

**AFFORDABLE HOUSING IN HEALTHY NEIGHBORHOODS:
CRITICAL POLICY CHALLENGES FACING THE GREATER NEW ORLEANS REGION**

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New Orleans urgently needs to rebuild affordable rental housing in order to recover fully and fairly. Like most cities across the country, New Orleans already had an affordable housing crisis before Hurricanes Katrina and Rita. Almost a quarter of the city's residents had incomes below the federal poverty level and about two of every three households were renters. More than half of very low income households bore severe housing cost burdens—paying over half their monthly income for housing.¹ And only a small proportion of needy households received federal housing assistance.

The Need for Affordable Rental Housing

Affordable housing needs are even more severe today, particularly for renters. More than half the city's rental housing stock was damaged or destroyed, and rents for the remaining units have risen substantially. Many low-income families who were struggling before they were displaced by the storm have been unable to return to the city because they cannot find an affordable place to live. And those who do return are likely to face severe hardship (Popkin, Turner, and Burt 2006).

Federal, state, and local officials have all expressed a commitment to the safe return and a better future for displaced residents. But without affordable housing options, these commitments cannot be fulfilled, and the redevelopment of New Orleans will be stunted and inequitable. It will exclude a substantial share of the city's long-time residents, many of whom are African American. The absence of a major segment of the workforce will undermine the recovery of the region's economy. Key workers, including those involved in providing health care, child care, and public education may not be able to return, limiting the availability of services that everyone depends upon for a decent quality of life. And the vitality of New Orleans

¹ Poverty rate reported in the 2003 American Communities Survey. Housing cost burden reported in the 2000 Decennial Census. HUD defines very low income households as those with less than 30 percent of the area median family income in 2000.

will be eroded by the absence of families and individuals who played key roles in creating and sustaining the region's unique music, art, and cultural traditions (Turner 2006).

Avoiding the Mistakes of the Past

However, neither low-income families nor the communities in which they live will be well-served if affordable housing is rebuilt according to the patterns of the past. Historically, subsidized housing policies in New Orleans—as in cities across the United States—have isolated low-income families in large projects, earmarked exclusively for occupancy by the poor. These projects exacerbated racial segregation and isolation, polarized communities along lines of race and class, and helped create concentrations of minority poverty and distress (Schill and Wachter 1995).

A well-established body of social science research teaches us that concentrating poverty in this way undermines the well-being of families and children, and blights the surrounding communities (Ellen and Turner 1997). Indeed, residents of public housing projects like Desire, Florida, and Iberville endured intolerable physical conditions, high levels of violent crime, rampant drug trafficking, and myriad other social ills. Moreover, because New Orleans' low-income housing projects were poorly managed and so severely distressed, they have fueled prejudices and fears about subsidized housing. These fears undermine efforts to reshape affordable housing policies just at the time that reform and renewal is needed most.

Research provides a growing body of evidence that low-income families are likely to enjoy better health and long-term life chances if they have the opportunity to live in safe and healthy communities that offer access to jobs and are served by well-performing public schools (Briggs and Turner 2006). And when affordable housing is more widely dispersed, well-designed, and effectively managed, it can be an asset to the communities in which it is located. In fact, rigorous statistical analyses indicate that neither housing vouchers nor subsidized

housing developments undermine property values in the surrounding neighborhoods as long as they are properly sited and well-managed (Galster, Tatian, and Smith 1999; Galster, Santiago, and Tatian 2001; Galster, Tatian, and Pettit 2004).

The redevelopment of affordable housing in the greater New Orleans region need not repeat the mistakes of the past. Instead, affordable housing for low- and moderate-income renters should be incorporated into nonpoor communities. At the same time, distressed neighborhoods should be redeveloped to accommodate a mix of incomes, including people with very low income levels. These income-mixing strategies need not—and should not—simply displace low-income residents or discard the communities they have built. Programmatic models and tools are emerging that offer low-income families meaningful choices about where to live. Finally, some low-income families will need supportive services in conjunction with affordable housing—often because of serious health or personal problems—and this assistance should be part of an affordable housing strategy.

