

July 1998

HOPE VI

Progress and Problems in Revitalizing Distressed Public Housing



**Resources, Community, and
Economic Development Division**

B-279887

July 20, 1998

The Honorable Christopher S. Bond
ChairmanThe Honorable Barbara A. Mikulski
Ranking Minority Member
Subcommittee on VA, HUD,
and Independent Agencies
Committee on Appropriations
United States SenateThe Honorable Jerry Lewis
ChairmanThe Honorable Louis Stokes
Ranking Minority Member
Subcommittee on VA, HUD,
and Independent Agencies
Committee on Appropriations
House of Representatives

For years, many of the nation's public housing sites have exemplified urban decay and substandard living conditions. To revitalize severely distressed urban public housing, the Congress, in October 1992, established the Urban Revitalization Demonstration Program. HOPE VI, as the program is commonly known, provides grants to public housing authorities to transform obsolete public housing sites into attractive, economically viable communities and to improve the lives of public housing residents through community and support service programs. Since fiscal year 1993, the Congress has appropriated over \$3 billion in HOPE VI grants for 81 sites in 55 cities.

Because of the significant level of federal investment and questions about progress in the program, House Report 105-175 and Senate Report 105-53, accompanying the fiscal year 1998 appropriations act for the departments of Veterans Affairs and Housing and Urban Development, and independent agencies, requested that GAO continue its analysis of the HOPE VI program.¹ As agreed with your offices, we reviewed (1) the progress in completing capital improvements and implementing community and support services at HOPE VI sites, (2) the primary reasons why progress at some HOPE VI sites has been slow, (3) the extent to which financial

¹Public Housing: Status of the HOPE VI Demonstration Program (GAO/RCED-97-44, Feb. 25, 1997) provided preliminary information on the program's expenditures and activities.

leveraging is used at HOPE VI sites, and (4) the Department of Housing and Urban Development's (HUD) capacity to oversee the program. To perform our review, we obtained data from HUD, public housing authorities, and HUD contractors on the 81 sites that have received grants to date. We also visited 10 sites in eight cities to gain an in-depth understanding of issues associated with their redevelopment. We selected these sites because they were geographically diverse, had received grants during different fiscal years, and were at various stages of progress, especially in those cities that had received grants for two separate developments. (See app. I for further discussion of our objectives, scope, and methodology.)

Results in Brief

Progress in completing capital improvements and implementing community and support services varies at HOPE VI sites. Overall, the rate of spending on capital improvements is increasing, but the vast majority of the grant funds remain to be disbursed. Of the 39 sites that received grants from fiscal year 1993 through fiscal year 1995, 23 have started demolition, new construction, or rehabilitation. As of June 1, 1998, 4 of the 42 sites that received grants in fiscal years 1996 and 1997 have begun demolition. At 8 of the 10 sites we visited (which received grants in fiscal years 1993 through 1996), demolition, new construction, or rehabilitation of the housing units has begun. Although housing authorities could spend up to 20 percent of the grant funds awarded in fiscal years 1993 through 1996 for community and support services to help residents find jobs and become self-sufficient, the average expenditure was about 12 percent. The 10 sites we visited were aware of the need to sustain these services after their grants run out, and all of the sites have started or planned to provide services. To track the progress of capital improvements and community and support services, HUD has established measures of performance for capital improvements and has hired a contractor to collect baseline data on community and support services.

At the HOPE VI sites we visited, progress in implementing capital improvements and community and support services has varied with structural, social, and management issues specific to each site. Legal issues covering the preparation of grant agreements, legislative and administrative changes in unit replacement and demolition policies, and limited HUD staffing have also delayed progress at HOPE VI sites. More complex redevelopment plans, especially those proposing reductions in density and requiring the long-term relocation of some residents, have created major opposition among groups of residents at several sites and

produced delays. Finally, using HOPE VI grants to leverage funding from public and private sources, such as state grants or low-income housing tax credits, has introduced time-consuming requirements for coordinating the different sources' procedures and schedules.

Financial leveraging has increased over time, and this trend is expected to continue. During fiscal years 1993 and 1994, when the HOPE VI grants averaged about \$45 million, the program did not emphasize leveraging. But by fiscal year 1997, when the average grant was about \$21.6 million, most of the newly selected sites planned to rely on leveraged financing to accomplish their capital improvements. A 1998 HUD policy limiting a property's total development costs to industry averages is also expected to encourage leveraging. Because HOPE VI developments are more complex and costlier than most multifamily housing developments, the new policy will require the use of leveraging in the future.

Reorganizing and downsizing have left HUD with fewer resources for overseeing HOPE VI grants. During the past 2 to 3 years, when the number of grants has more than doubled and leveraged financing has become more common, staffing cuts in headquarters have reduced the number of grant managers and experts in leveraged financing from 11 to 4, a reduction of more than 60 percent. Streamlining has also left few employees in the field with knowledge of HOPE VI issues. HUD has hired contractors to provide some additional oversight, and in April 1998, the Department decided to restore 11 positions to the HOPE VI program. Although these additions will offset some of the staffing cuts, the new staff will need time to acquire expertise in the program.

Background

In 1989, the Congress established the National Commission on Severely Distressed Public Housing to explore the factors contributing to structural, economic, and social distress; identify strategies for remediation; and propose a national action plan to eradicate distressed conditions by the year 2000. In 1992, the Commission reported that approximately 86,000, or 6 percent, of the nation's public housing units could be considered severely distressed because of their physical deterioration and uninhabitable living conditions, increasing levels of poverty, inadequate and fragmented services reaching only a portion of the residents, institutional abandonment, and location in neighborhoods often as blighted as the sites themselves. Although the Commission did not identify specific locations as severely distressed, it recommended that funds be made available to address distressed conditions and that these funds be

added to the amounts traditionally appropriated for modernizing public housing.

In response to the Commission's report, the Congress, through appropriations legislation, created the HOPE VI demonstration program to provide a more comprehensive and flexible approach to revitalizing distressed urban communities. Through a combination of capital improvements and community and support services, the program seeks to (1) transform public housing communities from islands of despair and poverty into vital and integral parts of larger neighborhoods and (2) create environments that encourage and support the movement of individuals and families toward self-sufficiency.²

HUD's Office of Urban Revitalization within the Office of Public and Indian Housing manages the HOPE VI program. In addition, HUD's Office of Public Housing Partnerships advises housing authorities on leveraging opportunities. HUD has hired three consulting firms to help housing authorities establish community and support services. In 1997, the Department also began hiring contractors, primarily KPMG Peat Marwick, to develop management systems for HUD and to help housing authorities oversee HOPE VI revitalization sites.

To select housing authorities for participation in the HOPE VI program, HUD publishes a notice of funding availability (NOFA) setting forth the program's current requirements and available funds. Housing authorities then prepare applications from which HUD selects those that best satisfy the notice's requirements and signs grant agreements that, in the absence of regulations, serve as contracts with the housing authorities. Each grantee then submits a revitalization plan to HUD for approval; this plan incorporates a budget and schedule for implementing the grantee's HOPE VI capital improvements and community and support services. After approving the revitalization plan, HUD gives the grantee access to funding from the Treasury.

Progress of Capital Improvements and Support Services Varies

Progress in completing capital improvements and implementing community and support services varies at HOPE VI sites. Although the rate of spending for capital improvements has increased, the vast majority of the grant funds have yet to be disbursed. While the planned capital improvements were not complete at any of the HOPE VI sites as of June 1,

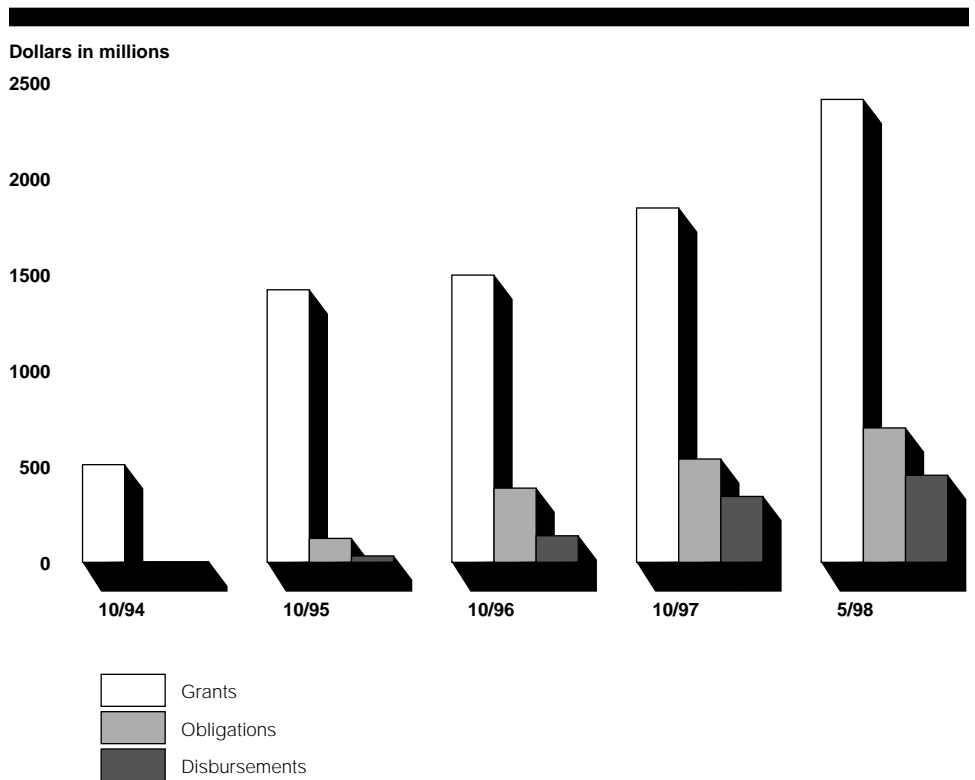
²Gayle Epp, "Emerging Strategies for Revitalizing Public Housing Communities," *Housing Policy Debate*, Vol. 7, No. 3 (1996), pp. 563-88.

1998, residents were living in rehabilitated or newly constructed units at 11 sites. All of the housing authorities have completed or are developing plans for community and support services. Generally, housing authorities have not spent as much as the program allows for these services. HUD has established measures of performance for capital improvements and has begun to collect baseline data for use in measuring the results of community and support services.

Rate of Spending for Capital Improvements Has Increased

Although limited to date, the pace of spending for HOPE VI sites has accelerated. Figure 1 shows cumulative grant levels, obligations, and disbursements as of the beginning of each fiscal year and as of May 1998. It also shows that while the program was established in fiscal year 1993, grant money was not available to housing authorities until fiscal year 1995.

Figure 1: Total Grant Awards, Housing Authority Obligations, and Treasury Disbursements

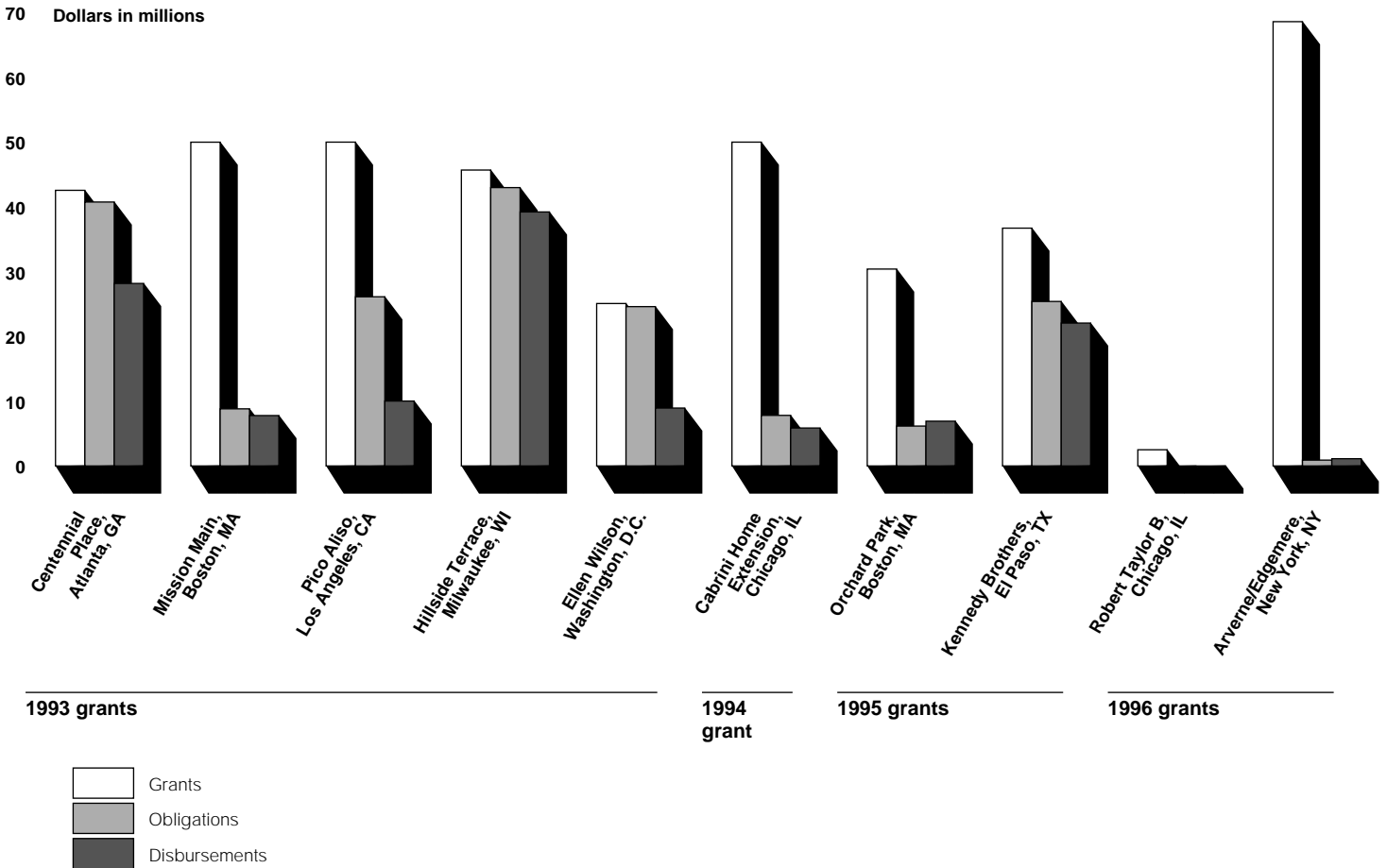


Source: HUD.

Because almost all of the sites funded in fiscal years 1996 and 1997 are still in the planning stages, virtually all the disbursements through March 1998 were for the 39 sites funded during the program's first 3 fiscal years (1993 through 1995). Because of the time lag between planning and construction and many site-specific delays, disbursements during fiscal year 1997 and the first half of fiscal year 1998 (\$302 million) were more than twice as high as disbursements during fiscal years 1995 and 1996 (\$138 million). But as of March 1998, 73 percent of the grants awarded during the first 3 fiscal years remained to be disbursed (\$1.1 billion).

At the 10 sites we visited, 31 percent of the grant awards had been disbursed. Figure 2 shows the spending activity, as of May 1998, at the 10 selected sites.

Figure 2: Grant Awards, Housing Authority Obligations, and Treasury Disbursements, as of May 1998, for Selected Sites



Note: The totals for the HOPE VI grants include any amounts for planning and supplemental awards. Each grant is listed by the year in which the implementation grant was awarded.

Source: HUD.

The sites nearing completion—Centennial Place in Atlanta, Hillside Terrace in Milwaukee, and Kennedy Brothers Memorial in El Paso—have expended the majority of their HOPE VI grants. In contrast, Boston’s Mission Main and Chicago’s Robert Taylor B sites do not have

HUD-approved revitalization plans and do not expect to begin construction before late 1998 and 2000, respectively.

New York City has expended only \$1.1 million of the \$68.6 million awarded for the Arverne and Edgemere HOPE VI sites, two adjoining sites that plan to combine two separate grants into one HOPE VI effort. Almost half of the disbursement is from a \$500,000 planning grant awarded in fiscal year 1993 and spent on the planning to revitalize a different public housing site in the neighborhood. However, after reaching an impasse with the tenants' association at the original site, the housing authority shifted the implementation grant to Edgemere in December 1996. HUD officials do not expect rehabilitation at the Arverne and Edgemere sites to begin before late 1999. (App. II describes each site we visited.)

Capital Improvements Have Begun at Most Early Sites

Although capital improvements have begun at most of the 39 HOPE VI sites funded from fiscal year 1993 through fiscal year 1995, very few are near completion. According to HUD's data, at 11 sites, some residents have moved into newly constructed or rehabilitated units, and at 23 sites, demolition, rehabilitation, or new construction has started. There have been no capital improvements at the five remaining sites. At several sites, deteriorated high-rise and mid-rise buildings are being demolished and replaced with lower-density structures. In addition, infrastructure improvements, such as new street patterns, are breaking down the physical barriers that isolated many HOPE VI sites from the neighboring communities. At some sites, mixed-income communities have replaced concentrations of poverty, and new community centers, together with plans for police stations, schools, and shopping districts, are helping to integrate the sites with neighboring areas.

At 8 of the 10 sites we visited, both demolition and new construction or rehabilitation have begun. The results of the capital improvements at some of the sites were dramatic:

- At Centennial Place in Atlanta, nearly all of the over 1,000 original units were demolished and replaced with a mixture of subsidized and market-rate units of equally high quality. In addition, three of the site's original structures were rehabilitated for historic reasons. Street patterns were reworked to reflect the grid pattern found elsewhere, thereby helping to integrate the site with the rest of the city. (See fig. 3.)

Figure 3: Centennial Place, Atlanta, Georgia



- At Chicago's Cabrini Homes Extension, after 3 years of delays, four of eight high-rise buildings have been demolished as planned, and new row houses, duplexes, and mid-rise buildings are under construction or have been completed on adjacent property. (See fig. 4.) Of the planned new

units, 30 percent are reserved for Cabrini families, 20 percent for moderate-income families, and 50 percent for households paying market rates.

Figure 4: Construction Adjacent to Cabrini Homes Extension, Chicago, Illinois



- At Hillside Terrace in Milwaukee and Kennedy Brothers Memorial in El Paso, the capital improvements consisted primarily of rehabilitation. However, some units were demolished at both sites to reconfigure the streets, not only to provide easier access for residents and public services but also to discourage gang-related drug traffic. Green spaces were substituted for concrete at both sites, and street lights and walkways were installed to match those of the surrounding neighborhoods. In addition, community centers were expanded. In El Paso, neighbors who had asked that the brick wall around the HOPE VI site be built higher to block out the public housing community agreed with the site plan, which proposed to demolish the wall and replace it with a see-through wrought iron fence. (See fig. 5.)

