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HOPE VI: A Vital Tool for Comprehensive Neighborhood Revitalization

Patrick E. Clancy and Leo Quigley

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RESPONSE

HOPE VI: A Vital Tool for Comprehensive Neighborhood Revitalization

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INTRODUCTION

In a recent issue of this Journal, Michael S. Fitzpatrick offered a critique of the United States Department of Housing and Urban Development's HOPE VI program, indicting the program for both reducing the overall number of affordable units in the nation's housing inventory and failing to meet the self-sufficiency needs of public housing residents.² While HOPE VI does remove obsolete units from the public housing inventory, it provides substantial resources with which local housing authorities and their development partners can revitalize neighborhoods, increase the quality of public housing, and, through a combination of housing vouchers and new construction, increase the number of low and moderate income families who receive housing assistance. In addition, HOPE VI provides resources which, when used effectively, can help those families most at risk of failure under welfare reform advance toward self-sufficiency in supportive, mixed-income, well-managed settings. The experience of The Community Builders, Inc.³ suggests that Fitzpatrick paints an unnecessarily negative picture of this remarkable federal initiative.

This article presents a practitioner's perspective on what does and does not work in the current HOPE VI program. Drawing upon lessons from five years of work with this evolving public housing transformation tool, it argues that HOPE VI presents important opportunities to create mixed-income housing, revitalize

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2. See Michael S. Fitzpatrick, *A Disaster in Every Generation: An Analysis of HOPE VI: HUD's Newest Big Budget Development Plan*, 7 GEO. J. ON POVERTY L. & POL'Y 421 (2000).

3. The Community Builder's, Inc. (hereinafter Community Builders) is a 501(c)(3) organization with offices in Albany, Boston, Cincinnati, Louisville, New Haven, New York, Philadelphia, Pittsburgh, Providence, Springfield MA, and Washington, DC. Its mission is to build and sustain strong communities where people of all incomes can achieve their full potential. It pursues this mission by developing and managing affordable housing, and coordinating community building and supportive services to promote the self-sufficiency of residents. See *Who We Are*, available at <http://www.tcbinc.org> (last visited May 31, 2001).

neighborhoods, reconnect public housing with local real estate markets, and support families striving to achieve self-sufficiency. This article proceeds in three sections. Part I describes HOPE VI, outlines Fitzpatrick's critique, and responds to this critique. Part II discusses current housing trends. It also offers implementation suggestions for localities seeking to realize the full potential of HOPE VI. Part III offers suggestions for changing HOPE VI. It includes recommendations to improve the quality of development plans, reach a larger universe of isolated but less distressed public housing, increase mixed-income rental production outside of HOPE VI, and create sustainable funding streams to support site-based community initiatives.

I. HOPE VI: SUMMARY AND CRITIQUES

HOPE VI is a Department of Housing and Urban Development (HUD) program that provides grants to public housing authorities for demolition and revitalization of distressed public housing.⁴ HOPE VI was created to implement the recommendations of the 1992 National Commission on Severely Distressed Public Housing, which found over 86,000 units of public housing in need of immediate demolition or revitalization.⁵ HOPE VI operated as a demonstration program 1993 to 1998.⁶

HOPE VI was authorized by The Quality Housing and Work Responsibility Act (QHWRA), a sweeping public housing reform law.⁷ Passed in 1998, the law enacts changes to the public housing system aimed at lessening dependence on federal subsidy, promoting market-based practices, privatizing public housing operation and management, and integrating public housing with surrounding communities.⁸ The law mandates income mixing in public housing, establishes work requirements for residents, and removes disincentives to work. Its

4. HOPE VI, originally known as the Urban Revitalization Demonstration (URD), was created by the Departments of Veterans Affairs and Housing and Urban Development under the Independent Agencies Appropriations Act of 1993. *See About Hope VI*, at http://www.hud.gov:80/pih/programs/ph/hope6/hope6_about.html (last visited Apr. 29, 2001).

5. *See NATIONAL COMMISSION OF DISTRESSED PUBLIC HOUSING, FINAL REPORT OF THE NATIONAL COMMISSION ON DISTRESSED PUBLIC HOUSING (1992)*.

6. Whereas most HUD programs are both authorized and appropriated by Congress, HOPE VI operated as a demonstration program through appropriations only from 1993 until it was authorized in 1998 by the Quality Housing and Work Responsibility Act, 5 U.S.C. §535. *See LOUISE HUNT ET AL., OFFICE OF POLICY, PROGRAM AND LEGISLATIVE INITIATIVES, & OFFICE OF PUB. AND INDIAN HOUS., SUMMARY OF THE QUALITY HOUSING AND WORK RESPONSIBILITY ACT OF 1998 (1998)*. *See also* DEPT. OF HOUS. AND URBAN DEV., HOPE VI PROGRAM AUTHORITY AND FUNDING HISTORY (2000), available at http://www.hud.gov:80/pih/programs/ph/hope6/history_8-8-00.pdf.

7. *See HUNT supra* note 6, at 12.

8. About 2.7 million people live in the nation's 1.3 million public housing units. Nearly half of the units are home to families with children, 32 percent have senior citizens, and 17 percent are home to people with disabilities. The median annual income of households in public housing is \$9,777. *See HUD Awards \$30.8 Million Grant to Washington, DC to Transform Public Housing, Help Residents*, available at <http://www.hud.gov:80...bookshelf18/pressrel/pr00-163.html> (last visited Jun. 16, 2001).

mixed-finance public housing provisions dramatically altered the ways in which public housing is constructed and operated, providing housing authorities with a wide variety of options for advancing their missions through partners rather than through direct ownership and management of housing.⁹ The law also created the Public Housing Operating and Public Housing Capital Funds, giving housing authorities much greater flexibility to use these resources in partnerships with private actors.¹⁰

QHWRA articulated an expansive set of goals for HOPE VI. Its objectives are to: (1) improve the living environment for public housing residents of severely distressed public housing projects through demolition, rehabilitation, reconfiguration, or replacement of obsolete public housing projects; (2) revitalize sites on which public housing projects are located and contribute to the improvement of the surrounding neighborhood; (3) provide housing that will lessen isolation and avoid or decrease the concentration of very-low-income families; and (4) build sustainable communities.¹¹

