhoods and public and assisted projects into viable and sustainable mixed-income neighborhoods by linking housing improvements with appropriate services, schools, public assets, transportation, and access to jobs. My support comes not only as a result of my appreciation for the obvious public policy case that underpins the proposed legislation, but also from my experience as a practitioner in the private development marketplace.

INTRODUCTION

Integral is a 20-year-old firm, headquartered in Atlanta, Georgia. During that period, we have undertaken projects in many cities across the country, including Washington, DC, Baltimore and Atlanta.

Unlike many real estate companies, our firm undertakes both a) conventional (commercial) real estate development and b) community development. As we all are aware, commercial real estate development is “transactional” and, therefore, focused almost entirely on providing maximum economic returns to the investors and developers from the transaction in question.

On the other hand, our community development approach seeks to be “transformational” with respect to the building of communities. Like some of the other community developers, we come to this work with a commitment to transformation, while simultaneously seeking to achieve a reasonable profit. In order to transform, rebuild or revitalize communities, our core strategy is designed to leverage resources to restore the functioning of normal market forces, thereby minimizing the ongoing dependence on public funding to sustain the communities. This public-private partnership model is critical to successful community development initiatives, and the public dollars must be positioned to leverage private resources and private investment. Since the private sector partners in these undertakings are expected to bear the guarantee and market risks, they must be able to manage and mitigate their risk, without ignoring the public policy priorities. Accordingly, there are several metrics that we use to measure success. They include:

1. Solid economic returns on invested equity;
2. Positive economic and social outcomes for the community residents;
3. Positive economic development impact on surrounding/adjacent communities; and
4. Positive economic impact on the local political jurisdictions (*i.e.*, City, County and State).

BACKGROUND

It is this multi-faceted solution that the very best HOPE VI developments tried to achieve over the past 15 years. The Choice Neighborhood Initiative (“Choice”) improves on the lessons learned from HOPE VI and provides a path forward for achieving greater and more long lasting positive outcomes, by making some “nice to have” under HOPE VI (such as linkages to education, working through non-public housing authorities, *etc.*) essential elements of the more “integrated” Choice program. In time, the success of this program should be reflected in a consistently higher level of quality in the development solutions that are produced under Choice.

Our firm has been involved in the development of over 10 HOPE VI developments nationally, as well as other affordable, non-HOPE VI developments. This has helped me appreciate the potential benefits that Choice offers by reflecting on Centennial Place, the nation’s first HOPE VI development. Coincidentally, it was developed on the site of the nation’s first public housing project, Techwood Homes, and an adjacent public housing project known as Clark Howell Homes. Centennial Place was implemented by a public-private partnership that included The Integral Partnership of Atlanta, a joint venture between The Integral Group and McCormack Baron & Associates another private developer, and the Atlanta Housing Authority.

At the time of our engagement in 1994, the 60-acre property contained 1,081 severely distressed public housing units, 674 of which were occupied by households that had an average annual household income of \$4,300. The remaining units were vacant and uninhabitable. Captive to the property was an elementary school that was the second poorest performing elementary school in the Atlanta Public School system ("APS"). APS was ranked near the bottom of school districts in a State that was ranked 49th in the country. At the time, the crime rate at Techwood/Clark Howell Homes was 35 times the average rate for violent crimes across Atlanta, which according to law enforcement reports was one of the most dangerous cities in America. Suffice it to say that, like many others, this site of concentrated poverty was a ripe breeding ground for producing young people that could never successfully compete at home or in this globalizing society. Over 50 percent of the residents of the projects were children and approximately 25 percent were senior citizens. Working adults were nearly non-existent despite the employment opportunities that existed down the street at Georgia Tech.

The vision that we conceived for the new community that we would eventually create sought to answer one basic question: Is it possible to create a mixed-income (subsidized and market rate) community on the site such that people of reasonable means would choose to live there? We answered in the affirmative and set out to do so. At the outset, our public-private partnership adopted five strategic goals that addressed the public policy priorities, while employing sound private business principles as the foundation for planning and implementing the vision, as follows:

1. Leverage the Federal resources by attracting considerable local public resources, private philanthropic funds, as well as private debt and equity capital, to finance, develop and manage a new mixed-income community that would be healthy and sustainable over the long term.
2. Ensure that the development efforts positively impacted an area that was significantly broader than the primary 60-acre site.
3. Pursue a strategy to mainstream the public housing residents into the broader community, while providing counseling and other program support to help them in their transition toward self-sufficiency.
4. Build the human transformation efforts on a foundation of education, job training and employment.
5. Assist the Atlanta Housing Authority in achieving its own economic sustainability by generating additional sources of income to complement the shrinking Federal funding.