Figure 5: Kennedy Brothers Memorial Apartments, El Paso, Texas



Before renovation with remnants of stonewall standing



Completed section near entrance, including the new wrought iron fencing

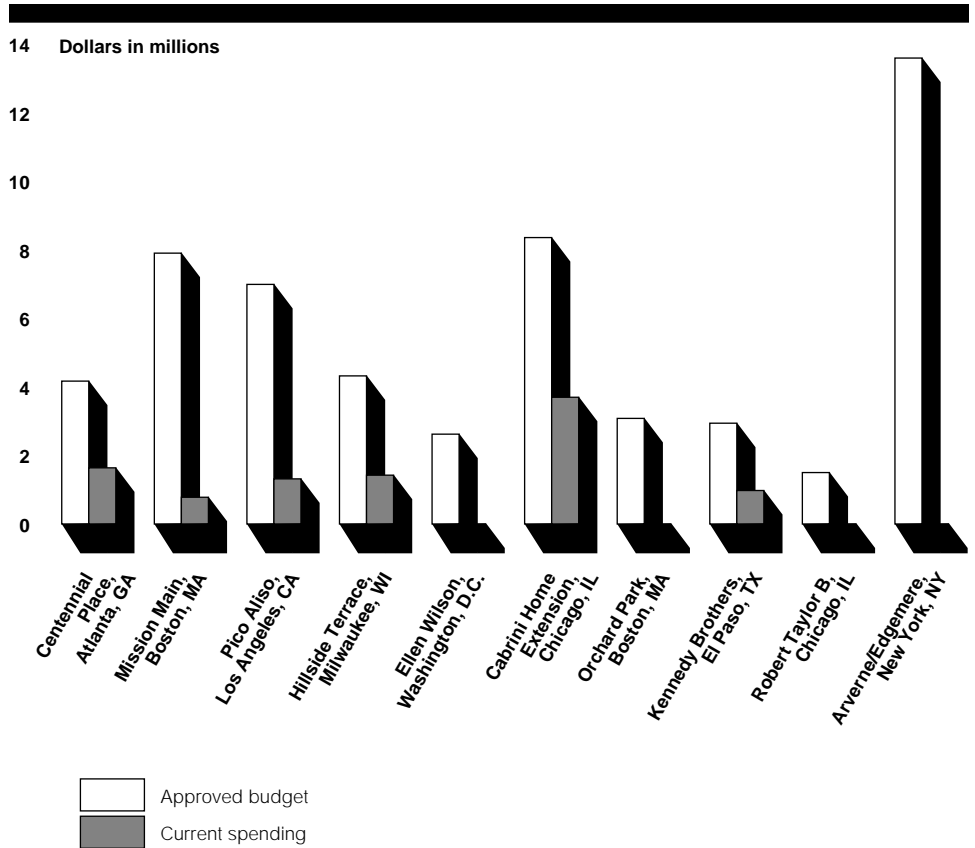
Funding Available for Community and Support Services Has Decreased

Most of the community and support services at HOPE VI sites are designed to provide residents with employment training and opportunities to become more self-sufficient. When calculated on a per-unit basis, the funding for these services has decreased since the program's early years. However, the decline in funding may not have much impact on the

services, and most sites are working on plans to sustain the services after the grants run out.

For the grants awarded from fiscal year 1993 through fiscal year 1996, up to 20 percent of the grant funds could be spent for community and support services.³ However, according to HUD’s data, at the 39 sites that received funding during this period, only about 12 percent of the total grant funding was budgeted, on average, for community and support services. Figure 6 shows the budget and spending for community and support services, as of April 1998, at the 10 sites we visited.

Figure 6: Spending for Community and Support Services, as of April 1998, for Selected Sites



Sources: HUD and KPMG Peat Marwick.

³For the grants awarded from fiscal year 1993 through fiscal year 1995, the guidelines required the locality to match at least 15 percent of the amount reserved for support services.

Starting with the grants awarded in fiscal year 1997, HUD changed the allocation for community and support services from up to 20 percent of the grant funds to up to \$5,000 per unit. The net effect of this change was to lower the total amount available for such services. HUD program officials said that they are not concerned about the reduction in funding for community and support services because neither the original nor the revised guidelines would provide enough support to maintain the services over the long term. Housing authority officials we spoke with also expressed little concern about the decrease because most housing authorities were not spending to the limit and were attempting to build self-sustaining programs.

The HOPE VI sites we visited were aware of the need to sustain their community and support service programs after their HOPE VI funds run out. For example, Atlanta's Centennial Place has created a full-time position for a staff member to focus on fund-raising and collaborating with local agencies to sustain the programs developed under HOPE VI. Other sites, such as Orchard Park in Boston and Pico Aliso in Los Angeles, had service organizations in the neighborhood before the HOPE VI program started, and their HOPE VI money has provided these organizations with facilities and equipment to offer more comprehensive services. A March 1998 HUD Inspector General's report expressed concern that Kennedy Brothers Memorial in El Paso will not have enough funds to support its current plans for community and support services unless it leverages additional public and private support.⁴ The El Paso housing authority's executive director responded by terminating a number of support service contracts and developing a plan with a community development corporation to initiate volunteer programs and fund-raising efforts to sustain operations after the HOPE VI grant runs out.

Community and Support Services Vary

At the 10 sites we visited, we observed a variety of community and support services designed to improve the lives of the residents. These services included community businesses sponsored through the HOPE VI program; job placement services and entrepreneurial training programs; technology learning centers affording access to computers; day care and health care centers; and Boys and Girls Clubs providing after-school activities. For example, Centennial Place in Atlanta and Cabrini Homes Extension in Chicago have community programs designed to provide residents with the tools needed to launch their own businesses and become self-sufficient.

⁴HOPE VI Grants: Housing Authority of the City of El Paso, Texas, HUD District Inspector General for Audit, Southwest District (98-FW-201-1003, Mar. 6, 1998).

Both Pico Aliso in Los Angeles and Cabrini Homes Extension have silk-screening companies training residents and providing them with experience in working together in a productive environment. Homeboy Industries, the Pico Aliso silk-screening business, is a profitable venture bringing residents from different gangs together to work.

At Hillside Terrace in Milwaukee and Kennedy Brothers Memorial in El Paso, residents are providing voluntary community services, such as Neighborhood Watch. Kennedy Brothers also hired an off-duty police officer to patrol the site, and residents are removing graffiti to keep the site clean. Moreover, according to the El Paso housing director, residents at other public housing sites are aware of the social successes at the HOPE VI site and are trying to duplicate them in their communities through volunteer programs such as Neighborhood Watch.

HUD Has Performance Indicators for Capital Improvements and Is Developing Outcome-Based Measures for Services

Measures of outcomes are important for tracking the success of the HOPE VI program. HUD's Office of Policy Development and Research is conducting a three-phase, 10-year evaluation of conditions at HOPE VI sites. The first phase, completed in August 1996, contained baseline data on conditions at 15 sites funded in the first year of the program, historical descriptions of the distressed housing at these sites, and planned revitalization activities. The second phase, expected to begin in the summer of 1998, will assess conditions at the sites as they are reoccupied. The third phase will evaluate conditions at the sites 3 to 5 years after they have been reoccupied.

HUD's performance plan, required under the Government Performance Results Act of 1993,⁵ lists performance indicators for capital improvements at HOPE VI sites, but not for community and support services. HUD has asked the housing authorities to develop such measures and has requested baseline data from all HOPE VI grantees for use in measuring the outcomes of community and support services.

HUD's performance indicators for HOPE VI capital improvements include the number of units demolished, rehabilitated, and replaced. The replacement units include newly constructed public housing units and

⁵The Government Performance and Results Act of 1993 requires federal agencies to prepare annual performance plans to provide congressional decisionmakers with information on the results to be achieved for a proposed level of resources. Specifically, the plans should clearly inform the Congress and the public of the annual performance goals for the agency's major programs and activities, the measures that will be used to gauge performance, and the procedures that will be used to verify and validate information on performance.

units obtained through Section 8 certificates, which provide rental assistance to private landlords on behalf of low-income households. HUD has contracted with KPMG Peat Marwick to gather data on the progress of capital improvements at the HOPE VI sites. (See app. III for a chart with information on the status of demolition and unit revitalization for all sites.)

To create a baseline for measuring the results of community and support services, HUD asked all HOPE VI grantees for data on employment, economic development, job training, education, community building, homeownership, crime reduction, and other social issues.⁶ HUD officials told us that they believe it is important to have evaluative measures to justify their expenditures for these services. HUD's effort to collect baseline data should be a first step toward developing consistent national data on the outcomes of HOPE VI community and support services.

Progress at Sites Has Varied for Several Reasons

Progress at HOPE VI sites has varied for interrelated reasons associated with conditions at the selected sites, the origin of the program, the types of capital improvements selected, and the types of funding used. These sites have to overcome complex structural, social, and management challenges that require time to resolve. Legal issues and legislative and administrative changes to the program's requirements have also added time to developments. In general, rehabilitation has taken less time than demolition and new construction, especially when new construction has reduced a development's density and entailed permanent relocation for some residents. The use of leveraged financing has also introduced time-consuming requirements for coordinating the different funding sources' procedures and schedules. These factors have sometimes acted in combination to delay HOPE VI developments.

Conditions at Sites Have Affected Progress

HOPE VI sites generally pose extraordinary physical and social challenges. The selected sites exhibit conditions that the HOPE VI program was designed to reverse, including physical deterioration, uninhabitable living conditions, high rates of crime and unemployment, and isolation from the surrounding community. For example, New York's Far Rockaway neighborhood, containing both the Arverne and the Edgemere sites, has been a candidate for major urban renewal funding for over 20 years. However, the city has not committed funding to make major investments

⁶Many sites were already collecting their own data for evaluating community and support services. For example, the housing authority in Milwaukee was collecting and reporting demographic information, such as crime statistics and changes in residents' incomes, and planning to collect activity data, such as the number of residents obtaining services like day care and health care.

in such an isolated location, according to housing authority officials. The \$25 million HOPE VI grant at Robert Taylor Homes B in Chicago is for demolishing the first 5 of 16 high-rise buildings and purchasing or building a limited number of replacement units in the surrounding neighborhood. The Chicago Housing Authority estimates that it will take 10 years to vacate the Robert Taylor development, where the unemployment rate is over 90 percent, and bring back an economically viable neighborhood. At Los Angeles' Pico Aliso site, relocation took longer than planned, since many residents could not be moved as anticipated because the areas were controlled by gangs.

Despite the physical and social challenges they pose, many HOPE VI sites are located close to city centers, making them attractive to investors. At the same time, residents at some sites have viewed investors' interest with suspicion, fearing that they will lose their homes to upscale development. In some instances, housing authorities have been able to allay residents' concerns and proceed with capital improvements; in other instances, the residents' concerns have delayed redevelopment.

- Atlanta's Centennial Place, conveniently located within walking distance of downtown Atlanta, attracted funds from the city, private lenders, and community service providers, all of whom considered the site a desirable investment. However, residents fearing displacement initially opposed the housing authority's revitalization plan, which called for reducing the development's density and replacing only one in three public housing units. Eventually, the residents agreed to the plan when the executive director promised to allow those who remained in good standing (i.e., paid their rent and respected the housing authority's rules) to return to the site.
- Both Mission Main in Boston and Cabrini Homes Extension in Chicago are desirably situated near city centers and have attracted private development funds, but residents' concerns about the motives of the housing authorities and of the developers have, in both cases, delayed development. At Cabrini Homes Extension, where many residents see a leveraging plan as an attempted land grab by developers, the residents are suing the Chicago Housing Authority to ensure their right to return to the site after the capital improvements have been completed.

HOPE VI sites also pose exceptional management challenges. Under the selection criteria that the Congress established for the program's first 3 years, the housing authorities applying for funding had to be (1) located in the 40 most populous U.S. cities, as defined on the basis of data from the

1990 census, or (2) included on HUD's list of troubled housing authorities as of March 31, 1992.⁷ Of the 24 housing authorities included on that list, 17 received at least one HOPE VI implementation grant during the program's first 3 years. In total, these 17 housing authorities received 21 (55 percent) of the grants awarded to 39 sites from fiscal year 1993 through fiscal year 1995. Furthermore, at over half of these 39 sites, major changes in senior management occurred after the grant was awarded. Management turnover limits progress because time is needed to replace and reorganize staff and allow staff to learn their new duties and build relationships and trust with the community.

At 16 of the HOPE VI sites, either HUD or the courts have intervened in the housing authority's management. According to HUD officials, the primary reason for intervention was the inability of housing authorities to manage and implement the program. Management problems were particularly acute at the Washington, D.C., and Chicago housing authorities. In Washington, D.C., the housing authority was so troubled that HUD made its grant award contingent upon the appointment of an alternative administrator. This appointment took about 6 months from the time the grant was awarded, and submitting a revised revitalization plan to HUD took another 5 months. In Chicago, where HUD took over the housing authority's operation after the housing board resigned, more than 2-1/2 years elapsed before the revitalization plan for Cabrini Homes Extension was revised and HUD's approval of the plan was obtained.

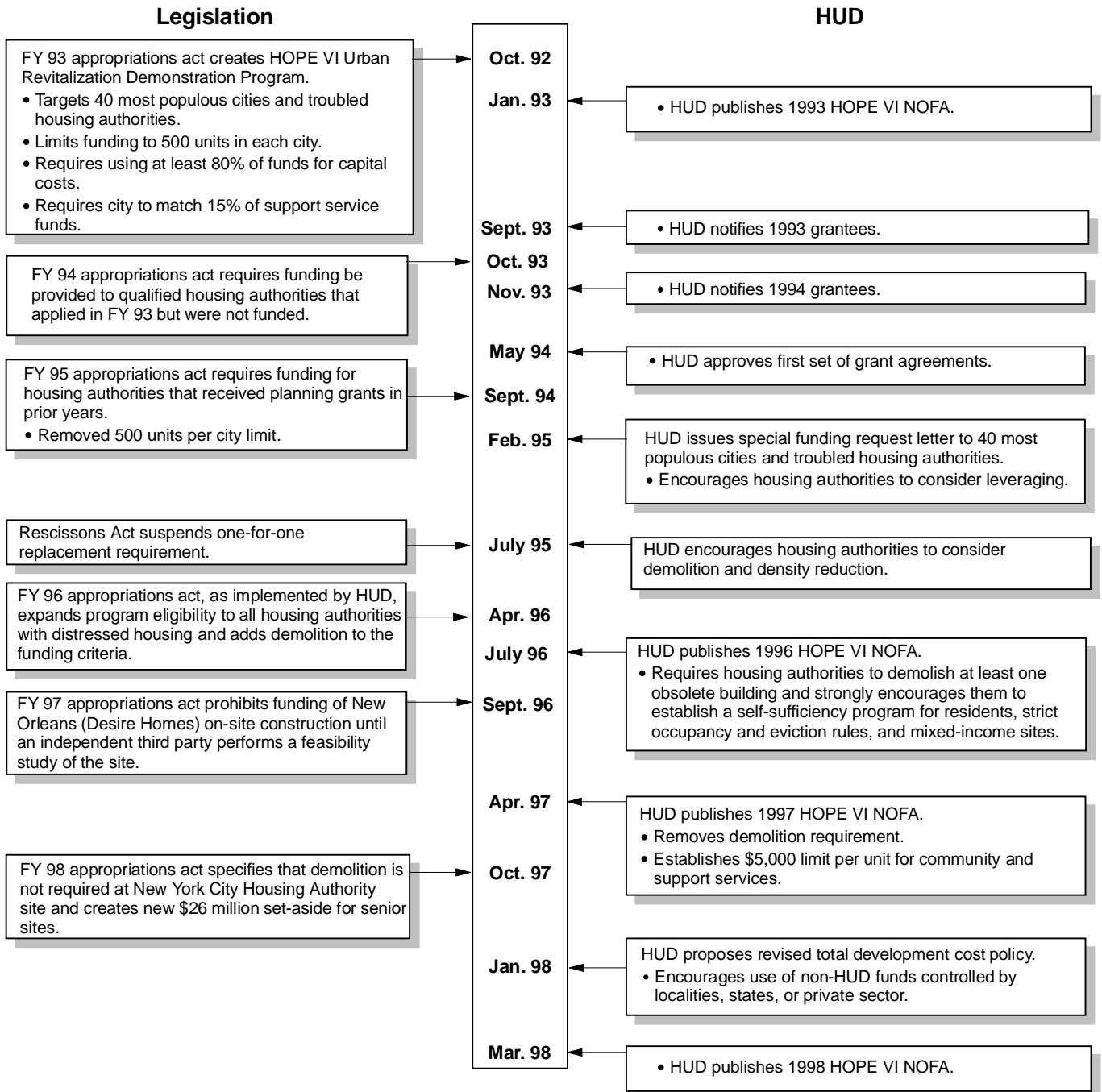
Program's Origin Has Created Legal Challenges and Encouraged Changes

The HOPE VI program's origin has created legal challenges and encouraged legislative and administrative changes that have further delayed sites' progress. The program's origin has also influenced HUD's assessment of the program's priorities and staffing needs.

Unlike most public housing programs, which are authorized under the U.S. Housing Act of 1937, as amended, and operate under nationally applicable implementing regulations, the HOPE VI program was created and has been modified through appropriations legislation. Rather than develop implementing regulations that would be difficult to modify with each legislative change, HUD has incorporated the program's legislative requirements into periodic notices of funding availability and into the grant agreements that it signs with individual housing authorities. The evolution of the HOPE VI program's requirements is summarized in figure 7.

⁷Thirteen of 23 troubled housing authorities were located in qualifying cities.

Figure 7: Changes to the Hope VI Program Over Time



Source: GAO analysis of HUD's legislative appropriations and NOFAs.

The HOPE VI program's establishment through the appropriations process raised legal issues that had to be resolved before HUD could fully implement the program. In the absence of regulations, the grant agreements serve as contracts between HUD and the housing authorities overseeing the HOPE VI sites. According to a HUD official, HUD took 8 months after sending out the letters announcing the fiscal year 1993 awards to finalize the first grant agreements, primarily because it was creating regulatory documents, not merely specifying the grants' conditions. Other legal issues arose in 1995, when HUD began encouraging the housing authorities to use their federal grants to leverage private funds for redevelopment. HUD took 8 months to develop new regulations on the use of both public and private funds to finance public housing sites.⁸

Annual legislation has affected the HOPE VI program, and HUD has amended the grant agreements and the program's guidance to reflect its interpretation of these changes. For example, until the Rescissions Act was passed in July 1995, HOPE VI sites were subject to a rule requiring the replacement of every unit removed from service. Although demolition was an option, housing authorities rarely availed themselves of it when every unit that they tore down had to be replaced. After the Rescissions Act suspended the one-for-one replacement rule, HUD began encouraging housing authorities to consider demolition as a way of reducing a site's density. HUD also interpreted the 1996 appropriations legislation as adding demolition to HUD's funding criteria. HUD, therefore, required each housing authority to demolish at least one building. Eventually, HUD concluded that demolition was not always required.