HOPE VI has succeeded in demolishing 97,000 units of the worst housing units in the inventory,¹² pumping over \$4.2 billion in federal spending dollars into distressed neighborhoods,¹³ leveraging billions of dollars of private invest-

9. See DEPT. OF HOUS. AND URBAN DEV., HOPE VI GUIDEBOOK ON MIXED-FINANCE PUBLIC HOUSING DEVELOPMENT (2001), available at http://www.hud.gov/pih/programs/ph/hope6/hope6_mfph.html. See also Gayle Epp, *Emerging Strategies for Revitalizing Public Housing Communities*, 7 HOUS. POL'Y DEBATE 563 (1996); Gayle Epp, *Mixed Finance: New and Creative Opportunities for Development*, in HOUSING STRATEGIES (Abt Associates, Summer 1998). See also Cavanaugh, *supra* note 6; Michael H. Schill and Susan M. Wachter, *The Future of Public Housing*, 2 WHARTON REAL ESTATE REV. 39 (1998).

10. See Sharon Wilson Geno and Tiffani Whittaker, *Leveraging Capital Funds: The New "Power Tool" for Housing Authorities*, HOPE VI DEVELOPMENTS (January/February 2000), available at <http://www.housingresearch.org>.

11. See DEPT. HEALTH & HUMAN SERV., CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE § 14.866, DEMOLITION AND REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING, available at <http://aspe.hhs.gov/cfda/p14866.htm> (last visited Apr. 29, 2001) [hereinafter CFDA § 14.866]. The program allows HUD to provide competitive grants to public housing authorities (hereinafter PHAs) for demolition of obsolete projects, site revitalization, and replacement housing, including tenant-based assistance. Selection criteria include factors such as: 1) the capacity of the PHA for managing redevelopment projects, meeting construction timetables, and obligating amounts in a timely manner; 2) the need for affordable housing; 3) the supply of other housing available and affordable to voucher holders; 4) the amount of funds and other resources to be leveraged by the grant; and 5) the local impact of the proposed revitalization. See HUNT, *supra* note 6, at 12-13. HOPE VI Demolition grants fund demolition of severely distressed public housing, and the relocation and services for relocated residents. HOPE VI Revitalization grants fund the capital costs of major rehabilitation, new construction, and other physical improvements; demolition of severely distressed public housing; management improvements; planning and technical assistance; and community and supportive services programs for residents. See *About HOPE VI*, *supra* note 4.

12. See *About Hope VI*, *supra* note 4. See also U.S. GEN. ACCOUNTING OFFICE, HOPE VI: PROGRESS AND PROBLEMS IN REVITALIZING DISTRESSED PUBLIC HOUSING (1998) [hereinafter PROGRESS AND PROBLEMS]; U.S. GEN. ACCOUNTING OFFICE, PUBLIC HOUSING: STATUS OF THE HOPE VI DEMONSTRATION PROGRAM (1997).

13. Since the inception of the program in 1993, HUD has awarded 318 grants totaling \$4.288 billion to 130 Housing Authorities in 34 states, the District of Columbia, Puerto Rico, and the Virgin Islands. These

ment,¹⁴ and pioneering mixed-finance development of public housing.¹⁵ The mixed-finance approach, blending public housing capital funds with private debt and equity in innovative private ownership structures, has also spread beyond HOPE VI.¹⁶ According to HUD, almost fifty revitalization projects outside of the HOPE VI program have used the mixed-finance model for redevelopment.¹⁷

The demands of public housing reform, coupled with the availability of flexible resources such as HOPE VI, Public Housing Capital Funds, and Public Housing Operating Funds, make housing authorities much more dynamic actors in urban redevelopment. Housing authorities can now participate in complex real estate transactions to develop public housing within privately owned mixed-income developments. Able to work with both private non-profit and for-profit partners, housing authorities now have many new avenues for providing low-income housing and revitalizing neighborhoods.¹⁸

The Fitzpatrick Critique

Fitzpatrick argues that HOPE VI, by replacing existing public housing with lower density, mixed-income developments, reduces the number of available public housing units.¹⁹ He also argues that HOPE VI fails to meet the self-sufficiency needs of public housing residents, and will, as a result, reproduce conditions of physical and economic isolation.²⁰ He further claims that public housing residents, due to unmet needs for self-sufficiency programming, will not be better off in the new mixed-income developments constructed to replace

include 35 Planning Grants totaling \$14.8 million, 149 Demolition grants totaling \$4.1 billion, and 134 Revitalization grants totaling \$218.3 million. See *About Hope VI*, *supra* note 4.

14. Through Fiscal Year 1999, HOPE VI had approved \$3.5 billion in grants, leveraging \$4.1 billion in local public and private investment. See U.S. DEPT. HOUS. & URBAN DEV., HOPE VI: BUILDING COMMUNITIES, TRANSFORMING LIVES 5 (1999). Financial leveraging ratios have risen over time. According to HUD, private sources contributed \$0.31 for every dollar in 1993. By 1999, private sources provided \$3.50 for every HUD dollar. See U.S. DEPT. HOUS. & URBAN DEV., A VISION FOR CHANGE: THE STORY OF HUD'S TRANSFORMATION 90 (2000) [hereinafter A VISION FOR CHANGE].

15. HOPE VI was awarded an Innovations in American Government Award in 2000, recognizing its use of public housing money to leverage private investment in New Urbanist-style, lower-density development that includes market-rate housing and commercial space. See Press Release, HUD HOPE VI Program Receives Innovations in American Government Award, at <http://www.innovations.harvard.edu/release/2000winners/HOPEVI.html> (last visited Apr. 29, 2001).

16. See *Geno*, *supra* note 10, at 1.

17. See A VISION FOR CHANGE, *supra* note 15, at 88.

18. The Charlotte Housing Authority, for instance, has formed a new division to develop mixed-income housing on valuable vacant land it owns, channeling profits into new affordable housing development. See *Housing Agency to Build its own Profits on Some Projects to Create Units For Poor*, CHARLOTTE OBSERVER, Nov. 1, 2000, at 1B.