Centennial Place, the new community that was eventually created on the site, contains the following components:

1. **Mixed-income residential development**, comprised of 738 multi-family rental units and 45 homeownership units with a mix of public housing assisted households (40 percent), other low-income households (20 percent) and market rate households (40 percent); These components were financed using a combination of Federal funds, private equity and private debt. Infrastructure improvements (*i.e.*, upgrades to roads, sewers, *etc.*) were funded using previously allocated Federal resources, tax-exempt bonds and direct water, sewer and transportation allocations from the capital budgets of the city of Atlanta.
2. A complement of **coaching and counseling services** delivered to youth, young adults and seniors in assisted households to facilitate the transition to self-sufficiency.
3. Two **early childhood development centers**, operated by established service providers, and funded by private philanthropy; These centers offer crib to kindergarten development services to all families;
4. A new **high performing public school** offering a Math, Science and Technology theme, as well as an Arts program; This school represents a collaboration between the private developer, AHA, the school system and Georgia Institute of Technology (Georgia Tech).
5. A **Family YMCA**, funded primarily from private philanthropy, and operated by the Metro Atlanta YMCA. In addition to some private foundations, the YMCA enjoys the support of a number of anchor institutions that call the neighborhood home.
6. Miscellaneous **retail and other complementary uses** that help to provide a quality of life experience;

The **results** have been extremely positive.

1. The presence of the high-performing elementary school has supported the motto that great schools are essential to create for a great middle class neighborhood. There has been an ***increase in the demand for housing in the school's zone***, and the outlook for real estate values is positive. For the first time in recent decades, with Georgia Tech and Techwood Homes/Centennial Place as next-door neighbors, a student that grew up on the 60-acre site has successfully matriculated to Georgia Tech. In fact, many of the students that went to Centennial Place Elementary School have since gone on to highly selective colleges and universities, including Princeton, Michigan, the schools at the Atlanta University Center and Howard.
2. The members of the families that lived in community before the development, and were relocated, have seen ***significant improvement in the circumstances of the families receiving assistance***, especially with respect to workforce participation and educational attainment, as attested to by academic studies conducted by Georgia Tech, Emory University and Georgia State University. Further, the ones that exercised their choice to live in Centennial Place saw even greater gains, particularly due to the presence of the excellent quality of life infrastructure (school, YMCA, etc.) that are now readily available and accessible to them.
3. The ***significant reduction in the use and cost of public services*** (police, fire, social services, etc.) in the zone in which this site sits is well documented. The area's safety is now on a par with safe neighborhoods throughout the city.
4. ***Extensive private development activity*** in the surrounding area has taken place. Much of this development would not have taken place if Centennial Place (which represented (a) a break from the old model that concentrated poverty, (b) the introduction of private sector involvement and market principles and (c) higher expectations and standards for personal responsibility) had not been created, or if some version of the old Techwood Homes (even with a face-lift) remained. Within a two block distance south of the site, we have seen the development of the \$300 million Georgia Aquarium, the \$200 million-plus World of Coke Museum, the Children's Museum, and Allen Plaza, the one million square foot mixed-use development of high rise office buildings, hotels and condominiums. Other significant private development projects have been announced, including the planned National Center for Civil & Human Rights.
5. To the north, Georgia Tech has removed the physical and psychological barriers that have separated it from its southern neighbor for over 50 years. It is converting that corridor into its gateway to the campus. To the west, Coca Cola is expanding its headquarters and reaching out to the community, having made significant financial and other commitments to the school.
6. The City and County have seen ***this very large tract of land (including the project site) placed on the tax rolls and now contributes to their tax base*** after decades of receiving no tax revenues from these parcels.
7. In one of the ultimate signs of progress, the site and ***the census tract in which it sits is no longer considered "impacted" and eligible for the many public incentives*** for which those development areas typically qualify.