These legislative and administrative changes and HUD's interpretation of them affected progress at the sites we visited. For example, the Los Angeles housing authority welcomed the suspension of the one-for-one replacement rule and took advantage of it to revise its plan for the Pico Aliso site to include demolition and new construction. This revision, however, added about 15 months to the process, according to Los Angeles officials. In New York City, issues raised by HUD's interpretation of the 1996 appropriations legislation as requiring demolition added months to the planning phase at the Arverne and Edgemere sites, where residents opposed the housing authority's plan to satisfy the demolition requirement by removing the top four floors of three buildings at the site, thereby removing the equivalent of an entire building.

⁸Subpart F of the public housing development regulations.

Types of Capital Improvements Influence Progress

The types of capital improvements selected have influenced the pace of development. Rehabilitation, which requires less change than demolition and new construction, has generally proved less controversial and taken less time. Plans to build off-site, reduce a development's density, and/or permanently relocate residents have encountered more opposition from residents. For example, in Milwaukee, existing units were, for the most part, rehabilitated at Hillside Terrace. Although residents were required to move while the work was going on, most will be able to return when it is completed. Capital improvements at the site have encountered little opposition and are progressing on schedule. Conversely, Boston's Mission Main planned to exchange some of its land for adjacent land owned by a local university in order to build a portion of the rental and homeownership units on the new site, but it could not reach agreement with the university. After a year of unsuccessful negotiations, the mayor vetoed the deal in March 1998 to preclude further delays.

Leveraging Adds Time

Using grant funds to leverage other public and/or private financing for development is more complex than relying on grant funds alone and may take longer. Combining funds from different sources requires adhering to and coordinating the different sources' procedures and schedules, sometimes causing delays. In addition, many housing authorities lack the experience necessary to negotiate leveraged financing arrangements. However, as discussed in the next section of this report, leveraging has many benefits.

The steps involved in using one other funding source—low-income housing tax credits—illustrate the complexity of leveraged financing. To obtain tax credits, which attract private equity for development, a housing authority must submit an application to the state and compete with other developers for the credits. The application must identify all of the proposed sources and uses of funds and undergo a subsidy-layering review to ensure that no more federal assistance is being provided than is necessary to make the development financially feasible. If tax credits are awarded for the development, the housing authority must then recruit investors who are willing to provide equity in exchange for tax credits. The process of obtaining tax credits can add several months to a project.

Financial Leveraging Is Expected to Increase

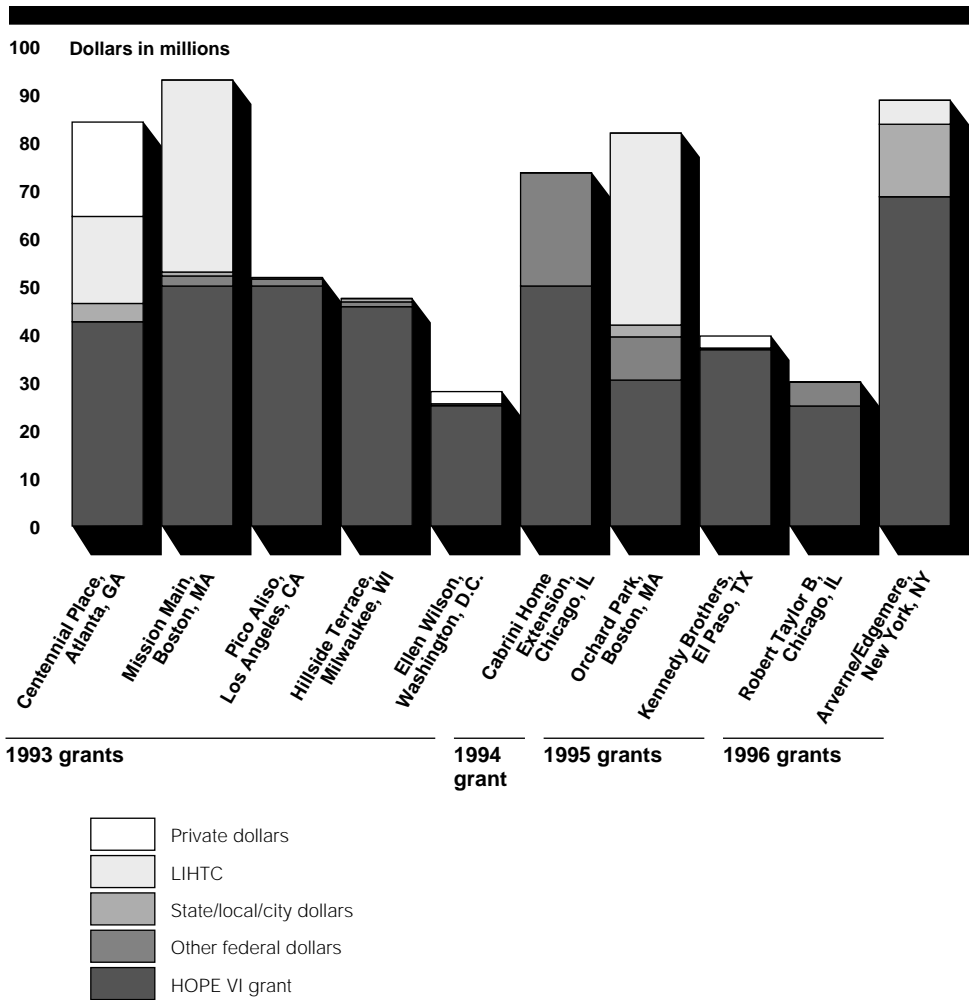
Even though leveraging is more complex than relying on grant funds alone, according to HUD's data, the majority of the 81 HOPE VI sites funded to date are planning to mix public and private financing, primarily by combining low-income housing tax credits or loans from private lenders

with the HOPE VI grants. At 30 of the sites, the combined funds from public and/or private sources exceed the HOPE VI grant. Most of the 23 sites selected in the 1997 funding round reflect the program's new emphasis on forging partnerships and leveraging outside resources.

The use of leveraged financing may enable sites to stretch limited federal dollars, create opportunities for mixed-income developments, and attract nonprofit and for-profit partners with experience in leveraged financing. For example, at Centennial Place in Atlanta, the housing authority combined low-income housing tax credits and private funding with the HOPE VI grant to create a mixed-income community. The grant funds provided public housing units for residents with very low incomes, the tax credits financed units for residents with low to moderate incomes, and the private funding paid for the development of market-rate units for residents with moderate to high incomes.

At Kennedy Brothers Memorial in El Paso, the housing authority is combining private funds with the HOPE VI grant to produce both public housing units and identical or similar units that will be available to home buyers. At Ellen Wilson in Washington, D.C., the income mix will be completed by offering, at full market prices, fee simple units that are identical or similar to the neighboring limited-equity cooperative units. These units will be purchased using private mortgages, and the profits from their sale will establish an endowment for ongoing neighborhood community and support services. However, other sites, such as Arverne and Edgemere in New York and Robert Taylor Homes B in Chicago, are physically isolated or suffer from extreme economic distress, making them unattractive to outside investors. (Fig. 8 identifies the sources of funding for the 10 sites we visited.)

Figure 8: Sources of Funding for 10 Selected Sites



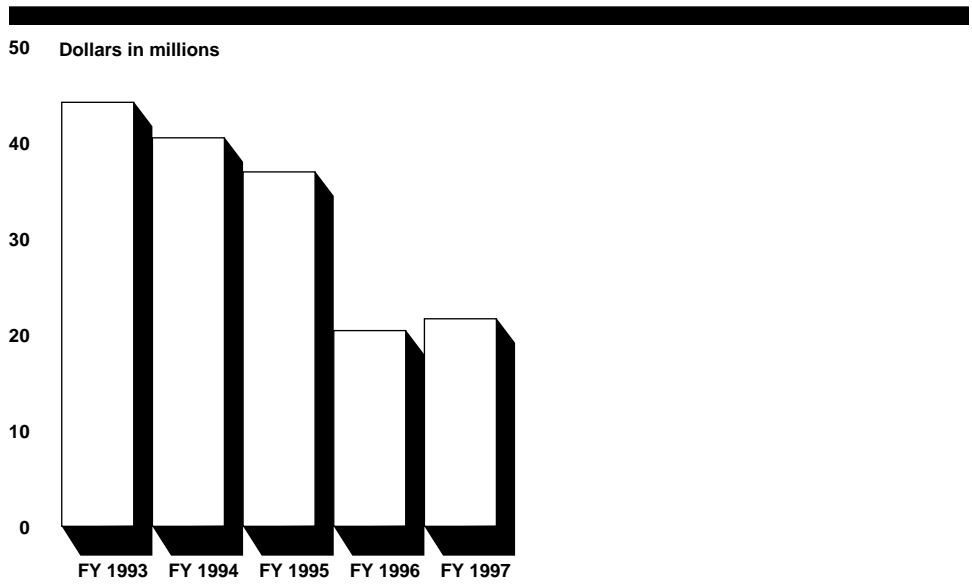
Note: The totals for the HOPE VI grants include any amounts for planning and supplemental awards. Each grant is listed by the year in which the implementation grant was awarded.

Sources: HUD and KPMG Peat Marwick.

Recent appropriations acts have encouraged leveraging by reducing the size of the HOPE VI grants. On average, the size of the grants has declined from about \$45 million during fiscal years 1993 and 1994 to about \$21.6 million in fiscal year 1997 (see fig. 9). To some extent, this decline is consistent with a change in the 1996 appropriations legislation that eased

the program’s eligibility requirements. As a result of this change, some of the more recently selected sites are smaller and have greater potential for leveraging than the original sites.

Figure 9: Average Hope VI Funding, by Fiscal Year



Sources: HUD and KPMG Peat Marwick.

HUD anticipates further increases in the use of leveraging after it implements a new total development cost (TDC) policy, expected to go into effect with the fiscal year 1998 grants. Under HUD’s former TDC policy, the per-unit costs of development were capped. These costs—including the costs of land acquisition, building acquisition or construction, builders’ overhead and profit, and financing—were not to exceed the housing industry’s standards for multifamily properties in a given area. While HOPE VI sites have always been subject to TDC caps, they have typically received exceptions because of the extraordinary demolition, remediation, and other costs involved in urban revitalization. Under the new policy, applicable to developments financed with grants awarded in fiscal year 1998 and beyond, items paid for with HUD funds, including public housing, HOME, and Community Development Block Grant (CDBG) funds, will not be eligible for exceptions. However, items paid for with

non-public-housing funds controlled by a locality, state, or private sector, including low-income housing tax credits, will not be subject to the TDC caps.⁹ Consequently, HUD officials believe that housing authorities will be forced to rely on non-HOPE VI funds to a greater extent.

HUD's Capacity for Oversight Is Limited

During the past 2 to 3 years, staffing cuts in headquarters and the field have diminished HUD's capacity to oversee the HOPE VI program. Although HUD has hired contractors to provide some additional oversight and recently decided to add 11 positions, the new staff will need time to become familiar with the program.

In June 1997, HUD issued its 2020 Management Reform Plan, which calls for reorganizing and downsizing the agency. Under this plan, HUD will cut its staff from 10,500 to 9,000 by the year 2000. The HOPE VI program was not exempted from staff cuts. From March 1995 through March 1998, the number of grant managers responsible for overseeing HOPE VI grants dropped from six to two, while the number of HOPE VI grants more than tripled. Similarly, from August 1996 (when the Office of Public Housing Partnerships was established) through March 1998, the number of experts in leveraged financing decreased from five to two. During this period, complex leveraged financing proposals became the norm for HOPE VI sites.

In 1997, efforts to streamline HUD's field structure left few employees in the field with knowledge of HOPE VI issues. In some instances, field offices with HOPE VI responsibilities were closed, and in other instances, key staff moved to other locations or new assignments. For example, the division director and the site manager of the Milwaukee field office, who had worked closely with the Milwaukee housing authority, accepted positions in other field offices. According to officials from the Milwaukee housing authority, their close working relationship with the HUD field office staff contributed to the success of the city's HOPE VI redevelopment.

In 1997, HUD hired outside contractors to help develop management systems and oversee the HOPE VI program. This action responded, in part, to an increasing number of reports issued by HUD's Inspector General documenting improper expenditures and management deficiencies at individual HOPE VI sites. In 1997, HUD also began hiring private

⁹Developments financed with (1) grants awarded in fiscal years 1993 through 1996 will still be eligible for exceptions and (2) grants awarded in fiscal year 1997 will receive a 10-percent variance for demolition and other extraordinary site costs.

“expeditors” to help housing authorities move through the HOPE VI process. But even with these additional resources, program officials have expressed concerns about not having enough staff to develop and implement programs for improving the management of HOPE VI sites. Program officials were also concerned that housing authorities were not as responsive to the consultants as they would have been to HUD staff.

In March 1998 testimony before the Subcommittee on VA, HUD, and Independent Agencies, House Committee on Appropriations, we questioned whether HUD has the capacity to properly manage the HOPE VI program. In April 1998, HUD reevaluated its HOPE VI staffing and decided to add new positions. HOPE VI program directors believed the new positions would help them catch up with the growing workload but noted that they had lost expertise through the earlier staff cuts. For example, the Director of Public Housing Partnership programs said that it takes a number of months to train a new professional in the details of underwriting HOPE VI sites.

Conclusions

After 5 years, the federal government’s investment in HOPE VI grants is beginning to produce visible results in the form of capital improvements at some sites. These improvements are helping to break down the barriers isolating the HOPE VI sites from neighboring areas. HUD has developed some outcome-based measures for capital improvements, as the Government Performance and Results Act requires, and is collecting and reporting data on rehabilitation, demolition, and new construction at the sites.

Although HUD has encouraged grantees to develop performance indicators for community and support services, it has not established such indicators itself. It has, however, hired a contractor to begin collecting the data needed to establish a baseline for charting the incremental results of these services across sites. HUD could use the data to develop consistent national, outcome-based measures for community and support services at HOPE VI sites. Such measures are important to comply with the Government Performance and Results Act and to ensure that federal expenditures are producing the intended results.

As the HOPE VI program has evolved, its focus has shifted from revitalizing the most severely distressed public housing sites to transforming distressed sites with the capacity to leverage outside resources into mixed-income communities. This shift has led to positive

results at sites in economically viable locations, such as Centennial Place in Atlanta and Ellen Wilson in Washington, D.C. However, some severely distressed properties in severely distressed neighborhoods, such as Robert Taylor Homes B in Chicago and Arverne and Edgemere in New York City, may not be able to attract investment partners or leverage the funds needed to transform neighborhoods. Thus, the current HOPE VI funding model may not be adequate to revitalize some of the nation's most severely distressed sites.

Recommendation

We recommend that the Secretary of Housing and Urban Development use the baseline data that the Department collects to develop consistent national, outcome-based measures for community and support services at HOPE VI sites.

Agency Comments

We provided copies of a draft of this report to HUD for its review and comment. HUD commented that the report was fair and objective but expressed some concern with our characterization of the more recently selected sites as less severely distressed than the sites selected in the program's early years. We agree that the more recently selected sites are suffering from structural and social distress and are likely to be among the most distressed sites in the cities that received the recent grants. But unlike some of the early sites, whose location in isolated or severely economically distressed neighborhoods has prevented them from finding leveraging partners, the sites chosen since 1996 have typically been smaller and located in areas where private interests have been more willing to invest funds. We revised our report to clarify this point.

HUD also expressed some concern with our recommendation, stating that because the different sites are expected to tailor their plans to address the specific needs of their communities and residents, it may not be possible to establish HOPE VI-wide measures that would be applicable to all programs. We agree that the HOPE VI sites are unique and that the program should not be constrained in ways that would inhibit creativity. Yet even though the needs of the communities and residents may vary by site, the types of community and support service programs offered at the sites we visited (e.g., day care, after-school care, equivalency degree, job training, and job placement programs) were consistent enough to allow the collection of national data on the outcomes of these programs. Accordingly, we have retained our recommendation to this effect. HUD's complete written comments and our responses appear in appendix IV.

We will send copies of this report to the appropriate Senate and House committees; the Secretary of HUD; and the Director, Office of Management and Budget. We will make copies available to others upon request.

We conducted our work from August 1997 through June 1998 in accordance with generally accepted government auditing standards. Major contributors to this report include Gwenetta Blackwell, Linda Choy, Elizabeth Eisenstadt, Andy Finkel, Rich LaMore, Karin Lennon, and Paul Schmidt.

A handwritten signature in black ink that reads "Judy A. England-Joseph". The signature is written in a cursive style with a large initial "J" and "A".

Judy A. England-Joseph
Director, Housing and Community
Development Issue Area

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Abbreviations

CDBG	Community Development Block Grant
HUD	Department of Housing and Urban Development
NOFA	notice of funding availability
TDC	total development costs

Objectives, Scope, and Methodology

The House Report (105-175) and the Senate Report (105-53) accompanying the fiscal year 1998 appropriations act for the departments of Veterans Affairs and Housing and Urban Development, and independent agencies (P.L. 105-65) included requests for GAO to study the status of the HOPE VI program to determine why grantees had not acted more expeditiously. As requested, we reviewed (1) the progress in completing capital improvements and implementing community and support services at HOPE VI sites, (2) the primary reasons why progress at some HOPE VI sites has been slow, (3) the extent to which leveraging is planned to be used at HOPE VI sites, and (4) HUD's capacity to oversee the program.

To assist us in responding to these objectives, we used data developed by HUD and HUD's contractor on the 81 sites that had received awards through 1997, and we visited 10 sites in eight cities. We selected these sites because they were geographically diverse, had received grants during different fiscal years, and were at various stages of progress, especially in those cities that had received grants for two separate developments.

To respond to the first objective, we reviewed the information developed by HUD's contractor on the 81 sites. The data included each grantee's current expenditures for capital improvements; the number of units demolished, rehabilitated, or scheduled for demolition or other revitalization activities; and the grantee's community and support services. Furthermore, during our site visits, we gathered additional information on capital improvements and community and support services. In several locations, we observed specific community and support service programs that were in operation and obtained information on any results to date.

To assess why progress has been slow at many HOPE VI sites, we evaluated the impact of the legislative and administrative changes that have occurred since the program's inception. Because appropriations legislation included changes to the program nearly every year, we assessed the impact of these changes by discussing them with HUD and housing authority officials, as well as by reviewing the notices of funding availability that HUD prepared. These notices generally reflected the legislative changes. In addition, at sites we visited where significant delays had occurred, we reviewed HUD's files and discussed the delays with HUD headquarters and field officials. We also met with housing authority officials, reviewed their program files, and obtained their views on how soon they expected revitalization efforts to be completed. Finally, we met with representatives of tenant organizations at some of the sites to obtain their views on what factors contributed to the delays, what has been done

to overcome the delays, and how they think HUD and housing authority officials have addressed their concerns.