Expanding Affordable Housing Opportunities in Nonpoor Neighborhoods

Models and tools are emerging in cities across the country that integrate affordable housing into healthy, mixed-income neighborhoods. All of these models can and should be pursued as the communities in and around New Orleans and throughout the Gulf Coast are rebuilt:

Rental housing developed under the Low-Income Housing Tax Credit (LIHTC) program can be designed to serve a range of income levels and should be located in nonpoor communities. Across the country, many LIHTC developments are located in low-income neighborhoods and serve primarily low-income residents. But others are effectively serving low-income families in nonpoor communities. Four of ten LIHTC units are located in suburban communities, and as of 2000, the average tax credit unit was located in a census tract

with a poverty rate of 19 percent (Freeman 2004). The special allocation of tax credits allocated in response to Hurricanes Katrina and Rita should give priority to proposals that will expand affordable housing in healthy, opportunity-rich neighborhoods, rather than concentrating it in distressed communities. And LIHTC projects should be designed to serve a mix of income levels. To ensure that a substantial share of the newly developed units are affordable and available to households with very low incomes, the Housing Authority of New Orleans and other local housing agencies should also allocate a portion of their Housing Choice Vouchers to units in new LIHTC developments. On its own, the LIHTC program produces housing that is affordable for households with incomes at 60 percent of the area median, while the addition of “project-based” vouchers makes it possible to serve families with incomes at 30 percent of area median income or below.²

The state can establish an inclusionary zoning program that requires all new housing developments to include a predetermined share of affordable units, which can then be made available for either sale or rent to lower-income households. In markets experiencing high rates of new residential construction, inclusionary zoning constitutes an extremely powerful and effective tool, not only for expanding the stock of moderately-priced units, but also for integrating these units into every community. Moreover, some of the inclusionary units can be purchased by a public-sector agency or nonprofit housing providers and subsidized further to make them affordable for households with very low incomes (Brown 2001; Pendall, Puentes, and Martin 2006; Blackwell 2006).

Federal block grant funds can be used to subsidize the acquisition and rehab of small rental properties and single family homes, bringing them back into active use and

² Note that the 2005 Gulf Opportunity Zone legislation requires that all units built with the special allocation of LIHTC must be placed in service by the end of 2008, a deadline that is infeasible given the capacity of the residential construction sector and the many post-storm regulatory and financial barriers to development. Therefore, extending the “placed in service” deadline through 2010 is essential.

making them available for occupancy by lower-income households. Owners of small rental properties face substantial barriers as they attempt to repair their properties. Some may need financial assistance to bring rental units back into active use; others may prefer to sell their properties instead. The Road Home Program includes funding for assistance to small rental property owners, but this component of the program has been slow to start. In addition, some homeowners—who are themselves not yet ready to return—may be interested in renting out their single-family properties or selling them to nonprofit housing providers. Grants and low-interest loans to these property owners and to nonprofit organizations that will buy them and make them available at modest rent levels can bring more affordable housing units back on line quickly. This kind of “scattered site” strategy has worked well in other cities, including Denver, where the publicly owned or subsidized house is often the best looking property on the block. Bringing properties back to life would spur the renewal of devastated neighborhoods while making homes available for families yearning to come back (Galster, Santiago, and Tatian 2001).

The Housing Choice Voucher program can be expanded and administered regionally to maximize the options available to recipients and to make participation more attractive to landlords. Housing Choice Vouchers offer a critical tool for supplementing what low-income families can afford to pay for housing, and an expanded voucher program would enable more families to return reasonably close to home and/or to relocate in nonpoor communities throughout the greater New Orleans region. The federal government should be making more vouchers available to current and former residents of New Orleans, including extending the Katrina Disaster Housing Assistance Voucher Program, providing “tenant protection vouchers” to replace public housing and other federally subsidized units that are not being reopened or rebuilt, and allocating new vouchers based on needs among displaced households as well as current residents.