19. Fitzpatrick, *supra* note 2, at 423-24. See also Jerry Salama, *The Redevelopment of Distressed Public Housing*, HOUSING POL'Y DEBATE (1999) (discussing the inherent conflicts among HOPE VI program goals); Winton Pitcoff, *New Hope for Public Housing?*, SHELTERFORCE MAGAZINE, March/April, 1999, at 1.

20. See *id.*

demolished projects.²¹ In addition, Fitzpatrick argues that the program "repeats many mistakes of past federal housing programs"²² such as siting public housing in disadvantaged areas, building communities which are isolated from surrounding neighborhoods, and providing inadequate social services.²³ Fitzpatrick concludes that HOPE VI "will largely fail in its aims"²⁴ and that "the housing market would be far better off if HUD scrapped the program."²⁵

Response

Fitzpatrick's claims that HOPE VI results in the loss of affordable units and fails to promote resident self-sufficiency merit direct response. In addition, Fitzpatrick's assumptions about the role of the federal government in local housing decisions also deserve comment. His analysis ignores the political history of the program, leading him to attribute lapses in local implementation to structural program flaws rather than uneven administration under devolution.²⁶

First, Fitzpatrick correctly observes that by demolishing obsolete units, lowering the overall density of former public housing sites, and reserving units for working poor and market-rate renters, HOPE VI will shrink the stock of traditional public housing.²⁷ In assuming that the loss of any public housing unit means less opportunity for low-income families, however, Fitzpatrick fails to recognize that existing housing options in distressed developments are wholly inadequate.²⁸ Public housing residents in physically and socially isolated developments are essentially trapped, with no real options to demand improvements or seek housing in the private market.²⁹ Furthermore, conditions of concentrated poverty in severely distressed developments are likely to worsen as time limits on welfare receipt take hold this year.³⁰ HOPE VI, by facilitating the construction of new housing developments and providing alternate means for

21. *Id.* at 424.

22. *Id.* at 423.

23. *Id.* at 445.

24. *Id.* at 423.

25. *Id.* at 448.

26. Devolution refers to a national policy and process of transferring responsibility for social programs from the federal government to the states, primarily in health care, income security, job training, social services, and community development.

27. Of slightly more than 4 million households receiving housing assistance in some form in 1993, 1.1 million households lived in public housing, 1.7 million lived in assisted housing, and 1.2 million were assisted with certificates and vouchers. See G. THOMAS KINGSLEY, *FEDERAL HOUSING ASSISTANCE AND WELFARE REFORM: UNCHARTED TERRITORY 3* (Urban Institute, *New Federalism: Issues and Options for States Series, Working Paper Number A-19, 1997*)

28. See U.S. DEPT. OF HOUS. AND URBAN DEV., *HOPE VI: BUILDING COMMUNITIES, TRANSFORMING LIVES* (2000).

29. See *id.*

30. See KINGSLEY, *supra* note 27, at 4-7. See also *THE HOME FRONT: IMPLICATIONS OF WELFARE REFORM FOR HOUSING POLICY XIII* (Sandra J. Newman, ed. 1999)[hereinafter *HOME FRONT*].

attaining housing (by providing housing vouchers, for example), provides better affordable housing options than existing traditional public housing.³¹ The creation of new affordable housing in mixed-income settings, along with providing residents a choice to live elsewhere using a housing voucher, is superior to preservation of existing, isolated public housing.

While Community Builders favors strategies that strengthen neighborhoods, the provision of housing vouchers instead of physical units to replace public housing demolished through HOPE VI creates valuable housing choice for public housing residents in many markets.³² Vouchers enable families to choose among a variety of apartments in the neighborhood, across town, or in the suburbs that meet their needs and preferences. Some recent research suggests use of housing vouchers can also have beneficial effects for poor children.³³

Off-site replacement housing funded by HOPE VI can also create valuable new housing choices for public housing residents. The revitalization of McKees Rocks Terrace, a public housing complex in Allegheny County on the outskirts of Pittsburgh, Pennsylvania, for example, involved not only on-site redevelopment, but also the construction of a new sixty-unit rental development in suburban Moon Township.³⁴ The new suburban development enabled public housing residents to relocate to a community offering better public schools, access to employment, and improved public safety, all backed up by extensive counseling

31. A HOPE VI project which rebuilds fewer "hard" units than are demolished typically reflects either weakness in the local housing market, or existing vacancy within the existing local public housing inventory. A HOPE VI project which lowers the overall number of public housing units often reflects a local policy judgment that providing vouchers rather than constructing physical units is the most appropriate means to provide replacement housing for affected residents in a given market. See Interview with Willie Jones, Senior Vice President, Community Builders, in Baltimore, Md (January 22, 2001)[hereinafter Jones Interview].

32. Occupied units are replaced by a combination of new construction of subsidized units and Section 8 housing vouchers for use in the private market. Tenants occupying units to be demolished are offered a choice of temporary relocation followed by return to the site after redevelopment or a voucher with which to rent private housing in the community or in suburban areas. In general, those tenants interested in renting units in the new mixed-income development must pass credit and criminal background checks, and be employed or participating in an employment program.

Section 8 of the US Housing Act of 1937 authorizes rental subsidy payments to income eligible families. The Housing Choice (Section 8) voucher program is the federal government's primary vehicle for assisting very low-income families, the elderly, and the disabled to rent decent, safe, and sanitary housing in the private market. Rental assistance is provided on behalf of the family or individual, participants are able to find and lease privately owned housing, including single-family homes, townhouses and apartments. The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects. See *Housing choice voucher program fact sheet*, at <http://www.hud.gov/section8.cfm> (last visited Apr. 29, 2001).

33. Greg J. Duncan and Jens Ludwig, *Can Housing Voucher Help Poor Children?*, CHILDREN'S ROUNDTABLE (Brookings Institution), July, 2000, at 5, available at <http://www.brook.edu/comm/ChildrensRoundtable/Issue3/issue3.htm>.