In essence, most of the ingredients for economic sustainability are firmly in place.

WHY CHOICE?—THE CASE

Thus, if the answer to the overarching question of—"Why the Choice Neighborhood Initiative?" is not already obvious, it can be explained in the following way:

1. Choice is built around the recognition that solutions should be developed locally and not at the Federal level.
2. By virtue of the eligibility criteria, Choice ensures that grants are only awarded to those jurisdictions and communities in which the spirit of collaboration has been well cultivated and the critical planning and other ground work that results from such collaboration is evident before funding support is provided. This will surely reduce implementation timelines, though revitalization projects are still time-consuming undertakings.
3. Many of the critical community building components that were discretionary under HOPE VI are mandatory under Choice. Those components tend to be directed toward addressing the poor human condition that exists in many of the targeted communities, and which has been facilitated by public policy over decades.
4. Under Choice, there is a clear recognition that public housing projects are not the only distressed developments where despair and concentrations of social

ills exist. In fact, in many communities, some of the other subsidized developments are in as bad a shape, or worse, than much of the public housing stock. Those developments are often responsible for retarding neighborhood recovery efforts. Appropriately, Choice offers local communities a chance to leverage critical Federal resources on a broader footprint, thereby expanding the revitalization impacts.

5. Choice ensures that Federal funds are catalytic, and that the local governments are the primary source of the public funds necessary to address most of the infrastructure and service challenges that must be confronted, especially as the revitalization spreads to the surrounding neighborhood and requires further public investment.
6. Choice encourages local jurisdictions to seek out the best partners in the private sector to help conceive and implement these very complex community development plans that require attracting resources from private financial institutions.
7. The stimulus effect that Choice funds can have on expanding the revitalization boundaries results in considerable temporary and permanent jobs that will be generated.

CONCLUSION

A minority of individuals has suggested that HOPE VI was not successful, and have gone even further to suggest that Choice is likely to yield the same results. Undoubtedly, they are measuring the wrong indicators or are not basing their judgment from observations on the ground. I strongly argue that:

1. Those individuals have not been talking to the many families that, though initially skeptical, have found themselves thriving after what proved to be a brief period outside of their comfort zone. Though the last few years have adversely impacted most families of all stripes, the financial condition of the households that relocated from the housing projects has improved dramatically since leaving the extreme concentration of poverty in those old communities. Their children are performing better in school and are more engaged generally.
2. They have not been talking to the local business communities that now find opportunities for development and investment in large swatches of the City that, heretofore, had been considered off limits or undevelopable.
3. They have not been talking to families that are moving into the neighborhoods because of the presence of a high-performing school.
4. They have not been talking to the City and County governments that have used HOPE VI projects to de-concentrate poverty, resulting in the simultaneous reduction in the demand for public services and the increase in the contribution to tax revenues in those areas of the City where such developments have been successfully undertaken, generally improving the livability of the City.
5. They have not been talking to the public redevelopment agencies that have been able to use their economic development tools to drive and achieve meaningful community economic development outcomes across the city by sponsoring the expansion of this community development approach.
6. They have not been talking to the investors and lenders that find these communities to be places where they are able to perform responsible and profitable community investment and lending.

The implementation of the Choice Neighborhood Initiative is not without risk, as it requires that the goals, objectives and funding of several Federal departments be aligned so that the aspirations articulated in Choice can be achieved. Those departments include Housing & Urban Development, Transportation, Education, Health & Human Services, among others. Ultimately, the community revitalization initiatives will be deemed successful when they remove the non-economic hurdles and re-engage the private development marketplace on the primary site and in the surrounding areas.

It has been said that for every 1 percent increase in the high school graduation rate nationally, there is a \$1 trillion increase in the country's GDP over the life of those graduates. The result of replacing broken and isolated communities in our country with healthy, nurturing, connected and sustainable communities that unleash more of our human potential should be near the top of our priorities if we are serious about regaining our global competitiveness.

