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LOS ANGELES FIELD HEARING ON

"REDEVELOPING PUBLIC HOUSING OUTSIDE OF HOPE VI: POTENTIAL IMPACTS ON THE COMMUNITY AND RESIDENTS OF JORDAN DOWNS"

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Good morning Chairwoman Waters. I am Dominique Blom, the Deputy Assistant Secretary for the Office of Public Housing Investments at the U.S. Department of Housing and Urban Development (HUD). Thank you for inviting me to testify today.

The Administration is strongly committed to providing safe, decent, and affordable public housing to those citizens least able to care for themselves and recognizes the contribution made by the HOPE VI program toward the revitalization of public housing. However, the program has proven over time to be less cost-effective and efficient than other public housing programs. In fact, the last five Administration budgets have proposed to terminate the program in favor of more efficient and cost-effective programs. In addition to these issues, the program is not available or appropriate for all public housing revitalization efforts.

The four most significant funding alternatives to the HOPE VI revitalization program operated by the Department are: HOPE VI demolition only grants, the Mixed-Finance Public Housing Program, the Capital Fund Financing Program, and the Public Housing Mortgage Program.

HOPE VI demolition only grants provide housing agencies with resources to raze distressed developments and relocate impacted families. The result is a cleared site that more readily attracts resources for the revitalization of the project. These grants are an especially important resource for housing agencies that do not have a HOPE VI revitalization grant, but do have access to other funding sources such as Low Income Housing Tax Credits (LIHTCs). Without funding for demolition, a housing authority's ability to use LIHTCs combined with its Public Housing Capital Funds becomes limited.

Since 1996, HUD has provided over $395 million in demolition only funds across 127 public housing agencies. In the case of the Dana Strand site, the Housing Authority of the City of Los Angeles (HACLA) applied five times for a HOPE VI revitalization grant and was denied each time. However, the agency was awarded a $3.2 million demolition only grant in 2001. Demolition was completed in 2003, and the cleared site attracted approximately $54 million in redevelopment funding. This funding was used by HACLA to build 236 public housing and tax credit units for low-income families.

The Mixed-Finance Public Housing Program, which was used to redevelop Dana Strand, allows HUD and PHAs to mix public, private and non-profit funds to develop and operate housing developments. New developments may be comprised of a variety of housing types: rental, homeownership, market rate, affordable and public housing. These communities are built for residents with a wide range of incomes and are designed to fit into the surrounding community.

Since 1996, public housing agencies have used the Mixed-Finance Public Housing Program to fund projects for the redevelopment of public housing properties and construction of affordable housing. The financing deals for these developments routinely include multiple funding sources such as state and private mortgage debt, HUD’s Capital Fund grants and LIHTCs.

Public housing authorities (PHA) are eligible to apply for LIHTCs, and the program requirements for this funding source are consistent with the mission of these agencies. PHAs can use LIHTCs to both increase the supply of affordable housing in their community and to revitalize existing developments that are obsolescent or distressed.

To date, PHA participation in the LIHTC program has been limited, but diverse. As of 2005, approximately 230 PHAs across 44 states, the District of Columbia and Puerto Rico, had developed or were developing 775 tax credit projects for the construction of 97,930 units. This represents approximately 9% of all tax credit units developed, 3% of all tax credit projects, and 7% of all PHAs in the United States.

Projects involve both 9% tax credits and 4% tax credits with bonds, and include new construction as well as the redevelopment of existing properties. Two-thirds (66%) of the units developed by PHAs are new construction, versus 54% for the universe of LIHTC projects. The balance of remaining projects is for rehabilitation of existing developments, with less than 2% including a combination of new construction and rehabilitation. These projects vary in size, with the smallest project comprising only five units and the largest 475 units.

The third alternative program available through the Department for public housing agencies to redevelop public housing is the Capital Fund Financing Program (CFFP). This program allows PHAs to borrow from banks or issue bonds using their Capital Fund grants as collateral for debt service, subject to annual appropriations. In this way, public housing agencies are able to leverage up to one third of their Capital Funds provided by the Department to complete modernization now that would otherwise be postponed well into the future or to completely redevelop seriously distressed properties. As of December 31, 2007, HUD approved 106 transactions in which a total of 186 PHAs are participating. The total amount of loan and bond financing approved through December 31, 2007 exceeds $3 billion.

For example, Oxnard and Santa Clara housing authorities raised in excess of $10 million in bond financing. More recently, the Department also approved a CFFP for the Kern County, CA Housing Authority, which undertook a direct loan in excess of $6 million.

In addition to these resources, HUD recently established the Public Housing Mortgage Program. This program allows public housing agencies to borrow funds for affordable housing purposes by providing a mortgage on public housing real estate. The most recently approved transaction under this program allowed the Tacoma Housing Authority to mortgage public housing land to facilitate a $16 million bridge loan for infrastructure development. This investment was combined with additional funds that will ultimately yield over 360 affordable homeownership and rental units.

The primary reasons for housing agencies to pursue non-HOPE VI revitalization funds are: the scarcity of HOPE VI revitalization grant funds (with approximately six grants awarded each year under current funding levels), the planning costs and time involved in submitting a HOPE VI revitalization grant application, and the belief that the project would not be competitive for HOPE VI funding. Non-HOPE VI revitalization funding provides a range of viable funding alternatives for public housing agencies unable or uninterested in securing HOPE VI revitalization funding.

Although these alternative funding sources do not provide dedicated resources for Community and Supportive Services, the Department operates several programs that public housing authorities can draw on to support these activities, such as the Resident Opportunities and Self-Sufficiency Grant Program and the Family Self-Sufficiency Program. Moreover, resident and community involvement is a required component across each of the funding streams I have discussed today.

Despite the smaller scale of non-HOPE VI revitalization projects, the spillover impacts on the surrounding neighborhood are similar to those documented under the HOPE VI program. These efforts tend to result in higher quality housing, a lower crime rate, increased property values and business development in the surrounding neighborhood.

Thank you for the opportunity to discuss non-HOPE VI revitalization programs operated by HUD. As I mentioned earlier, the Administration has proposed to eliminate the HOPE VI program in favor of more efficient and cost-effective programs. We believe that the programs I have outlined today are important alternatives to the HOPE VI program and invaluable resources to public housing agencies in their efforts to improve the quality and quantity of affordable housing in their communities. I am happy to respond to any questions that you might have.