34. See *HUD Funding Backs HOPE VI Housing Project*, ADVANCES (Pennsylvania Department of Economic Development), Summer 2000, available at <http://www.county.allegheny.pa.us/economic/advances/sum2000/hope6.asp>.

on relocation options and support services.³⁵ While the process of finding appropriate sites and obtaining local approvals is risky and challenging for any developer attempting to build low-income housing in suburban settings, the effort results in providing low-income families expanded housing options.³⁶

Fitzpatrick is correct to emphasize the need for new affordable housing resources to meet the great need.³⁷ As the re-engineering of public housing takes place, significant new affordable housing production is needed to meet the needs of millions of struggling very-low, low-, and moderate-income families. While obtaining significant additional resources for new housing production remains a challenge, HOPE VI provides a template for investing these resources in ways that stimulate neighborhood revitalization.

Fitzpatrick's second claim, that self-sufficiency programs will not succeed, is an unfair generalization based upon early failures in the program.³⁸ As Fitzpatrick argues, successful implementation of self-sufficiency programs has been rare in the early stages of HOPE VI.³⁹ Early HOPE VI projects in particular failed to put effective services in place in time to meet the needs of tenants relocated from housing sites slated for demolition.⁴⁰ As a result, housing authorities lost track of residents, and proved unable to provide services later as their capacity to deliver services increased.⁴¹ For those offered services, work-first employment programs often focused on quick job placement with little follow-up and failed to include the long-term supports and case management necessary to build an enduring attachment to the workforce.⁴² Perhaps most importantly, scattered self-sufficiency efforts have failed to overcome the

35. See U.S. DEPT. OF HOUS. AND URBAN DEV., EXPANDING CHOICES FOR HUD-ASSISTED FAMILIES: FIRST BIENNIAL REPORT TO CONGRESS ON THE MOVING TO OPPORTUNITY FOR FAIR HOUSING DEMONSTRATION (1996), available at <http://www.huduser.org/publications/affhsg/expand/expand.html>.

36. See *id.*

37. See U.S. DEPT. OF HOUS. AND URBAN DEV., A REPORT ON WORST CASE HOUSING NEEDS IN 1999: NEW OPPORTUNITY AMID CONTINUING CHALLENGES (2001) (reporting on the number of very-low-income renter households paying more than 50% of their monthly gross income for rent or living in severely inadequate housing). 4.86 million unassisted renter households with "worst case" needs for rental assistance in 1999, compared to 5.38 million in 1997. See *id.*

38. In 1998, the General Accounting Office reviewed 39 sites that received HOPE VI funds in FYs 93-95. These sites expended, on average, 12% of the grant funds for Community and Supportive Services, well below the 20% limit then in effect. See PROGRESS AND PROBLEMS, *supra* note 12, at 12. See also Fitzpatrick, *supra* note 2, at 439 (analyzing self-sufficiency efforts in Cleveland, Camden, and Boston).

A HOPE VI application must include a Community and Supportive Services Plan that details activities designed to help residents achieve self-sufficiency, upward mobility, and economic independence. Common services include education and training programs, childcare services, transportation, and counseling to help public housing residents get and keep jobs. See *Hope VI Community and Support Services*, available at http://www.hud.gov:80/pih/programs/ph/hope6/hope6_css.html (last visited May 31, 2001).

39. See *id.*

40. See Jones Interview, *supra* note 31. See also PROGRESS AND PROBLEMS, *supra* note 12.

41. See Jones Interview, *supra* note 31.

42. See *id.*

endemic service fragmentation at the neighborhood level, leaving residents to face a bewildering, poorly coordinated array of services and providers.⁴³ This ineffectiveness, however, is failure of local implementation rather than a structural flaw in HOPE VI.

Implementation of self-sufficiency programming has lagged behind the real estate development program due, in part, to the historical separation of these functions. Fee-based real estate developers, concentrating on bricks and mortar development, have typically left human services to government bureaucracies and local nonprofit service providers.⁴⁴ As a result, physical development and human development goals are rarely integrated. Service delivery in this structure has frequently been ineffective in moving families to economic self-sufficiency.⁴⁵ Performance-based contracting in human services, however, is beginning to change these patterns.⁴⁶

Community Builders makes strong efforts to deliver effective self-sufficiency programming.⁴⁷ Our Community Initiatives division has over sixty full-time professionals who strive to increase resources available to support working families in mixed-income communities, and to repair failed, fragmented family support systems. Housing developments serve as a platform for moving whole families toward economic independence. Site-based staff work to align and integrate existing resources in welfare, education, workforce development, and health to strengthen families in our neighborhoods.⁴⁸ In the area of workforce development, staff offer employment placement, post-placement job retention and career advancement supports, linking needed supportive services—from educational enhancements, day care and family development to substance abuse treatment—to the primary process of improving a resident's employment situation.⁴⁹

At Bedford Dwellings and Additions in Pittsburgh's Hill District neighborhood, for example, family self-sufficiency programming is the focus of our current efforts. Working closely with the Bedford Partnership, a multi-agency collaborative, we have implemented a substantial site-based workforce development program. Using a proven workforce-employment methodology developed by Project Match in Chicago, our case managers work to achieve narrow, concrete, economically focused goals for families. Trained professionals help

43. *See id.*

44. *See id.*

45. *See id.*

46. Performance Based Contracting involves specifying goals and deadlines in contract language as a method of controlling contractor performance in areas such as real estate development, job placement, and student achievement. *See Sharon Wilson and Julie McGovern, Performance Based Contracting for Development and/or Social Services, HOPE VI DEVELOPMENTS* (Housing Research Foundation 2000), available at <http://www.housingresearch.org>.

47. COMMUNITY BUILDERS, COMMUNITY INITIATIVES DIVISION SUMMARY (2001)(on file with author).

48. *See id.*

49. *See id.*

families set goals, and then mediate the maze of human services available in the community to advance individualized, employment-focused family plans. Beyond linking residents with jobs, case managers facilitate access to a range of supports that make work pay—from making sure that residents take advantage of the Earned Income Tax Credit each year, to enrolling their children in the State Child Health Insurance Program, to tapping available subsidies for child care and transportation, to finding quality after-school and summer programs for youth. At Bedford, even before a shovel hit the ground, over 200 participants in our workforce development program had been placed in jobs, more than 150 working residents received assistance in claiming the Earned Income Tax Credit, and over 95% of eligible voters were registered to vote.⁵⁰

Fitzpatrick's sweeping indictment, resting on a few examples of HOPE VI projects that perform poorly on self-sufficiency efforts, suggests he favors a prescriptive program structure at the federal level rather than a flexible collaboration with local government. In focusing exclusively on the federal dimension of the policy rather than the critical role of local government, private sector developers, and service providers under devolution, Fitzpatrick incorrectly attributes failures to program structure rather than local implementation. In taking this approach, Fitzpatrick ignores the political history that drove the creation of the program.