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

PREPARED STATEMENT OF MITCHELL J. LANDRIEU

MAYOR, CITY OF NEW ORLEANS, LOUISIANA

MARCH 27, 2012

Chairman Menendez, on behalf of the citizens of New Orleans, I am honored to submit this written testimony for the Subcommittee's consideration affirming the value of the Choice Neighborhood Initiative and the transformational impact it will have on the City of New Orleans. Thank you for affording me this opportunity.

The Choice Neighborhoods Initiative takes an inspired step toward the way we should build our cities and the way government should act at the local, State and Federal levels. By working from a place-based perspective informed by on-the-ground realities of people, New Orleans is coordinating and targeting responsive investments for tangible outcomes that benefit its citizens. My administration has adopted the principles of "*facilitate, link and leverage*" for all projects and programs—and that's exactly what the Choice Neighborhoods Implementation Grant will allow us to do in the Iberville/Treme Neighborhood.

New Orleans has had significant history with Federal housing initiatives like HOPE VI, which transformed many of our public housing developments into new communities with their own unique character and design. And while we are pleased with the improved housing found at Faubourg Lafitte, Harmony Oaks and Columbia Park, we understand that these projects still followed a model of concentrated reconstruction directly on the public housing sites. When the city of New Orleans responded to the NOFA for the Choice Neighborhoods Initiative Implementation Grant with its partner, the Housing Authority of New Orleans (HANO), we recognized the immediate alignment of Choice Neighborhoods with our own approach to develop housing, neighborhoods and people in a holistic way. We knew this program would help the city of New Orleans redevelop the Iberville Housing site not only to benefit the citizens who will call that historic location home, but to benefit the city as a whole with targeted linkage to offsite projects we had begun, such as the recently completed Armstrong Park and the planned Lafitte Greenway that will link Iberville across town to City Park. We were proud and excited by the \$30.5 million Choice Neighborhoods Award, even more so by the fact that we can leverage over \$1 billion in private, nonprofit, and other investments into the community.

Essentially, what the Choice Neighborhoods Initiative has allowed us to do that no previous Federal grant program had, is use public housing re-development as the launching pad to link and leverage other Federal and local investments—to go beyond the footprint of the public housing development and transform the whole neighborhood with infill housing, blight removal, infrastructure and parks. I am hard pressed to remember any time when a Federal program and local development strategy were so well appointed to work together. It seems that our administration was putting the principles of Choice Neighborhood on the ground before we even knew about the grant.

One example is the work between the city and our schools, which we see as a key component in our plan for community revitalization. Our application brought the City, the Housing Authority and the Recovery School District together to act as contractual partners, for the first time, with a mutual goal of improving the lives of residents in the Iberville development and the surrounding community. We are working with the Recovery School District to see that our schools build strong communities and our communities build strong schools. New schools for both the Recovery School District and the Orleans Parish School Board are being constructed under a \$1.8 billion dollar settlement from FEMA. Lagniappe Academies, a new K-12 charter school modeled after nationally renowned Amistad Academy, is intentionally located in Iberville/Treme to serve students from the Iberville and Lafitte housing developments.

The Recovery School District commits in its Reform Plan within 5 years to: 1) develop teacher and school leader effectiveness; 2) implement comprehensive instructional reform strategies; 3) extend learning and teacher planning time and create community-oriented schools; and 4) provide operating flexibility, and sustained support as recommended by the U.S. Department of Education's Title 1 Improvement Strategy. The Choice Neighborhood study area will benefit greatly from these targets once they are achieved.

With housing as a primary driver of the Choice Neighborhood Initiative, the city of New Orleans and HANO are committed to replacing all of the current 821 public housing units and fulfilling the promise to de-concentrate poverty and increase housing choice for our lowest-income residents. Moreover, the Choice Neighborhoods

program continues the tradition of HOPE IV's commitment to residents through job training, education, and assistance moving to self-sufficiency—and expands into linkages with our public and charter school systems—to make concerted change that will last into the future—not just the duration of the grant. This change will also occur through the ultimate build out of over 2,000 total units across the Choice Neighborhood area.

The Choice Neighborhoods investment offers the opportunity to link housing redevelopment with our work to revitalize health care access and public safety strategies. When you look closely, you will see that there is hardly any municipal effort that is not connected to our Choice Neighborhood physically or programmatically. As a laboratory of innovation, New Orleans will use this experience to instruct us on enhancing every neighborhood.