To assess the extent to which leveraging had been used or is planned to be used, we reviewed the data collected by HUD's consultants on each grantee. We also obtained information on leveraging by speaking with housing authority officials during our site visits and by reviewing individual sites' revitalization plans.

To assess HUD's capacity to oversee the program, we interviewed HUD officials at headquarters and at the field offices near our selected sites, and we reviewed HUD's program guidelines, project files, and status reports. In addition, we reviewed the correspondence and required quarterly reports sent by the housing authorities at our selected sites to HUD. We also assessed HUD's program staffing history, current staffing outlook, and use of a contractor hired in 1997 to develop management systems for overseeing the program. Finally, we considered what impact HUD's 2020 Management Reform Plan may have on the HOPE VI program.

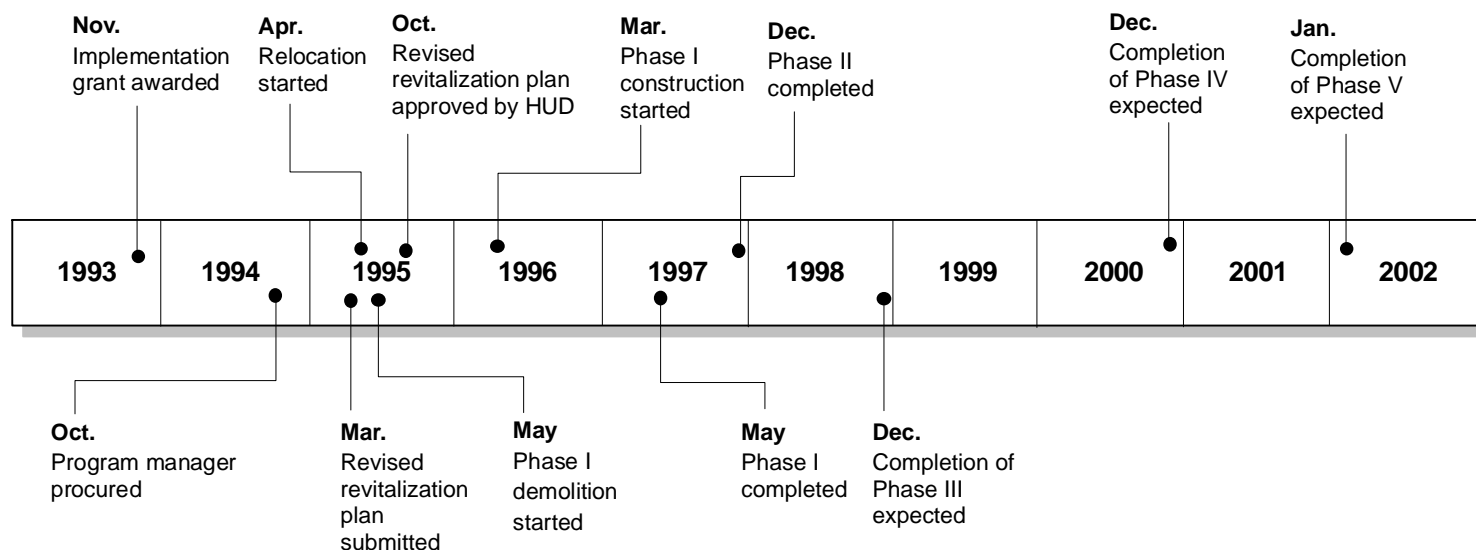
We conducted our work from August 1997 through June 1998 in accordance with generally accepted government auditing standards.

Case Studies

Centennial Place Atlanta, Georgia

As figure I.1 shows, the Atlanta Housing Authority was notified of its implementation award in 1993, and the revitalization of the Techwood/Clark Howell Homes site has moved forward expeditiously since, with extensive demolition and new construction. Centennial Place, a new mixed-income community, was created on the site.

Figure I.1: Time Line for Centennial Place



Background

Centennial Place is the first mixed-income community being developed with HOPE VI and private funds. The former Techwood/Clark Howell public housing site is being transformed as part of a larger effort, the Olympic Legacy Program, which will revitalize 2,935 units of public housing and build a new school, YMCA, and hotel with private, federal, state, and local funds totaling more than \$350 million. The housing portion of Centennial Place will cost about \$84 million—\$42.6 million from the HOPE VI grant and the remainder from low-income housing tax credits and private, state, and local funding. Consisting of 900 garden apartment and town house rental units, Centennial Place is being leased to residents at three income levels: 40 percent of the households are eligible for public housing, 20 percent qualify for low-income housing tax credit support; and 40 percent pay market rates.

**Factors Contributing to
Success**

The prime location of Centennial Place is a key ingredient in its success. The Atlanta Housing Authority and its private-sector partner, the Integral Partnership of Atlanta (a joint venture of The Integral Group and McCormack Baron), have marketed the location's proximity to two major universities (Georgia Tech and Georgia State), the headquarters for Coca Cola, the downtown area, and Interstates 85 and 75.

Local support has also benefited Centennial Place. Relationships with the city of Atlanta, Fulton County, the United Way, the YMCA, the Atlanta Public Schools, the Department of Family and Children's Services, Georgia Tech, Georgia State University, and other state and local agencies, businesses, and academic institutions will, according to housing authority officials, facilitate leveraging.

Careful efforts to relocate all public housing residents through a choice-based relocation program have forestalled residents' opposition to the redevelopment of Techwood. The Atlanta Housing Authority has just received an award from the National Association of Housing Redevelopment Organizations for its relocation program. The relocation staff usually meet several times with the families affected by the relocation plan—first in a large group, then with a few (e.g., five) families, and finally with just one family. Two-thirds of the former Techwood residents chose Section 8 certificates, and 95 percent of these families found apartments. A former resident sued the housing authority, claiming that it changed the reoccupancy rules after Centennial Place was completed. The case has been settled, and the resident is moving into Centennial Place.

Now that the development's structures have been revitalized, the housing authority has shifted its focus to jobs, job training, and education. Social services and case management (i.e., identifying internal and external resources and making referrals to service providers) will be provided to the public housing residents in a YMCA located on the property at Centennial Place, as well as in the historic community center renovated with HOPE VI funds. Under the HOPE VI program, residents will be able to participate in a variety of activities that require training in special skills, necessitating the establishment of a job and skills bank and various support service programs. The educational, training, and self-improvement programs that were designed under the HOPE VI program are aimed at helping the residents realize their personal goals.

Current Status

Centennial Place is being developed in five phases. Phases I and II are complete, and all units have been leased or have residents approved for leasing. Phase III is scheduled for completion in December 1998. Phase IV is scheduled for completion by the year 2000, and Phase V is scheduled for completion early in 2001. Of the 144 units reserved for public housing residents, 96 are currently occupied by former Techwood/Clark Howell residents.

Figure II.2: Centennial Place



New apartments

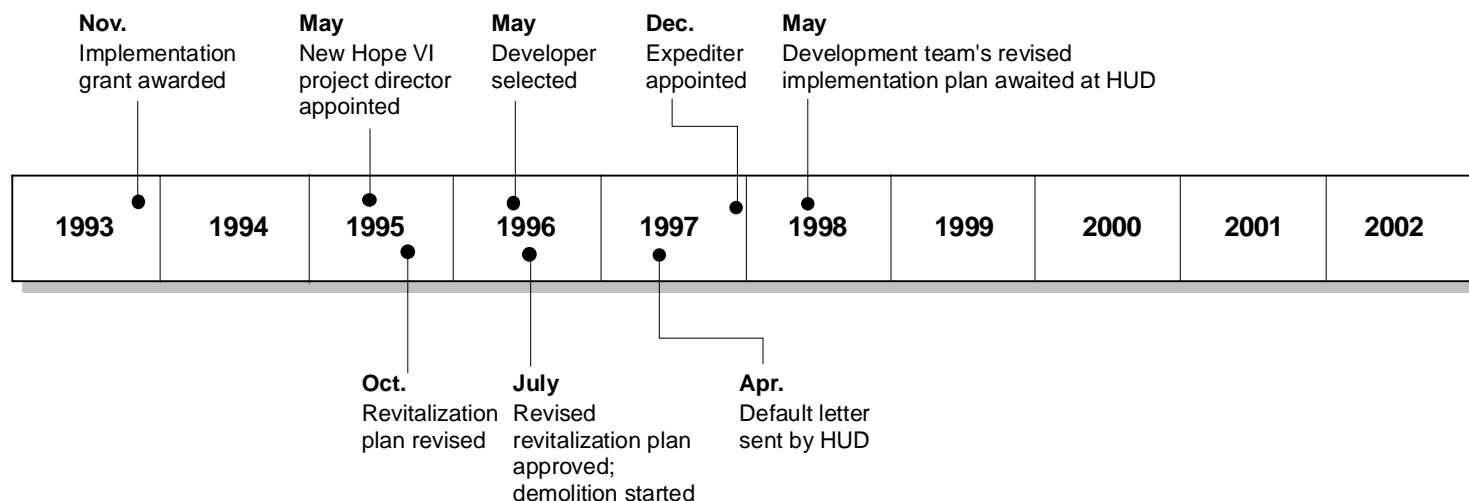


Rehabilitated historic building

Mission Main Boston, Massachusetts

As figure II.3 shows, Mission Main was notified of its grant award of about \$50 million in November 1993. However, the site's revitalization has been at a virtual standstill since then.

Figure II.3: Time Line for Mission Main



Background

Built in 1940, Mission Main originally comprised 1,023 units, but conversions and reprogramming for nonresidential use reduced that number to 822. According to one evaluation, the site is badly deteriorated, and the physical layout of the site and buildings has facilitated criminal behavior. According to 1995 information from the Boston Housing Authority, 74 percent of the applicants for public housing who were offered units in Mission Main rejected those units because of the development's poor physical condition and high crime rates.¹ Approximately 500 units were occupied in December 1995, when the housing authority applied to HUD for permission to demolish the existing units.

Hope VI Selection

Selected in fiscal year 1993 to receive one of the first HOPE VI implementation grants, Mission Main was the type of distressed site that, according to a HUD official, the Congress wanted to revitalize when it established the HOPE VI program. HUD selected it not only because its distress was well documented but also because its solutions were well thought out. HUD believed that its proximity to one of Boston's major medical communities, several colleges, and important cultural institutions would facilitate its integration with the community.

¹According to a consultant's study, in 1993 violent crime rates—including those for murder, rape, and robbery—were almost three times higher for Mission Main than for the city of Boston.

The original revitalization plan called for rehabilitating the existing units, but the revised plan proposed to demolish and replace them with newly constructed town house units. The revised plan is expected to cost over \$100 million. Primary funding sources include about \$100 million in federal funds (\$39 million from the HOPE VI grant, \$40 million in equity generated through the sale of low-income housing tax credits, and \$21 million from HUD's Comprehensive Grant Program²) and about \$6 million in local funds for infrastructure work.

Making Mission Main safe is the first of the development's six revitalization goals. The remaining goals include making the housing sound and attractive, improving the housing authority's responsiveness, rewarding personal responsibility, integrating the development into the neighborhood, and reinforcing the community.

The Boston Housing Authority has planned a community and support service program for both Mission Main and Orchard Park, another HOPE VI project located less than 2 miles from Mission Main. The goal of this program is to integrate the developments' residents into the surrounding area's mainstream service network. According to the housing authority's plan, HOPE VI funds will be used to fund gaps in services, not to duplicate existing services. The program will address the long-standing issues of poverty, joblessness, and isolation affecting Mission Main's residents.

The Boston Housing Authority has not entered into any contracts for community and support services. It has begun to identify partners in the community and is planning to hire an independent contractor to measure the effectiveness of its plan for community and support services.

Factors Contributing to Delays

Several factors have slowed Mission Main's progress, including changes in the development's plans and management and opposition from tenants. After the site's original HOPE VI director resigned in March 1995, the new director, hired in May 1995, began to recognize, with other city officials, that the plan for rehabilitation would have little impact on revitalizing a significantly distressed property. Changing the plan to include demolition and tax credit leveraging with private developers took several months. Opposition from residents distrustful of the housing authority and of these changes also slowed activity at the site. According to housing authority officials, the residents considered the changes too dramatic and believed

²The Comprehensive Grant Program was implemented in fiscal year 1992 and is intended to provide housing authorities with reliable and predictable funding for capital improvements and modernization.

they were occurring too fast. The residents feared that the housing authority would demolish their homes and not allow them to return after the renovation.

When the Boston Housing Authority hired a developer in May 1996, the residents sided with the developer against the authority. According to a housing authority official, the developer told the residents that they would be equal partners and that the housing authority would have no role. As a result of these divisions, the project was stalled. In April 1997, HUD issued a default letter to the housing authority, threatening to remove the grant if the parties did not move forward. HUD issued the letter, in part, because the housing authority had failed to resolve the impasse with the developer and submit a mixed-income proposal in accordance with its revised revitalization plan.

Current Status

HUD has appointed an expediter to provide expert advice to both the housing authority and the developer, as well as to keep HUD apprised of Mission Main's progress and any problems. Although the original developer agreed to step aside when the housing authority requested permission from HUD to become the developer, the situation has since changed. The original developer, according to a HUD official, is expected to assume responsibility for the development once its implementation plan is approved.

HUD's contract auditors recently reviewed the housing authority's and the developer's expenditures to ensure their legitimacy. Financial differences between the housing authority and the developer have been resolved, HUD has approved funding to pay the outstanding bills, and the development is expected to go forward. HUD, however, is still questioning some of the housing authority's prior expenditures, especially about \$738,000 for support service contracts that were used to provide services for persons who were not Mission Main residents. HUD has asked the housing authority to install the proper controls in its accounting system. According to a housing authority official, only a portion of the amount is in question—the portion that was used to provide services to tenants in a development associated with Mission Main. This official also noted that HUD is currently awaiting a revised implementation plan from the development team.

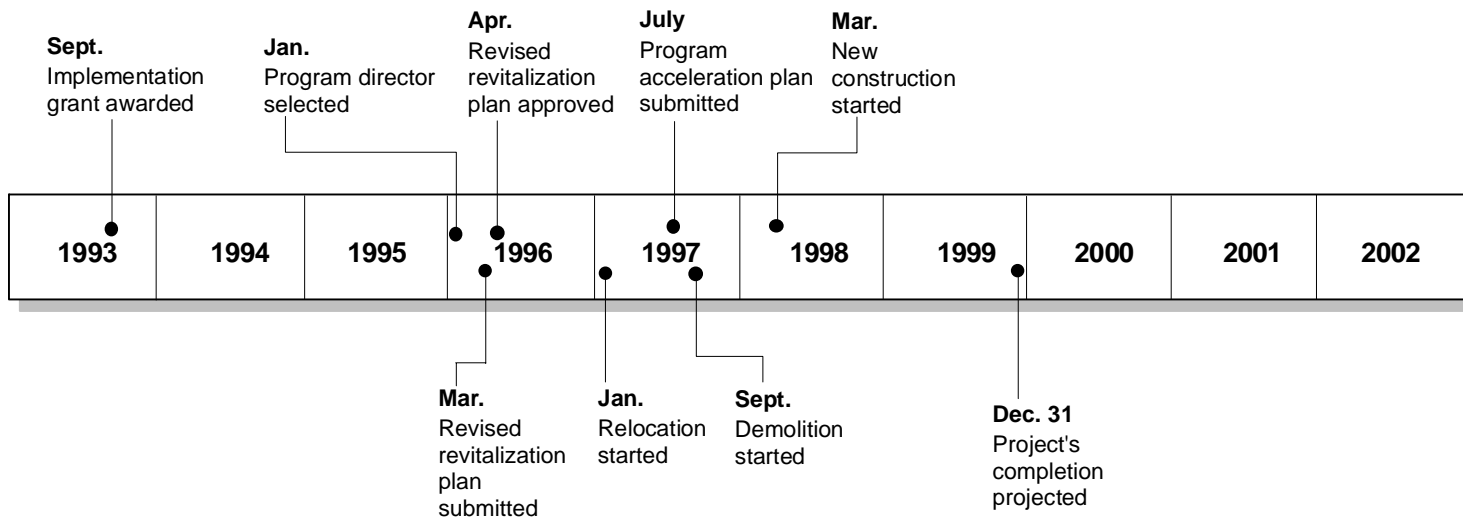
Figure II.4: Mission Main Units
Awaiting Demolition



Pico Aliso Los Angeles, California

As figure II.5 shows, Pico Aliso was awarded an implementation grant in the fall of 1995, but the revitalization effort did not move forward for some time, primarily because the housing authority decided to revise the revitalization plan after the Congress suspended the one-for-one replacement rule. In July 1997, the housing authority submitted a plan for accelerating the development, and the revitalization effort has since proceeded expeditiously. New construction began in March 1998.

Figure II.5: Time Line for Pico Aliso



Background

Together, the twin housing developments of Pico Gardens and Aliso Village form the largest public housing complex west of the Mississippi. All 577 units at Pico Aliso, built in the 1940s and 1950s, will be demolished, and 421 new units will take their place. These will include 280 rental units and 7 units for sale at Pico Gardens and 74 detached courtyard homes and 60 apartments for senior citizens in Aliso Extension. New administrative offices and a child care center will also be built.

According to statistics compiled by the Los Angeles Police Department, the crime rates at Pico Aliso are among the city's highest, in large part because at least seven gangs operate in the area. The site was redesigned with safety and security in mind. Flat roofs, which gang members had used as shooting platforms, were eliminated, as were blind entryways. Parking lots and open areas that had previously led to turf wars were also reconfigured. New units have been designed with private backyards and individual entrances. Community and support service programs are being designed to foster a cooperative and nurturing spirit among residents.

The housing authority is working with the city of Los Angeles to prepare an economic development plan. The authority also solicited the participation of the city's community redevelopment agency because the Pico Aliso site is adjacent to a proposed redevelopment area. In addition,

the site is located within the East Side Economic and Employment Incentive Zone, which offers several incentives to businesses. Finally, the authority is in partnership with the Los Angeles Community Development Bank.

Several entities are working with the housing authority to provide job opportunities for Pico Aliso residents, such as Homeboy Industries, Jobs for the Future, the East Los Angeles Skill Center, and the Los Angeles Conservation Corps. In addition, two labor unions—the Laborers International Union of America and the United Brotherhood of Painters—have established a \$500,000 grant to place 22 residents in a 24-month apprenticeship demonstration program.