HOPE VI evolved during a tumultuous period in HUD's history. HUD had been a target of budget cutbacks, and a candidate for elimination as an agency, throughout the Reagan and Bush administrations.⁵¹ Public housing, such as the infamous Cabrini Green and Robert Taylor Homes in Chicago, stood out as a singular disaster in federal housing policy.⁵² HUD remained under a cloud following the corruption scandals of the 1980s, and a longer history of bureaucratic failure.⁵³ With the ascendance of the Republican Congressional majority in 1994, the very future of HUD as an agency was threatened.⁵⁴ In these troubled times, long before America's record economic expansion became a reality, HUD Secretary Cisneros embraced privatization, devolution and govern-

50. COMMUNITY BUILDERS, BEDFORD CASE MANAGEMENT RECORDS (2001)(on file with author).

51. See Alice O'Connor, *Swimming Against the Tide: a Brief History of Federal Policy in Poor Communities*, in URBAN PROBLEMS AND COMMUNITY DEVELOPMENT 113-17 (Brookings Institute, 1999).

52. HOPE VI: *Building Communities*, supra note 14. "The quiet successes of America's public housing have all too often been overshadowed by the terrible conditions in a small share of units. . . These large high-rise and barracks-style projects, collapsing under the burdens of poor design, deferred maintenance, and decades of hard use, have unjustly defined the public image of public housing." *Id.* See also SUDHIR ALLADI VENKATESH, *AMERICAN PROJECT: THE RISE AND FALL OF A MODERN GHETTO* (2000); LAWRENCE J. VALE, *FROM THE PURITANS TO THE PROJECTS: PUBLIC HOUSING AND PUBLIC NEIGHBORS* (2000).

53. Judith Evans, *HUD's Cisneros to Leave a Legacy of Public Housing Reform*, THE WASHINGTON POST, November 30, 1996, at E01.

54. Guy Gugliotta, *Henry Cisneros Goes For Broke*, THE WASHINGTON POST, October 8, 1995, at W22. See also Judith Evans, *Cisneros's Mission: Selling a Renovated HUD to a Skeptical Congress*, THE WASHINGTON POST, April 26, 1996, at A23.

ment reinvention in a desperate, yet ultimately successful, attempt to save the agency from elimination.⁵⁵

Both recognizing the bureaucratic failure of centralized administration, and bowing to Republican demands for deregulation and local control over community development programs, HUD produced a program which provides substantial freedom of implementation at the local level. Such an approach will result with uneven implementation, with successes and failures. One can argue with the wisdom of devolution, but the program structure alone does not mandate failure.

The Community Builders Perspective

Community Builders views HOPE VI as a vital tool for spurring comprehensive neighborhood revitalization.⁵⁶ When coupled with locally available resources from the new Public Housing Capital Fund,⁵⁷ a \$25 million HOPE VI award can, in a remarkably short time frame, leverage another \$75 million in private financing, equity investment, and local funds. Such a substantial injection of capital into privately owned, market-sensitive investment can restore a functioning housing market in a neighborhood where years of disinvestment have eroded the investment climate. With its scope and flexibility, HOPE VI stands out as the single most potent antipoverty program in HUD's arsenal today.

HOPE VI is unique among HUD programs in its ability to create mixed-income housing, revitalize whole neighborhoods, reconnect public housing with local real estate markets, and support families progressing toward self-sufficiency.⁵⁸ Beyond providing vital financial resources, HOPE VI makes three critical contributions to community development: it (1) encourages bold visions neighborhood revitalization; (2) brings mayors back in to public housing decision-making; and (3) introduces private sector resources into distressed neighborhoods.

55. See Gugliotta, *supra* note 54.

56. Over the past 37 years, Community Builders has developed 16,000 housing units, completed over 190 projects, and assembled over \$1.1 billion in project financing. The organization has over 6,000 units currently under development. Community Builders specializes in comprehensive neighborhood revitalization. Through HOPE VI and other HUD programs such as Mark-to-Market, Community Builders seeks to promote healthy neighborhoods, reposition public and assisted housing within a competitive marketplace, and create stable mixed-income housing settings to support families moving from welfare to work. See *Who We Are*, *supra* note 3.

57. The Public Housing Capital Fund provides funds to public housing agencies to carry out capital and management activities, including the development, financing, and modernization of public housing projects, including the redesign, reconstruction, and reconfiguration of public housing sites and the development of mixed-finance projects; vacancy reduction; addressing deferred maintenance; demolition and replacement; resident relocation; community facilities, security improvements, and homeownership activities. (H.R. 4194-91, Subtitle B- Public Housing, Part 1 - Capital and Operating Assistance, Sec. 519). See also HUNT, *supra* note 6, at 8-10. See Geno, *supra* note 10, at 1.

58. Nearly half of all families with children now living in public housing are likely to be touched by welfare reform. See HOME FRONT, *supra* note 30.

1. *Bold Visions of Neighborhood Revitalization*

First, HOPE VI encourages bold visions to address difficult redevelopment challenges. Dilapidated public housing superblocks and barracks-style developments present formidable psychological and physical obstacles to new investment.⁵⁹ The millions of dollars in public and private funds to invest in a HOPE VI project present unprecedented opportunities to address such longstanding impediments to neighborhood development.⁶⁰ New housing development that creatively mixes public housing capital funds, Low Income Housing Tax Credits, and HOME or CDBG dollars can provide housing opportunities for public housing residents, low income renters, the working poor, and market rate families.