Beyond housing, there are many ways Washington is helping the city of New Orleans lean forward to leverage the Choice Neighborhood Initiative, such as supporting our efforts to plan a premier medical district with the Veteran's Administration and University Medical Center as anchors. Such districts have been key in revitalizing cities like Philadelphia, Birmingham, and St. Louis. For New Orleans, the opportunity to link this investment with our Choice Neighborhood Initiative training and employment goals is one example of how Choice Neighborhoods is allowing us to become the city we want to be by fulfilling the promise for livelihood in our community. In doing so, we take advantage of ever increasingly scarce government funds to strategically leverage private resources.

We appreciate that at the Federal Government level, you are working to link and leverage your systems and programs as well. The city of New Orleans plans to take full advantage of your connective programming by applying for a Promise Neighborhoods Grant from the Department of Education, targeting the Tremé neighborhood within our Choice Neighborhood area. We also look forward to implementing our Public Safety Enhancement strategy, provided to Choice Neighborhood grantees by the Department of Justice Byrne Grant. We have also been able to target our Community Oriented Policing Strategy (COPS) grant funding from the Department of Justice to the Tremé neighborhood.

We are a city that cares about design. In fact, it is a passion of ours. Within the Choice Neighborhood boundaries of Broad Street, Tulane Avenue, Rampart Street, and St. Bernard Avenue, our housing development will meet the high design standard for which New Orleans is universally known. Like the French Quarter and the musical heart of Tremé, the design of every element of our new developments will be defined by their contexts, maintaining the best physical qualities of the Iberville development and its surroundings as blending across the blocks of neighborhoods known for their unique feel. The bottom line is wherever we build; we will task the design to attract market rate tenants to live seamlessly next to public housing residents.

Although we have not yet broken ground on the Iberville site, there already is demonstrated private activity and interest in the area. A privately owned theater, the Joy, has been brought back to life and a national grocer is looking to open a new site in the Choice Neighborhoods area are just a few of the signs that new private investment interest is stirring in the Choice Neighborhoods neighborhood.

If nothing else, this testimony should affirm that we, in New Orleans have an ambitious plan to improve the lives of the residents and revitalize the neighborhoods through the Choice Neighborhoods initiative. We will demonstrate results in a fairly short period of time. But achieving both near- and long-term goals will require significant spending. This is a partnership and New Orleans CNI is dependent upon Federal as well as State and City resources to stimulate investment across the target area. However, as you know, Federal funding is shrinking.

In the 2012 enacted Federal budget, the reduction in the HOME program resulted in the city of New Orleans annual HOME funds being reduced by over 70 percent and cuts to the Community Development Block Grant Program reduced our annual allocation by nearly 40 percent. These cuts are occurring in the face of increasing demand for affordable housing in New Orleans. This is the same pool from which the city of New Orleans had targeted investments in the Choice Neighborhood area.

Governments have no choice but to reexamine how they deliver services and invest their scarce resources. Choice Neighborhoods is the type of Federal program that might serve as a model for all government programs to achieve that goal, but we must move forward with eyes wide open about the needs of our citizens, the capacity of our resources, and this amazing window of opportunity we have in New Orleans to facilitate, link and leverage.



March 19, 2012

Robert Menendez, Chair
Senate Banking Subcommittee on Housing,
Transportation and Community Development
528 Senate Hart Office Building
Washington DC 20510

Jim DeMint, Ranking Member
Senate Banking Subcommittee on Housing,
Transportation and Community Development
167 Senate Russell Office Building
Washington DC 20510

Dear Chairman Menendez and Ranking Member DeMint:

Stewards of Affordable Housing for the Future thanks you for holding a hearing on the Choice Neighborhoods Program and endorses S. 624, *the Choice Neighborhoods Initiative Act of 2011*, which would authorize this critical program.

Stewards of Affordable Housing for the Future (SAHF) represents eleven sophisticated not-for-profit members who acquire, preserve and are committed to long-term, sustainable ownership and continued affordability of multifamily rental properties for low-income families, seniors, and disabled individuals. Since 2003 SAHF has promoted its members' shared notion that stable, affordable rental homes are critically important in people's lives. Together SAHF members provide homes to nearly 100,000 low-income households across the country.