Rebuilding the stock of moderately priced rental housing in New Orleans and expanding rental options in the surrounding parishes is essential to the long-term success of the Housing Choice Voucher Program. However, even in the short-term, vouchers can provide the resources low-income families need to pay for housing reasonably near their original communities, enabling them to return to the greater New Orleans area and begin rebuilding their lives.

From this perspective, regionwide administration could substantially strengthen the impact of the Housing Choice Voucher program in New Orleans. Technically, vouchers are portable—recipients can use them to move anywhere in the United States. But when a family receives its voucher from one housing agency and wants to move to the jurisdiction of a different housing agency, the “portability” process is administratively burdensome—for the family, the local agencies, and the landlord. Moreover, rental property owners may be more open to participating in a voucher program if it is not administered by the public housing agency but by a well-regarded nonprofit organization.

A few urban regions in the United States, are served by a single, regional housing agency, and public housing agencies in several other metropolitan areas around the country possess the authority and capacity to administer housing vouchers regionwide. These examples demonstrate that it is feasible for a single organization to administer the housing voucher program effectively across jurisdictional lines within a metropolitan region, and this approach can help address some of the barriers to mobility and choice for voucher recipients (Katz and Turner 2000).

Local jurisdictions can implement temporary, emergency rent controls and eviction protections to guard against out-of-control rent increases and displacement of current residents. In circumstances where short-term supply shortages and demand pressures create opportunities for property owners to raise rents rapidly and/or replace lease-compliant tenants

with higher income households, local regulations can play an important role in helping to stabilize the market until more normal conditions return. Although some of the earliest rent control programs (implemented during World War II) imposed absolute caps on rent levels, most current programs are “second generation” rent control regimes, which allow for annual rent increases based on increases in operating costs. Typically, these programs also allow for rent increases when a landlord makes significant improvements to the building and “hardship increases” for landlords who are not earning a fair return on their investment. Many contemporary rent control programs also exempt new rental housing construction or luxury housing (Keating and Kahn 2001).

Redeveloping Distressed Neighborhoods to Serve a Mix of Income Levels

New Orleans can also look to experience from other cities around the country for examples of how to rebuild low-income communities in ways that are respectful of the original residents but do not concentrate and isolate them yet again:

Many successful examples come from experience to date with the HOPE VI public housing transformation program. The HOPE VI program is controversial; it has not always been implemented effectively and redevelopment has not consistently protected the interests of the original residents. Moreover, public housing residents in New Orleans are understandably distrustful of the Housing Authority of New Orleans (HANO), based on its historic track record and the city’s bad experiences with its pre-Katrina HOPE VI developments.

However, the HOPE VI experience from across the country offers lessons about how to build mixed-income communities that provide real choices and good outcomes for original residents. For example, Seattle established a local commitment to replace every public housing unit demolished under HOPE VI with another affordable housing unit elsewhere in the city. Similarly, Kansas City made a commitment to one-for-one replacement, involved residents in

decisionmaking, and created meaningful training and job opportunities for residents in the redevelopment process. Finally, in some of the projects being redeveloped as part of Chicago's public housing transformation, residents negotiated legal agreements that give them a voice in the demolition, relocation, and new development process. These models demonstrate that, with effective leadership and respectful resident involvement, the redevelopment of distressed public housing can create affordable housing opportunities in vibrant, mixed-income communities and protect the interests of the lowest-income residents (Popkin et al. 2004).

Well-managed public housing can serve as an important source of quality, affordable housing. Public housing has a deeply troubled reputation in New Orleans. And due to longstanding mismanagement, the Housing Authority of New Orleans is currently in receivership—operating under the direct control of the federal Department of Housing and Urban Development. But New Orleans cannot afford to give up on the public housing program as a source of housing units that come with deep, long-term subsidies that make them affordable, even for the lowest-income families and individuals, including many who are elderly or disabled. Chronically troubled public housing agencies in other cities (including, for example, Chicago and the District of Columbia) have been reformed and now manage their affordable inventories effectively. New Orleans should explore alternative receivership models from around the country and begin a process of rebuilding an effective and responsive public housing agency, which can then be relied upon to bring the salvageable public housing units back on line quickly. Some of these projects may be obsolete and will have to be redeveloped before long, but some could be providing habitable apartments in the near term.