The challenge is to transform an area historically dominated by "the projects," often among the most dangerous and feared parts of town, into a neighborhood where families would choose to live. This involves creating new residential real estate markets and reconnecting isolated public housing sites with the fabric of the larger community. To produce viable new communities, such visions must address not only housing, but also schools, retail and commercial amenities, parks and recreation space, transportation access, physical security, and community building.

2. *City Leadership*

Second, in favoring mixed-income development that reconnects pockets of poverty with stronger market areas, HOPE VI brings together mayors, city planning and development agencies, and housing authority directors into constructive partnerships. Historically, public housing agencies, funded and heavily regulated by HUD, have operated in isolation.⁶¹ However, because HUD has begun to force housing authorities to lessen their dependence on federal subsidies and mayors see the potential of leveraging local resources with public

59. See Sandra J. Newman and Ann B. Schnare, "... And a Suitable Living Environment": *The Failure of Housing Programs to Deliver on Neighborhood Quality*, 8 HOUSING POLICY DEBATE 703 (2000)(discussing impacts of housing programs on individuals and neighborhoods).

60. HOPE VI provides grants of up to \$35 million to PHAs to cover capital costs and services. Up to 15% of the award can be used for supportive services. PHAs use operating subsidies to operate the project upon completion. Beginning with FY1999, grantees must provide a 5 percent overall match, and if more than 5 percent of the grant is used for Community and Supportive Services, any amount over that 5 percent must be matched. Typical local matching funds include Community Development Block Grants, HOME funds, Low Income Housing Tax Credits, tax exempt bond debt, Federal Home Loan Bank grants, homeownership subsidies from various sources, and local capital subsidies. See CFDA 14.866, *supra* note 11.

61. See Michael H. Schill and Susan M. Wachter, *The Spatial Bias of Federal Housing Law and Policy: Concentrated Poverty in Urban America*, 143 U. PA. L. REV. 1285 (reviewing the interplay of PHAs and local governments, particularly in the concentration and isolation of very poor households in public housing).

housing capital funds to accomplish important development goals, housing authorities and city agencies are increasingly working together.⁶² In providing housing authorities and their development partners broad latitude in crafting redevelopment plans, HOPE VI both recognized the weaknesses in the existing, centralized, prescriptive public housing model and acknowledged that local resources flow only with increased local control.

This shift toward flexibility takes place as mayors begin to view themselves as increasingly entrepreneurial actors. Announcing the April, 2001 National Summit for Investment in the New American City, held at the White House, Providence Mayor Vincent Cianci said: "Back in the 70's mayors were considered to be social workers. . .[and] we're still involved with those same issues – food stamps, affordable housing and homelessness, among others. But today, [sic] we've added a new dimension to our role: we've become risk takers and entrepreneurs."⁶³ Cianci cited such efforts as Providence's \$142 million investment in a shopping complex centrally located in downtown Providence, which attracts more than \$20 million dollars each year to his city.⁶⁴ Cianci also created tax credits to encourage artists and artisans to live within the city borders, and has re-routed both train tracks and a river to create a waterfront that now is a central attraction.⁶⁵ Entrepreneurial mayors view HOPE VI as an important tool with which to leverage private investment in support of a larger neighborhood development agenda.

3. *Private Sector Capacities*

Third, HOPE VI engages for-profit and non-profit private sector actors, interjecting market discipline in neighborhood planning, design, development, finance, property management, and service delivery. With substantial resources in hand, neighborhood planning processes involving communities, developers, government agencies, and political leaders can quickly lead to realistic implementation plans. HOPE VI's mixed-income, mixed-finance character, in particular, forces developers to meet high standards. Since mixed-income housing depends on revenue garnered from unsubsidized tenants exercising free choice in the marketplace, developers build housing that is high quality, responsive to market forces, and well-managed. In addition, the participation of private lenders and investors with investments both improves long-term asset management and gives comfort to others considering investment in the community.

These innovations – encouraging bold visions, fostering inter-agency collabo-

62. Geno, *supra* note 10, at 3.

63. Press Release, *From Urban Blight to Urban Bright: Mayors Point to 2000 Census Data as Evidence of Urban Renaissance*, Mar. 28, 2001, at <http://www.usmayors.org/uscm/news/pressreleases/documents/census032201.asp> (last visited Apr. 29, 2001).

64. *See id.*

65. *See id.*

rations, and mobilizing private-sector capacities – combine to make HOPE VI a truly powerful tool for comprehensive neighborhood revitalization.

II. REALIZING HOPE VI'S STRATEGIC POTENTIAL

American cities are rebounding. With urban unemployment rates cut in half, crime at a thirty-year low, homeownership at record levels, and cities in good fiscal health, HUD recently reported a “reversal of fortunes in most cities” in the mid-1990s.⁶⁶ New Census 2000 figures confirm these trends. Population losses in 36 older medium-sized cities either slowed or reversed, with fifteen cities that lost population in the 1970s showing new population growth.⁶⁷ Eight of the 10 largest cities gained population in the 1990s.⁶⁸ The strong economy, increasing availability of credit, and aggressive outreach to low-income borrowers and underserved urban neighborhoods contributed to the creation of two million new homeowners in cities between 1993 and 1999.⁶⁹

An indicator of the changing climate is the formation of the Council for Investment in the New American City, a collaborative project of the United States Conference of mayors (USCM) and the Mortgage Bankers Association (MBA). Launched in October of 2000, the Council provides a forum for mayors, lenders, and developers to exchange ideas about city revitalization issues and develop national policies and strategies to make cities places where people want to live, work, and play.⁷⁰ Announcing the new initiative, the USCM stressed that this venture marked the first time mayors came together in an official capacity with the nation's top financial lending and development leaders to confront and address issues of affordable housing, transportation, and commercial and retail development in central cities and suburbs.⁷¹

66. See U.S. DEPT. OF HOUS. AND URBAN DEV., STRATEGIES FOR SUCCESS: REINVENTING CITIES FOR THE 21ST CENTURY 5, (2001)[hereinafter STRATEGIES].