Community services provided by the HOPE VI grant include youth apprenticeship, public safety, and economic development programs; support services include job training, gang prevention, after-school tutoring, and a primary health clinic. In addition, the city of Los Angeles has made \$2 million in federal Community Development Block Grant (CDBG) funds available for a multipurpose recreational center at the site. The Los Angeles Department of Recreation and Parks will maintain the facility, and other staff for the center will be funded by a nonprofit organization, the Aliso Pico Business Community, Incorporated. Overall, the city has provided \$494,730, or about 17 percent of the site’s funding, for support services.

About 250 households opted for Section 8 housing during construction, and 176 have the option to return to the site. An additional 30 purchased homes.

Factors Contributing to Delays

The major cause of delay in starting construction at the Pico Aliso site was the housing authority’s decision to revise the site’s revitalization plan. The housing authority incurred the delay to take advantage of the Congress’s July 1995 suspension of the one-for-one replacement rule by reducing the site’s density. The revision added 15 months to the planning process—3 months to redesign the architecture, 9 months to revise the plan with the community, and 3 months to respond to HUD’s requests for changes and to obtain HUD’s approval.

The housing authority also took time to respond to residents who objected to relocation plans proposing to place them outside the complex. Because 99 percent of the development’s units are occupied, there is little room to

move residents within the complex. Gang territories further complicated the relocation process. The revitalization plan states that there are at least 3 major gang “turfs” within the development and at least 15 others in the neighborhood. With the assistance of the League of Women Voters, the housing authority held an election in which 95 percent of the households in the development voted. A new resident advisory committee was elected and supported the housing authority. In total, it took about 3 years for the housing authority to obtain the residents’ trust and persuade the residents to relocate.

Current Status

Demolition has been completed at Pico Gardens and Aliso Extension. Construction began for 148 units at Pico Gardens on March 3, 1998, and for 42 units at Aliso Extension in May.

Figure II.6: Pico Aliso



Dangerous entryway into original courtyard

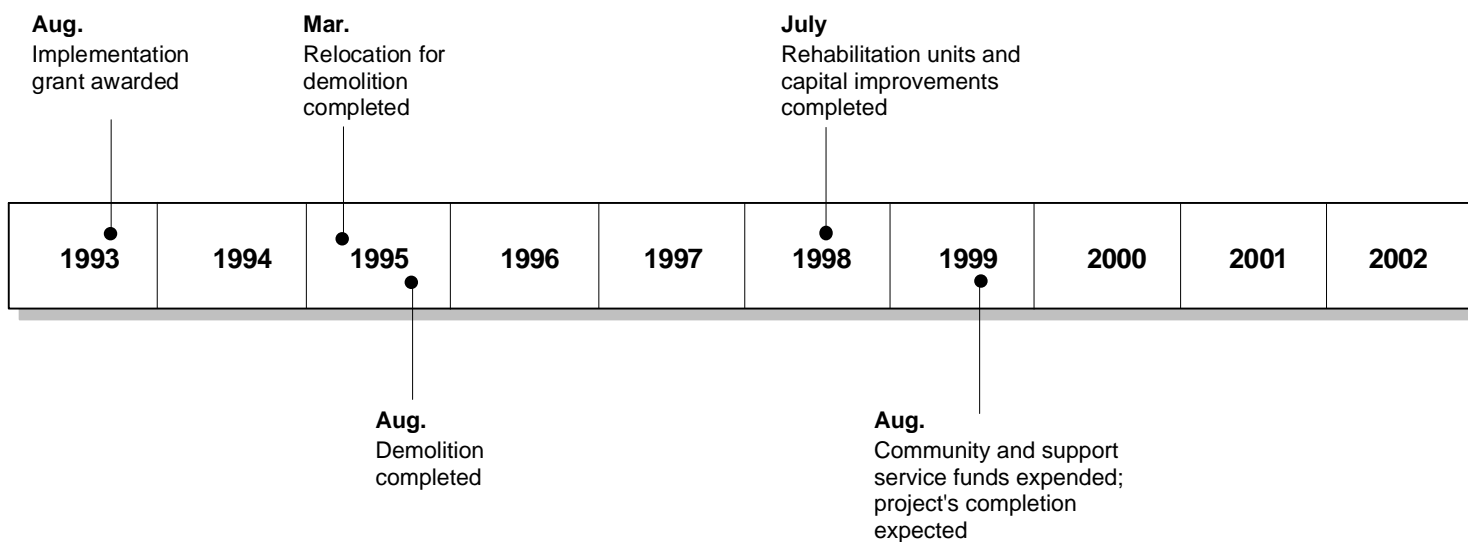


Ex-gang member working on HOPE VI funded silk screening machine

Hillside Terrace Milwaukee, Wisconsin

As figure II.7 shows, the Housing Authority of the City of Milwaukee was awarded a HOPE VI demonstration grant for Hillside Terrace in 1993, and the development is near completion.

Figure II.7: Time Line for Hillside Terrace



Background

Hillside Terrace is the highest-density public housing development in Milwaukee. It consists of 540 family units, including two- and three-story walkups and row houses, built on about 24 acres in 1948 and 1950. On the one hand, the site is surrounded by a light industrial and commercial district and is isolated from other immediate residential areas; on the other hand, it is located just a few blocks from downtown Milwaukee. The vacancy rates at Hillside Terrace, ranging from 6 to 10 percent, were higher than at any of the housing authority's other sites.

Streets within the development terminated at its boundaries, isolating it from the surrounding area. Without through streets, residents had limited access to buildings; emergency responders, such as firefighters and police, were delayed; curbside garbage collection was nearly impossible; and quiet areas sheltered drug activity. Although the buildings were structurally sound, some of their boilers and heating systems were wearing out, parking facilities and public lighting were inadequate, and the

property was severely eroded. The physical conditions discouraged outdoor play or family activities.

Hope VI Selection

The housing authority received a \$40 million HOPE VI implementation grant in fiscal year 1993, plus two subsequent amendment grants in fiscal year 1995 totaling an additional \$5.7 million to revitalize 496 of the 540 units at Hillside Terrace. The goals for the HOPE VI development were to (1) enhance the marketability of the family units by reducing their density, (2) reduce the physical isolation of the site by creating through streets, and (3) encourage economic self-sufficiency among the residents. To accomplish these goals, the housing authority planned to demolish 119 dwelling units in 15 buildings, thereby making way for through streets. The units were to be replaced by 79 units at scattered sites outside the development and 39 Section 8 certificates. The 377 remaining units were to be substantially rehabilitated and modernized. The housing authority also planned to expand community and support services, aiming primarily to help residents become permanently self-sufficient.

Factors Contributing to Delays and Success

Because the capital improvements at Hillside Terrace consisted primarily of rehabilitation, few residents were displaced, and because the rehabilitation was largely funded through the HOPE VI grant, the financing was straightforward. Without the complications associated with permanent relocation and leveraging, the HOPE VI development moved forward on schedule. Some delays took place during demolition, however, because of underground oil tanks, unmarked utility lines, and an undocumented brewery tunnel, and another delay occurred when a contractor filed bankruptcy.

Housing authority officials ascribed the success of the development to several factors, including the low rate of turnover in the authority's management staff; the experience of staff at the housing authority and the HUD field office; good working relationships with the residents, the HUD field office, the city, and state agencies; and a good state economy. In addition, the public, the media, the mayor and alderwoman, and the resident council have generally supported the improvements at Hillside Terrace. There have been no lawsuits or organized opposition to the development.

Current Status

The majority of Hillside Terrace's HOPE VI grant has been disbursed, and the development has progressed on schedule. The site's physical improvements are scheduled to be completed by July 1, 1998. The two through streets, whose construction required the demolition of 15 buildings, is complete. As a result, the site is no longer physically isolated, and it has more green space, playscapes, and parking. Street lights and walkways were installed to match those of other residential areas in the city. According to residents, gang-related drug traffic and crime have significantly decreased. The three-story walk-ups were rehabilitated to include rear stairwells and individual entrances, creating defensible space. The interiors of all units were substantially upgraded. The existing community center was expanded to house current and future support service agencies, a day care center, and a clinic.

Relocation was completed while rehabilitation was in progress, and, according to the housing authority, most residents that chose to return and met screening requirements have moved back, now that the work is almost complete. The demolished units were replaced with new units completed and under construction on scattered sites, and the remaining units were replaced with Section 8 certificates or vouchers. According to a housing authority report, two Hillside Terrace residents have purchased new replacement units, and another is working on financing options. According to the housing authority, 336 of 355 rehabilitated units are occupied and 22 units are currently being rehabilitated. The residents are required to sign an addendum to their lease in which they agree to undergo an employability assessment, participate in the resident council and block watch program, and volunteer 4 hours a month by, for example, cleaning up litter at the site.

Community and support services are ongoing and include a neighborhood mentoring program, a scholarship fund, job training programs, a resident-owned business program, day care services, preventive health care services, and educational extension programs available through the local university. The housing authority has also provided training and employment opportunities to residents as construction inspectors. Housing authority officials do not believe that they will spend all of the funds budgeted for community and support services because many of these programs existed before the HOPE VI grant was awarded and are self-sustaining programs. According to an April 1998 HUD report, the housing authority had spent about 30 percent of the \$4.3 million budgeted for community and support services and management improvements.

The housing authority has collected and reported demographic information at Hillside Terrace, such as changes in residents' incomes and crime statistics. For example, the authority reported that the percentage of families living below the poverty level dropped from 83 percent in 1993 to 63 percent in 1997, and the number of working families increased from 17 percent in 1993 to 55 percent in 1997. Housing authority officials also plan to collect data on the numbers of residents obtaining services such as day care and health care.

During the past 3 years, the housing authority has applied for HOPE VI grants for two additional developments, but these applications were not selected.

Figure II.8: Hillside Terrace



Rehabilitated units under construction

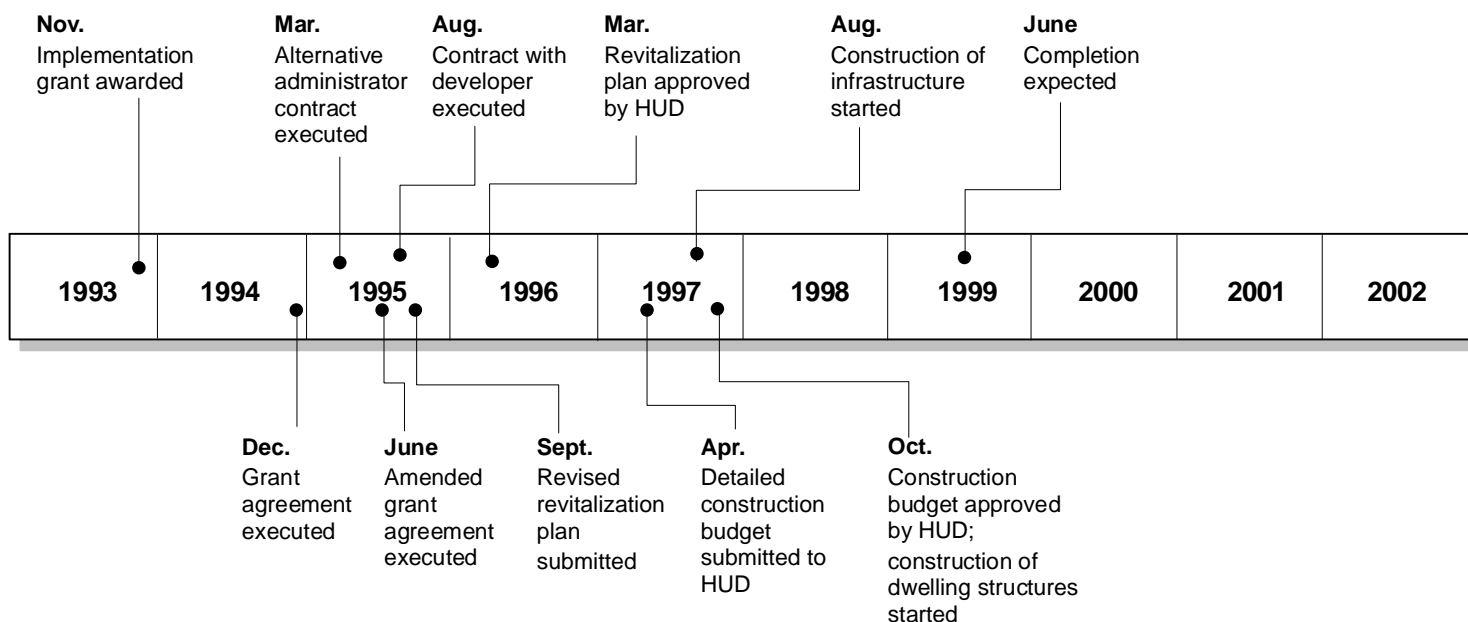


New neighborhood center

Ellen Wilson Dwellings Washington, D.C.

As figure II.9 shows, Ellen Wilson Dwellings was awarded its implementation grant in late 1993. Although the grant took some time to implement, construction at the development is progressing well.

Figure II.9: Time Line for Ellen Wilson Dwellings



Background

Built in 1941, Ellen Wilson Dwellings had 134 units, which were demolished in 1996. The deteriorated site had been vacant since 1988 when, according to a District of Columbia Housing Authority official, the authority first planned a significant rehabilitation effort. However, the authority found that the costs of the proposed rehabilitation exceeded the available HUD modernization funds, and continuous changes in the housing authority's leadership precluded further progress. Because Ellen Wilson is located within the boundaries of the Capitol Hill historic district, a community group concerned about developing the site formed a community development corporation in 1991 called the Ellen Wilson Neighborhood Redevelopment Corporation.

The community development corporation's goal was to redevelop the location, although not necessarily as a public housing site. The corporation formed a partnership with two companies experienced in community development to develop a proposal for revitalizing the area, possibly with the use of Section 8 funding. However, the HOPE VI legislation created a more viable source of funding for a comprehensive revitalization effort. After the HOPE VI Urban Revitalization Demonstration Program was established in October 1992, the housing

authority selected the community development corporation's developer in a competitive process to develop a plan for mixed-income housing on the Ellen Wilson site.

Hope VI Selection

Although Ellen Wilson received a \$15.7 million implementation grant in fiscal year 1993, the first year in which grants were awarded, HUD later made the award contingent on the appointment of an alternative administrator. According to a housing authority official, even though the firm to serve as alternative administrator was identified in the HOPE VI grant application, the appointment did not occur until March 1995. In June 1995, HUD amended the award, providing an additional \$9.4 million to cover increased costs, including those for infrastructure and environmental remediation. The additional funding also allowed the development to be set up as a cooperative—an arrangement under which the development will not receive any operating subsidies from HUD.

According to a housing authority official, the community development corporation and the housing authority are beginning to establish a community and support service program at Ellen Wilson. A step-up apprenticeship construction program has been established for public housing residents in the Ellen Wilson neighborhood to work on construction of the Ellen Wilson site. Furthermore, a modified self-sufficiency program is being established to help individuals, especially former Ellen Wilson residents, develop a dependable source of income so that they can qualify to reside in the revised Ellen Wilson development. Moreover, the housing authority and the community development corporation have been working for a year to identify and develop contacts with all social service providers and support groups, such as churches and nonprofit organizations, in the Ellen Wilson neighborhood. They are also developing a health care compact under which the residents of Ellen Wilson and surrounding public housing developments would all be served by one health maintenance organization.

According to a housing authority official, future funding for community and support services will come from an endowment that will be generated from the expected market-rate sales of 20 homes at Ellen Wilson built with a market-rate loan of HOPE VI funds. When these homes are sold, the construction loans will be repaid. The profit from the sales and the repayment of the construction loan will be invested to establish an endowment to fund ongoing community and support services.

Factors Contributing to
Delays

Several factors have slowed revitalization at Ellen Wilson, including problems with the housing authority's management, the neighborhood's opposition to a public housing development, environmental issues, and delays in obtaining HUD's approval of the cooperative arrangement and development costs. As noted, HUD responded to the site's management problems by making the initial grant agreement contingent on the appointment of an alternative administrator. Subsequently, a Superior Court judge appointed a receiver for the housing authority, and a private firm was designated by HUD and the housing authority to administer the grant. Once these management issues were resolved, the project started moving.

Satisfying the concerns of the neighborhood's residents also took time. According to a housing authority official, the residents who did not want any public housing built were very vigilant about the proposed development. These residents raised questions and concerns with the zoning board, which took time to clear. In addition, the housing authority had to replace contaminated soil at the site and install a holding tank to handle runoff from rain.

According to a HUD official, the proposed cooperative arrangement and total development costs took time to approve. The proposal to establish a cooperative was the first of its kind at a HOPE VI site. Unlike other sites, Ellen Wilson was not requesting any future operating subsidies from HUD and was not receiving any low-income housing tax credit funding, and each resident would have an equity interest in the development.

According to a HUD official, the total development costs were higher at Ellen Wilson than at most other HOPE VI sites. A HUD official also noted that the need to conform to Capitol Hill's architectural guidelines—which require such amenities as exterior staircases, tile and brick fronts, and elevated front yards—and to resolve environmental problems contributed to these high costs.

Current Status

Development at Ellen Wilson is currently on schedule. The first units are to be available in September 1998, and the development is to be completed by the summer of 1999. When completed, it will have 134 limited-equity cooperative units and 20 units available for sale at prevailing markets rates. All residents will be considered owners, including those in the 67 units that will be set aside for households earning 50 percent or less of the area's median income. The down payment for each household will be

based on 5 percent of its annual income at the middle of its income band, subject to market conditions (e.g., 5 percent of the middle of the band covering 0 to 25 percent of the area's median income). A community development corporation official noted that a person earning \$6 per hour could qualify for a unit in the lowest income range.