The Choice Neighborhoods Program builds on the bipartisan successes of the HOPE-VI program and incorporates an innovative, holistic approach to solving the dire needs of distressed HUD-assisted housing, by leveraging public and private resources to address not only the distressed housing but also the community blight that often surrounds failed housing developments.

Choice Neighborhoods creates jobs and results in a ripple effect, attracting a variety of federal, state, local, and private investment in the revived communities. According to HUD, Choice Neighborhoods communities leveraged over \$1.6 billion in private funding last year alone. As a comprehensive, place-based approach to serving both people and neighborhoods, the program holds great promise as the way to reduce concentrated poverty and revitalize distressed communities, not only around public housing but other HUD-assisted multifamily housing as well.

The demand for Choice Neighborhoods funding is significant. In fiscal years 2010 and 2011 alone, HUD received 236 applications from public, private, and nonprofit sponsors to help fund the transformation of HUD-assisted housing and neighborhoods in 37 states and the District of Columbia. However, due to the limited amount of funding available, only 35 Choice Neighborhoods projects have been funded. This demand demonstrates the urgent need for of the Choice Neighborhoods approach of giving localities a tool to deal with neighborhood dysfunction exacerbated by distressed housing developments.

Stewards of Affordable Housing for the Future (SAHF) • The Evangelical Lutheran Good Samaritan Society
Homes for America • Mercy Housing • National Affordable Housing Trust • National Church Residences
The NHP Foundation • NHT/Enterprise Preservation Corp. • Preservation of Affordable Housing
Retirement Housing Foundation • The Community Builders • Volunteers of America • www.sahfnet.org

We urge your support for the Choice Neighborhoods Program, and we look forward to working with you on this important initiative in the future.

Sincerely,

A handwritten signature in dark ink, appearing to read "Toby Halliday". The signature is fluid and cursive, with the first name "Toby" and last name "Halliday" clearly distinguishable.

Toby Halliday
Executive Vice President
Stewards of Affordable Housing for the Future (SAHF)



Robert Menendez, Chair
Senate Banking Subcommittee on Housing,
Transportation and Community Development
528 Senate Hart Office Building
Washington DC 20510

Jim DeMint, Ranking Member
Senate Banking Subcommittee on Housing,
Transportation and Community Development
167 Senate Russell Office Building
Washington DC 20510

Dear Chairman Menendez and Ranking Member DeMint:

On behalf of the Local Initiatives Support Corporation, I would like to extend my support for S. 624, *the Choice Neighborhoods Initiative Act of 2011*, which would authorize this critical program. For over 30 years the Local Initiatives Support Corporation (LISC) has been dedicated to helping community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity — good places to work, do business and raise children. Akin to the Choice Neighborhoods Program, LISC's *Building Sustainable Communities* strategy has proven to be a promising agent of change; one that is flexible, innovative, and responsive to local conditions. It reaches into every corner of a community's life with a comprehensive approach that can help change the trajectory of disadvantaged neighborhoods. It is with this knowledge and experience that we express our enthusiastic support for this ground breaking program.

The Choice Neighborhoods Program builds upon the bipartisan successes of the HOPE VI program by incorporating an innovative and holistic approach that serves both people and neighborhoods. The program aims to reduce concentrated poverty and revitalize distressed communities; not only around public housing but also HUD-assisted multifamily housing. Just last year Choice Neighborhoods grantees leveraged over \$1.6 billion in private funding not only to revitalize distressed housing but also to ameliorate the blight and other community challenges that often surrounds failed public and assisted housing developments.

The demand for Choice Neighborhoods funding is significant. In fiscal years 2010 and 2011 alone, HUD received 236 applications to help fund transformative efforts in 37 states and the District of Columbia. However, due to the limited amount of funding available, only 35 Choice Neighborhoods applications have been funded, which means HUD cannot meet the intense demand for this type of community intervention.

Thank you for your support for the Choice Neighborhoods Program, and we look forward to working with you on this important initiative in the future.

Sincerely,

Michael Rubinger
President and Chief Executive Officer
Local Initiatives Support Corporation