67. PATRICK A. SIMMONS AND ROBERT E. LANG, FANNIE MAE FOUNDATION, *The Urban Turnaround: A Decade-by-Decade Report Card on Postwar Population Change in Older Industrial Cities*, in CENSUS NOTE 01 (April 2001). See also ELVIN K. WYLY AND DANIEL J. HAMMEL, FANNIE MAE FOUNDATION, *Cities and the Reinvestment Wave: Underserved Markets and the Gentrification of Housing Policy*, in HOUSING FACTS AND FIGURES (2000).

68. See Eric Schmitt, *U.S. Population Has Biggest 10-Year Rise Ever*, NY TIMES, April 2001, available at <http://www.nytimes.com/2001/04/03/national/03CENS.html> (last visited May 31, 2001). Only Philadelphia and Detroit lost population. New York, Los Angeles and Chicago remained the top three metropolises. Houston, Phoenix and San Diego were three of the next four largest cities. Despite its population loss, Philadelphia still ranks fifth, behind Houston and ahead of Phoenix. The number of people in metropolitan areas grew by 14 percent in the last decade, narrowly exceeding nonmetropolitan counties, which grew by 10 percent. Four of five Americans still live in cities or suburbs.

69. See STRATEGIES, *supra* note 66, at 109.

70. See COUNCIL FOR INVESTMENT IN THE NEW AMERICAN CITY, A REPORT ON THE CHANGING REALITIES OF CITIES (Oct. 2000), at http://usmayors.org/uscm/news/press_releases/documents/mba/full_report.pdf (last visited May 31, 2001).

71. See Press Release, Coles Launches Council for Investment in the New American City (Oct. 23, 2000), at http://usmayors.org/uscm/us_mayor_newspaper/documents/10_30_00/frontpage.htm.

Despite positive market trends in many areas of America's central cities, substantial pockets of poverty remain.⁷² In our work in city after city, we find failed public and assisted housing projects in poverty stricken areas marked by high unemployment, low education levels, and housing disinvestment. A 1997 study found that roughly 75 percent of all assisted housing units are located in distressed neighborhoods.⁷³ Poor residents in these enclaves remain physically and socially isolated from economic and educational opportunities, job and social networks, and mainstream city life.⁷⁴

The current housing market resurgence in American cities has created significant new opportunities for housing authorities to provide better housing and strengthen neighborhoods through HOPE VI. To realize these opportunities, housing authorities must develop new skill sets in the areas of building community consensus, partnering, leveraging resources, and managing assets. In addition, they must provide a product that is competitive in the marketplace in terms of design, siting, amenities, and management. Finally, housing authorities must be creative in balancing competing goals of serving needy families, advancing larger city development goals, and attracting private capital.

Community Builders's experience in assessing development opportunities, and shaping winning proposals, suggests the following as elements that maximize the positive impact of a HOPE VI project:

1. Create a Comprehensive Neighborhood Revitalization Strategy

The best HOPE VI proposals embrace a vision much greater than simply removing distressed high-rise towers and dilapidated barrack-style public housing on the site itself. They build schools and community facilities, leverage private capital investments in retail and commercial amenities, beautify parks and open space, and initiate youth development, workforce development, and crime-reduction strategies. They build replacement housing on scattered vacant lots and in rehabilitated smaller properties in the neighborhood. They seize opportunities to overcome physical isolation, restore the street grid, re-establish neighborhood scale housing, and connect to transportation networks. They offer both rental and home ownership opportunities, and create financial pathways from renting to ownership for public housing and other low-income neighborhood residents.

Revitalization plans must realistically assess a neighborhood's development potential, its competitive strengths and weaknesses, in a market context. In strong

72. See STRATEGIES, *supra* note 66 at 5. See also INSTITUTE ON RACE & POVERTY, UNIVERSITY OF MINNESOTA LAW SCHOOL, CONCENTRATED POVERTY: CAUSES, EFFECT, AND SOLUTIONS (Sept. 1999). See also Schill and Wachter, *supra* note 61.

73. See HOME FRONT, *supra* note 30, at 7.

74. See U.S. DEPT. OF HOUS. AND URBAN DEV., NOW IS THE TIME: PLACES LEFT BEHIND IN THE NEW ECONOMY (2000).

markets, where resurgent market forces threaten affordability, creative thinking about mixing resources can generate cross-subsidies in mixed-income housing settings, lowering the dependence on ongoing federal subsidies. In weak markets, where leveraging resources for market-rate construction is not an option, more reliance on vouchers may be appropriate to lower poverty concentration. In either case, a comprehensive neighborhood revitalization strategy can replace a pocket of poverty with a stable, mixed-income community.

Park DuValle in Louisville, Kentucky is an example of what can be accomplished with a bold vision for redevelopment. In a stunning turnaround, the new development is home to both very-low income families and doctors and lawyers with \$300,000 incomes.⁷⁵ The \$200 million effort transformed a once neglected segment of the city into Louisville's premier mixed income neighborhood.⁷⁶ The new Park DuValle, covering 125 acres, links 650 rental residents and 450 homeowners with civic, recreational, and retail facilities.⁷⁷

A compelling vision for redevelopment requires attention to good design. In the Park DuValle project, for instance, the housing authority, in close collaboration with the city's political leadership and Mayor Jerry Abramson, went through a highly unusual master planning process — complete with a pattern book depicting options for homes in the community.⁷⁸ Incorporating the design principles of New Urbanism,⁷⁹ the community offers townhouses, single and multi-family homes reflecting the architectural forms and details found throughout Louisville's older neighborhoods.⁸⁰ With its pedestrian friendly streets, a diverse mix of activities from shopping to education facilities, the community once again offers a broad spectrum of housing types for people of all incomes.⁸¹ The result is now a striking new community of rental housing and home ownership with consistent but varied design of the highest quality.⁸²

75. See Neil Pierce, *Metamorphosis Of A Neighborhood: Louisville's Miraculous Story*, THE WASHINGTON POST WRITERS GROUP (2000), at <http://www.postwritersgroup.com/archives/peir0619.htm> (last visited May 31, 2001).

76. See *id.*

77. See *id.*

78. See *id.*

79. New Urbanism is an urban planning philosophy that calls for the development of walkable, mixed-use neighborhoods, rather than large, single-use pods of housing, retail, office, or industrial use. See Charles C. Bohl, *New Urbanism and the City: Potential Applications and Implications for Distressed Inner-City Neighborhoods*, 4 HOUSING POL'Y DEBATE 761 (2000).