New Orleans need not rely exclusively on HOPE VI to revitalize distressed neighborhoods. For example, the District of Columbia is building on its HOPE VI experience to launch a locally controlled and financed program for replacing distressed rental properties with mixed-income developments. Because D.C. has a shortage of affordable housing and is

experiencing rapid gentrification in many neighborhoods, its “New Communities” program is committed to one-for-one replacement of all subsidized housing units and to ensuring that original residents can remain in or near the revitalizing neighborhood.

Community land trusts and community benefits agreements can provide low-income residents control over the revitalization of their neighborhoods. Community land trusts are nonprofit, community-based organizations that provide affordable housing in perpetuity by owning land and leasing it to those who live in houses built on that land. Typically, community members control and govern these organizations. Residents own their homes (but not the land), and the trust retains the right to purchase the house when and if an owner wants to sell (Peterson 1996; Greenstein and Sungu-Eryilmaz 2005). A community benefits agreement is a binding contract negotiated between a developer and a coalition representing members of a community that is likely to be affected by planned new development. In exchange for community members' support for the project, the developer agrees to provide specific community benefits, such as affordable housing, parks, community facilities, job training, and employment opportunities.

Linking Supportive Services to Affordable Housing

Some families need affordable housing plus some support services in order to be safe and stable. The elderly and people with disabilities are particularly vulnerable, but this group also includes households with multiple, complex problems, such as substance abuse, mental illness, members with criminal backgrounds, and domestic violence. Experience teaches that without a combination of affordable housing and supportive services, these vulnerable households are at high risk of distress and homelessness. Again models are emerging for linking support services with housing assistance, often in small, well-managed developments, but sometimes with services provided hand-in-hand with a voucher (Popkin, Cunningham, and Burt 2005).

Permanent supportive housing can be developed to meet the needs of families and individuals who are otherwise “hard to house.” Although permanent supportive housing is often targeted to single elderly people and disabled adults, it is increasingly recognized as an option for troubled families as well. Supportive housing offers stable housing with subsidized rent levels in a structured environment that can include substance abuse and mental health services, child care and parenting assistance, adult education and job training, and budgeting and financial education. To be successful, supportive housing has to be very well managed and provide high-quality services.

Similar support services can also be provided in conjunction with portable housing vouchers. The Chicago Housing Authority is now developing and rigorously testing a new program of enhanced case management services for former public housing residents who are having difficulty with both vouchers and new occupancy standards for revitalized public housing. These families will receive sustained services and assistance from staff who have smaller-than-normal case loads and who are prepared to “follow” families when they move. This assistance is designed to either help families achieve stability in private rental housing (subsidized with a portable voucher) or enable them to meet the criteria for returning to the new mixed-income community being developed to replace distressed public housing.

Federal Leadership Is Essential

Rebuilding New Orleans represents the housing and urban development challenge of a generation. Although local political, civic, and community leaders must all have a voice in decisionmaking, federal leadership and support is essential. No city—operating on its own—could tackle the affordable housing challenges New Orleans faces today. Unfortunately, the federal Department of Housing and Urban Development has thus far offered the city little beyond business as usual—boarding up the public housing projects, dispensing block grant dollars, and offering limited mortgage relief to FHA-insured homeowners.

In other (less devastating) housing crises—like the Northridge, California, earthquake of 1994—HUD showed much greater imagination in crafting new solutions, finding new dollars, and forming new partnerships. In his September address from Jackson Square, President Bush promised that “we will do what it takes, we will stay as long as it takes, to help citizens rebuild their communities and their lives.” If this pledge is to be any more than empty rhetoric, the federal government must show much greater ingenuity and leadership than it has to date, becoming an active partner in rebuilding New Orleans' affordable housing.

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