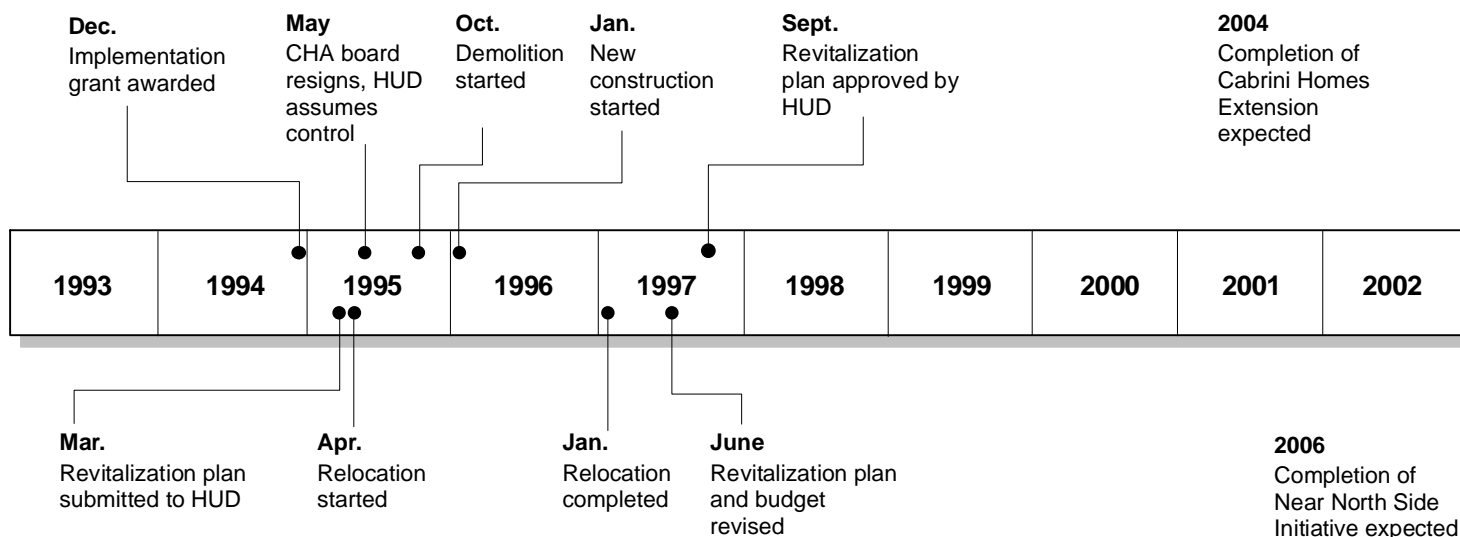
Figure II.10: New Construction at Ellen
Wilson



Cabrini Homes Extension Chicago, Illinois

As figure II.11 shows, the Chicago Housing Authority was awarded a \$50 million HOPE VI implementation grant in fiscal year 1994, but HUD did not approve a revised revitalization plan, which stemmed from management changes in 1995, until September 1997.

Figure II.11: Time Line for Cabrini Homes Extension



Background

Cabrini Homes Extension is the largest of three developments that make up Cabrini-Green, known in Chicago and nationwide as one of the country's most distressed public housing sites. It is located on Chicago's near north side, adjacent to a high-rent neighborhood and theater district that is undergoing a boom in the construction of new single-family homes, row houses, condominiums, and town houses. In addition, some of Chicago's most desirable real estate, located on Michigan Avenue and commonly known as the Magnificent Mile, is just a few blocks away. Cabrini-Green is a 70-acre site with 3,606 family units in 86 residential buildings belonging to three separate developments—Frances Cabrini Homes (55 row house buildings), Cabrini Homes Extension (23 high-rise buildings) and William Green Homes (8 high-rise buildings). Only the row houses meet HUD's minimum housing quality standards.

Cabrini Homes Extension, built in 1958, consisted of 1,921 units with 3,695 residents as of 1993. The 36-acre site also included a management office, a

central heating plant, and a community center. About 32 percent of the units at Cabrini Homes Extension were occupied. According to the housing authority's reports, the property is severely distressed, the buildings' design is defective, and the buildings' systems are deficient and deteriorated. Because the site's design included no through streets, the streets create a maze of dead ends conducive to criminal activity. Stairwells also shelter drug deals and physical assaults. According to the housing authority, the available resources are not adequate to meet the site's extensive capital and modernization needs.

HUD has listed the Chicago Housing Authority as troubled since 1979. According to the housing authority itself, it was plagued by mismanagement and negative opinion, held by the public and residents alike. The housing authority's board resigned in May 1995, and HUD assumed control. The authority is run by a former HUD assistant secretary and a five-member executive advisory committee appointed by HUD.

Hope VI Selection

The housing authority received a \$50 million HOPE VI implementation grant in fiscal year 1994 for Cabrini Homes Extension. The HOPE VI funds, along with \$19 million in public housing development funds, are to construct or acquire 493 replacement units for families that are eligible for public housing and to demolish eight distressed high-rise buildings containing 1,324 deteriorated units at Cabrini Homes Extension. The public housing replacement units, representing about 30 percent of the planned new units, are to be interspersed with market-rate units. Of the remaining units, 20 percent are to be reserved for moderate-income families and 50 percent for households paying market rates. The housing authority plans to acquire approximately 250 replacement units on four new development sites.

Over \$8 million of the site's HOPE VI grant is designated for community and support services. The services are designed to promote self-sufficiency and economic independence. The services range from education, to substance abuse intervention, to a variety of economic development initiatives. For example, Cabrini Textiles is a silk screening company training residents and providing work experience in a productive environment.

The housing authority has used the HOPE VI funds to leverage resources from the city and the private sector. The HOPE VI development at Cabrini Homes Extension has served as a catalyst for the city's Near North Side

Neighborhood Revitalization Initiative, which represents a total estimated commitment of \$315 million in public and private funds to transform Cabrini-Green and the surrounding community. The initiative will include the construction of 2,000 new mixed-income housing units (row houses, duplexes, and mid-rise buildings), a new town center, a commercial district with a grocery store and shopping facilities, a district police station, new schools, a library, and a community center.

Factors Contributing to Delays

Management turnover at the Chicago Housing Authority and changes to the HOPE VI program led to delays in developing the site's revitalization plan. After HUD rejected an application for a HOPE VI grant for Cabrini Homes Extension in fiscal year 1993, it funded an application the next year, in accordance with a requirement in the appropriations act that it fund without further competition housing authorities that applied in fiscal year 1993. According to the housing authority's executive director, a significantly flawed proposal was funded and set up to fail. The director at that time pursued the proposal, submitted a revitalization plan to HUD in March 1995, and resigned 2 months later. Then, as noted, the housing authority's board resigned, and HUD took over the authority's management, changing and expanding the scope of the original plan for the site. After taking time to reorganize and try to restore relationships with the community, the new leadership submitted the revised revitalization plan to HUD in June 1997, and HUD approved the plan in September.

Residents' concerns and legal actions have also contributed to delays in the site's development. Both HUD and housing authority officials told us that because promises made to residents by the housing authority's former management have not been kept and because residents view the revised revitalization proposal as a land grab by the housing authority, the city, and the developers, the residents do not trust the responsible parties. For example, the housing authority's former chairman promised residents that no relocation and no demolition would take place at two of the buildings until replacement housing had been built on land currently belonging to the housing authority. However, under the revised plan, additional buildings are to be demolished and residents are to be relocated to surrounding neighborhoods. As a result, in October 1996, the local advisory council at Cabrini-Green entered a lawsuit against the housing authority and the city. First, the council claimed that residents had not been adequately consulted on the development of the new plan, which increased the number of units to be demolished; second, it asked that relocation be halted in accordance with commitments made by the

housing authority's former chairman; and third, it asked that demolition be halted. According to the housing authority, the court has ruled that relocation may proceed because the existing buildings are in such poor condition, and a trial is scheduled for June 1998. In addition, the housing authority spent several months obtaining approval from a federal judge to acquire approximately 250 replacement units at other sites.

Finally, because of their complexity, the development proposals and land transfer agreements have taken time, both for the stakeholders to submit and develop and for HUD to review and approve. For example, the housing authority is finalizing land transfer agreements with the Chicago Board of Education and the Chicago Park District. It has procured surveys and appraisals and has submitted a disposition application to HUD for approval. According to the housing authority, because of their complexity and ambitiousness, the HOPE VI development and the Near North Side Neighborhood Revitalization Initiative will take a long time to implement.

Current Status

Four buildings at Cabrini Homes Extension, formerly containing 398 units, have been demolished, and three additional buildings with 327 units have been vacated. HUD has approved the housing authority's application to demolish two of the vacated buildings and is reviewing the other application. The housing authority has relocated 230 families. Private developments are under construction and some units are completed on adjacent property. The housing authority has purchased two town house units at one of the developments and has relocated two Cabrini families in this replacement housing. The housing authority has also finished screening Cabrini families eligible to occupy 16 units at another development.

Community and support service programs are ongoing, and the housing authority is tracking training and employment statistics for residents. For example, the authority reported that, as of October 1997, over 250 Cabrini residents had been placed in jobs through its programs.

The housing authority has continued to negotiate with the local advisory council.

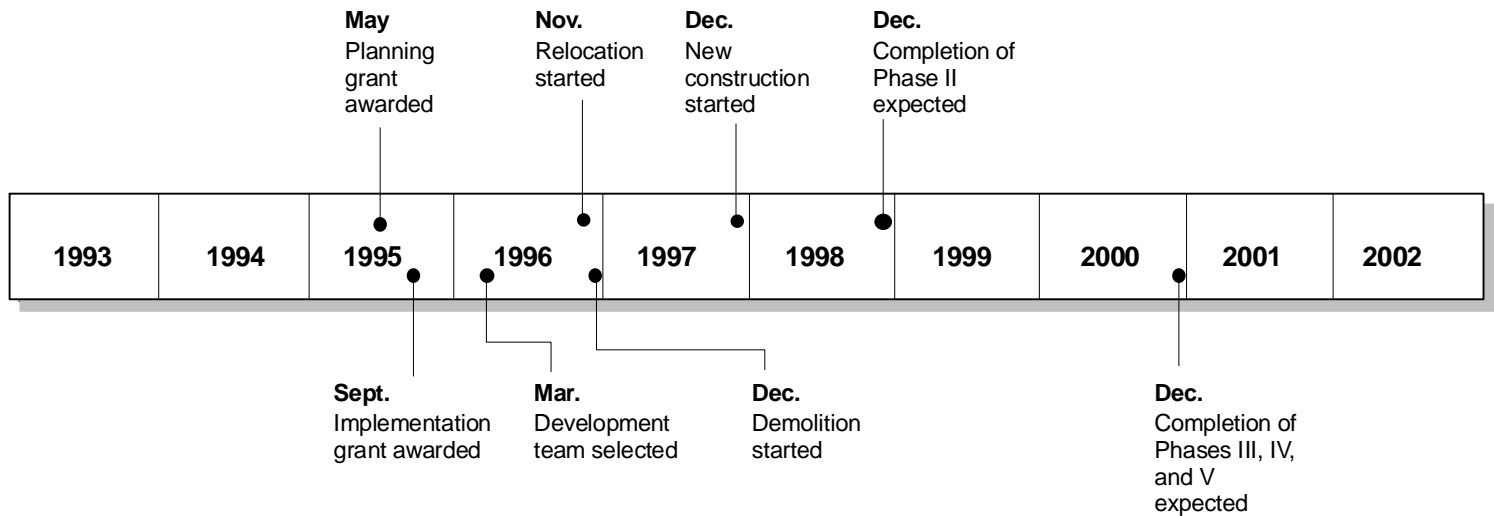
**Figure II.12: High-Rise Buildings
Awaiting Demolition at Cabrini Homes
Extension**



**Orchard Park
Boston,
Massachusetts**

As figure II.13 shows, Orchard Park received notification in 1995 of its implementation award. The revitalization effort has since moved expeditiously, with extensive demolition and new construction under way.

Figure II.13: Time Line for Orchard Park



Background

Built in 1942, Orchard Park originally contained 711 units. Its public housing structure kept its residents physically, socially, and economically isolated, effectively preventing them from moving out of the area, and discouraging businesses, investors, and service providers from moving in. When planning for the site's revitalization began, 36 percent of the development's units were vacant, and 86 percent of the applicants for public housing in Boston were rejecting Orchard Park because of its poor physical condition and reputation for severe crime.

Hope VI Selection

HUD awarded the Boston Housing Authority a planning grant for Orchard Park in May 1995. Four months later, the housing authority received an implementation grant based on the feasibility, sustainability, and probability of the site's advancing steadily through all of the planned phases. According to a study by a consultant, Orchard Park was selected for its innovative plan to integrate the development with the neighborhood through the use of off-site development, fill vacant lots with privately owned housing, and leverage the HOPE VI grant with low-income housing tax credits. The study also noted that the plan has established a way of doing business that could be applied to other HOPE VI projects.

The Orchard Park development is scheduled to take place in five phases. During Phase I, families were temporarily relocated while 126 units were

rehabilitated. At the beginning of Phase II, eight buildings, containing 246 units, were demolished, and 90 new duplex and town house units are being built. The first units were to be available for occupancy in June 1998, and the remaining units are expected to be completed by December 1998. Eight more buildings, containing 220 units, will be demolished during Phase III, and up to 130 new town house units are to be constructed, starting in 1999 and finishing by the end of 2000. A public elementary school will also be built as part of this phase. The school will include community space to serve Orchard Park. During Phase IV, up to 140 rental units will be constructed, starting in July 1998, bringing the total number of rental units—whether rehabilitated or newly constructed—to about 486. Finally, during Phase V, up to 50 new homes will be built. Phases IV and V are both off-site, that is, on scattered sites in the immediate vicinity of the development. The off-site construction is expected to be completed by December 2000. The primary sources of funding for these revitalization efforts are as follows: \$20.4 million from the HOPE VI grant, about \$24 million from the Comprehensive Improvements Assistance Program,³ \$36.7 million from low-income housing tax credits, \$9 million from the Comprehensive Grant Program, and \$2.2 million in infrastructure work from the city of Boston.

The Boston Housing Authority has planned a community and support service program for both Orchard Park and Mission Main, another HOPE VI project located less than 2 miles from Orchard Park. The goal of this program is to integrate the developments' residents into the surrounding area's mainstream service network. According to the housing authority's plan, HOPE VI funds will be used to fund gaps in services, not to duplicate existing services. The program will address the long-standing issues of poverty, joblessness, and isolation affecting the residents of Orchard Park and Mission Main.

The Boston Housing Authority has not entered into any contracts for community and support services. It has begun to identify partners in the community and is planning to hire an independent contractor to measure the effectiveness of its plan for community and support services. According to a housing authority official, the housing authority is currently responding to comments that it received from HUD on a 6-month plan for increasing residents' self-sufficiency.

³The Comprehensive Improvements Assistance Program was enacted in 1980 to make substantive modernization funding available to housing authorities through competition to address needs at individual developments.

**Factors Contributing to
Success**

Orchard Park's success reflects close collaboration from the beginning among the residents, housing authority, developers, and city of Boston. Housing authority staff developed a close working relationship with the residents during Phase I of the development, when, starting in January 1995, 126 units were rehabilitated, primarily with funds from the Comprehensive Improvement Assistance Program.

When the housing authority followed up on HUD's suggestion that the HOPE VI revitalization plan for Orchard Park include demolition and leveraging with private developers, the residents were willing to listen. Housing authority officials believe the goodwill created with the success of the earlier rehabilitation was the reason for the positive working relations. Housing authority staff spent considerable time with the residents and encouraged their comments at each stage of the development. The residents understood, however, that the housing authority had the final say in all matters. Although some tenants used Section 8 certificates to relocate, many moved to vacant units within the Orchard Park complex. Units were available because the Boston Housing Authority had closed the waiting list at the complex well before rehabilitation was to start. All residents, including those who relocated, may return to the site when construction has been completed.

Current Status

Orchard Park's development is proceeding on schedule. Construction of the 90 town houses in Phase II is well under way.

Figure II.14: Orchard Park



Original Units



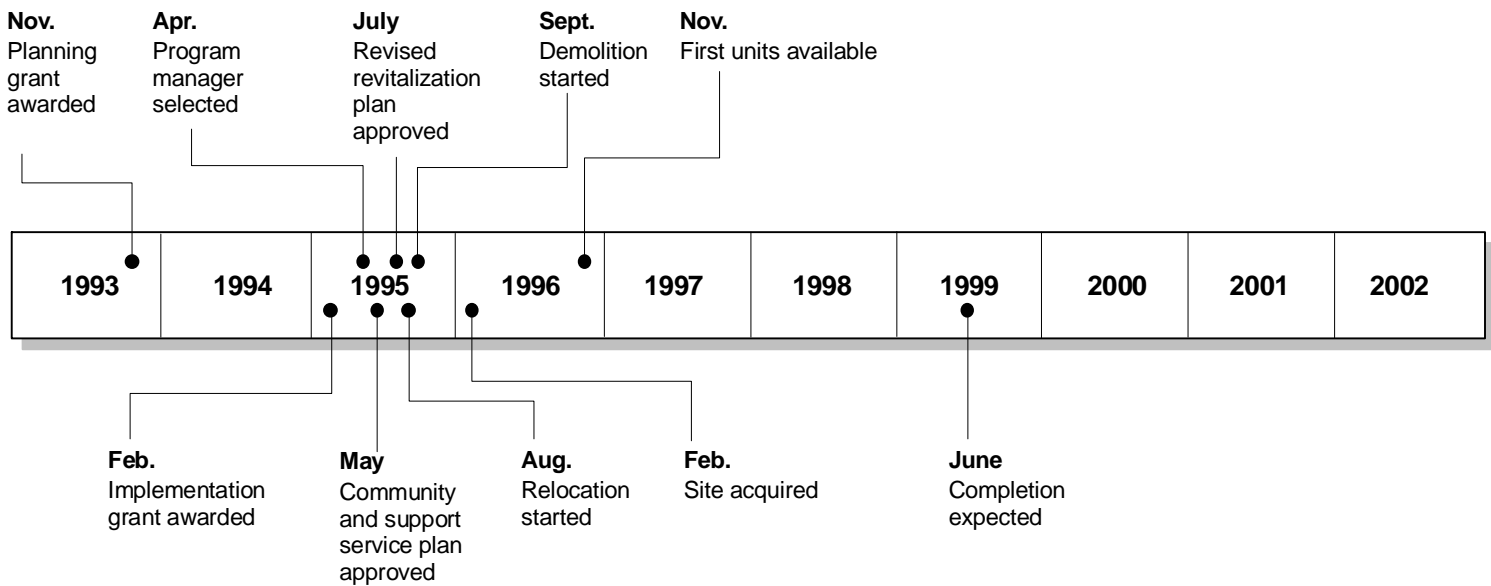
New Construction

Kennedy Brothers Memorial Apartments El Paso, Texas

As figure II.15 shows, the revitalization of Kennedy Brothers Memorial Apartments began with a planning grant in 1994 and has since progressed through extensive demolition, rehabilitation, and new construction. The

revitalization includes plans to construct homes for sale on newly purchased property adjoining the original site.

Figure II.15: Time Line for Kennedy Brothers Memorial Apartments



Background

Kennedy Brothers Memorial was built in 1973 and contained 364 units before the revitalization effort started. When chosen for HOPE VI, the complex had been voted the “worst” of 30 distressed public housing sites in El Paso by public housing residents citywide. Major problems identified at the site were crime, drugs, and gangs. The complex was in a residential neighborhood but was isolated by a stone wall that encircled it and cut off access to neighboring streets. The site was very crowded, and the street patterns and wall attracted drug smugglers entering the country at a Mexican border crossing a quarter of a mile away.

Hope VI Selection

The Housing Authority of the City of El Paso received a \$500,000 planning grant in November 1993. Its revitalization plan was developed through an inclusionary planning process that brought together residents, neighbors from the surrounding community, service providers, and community businesses. Preliminary architectural studies were performed and a series

of planning meetings were held to evaluate options and develop the final physical revitalization plan.