80. See *id.*

81. See *id.*

82. The Villages of Park DuValle was one of 10 urban design projects recently chosen to receive the American Institute of Architects' Honor Award 2000 for outstanding regional and urban design. Park DuValle was also selected as one of twelve case studies for the National Building Museum's upcoming exhibition, *Reinvigorating Cities: Smart Growth and Choices for Change*. This exhibition is part of a series that is examining efforts to reestablish cities as inviting places to work and live as an alternative to urban sprawl. See *Louisville Housing Partnership Revitalization Project Receives National Urban Design Awards*, at <http://www.nahp.net/resources/news/Louisville%20-%20Park%20DuValle%20-Honored,%20August%202000.htm>.

2. *Engage the Right Skill Sets*

To move quickly in dramatically new directions, a housing authority needs to form partnerships with organizations with complementary experience and capacities. Engaging an experienced partner early in the process enables the housing authority to reap the benefits of their expertise during critical conceptual phases that shape later possibilities. An experienced development partner must be capable of managing the entire process, from planning the new community through to construction and operation. By developing a strong relationship with such a partner, a PHA can greatly expand its capacity for action.

Furthermore, housing authorities should reconnect with community-wide and citywide civic and political institutions in order to build bridges across historic race and income divides. These large scale redevelopment initiatives should engage a broad set of stakeholders – employers, schools, churches, youth organizations, social service agencies, and community groups – so that integrated service delivery system at the neighborhood level can be sustained.

3. *Integrate Real Estate and Human Development Objectives*

Integrating real estate and human development outcomes is critical if families of all incomes are to thrive and build assets in the new mixed-income community. HOPE VI implementation teams must ensure that family self-sufficiency programming achieves outcomes that support the plan's larger goals for maintaining a stable income mix, facilitating resident success in the workforce, increasing homeownership, and treating former residents fairly.

Importantly, self-sufficiency programming must align with the overall development timeline. For instance, preparing former residents to thrive in the new community requires tracking residents during relocation, providing services that prepare them to return, and managing their transition into the neighborhood. Former residents of distressed public housing projects, accustomed to lax property management standards, social and cultural isolation, and public housing-focused service programs face challenges in acclimating to the new demands of a privately managed, mixed-income development.⁸³ For instance, HOPE VI developments typically require that residents be employed or actively participating in a job training program.⁸⁴ Preparing residents for return requires intensive case management, close coordination with employment service providers, and a wide array of activities to remove or mitigate social and cultural barriers to successful re-entry into the community.

83. See Jones Interview, *supra* note 31.

84. See *id.*

III. IMPROVING HOPE VI

Based on our experience, we offer the following suggestions for improving the structure and administration of the HOPE VI program:

1. Improve the Quality of Development Plans

HUD can increase the chances of success in realizing housing, human development, and neighborhood development goals with three program administration changes. First, the selection process should reward the applicant team's capacity to develop a high-quality development concept and revitalization plan. This process would encourage housing authorities to assemble a strong team early in the process. Second, HUD should view public resources for real estate development (bricks and mortar) and human services (human development) as an integrated strategic investment in neighborhoods. To align these functions, HUD should adopt a developer fee structure that rewards performance on a set of integrated real estate outcomes, human development outcomes, and neighborhood revitalization outcomes. This approach would create incentives for private sector actors to improve the effectiveness of self-sufficiency programming. Third, additional process supports such as training, technical assistance, and consulting should be put in place for housing authorities. These supports would assist housing authorities in managing their vital but unfamiliar role in the brave new world of mixed-income, mixed-finance development. Implementing these three program administration changes would produce a process in which strong teams are selected for funding, implementation planning begins early with a full complement of team members, and implementation takes place in a supported environment.

2. Expand Beyond the Most Distressed Housing Stock

As HOPE VI completes the job of tackling the most severely distressed units, HUD should now turn to the larger challenge of repositioning other developments that are not physically distressed but are equally physically, economically, and socially isolated from surrounding communities. Many remaining public and assisted housing developments are poorly designed, obsolete, and physically isolated developments. Like the worst public housing, they have high poverty concentrations and few working residents. As such, they trap families in dysfunctional social and economic environments. If residents of these developments are to succeed without welfare, these developments, too, must become nurturing environments integrated into the larger fabric of cities. Repositioning these developments to attract and retain an economically diverse population in a competitive marketplace will require demolition and reconstruction, at costs comparable to HOPE VI projects.

3. Increase Affordable Stock through Mixed-Income Rental Production

Taking income mixing seriously demands new investments in housing production. To meet the needs of the millions of families unable to afford decent housing, substantial additional budgetary resources for rental housing production and vouchers are necessary. Mixed-finance public housing offers a model for developing mixed-income rental housing that leverages flexible federal housing production funds, Public Housing Capital resources, local funds, and private investment.

4. Create Sustainable Funding Streams for Services

The bulk of funds necessary for ongoing employment and family support programming after the HOPE VI revitalization will need to come from project operating budgets as well as grants from the Departments of Labor and Health and Human Services. In this era of devolution, concerted efforts are needed at the state level to see that block grant funds are treated as integrated resources that can support housing stability, success in the workforce, and family development. States should examine housing-based service delivery models, and recognize the State government's leading role in creating sustainable funding streams for neighborhood-level services. HUD, public funders, and community development lenders should view site-based service costs as standard items in housing operating budgets.

CONCLUSION

HOPE VI has great strategic potential to create mixed-income housing resources, revitalize neighborhoods, reconnect public housing with local real estate markets, and support families progressing toward self-sufficiency. Of all the tools HUD has devised to stimulate large-scale interventions in distressed communities, HOPE VI has been the most successful approach to developing ambitious, realistic, fair, and meaningful plans in a reasonable time frame.

Program authority for HOPE VI expires in Fiscal Year 2002. While there remains much work to do to improve the effectiveness of self-sufficiency programs and services offered to families, HOPE VI is headed in the right direction. We urge the Administration to seek legislation that extends and improves on HOPE VI's success in revitalizing neighborhoods. The incentives and program changes suggested in this article can inform that process.