The housing authority was selected to receive a \$36.2 million implementation grant in 1995, after the Congress directed HUD to award implementation grants to all jurisdictions that had received planning grants in 1993 or 1994.

Factors Contributing to Success

Housing authority officials believe that starting with a planning grant was a key factor in their ability to proceed at a rapid rate. Early agreement on the site plan by all the parties involved, the residents' trust of housing authority officials, and the desire of residents to qualify for homeownership have also contributed to the successes to date.

The parties to the planning process agreed that a reconfiguration of the site, coupled with demolition to reduce density, was needed to improve security and stop gang-related activities. The development's main thoroughfare was cut into two streets that ended in cul-de-sacs on either side of a central community park to discourage the thoroughfare's use as an escape route for drug smugglers. The 8- to 10-foot stone wall was also scheduled for demolition so that the development could be integrated with the neighborhood. Fenced backyards were planned for each unit, and a community center was designed as the site's focal point, providing residents with day care, job and computer literacy training, and economic development programs.

According to a 1995 HUD-contracted study, the early success at Kennedy Brothers Memorial was owing, in large part, to the housing authority's decision to contract with a project manager who focuses exclusively on HOPE VI developments. The excellent rapport that the project manager and the housing authority's executive director, management director, and site manager developed with the residents at the beginning of the planning process also promoted agreement on key issues.

At Kennedy Brothers Memorial, residents' attitudes appear to have changed with the revitalization. According to housing authority and resident council officials, the residents are taking pride in the revitalized site, keeping it virtually graffiti-free. These officials also acknowledge that HUD's "one strike and you're out" policy, in place since 1996, has also deterred vandalism. During our visit, we talked with residents excited about the new training and staff development programs and, in particular,

about the possibility of qualifying to purchase one of the 50 homes in the homeownership program.

Status

Capital improvements are progressing on schedule. Recently, 240 units were rehabilitated, and many of the former residents have moved into the revitalized units. Contractors are now being selected to construct 124 replacement housing units and to construct the 50 homes included in the development, scheduled for completion in the first half of 1999. The community center is under construction and is scheduled for completion in July 1998.

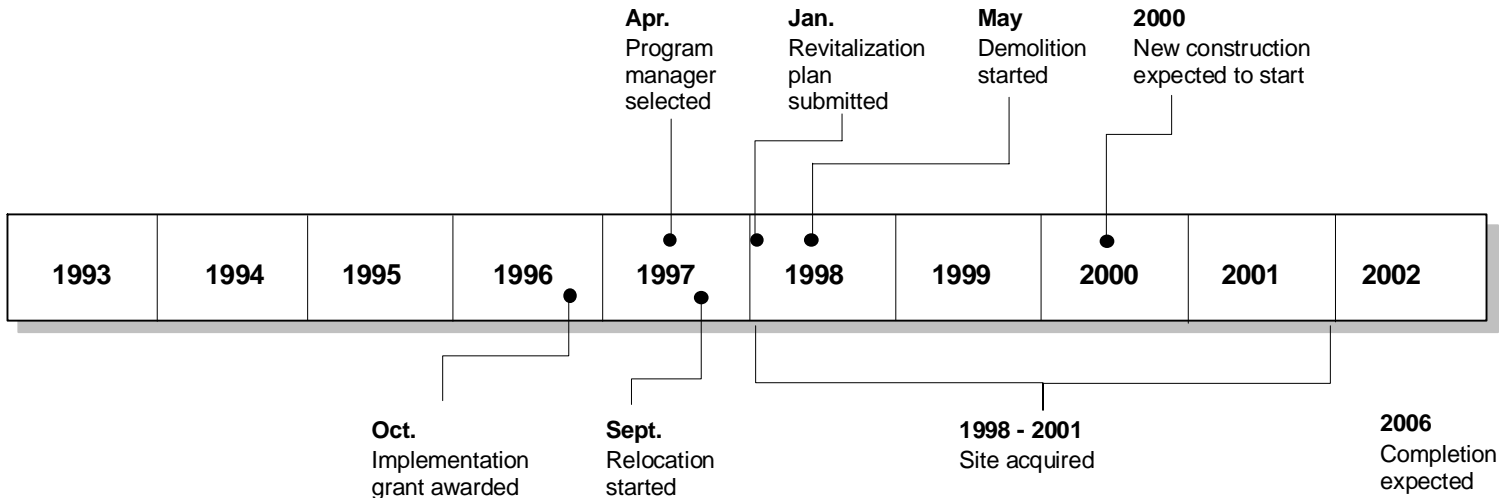
Figure II.16: Children's Computer Laboratory, Kennedy Brothers Memorial Apartments



**Robert Taylor
Homes B
Chicago, Illinois**

As figure II.17 shows, the Chicago Housing Authority was awarded a \$25 million HOPE VI implementation grant in fiscal year 1996 for Robert Taylor Homes B. The housing authority submitted its revitalization plan for the site in January 1998 and is awaiting HUD's approval. Demolition started in May 1998, and the project's completion is expected in 2006.

Figure II.17: Time Line for Robert Taylor Homes B



Background

Chicago’s State Street Corridor, a 4-mile stretch of public housing, is the nation’s largest, most densely populated public housing enclave, consisting of 8,215 units concentrated in five developments. Robert Taylor Homes is one of the developments; it is divided into two subdevelopments, A and B, which together contain over 4,300 units in 28 detached, 16-story buildings. Robert Taylor Homes B is a mile-long, 74-acre site, built between 1959 and 1963 and consisting of 2,400 units in 16 high-rise buildings. The development contains some of the poorest census tracts in America. The community surrounding Robert Taylor has lost more than half of its population since the development was built, reportedly because former residents were afraid of living near the crime-plagued Robert Taylor Homes and other public housing in the State Street Corridor.

The property’s buildings are poorly designed, building systems are severely deteriorated, and major building systems chronically fail. Inadequate security systems and open-air galleries on each floor enhance opportunities for crime. Obsolete heating and electrical systems, weather-damaged elevator equipment, deteriorated hot water tanks, and inadequate sanitary waste lines regularly fail, exposing the housing authority to extraordinary costs to restore and maintain buildings that do

not meet minimal standards of habitability. Vacancy rates averaged 33 percent in the buildings. The development is known not only for its concentrated poverty but also for gang-related criminal activities. According to the revitalization plan, before community escorts began to walk children from the development to school, parents kept the children at home for fear that they would be shot in the cross fire of gang warfare.

HOPE VI Selection

The Chicago Housing Authority received a \$25 million implementation grant in fiscal year 1996 for Robert Taylor Homes B. The plan is to vacate and demolish five buildings (761 units) and purchase or build 251 replacement units off-site in the surrounding community. These replacement units are to be dispersed among and indistinguishable from market-rate housing in the community. The housing authority plans to, first, acquire existing units; second, rehabilitate existing units; and third, if necessary, construct new replacement units.

The housing authority has also earmarked HOPE VI funds to provide community and support services to residents relocated from Robert Taylor Homes B. Such services include family transition assistance, job and computer training, social services, and other assistance as needed to help integrate the residents with their new surroundings.

The HOPE VI grant is the first phase of a long-term revitalization plan that the Chicago Housing Authority is developing in conjunction with the city of Chicago. Ultimately, the housing authority intends to demolish the Robert Taylor high-rises and build a light industrial park on the vacated land. The housing authority plans to apply for future HOPE VI grants and leverage funds from private developers. According to the housing authority's estimates, it will take 10 years to vacate Robert Taylor and even longer to revitalize the community.

Factors Contributing to Success and Delays

Progress in revitalizing Robert Taylor Homes B will be limited until HUD approves the housing authority's plan. Moreover, according to the housing authority's executive director, implementation will take a long time, given the complexity of the redevelopment plan. The housing authority is appealing a judgment order on its emergency motion to exempt HOPE VI projects from an earlier court ruling limiting its development efforts in

census tracts with comparatively high percentages of minority residents.⁴ Because the intent of the earlier ruling is to prevent the housing authority from concentrating low-income households in certain census tracts, the housing authority is basing its request for an exemption on the premise that the funds are to be used to redevelop troubled public housing sites and neighborhoods, not to increase the number of low-income households. According to the housing authority, if the appeal is not successful the schedule for redevelopment will be lengthened.

Obstacles to relocating large numbers of families from Robert Taylor Homes B could also delay development. For example, the revitalization plan states that the general community may oppose relocation because it perceives that residents of Robert Taylor are likely to be involved in gangs, violence, and drug trafficking. Problems with crossing gang lines could endanger families, especially those with teenage children, and could also present obstacles to relocation.

One factor that may facilitate relocation is the housing authority's work with the local advisory council of residents at Robert Taylor Homes B. For example, the housing authority involved the council in its planning process and gained the council's support for its revitalization plan.

Current Status

The housing authority has selected the first three of the five buildings that HUD has approved for demolition at Robert Taylor Homes B. According to the revitalization plan, the housing authority is vacating the buildings and relocating the residents in the surrounding community. As of January 1, 1998, approximately 25 percent of the affected families (112 of 522) had been relocated to housing of their choice. The majority of the residents have chosen Section 8 vouchers for relocation rather than moving to another Robert Taylor building. A centrally located community center is being renovated with funds from the housing authority, the city, and local community groups. The center, which is scheduled to open in the summer of 1998, will house community and support services for the residents of Robert Taylor Homes B and other public housing developments in the community. On May 18, 1998, demolition began on the first building.

⁴Under a court-imposed order, the Chicago Housing Authority is not allowed to build in "impacted areas," defined as any census tract in which more than 30 percent of the residents are not white, unless it simultaneously builds in other areas.

**Appendix II
Case Studies**

**Figure II.18: Public Housing on the
State Street Corridor**



State Street corridor

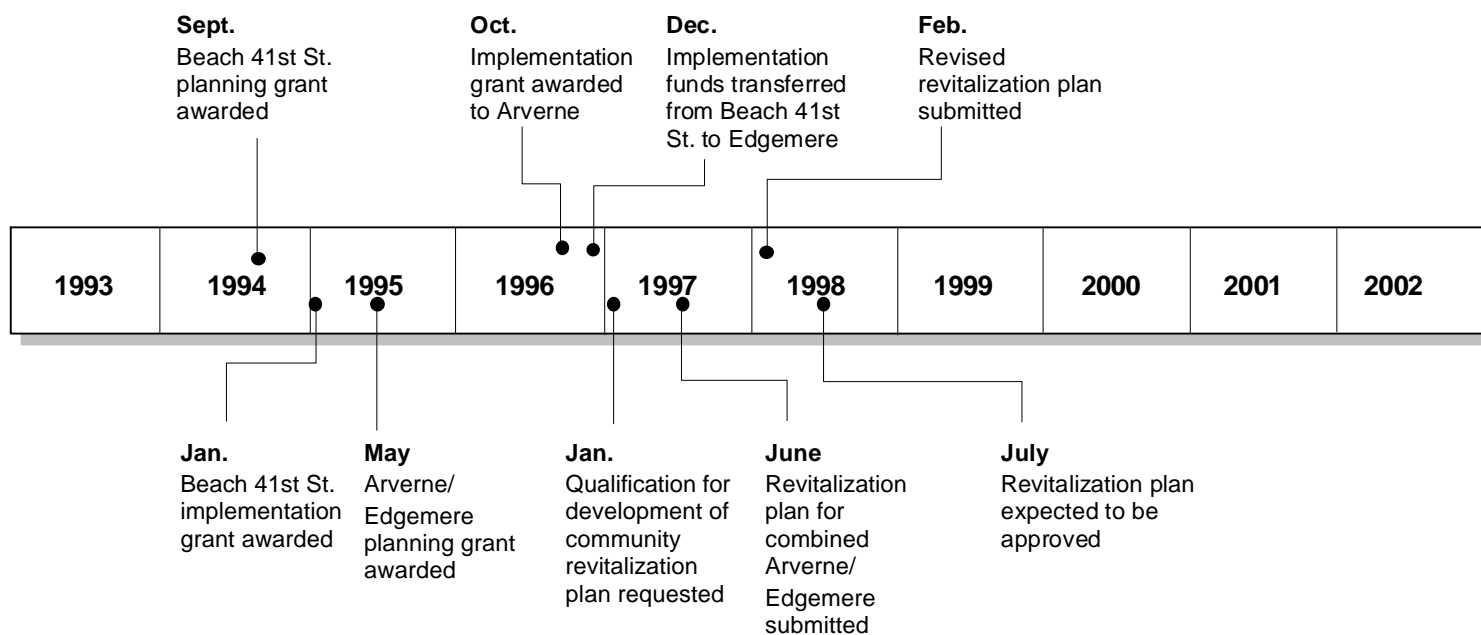


Demolition begins at Robert Taylor B, May 18, 1998

Arverne/Edgemere Houses Far Rockaway, New York

As figure II.19 shows, progress at Arverne/Edgemere Houses has been slow because the HOPE VI implementation grant was originally awarded to another site—Beach 41st Street Houses. All three sites are in Far Rockaway, a peninsula on the southern edge of Queens, south of Jamaica Bay and Kennedy Airport. Some progress is now being made at the new site.

Figure II.19: Time Line for Arverne/Edgemere Houses



Background

The Arverne and Edgemere public housing sites are across the street from each other and less than a mile from the Beach 41st Street site. The developments are about a 1-hour commute from downtown Manhattan. The economically distressed area lacks the mix of neighborhood services and amenities needed for a thriving, vibrant community. In addition, the high density and current configuration of the buildings have contributed to vandalism and other criminal activity. According to a housing authority report, drive-by shootings and drug trafficking have exacerbated older residents' fears and distrust of the young people, especially the young men, living at the sites.

The Beach 41st Street development was completed in 1970 and had 712 units. It was the first site selected by the New York City Housing Authority to receive a HOPE VI grant because it was among the most economically distressed sites in the city. In addition, HUD officials hoped that the HOPE VI effort would push the city to implement a long-standing urban renewal plan to revitalize the Far Rockaway section.

The Arverne site, with 418 units, was completed in 1951; the Edgemere site, with 1,395 units, was completed in 1961. Both sites are physically isolated from viable community institutions and resources, such as retail outlets, banks, shopping markets, and churches. Both jobs and public transportation are scarce in the area.

Hope VI Selection

The Edgemere site received a \$47.7 million HOPE VI implementation grant in December 1996. The funding was transferred from Beach 41st Street Houses after an impasse over the residents' role in the planning process could not be overcome. The Beach 41st Street residents believed they had veto power over the process. Faced with the possibility of the funds being recaptured, the housing authority requested that HUD allow a transfer of funds to assist with the revitalization of 500 units at Edgemere. The Arverne and Edgemere sites had previously received a \$400,000 planning grant in fiscal year 1995. In fiscal year 1996, the two sites received a \$20 million implementation grant.

Because the housing authority's revitalization plan considered the Arverne and Edgemere sites as part of the same HOPE VI development, HUD combined the HOPE VI grants for the two sites. In addition to these funds, the revised implementation plan for the two sites assumes about \$15.1 million in housing authority funds to cover additional development costs. About \$5 million in low-income housing tax credits will also be sought to help construct a separate 120-unit housing complex for the elderly on a nearby parcel of land donated by the city. In addition, the plan assumes that the city will provide about \$2.2 million to satisfy the 15-percent matching requirement for support services.

The community and support services for Arverne and Edgemere are designed to provide education and social support for residents seeking employment—especially those who are in danger of losing their benefits through welfare reform. The housing authority has identified numerous community and support service providers that it expects to contract with once funds become available. For example, the Youth Policy Institute will

help residents develop and implement plans for training, employment, and self-sufficiency. Communities in Schools will coordinate educational programs for residents.

Using funds from the HOPE VI grant and citywide programs, the housing authority has also developed a plan for creating resident-owned businesses, intended to make meaningful economic development opportunities available to HOPE VI residents. Elements of the plan include providing access to entrepreneurial training and capacity building, providing access to the housing authority's citywide contractor training and Make Your Own Business programs, and offering ongoing technical assistance and support for residents who have completed the contractor training or business programs.

Factors Contributing to Delays

HUD's fiscal year 1996 decision to require demolition precipitated a series of events that significantly delayed progress. To satisfy this requirement—that at least one building be removed from a site—the Beach 41st Street architect proposed removing several of the top floors from each of the four 13 story buildings. The number of units removed would have been equal to the number in one whole building. According to a housing authority official, this solution to the demolition requirement would have been more expensive than tearing down the buildings completely. Furthermore, the concept of demolition was opposed by the Beach 41st Street site's resident council, which was concerned about who would be allowed to come back after the demolition. Resident council members also viewed themselves as the housing authority's partner and believed that they should have veto power over decisions that were being made.

Although HUD, the housing authority, and the residents negotiated for 6 months, they could not reach agreement, and in December 1996, at the request of the housing authority, HUD transferred the HOPE VI funds to Edgemere. The housing authority then included demolition in the plans for Edgemere's redevelopment, even though New York City's political officials were against the concept. The housing authority determined that the best way to meet the demolition requirement would be to remove some top floors from each of three nine-story buildings, thereby eliminating about 100 units. Subsequently, the housing authority withdrew this plan and proposed to convert dwelling units on the first floor to create space for commercial and community services. This approach would also have removed about 100 units. The issue became moot when the Congress, in

the fiscal year 1998 appropriations act for the departments of Veterans Affairs and Housing and Urban Development and independent agencies, gave the New York City Housing Authority the option of not following any HOPE VI demolition requirements and the housing authority abandoned the plans for demolishing the 100 units. Subsequently, the housing authority proposed removing 32 units from 8 buildings to make room for interior stairwells in order to meet the city's fire code.

Current Status

In June 1997, the housing authority submitted its revitalization plan to HUD. HUD returned the plan with comments for the housing authority to address. In February 1998, the housing authority submitted a revised plan that HUD expects to approve. Both housing authority and HUD officials believe that it will take at least 18 months to hire an architect and a developer before any rehabilitation work can start. The housing authority can begin to implement the community and support service plan after the revitalization plan receives HUD's final approval. As of June 1998, HUD had not approved the plan.

Figure II.20: Arverne and Edgemere Sites



Edgemere Houses



Arverne Houses

Hope VI Developments, Fiscal Years 1993-97

HOPE VI city	Name of development	Award year	Amount of HOPE VI grant	Total funding	Demolition planned	Demolition completed	Number of public housing units
Atlanta	Techwood/Clark	93	\$42,562,635	\$84,162,847	1081	776	390
Baltimore	Lafayette Courts	94	\$49,663,600	\$87,808,600	843	843	311
Baltimore	Lexington Terrace	95	\$22,702,000	\$70,782,596	677	677	303
Boston	Mission Main	93	\$49,992,350	\$92,910,707	807	227	535
Boston	Orchard Park	95	\$30,400,000	\$81,862,206	528	246	490
Camden	McGuire Gardens	94	\$42,177,229	\$43,205,333	176	0	253
Charlotte	Earle Village	93	\$41,740,155	\$58,289,971	386	280	294
Chicago	Cabrini Homes Extension	94	\$50,000,000	\$73,600,000	725	398	493
Cleveland	Outhwaite Homes/King Kennedy	93	\$50,000,000	\$63,960,000	0	0	368
Cleveland	Carver Park	95	\$21,000,000	\$74,430,828	445	0	322
Columbus	Windsor Terrace	94	\$42,053,408	\$52,092,733	442	442	432
Dallas	Lakewest	94	\$26,600,000	\$26,780,000	0	0	335
Denver	Quigg Newton	94	\$26,489,288	\$32,189,288	20	0	400
Detroit	Parkside Homes	95	\$47,620,227	\$100,650,151	575	362	570
Detroit	Jefferies Homes	94	\$49,807,342	\$96,962,470	1052	992	402
El Paso	Kennedy Brothers	95	\$36,724,644	\$39,584,644	124	124	364
Houston	APV	93	\$36,602,761	\$59,753,527	677	677	600
Indianapolis	Concord/Eagle	95	\$29,999,010	\$30,734,744	310	224	170
Kansas City	Guinotte Manor	93	\$47,579,800	\$51,317,260	418	262	384
Los Angeles	Pico Aliso	93	\$50,000,000	\$51,747,349	577	243	414
Memphis	LeMoynes Gardens	95	\$47,762,182	\$48,437,182	824	0	458
Milwaukee	Hillside Terrace	93	\$45,689,446	\$47,389,446	119	119	456
New Haven	Elm Haven	93	\$45,331,593	\$83,997,490	462	45	368
New Orleans	Desire	94	\$44,255,908	\$131,337,908	1160	265	600
Newark	Walsh Homes	94	\$49,996,000	\$59,786,300	330	330	498
Oakland	Lockwood	94	\$26,510,020	\$27,660,020	16	16	438
Philadelphia	Richard Allen	93	\$50,000,000	\$57,474,000	771	323	408
Pittsburgh	Allequippa Terrace	93	\$39,704,190	\$127,548,943	1647	0	500
Pittsburgh	Manchester	95	\$7,695,700	\$21,601,676	104	104	45
Puerto Rico	Crisantemos	94	\$50,000,000	\$87,092,896	456	416	580

**Appendix III
Hope VI Developments, Fiscal Years 1993-97**

Low-income housing tax credits	HOME funds	No income restrictions	Number of rental units	Number of homeownership units	Total number of units
180	0	360	930	0	930
0	0	0	311	27	338
0	0	0	303	100	403
0	0	0	535	0	535
0	0	0	490	45	535
0	0	0	253	0	253
50	0	100	444	40	484
0	0	0	493	0	493
0	0	0	368	0	368
0	0	220	542	200	742
0	0	0	432	0	432
0	0	0	335	0	335
0	0	0	400	0	400
0	0	0	570	350	920
0	0	0	402	0	402
0	0	0	364	50	414
0	0	0	600	0	600
50	0	0	220	0	220
0	0	0	384	28	412
0	0	0	414	7	421
0	0	0	458	0	458
0	0	0	456	0	456
0	0	41	409	46	455
0	0	400	1,000	0	1,000
0	0	0	498	0	498
0	0	0	438	0	438
0	0	0	408	0	408
0	0	300	800	52	852
0	0	22	67	51	118
0	0	0	580	635	1,215

(continued)

**Appendix III
HOPE VI Developments, Fiscal Years 1993-97**

HOPE VI city	Name of development	Award year	Amount of HOPE VI grant	Total funding	Demolition planned	Demolition completed	Number of public housing units
San Antonio	Springview	94	\$48,810,294	\$51,475,711	421	421	421
San Antonio	Mirasol	95	\$48,285,500	\$50,765,500	500	0	500
San Francisco	Bernal/Plaza	93	\$49,992,377	\$61,162,891	484	484	353
San Francisco	Hayes Valley	95	\$22,055,000	\$38,291,500	294	294	117
Seattle	Holly Park	95	\$48,616,503	\$176,640,887	893	400	400
Springfield	John Jay Homes	94	\$19,775,000	\$31,231,500	599	599	300
St. Louis	Darst-Webbe	95	\$47,271,000	\$47,987,759	758	0	519
Washington, DC	Ellen Wilson	93	\$25,075,956	\$27,989,220	134	134	134
Total	Total	93-95	\$1,510,541,118	\$2,450,696,082	19,835	10,723	14,925
Atlanta	Perry Homes	96	\$20,400,000	\$41,865,285	944	0	418
Baltimore	Hollander Ridge	96	\$20,700,000	\$86,947,490	1000	0	265
Charlotte	Dalton Village	96	\$24,501,684	\$41,898,476	246	83	186
Chester	Lamokin Village	96	\$15,349,554	\$36,467,354	216	0	200
Chicago	ABLA (Brks Ext)	96	\$24,683,250	\$30,011,275	450	0	226
Chicago	Robert Taylor Homes B	96	\$25,000,000	\$29,982,280	787	157	251
Chicago	Henry Horner	96	\$18,635,300	\$26,196,151	746	0	150
Cleveland	Riverview	96	\$29,733,334	\$29,733,334	117	0	155
Detroit	Herman Gardens	96	\$24,624,160	\$32,612,160	1400	700	672
Holyoke	Jackson Parkwy	96	\$15,000,000	\$28,298,000	219	0	100
Jacksonville	Durkeeville	96	\$21,952,000	\$36,372,000	280	280	101
Kansas City	T.B. Watkins	96	\$13,000,000	\$33,943,183	24	0	210
Louisville	Cotter and Lang	96	\$20,000,000	\$130,300,000	1116	1066	569
New Orleans	St. Thomas	96	\$25,000,000	\$42,300,000	735	0	390
New York	Arverne/Edgemere	96	\$68,600,952	\$95,031,981	0	0	1,813
Pittsburgh	Bedford Additions	96	\$26,792,764	\$74,879,764	460	0	260
San Francisco	North Beach	96	\$20,400,000	\$20,400,000	229	0	229
Spartanburg	Tobe Hartell/Extension	96	\$15,020,369	\$26,975,899	266	0	118
Tucson	Connie Chambers	96	\$14,969,980	\$23,269,980	200	0	190
Wilmington	Robert S. Jervay	96	\$11,620,655	\$16,100,598	250	125	140
Total	Total	93-96	\$1,966,525,120	\$3,334,281,292	29,520	13,134	21,568
Allegheny County, PA	McKees Rocks Terrace	97	\$15,847,160	\$68,201,135	182	0	92

**Appendix III
Hope VI Developments, Fiscal Years 1993-97**

Low-income housing tax credits	HOME funds	No income restrictions	Number of rental units	Number of homeownership units	Total number of units
0	0	0	421	110	531
0	0	0	500	0	500
0	0	0	353	0	353
0	0	77	194	0	194
384	0	16	800	400	1,200
0	0	0	300	110	410
0	0	0	519	0	519
0	0	20	154	0	154
664	0	1,556	17,145	2,251	19,396
0	0	0	418	0	418
0	0	0	265	50	315
0	0	52	238	131	369
0	0	0	200	50	250
0	0	0	226	0	226
0	0	0	251	0	251
0	0	0	150	0	150
0	0	0	155	0	155
0	0	0	672	0	672
0	0	41	100	172	272
0	0	100	201	258	459
0	0	0	210	0	210
0	0	231	800	450	1,250
0	190	195	775	0	775
88	0	0	1,901	0	1,901
160	0	240	660	0	660
0	0	126	355	0	355
100	0	0	218	50	268
20	0	40	250	60	310
0	0	50	190	0	190
1,032	190	2,631	25,380	3,472	28,852
54	0	60	206	0	206

(continued)

**Appendix III
HOPE VI Developments, Fiscal Years 1993-97**

HOPE VI city	Name of development	Award year	Amount of HOPE VI grant	Total funding	Demolition planned	Demolition completed	Number of public housing units
Baltimore	Murphy/Julian	97	\$31,325,395	\$58,610,901	793	0	75
Buffalo	Lakeview Homes	97	\$28,015,038	\$124,396,460	554	0	570
Chester County	Oak Street	97	\$16,434,200	\$34,325,520	192	0	182
Elizabeth, NJ	Pioneer/Migliore	97	\$28,903,755	\$91,874,723	655	0	328
Helena	Enterprise Drive	97	\$1,124,300	\$1,306,300	14	14	14
Houston	Allen Parkway Village	97	\$21,286,470	\$50,132,239	0	0	500
Jersey City	Curries Woods	97	\$32,173,532	\$105,983,856	621	0	582
Kansas City	Heritage House	97	\$6,570,500	\$15,429,137	79	0	88
Knoxville	College Homes	97	\$22,064,125	\$37,168,175	320	0	130
Nashville	Vine Hill Homes	97	\$13,563,876	\$17,913,442	128	0	152
Orlando	Colonial Park	97	\$6,800,000	\$16,400,000	0	0	50
Paterson	Christopher Columbus Homes	97	\$21,662,344	\$116,947,932	498	0	137
Peoria	Col. John Warner Homes	97	\$16,190,907	\$24,850,563	321	0	203
Philadelphia	Schuylkill Falls	97	\$26,400,951	\$53,387,120		0	150
Portsmouth	Ida Barbour	97	\$24,810,883	\$78,097,836	663	0	35
Richmond	Blackwell	97	\$26,964,118	\$98,031,905	440	0	185
San Francisco	Valencia Gardens	97	\$23,230,641	\$23,230,641		0	222
St. Petersburg	Jordan Park	97	\$27,000,000	\$67,043,186	59	0	400
Stamford, CT	Southfield Village	97	\$26,446,063	\$54,007,527	502	0	200
Tampa	Ponce de Leon/College	97	\$32,500,000	\$118,188,088	1300	0	900
Washington, DC	Valley Green/Skytower	97	\$20,300,000	\$47,734,902	403	0	148
Winston-Salem, NC	Kimberly Park Terrace	97	\$27,740,850	\$42,805,624	205	0	615
Total	Total	93-97	\$2,463,880,228	\$4,680,348,504	37,449	13,148	27,526

**Appendix III
Hope VI Developments, Fiscal Years 1993-97**

Low-income housing tax credits	HOME funds	No income restrictions	Number of rental units	Number of homeownership units	Total number of units
	0	0	75	185	260
0	0	0	570	50	620
9	0	0	191	70	261
	0	380	708	0	708
	0	0	14	0	14
	0	0	500	0	500
24	0	24	630	0	630
	0	72	160	0	160
	0	0	130	75	205
	0	135	287	0	287
	0	60	110	50	160
	0	190	327	0	327
	0	0	203	0	203
25	115	10	300	0	300
70	0	12	117	81	198
155	0	246	586	0	586
	0	0	222	38	260
	0	0	400	0	400
	0	155	355	15	370
	0	307	1,207	50	1,257
	0	166	314	0	314
	0	0	615	0	615
1,369	305	4,448	33,607	4,086	37,693

Comments From the Department of Housing and Urban Development

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-5000

June 19, 1998

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

Ms. Judy A. England-Joseph
Director, Housing and Community
Development Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Ms. England-Joseph:

Thank you for the opportunity to review your draft report entitled, *HOPE VI: Progress and Problems in Revitalizing Distressed Public Housing (RCED—98-187)*. We limited our review to the body of the report, and not to the appendices. Overall, we believe the report is fair and objective. Some concerns revolve around the characterization that with the eased eligibility requirements included in the 1996 appropriations legislation, recently selected sites are smaller and "less severely distressed." While it is true HUD opened up the competition to a much broader group, within an individual city the developments are considered the worst and determined to be detrimental to the health of the city. HUD does not agree with the characterization that these sites are less severe. Our specific comments are enclosed.

If you or your staff have any questions on the comments, or wish to meet to review them, please contact Nanci Gelb, at (202) 708-0440.

Sincerely,

A handwritten signature in cursive script, appearing to read "Deborah Vincent".

Deborah Vincent
General Deputy Assistant
Secretary

**Appendix IV
Comments From the Department of Housing
and Urban Development**

See comment 1.

Page 1. The Urban Revitalization Demonstration Program was established by Congress in Fiscal Year 1993.

See comment 2.

Page 3. GAO notes the restoration of at least 10 positions to the HOPE VI program, and goes on to say that “the new staff will need time to acquire expertise in the program.” HUD is filling 11 positions at levels of high degrees of experience and competency, and HUD believes that adequate staffing, both in numbers and expertise, are available. The Department does not agree with the statement that a year of training is required for these new staff. The Department was able to go outside Government to recruit, and selected individuals with specific program expertise in order to avoid long training time.

See comment 3.

Page 20. GAO notes that “HUD’s effort to collect baseline data should be a first step toward developing consistent national data on the outcomes of HOPE VI community and support services.” We have some concerns with the GAO report recommendation. Since the different sites are expected to tailor their plans to address the specific needs of their communities and residents, it may not be possible to establish HOPE VI-wide measures that would be applicable to all programs. However, under the new Deputy Assistant Secretary, with strengthened procedures, each site has to create a results-oriented plan against which outcomes will be measured.

See comment 4.

Page 23. GAO notes that the DCHA was required to appoint an alternate administrator, which took about 6 months from the time the grant was awarded. We would add that since the time the revised revitalization plan was submitted, the court-appointed receiver has turned the DCHA around, and progress at the HOPE VI site has improved dramatically.

See comment 1.

Page 25. HUD took 8 months (not 18) to finalize the first grant agreements for fiscal year 1993.

See comment 5.

Page 29. GAO notes that with the eased eligibility requirements included in the 1996 appropriations legislation, recently selected sites are smaller and “less severely distressed.” HUD does not agree with this characterization. It is true HUD opened up the competition to a much broader group, however within an individual city the developments are considered the worst and determined to be detrimental to the health of the city.

See comment 1.

Page 30. HUD has changed the staffing target from 7,500 to 9,000.

See comment 2.

Page 31. GAO notes that “program officials have expressed concerns about not having enough staff to develop and implement programs for improving the management of HOPE VI sites.” This comment, and subsequent comments regarding training time for new employees, pre-dates the Department’s response to the loss of personnel in this area. The HOPE VI program is currently hiring 11 experienced, senior public housing revitalization specialists at the grades 15, 14 and 13 levels.

**Appendix IV
Comments From the Department of Housing
and Urban Development**

General Comments:

GAO's discussion of the collection of baseline data at the various sites indicates that the GAO is not aware of the continuing PD&R study of the HOPE VI demonstration program. What follows is a brief description of the research project, the participating sites, and the goals of the research.

HOPE VI EVALUATION

HUD's Office of Policy Development and Research (PDR) is engaged in a long-term longitudinal evaluation of the HOPE VI program. Already complete is the baseline assessment of 15 sites funded in the first year of the program.

Published in August, 1996, *An Historical and Baseline Assessment of HOPE VI* (Volume 1) is available through HUD USER along with *Case Studies* (Volume II), and *Technical Appendix* (Volume III).

Marking the second phase of the evaluation, PDR has begun (summer, 1998) a major assessment of the 15 sites as they reoccupy. The third stage of the evaluation will occur at each site between 3 to 5 years after the site has been reoccupied.

The 15 sites included in the study are:

Atlanta, GA - Techwood/Clark Howell	Baltimore, MD - Lafayette Courts
Boston, MA - Mission Main	Camden, NJ - McGuire Gardens
Charlotte, NC - Earle Village	Chicago, IL - Cabrini Home Extension
Cleveland, OH - Outhwaite Homes/ King Kennedy	Detroit, MI - Jeffries Homes
Milwaukee, WI - Hillside Terrace	New Haven, CT - Elm Haven
New Orleans, LA - Desire	San Antonio, TX - Springview
Washington, DC - Ellen Willson Dwellings	
San Francisco, CA - Bernal Dwellings\Yerba Buena East	
Oakland, CA - Coliseum Gardens, Lockwood, Lower Fruitvale	

The primary objectives of the study are to capture and assess the effectiveness of the approaches being pursued under HOPE VI by determining

- a) the impact on the households who live at the development;
- b) the impact on the neighborhood;
- c) the sustainability of management and service strategies; and
- d) the long-term sustainability of the physical development.

The study approach has been to conduct case by case analysis with a cross-site overview. Local research affiliates also have been involved in collecting data and monitoring the progress of the sites.

See comment 6.

**Appendix IV
Comments From the Department of Housing
and Urban Development**

Based on 1994 information, findings from the baseline study appear to be consistent with the general findings in the GAO report. Progress has been varied depending upon the initial conditions of the developments. Implementation has been slow due to the revisions to original proposals; rehabbed and reconfigured projects are moving faster than those sites planning to demolish and do new construction; and there has been varying levels of progress on implementation of community service plans or economic development plans at the sites.

The following are GAO's comments on the Department of Housing and Urban Development's letter dated June 19, 1998.

GAO Comments

1. We revised our report accordingly.
2. We revised our report to indicate that 11 positions are being restored. The HUD official quoted in our draft report told us that even if the Department hired highly experienced employees, it would take a number of months to train them in the details of underwriting HOPE VI sites. This official and others we spoke with emphasized that regardless of the experience and competency of the individuals hired, it takes time to learn the policies and procedures involved in structuring public/private financing. We removed the statement in the body of the draft report that gaining such expertise could take a year, but we continue to believe that it will take time.
3. We agree that the HOPE VI sites are unique and that the program should not be constrained in ways that would inhibit creativity. Yet even though the needs of the communities and residents vary by site, the types of community and support service programs offered at the sites we visited (e.g., day care, after-school care, equivalency degree, job training, and job placement programs) were consistent enough to allow the collection of national data on the outcomes of these programs. Accordingly, we have retained our recommendation to this effect.
4. No change required.
5. We revised our report to state that the more recently selected sites are smaller and have greater potential for leveraging than the original sites. We agree that the recently selected sites are suffering from structural and social distress and are likely to be among the most distressed sites in the chosen cities. But unlike some of the early sites, which have not been able to attract leveraging partners, the sites chosen since the criteria for participation in the program were expanded in 1996 typically have been smaller and have been located in areas where private interests are more willing to contribute funding. We revised our report to clarify this point.
6. We were aware of the study conducted by HUD's Office of Policy Development and Research and summarized the results of its first phase in our February 1997 report.¹ We added information to this report on the

¹Public Housing: Status of the HOPE VI Demonstration Program (GAO/RCED-97-44, Feb. 25, 1997).

**Appendix IV
Comments From the Department of Housing
and Urban Development**

results of the first phase of this study and noted that the second phase is expected to begin in the summer of 1998.

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