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**Before the**

**United States Senate Committee on Banking, Housing, and Urban Affairs  
Subcommittee on Housing, Transportation, and Community Development**

**“The Choice Neighborhoods Initiative: A New Community Development Model”**

**March 27, 2012**

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

**About the Housing Partnership Network**

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

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

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

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

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

Collectively, the 99 HPN members have developed or preserved more than 230,000 affordable homes, financed more than 420,000 homes, and counseled more than 600,000 families. As a group, the Network members have over 13,000 employees and nearly a \$1 billion in annual revenues. We estimate that the value of the housing developed or financed by the membership since 1980 exceeds \$67 billion.

The point of the statistics is that the members of HPN are sophisticated, high-capacity social enterprises with long records of accomplishment in affordable housing and community development.

### **Support for S. 624 and the Choice Neighborhoods Approach**

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

The Choice Neighborhoods program builds on the long record of success of the HOPE VI program. I was here on the Senate Banking Committee staff when HOPE VI was launched. The program has had a long and successful run providing local communities with the resources required not just to renovate and rehabilitate distressed residential real estate, but to actually transform communities where both the physical and social systems were not working effectively before the public investment. With the application of HOPE VI grants, highly distressed, dysfunctional public housing high-rise communities were transformed into sustainable mixed-

income communities where low-income and middle-income families could live together and the surrounding landscape was transformed from one of blight and decay to one that encourages additional private investment. The positive changes that occurred in community after community around the country as a result of the HOPE VI effort are visible in hundreds of before and after photos.

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

The second important innovation is that Choice Neighborhoods builds on HOPE VI by allowing local governments, nonprofits, and for-profit developers (in conjunction with the local government) to step into a lead development role where previously the lead grantee role on HOPE VI efforts was the sole province of public housing agencies. This is an important breakthrough. As outlined above there is now within the affordable housing delivery system a

solid and growing set of highly-competent nonprofit institutions capable of not only leading complicated, multi-sourced, multi-outcome developments, but in many places providing the federal and/or local government with a redevelopment leadership option that has the potential to provide greater positive outcomes for the community. A strong nonprofit developer is mission-aligned with the public sector and can often bring skills and flexibility not available to the public actors. At the same time, like for-profit development entities, these organizations bring business-like approaches and the ability to work with and leverage private capital. As the Choice Neighborhoods program evolves we would like the government to embrace a more open competition for the resources where developments and development plans are selected based on the strength and track record of the counterparties and their ability to deliver on positive, measurable social and real estate outcomes on behalf of the residents and the broader community. Competition should lead to better outcomes. In practice, many HOPE VI redevelopments were the result of successful public/private/not-for-profit partnerships. The Choice Neighborhoods program going forward should continue to encourage these types of partnerships to flourish where each party brings value and expertise that translates into better outcomes for the residents and the community.

Finally, the Choice Neighborhoods approach advances on the HOPE VI model by requiring and promoting even greater linkages and synergies between the redevelopment effort and other public systems that make a community successful and increase opportunities for low-income residents. A successful community includes good schools, accessible health care, basic retail services like healthy grocery stores, access to jobs or access to transportation that connects residents to jobs, and strong support services for the individuals in the community who need these services. HOPE VI recognized that the revitalization of distressed public housing with high

concentrations of poverty required services for needy families; Choice Neighborhoods goes further to advance new connections – especially with its efforts to create linkages to good schools, educational opportunities, and health care. The Administration deserves significant credit in its implementation of the Choice Neighborhoods program in its work to break down the silos that divide federal agencies. This is a huge challenge and a place where Congress could do much to support for these efforts.

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

### **The Network’s Practitioner-Based Experience with Choice Neighborhoods**

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

Nearly all Housing Partnership Network members are engaged in the spirit of the Choice Neighborhoods agenda through the work they carry out every day. Our multifamily housing

developers are not only providing high quality affordable places to live for low-income seniors and families, but are working to link those families to health services for seniors, after-school programs for kids, and job preparedness services for heads of households.

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

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

Several Housing Partnership Network members are already active participants in the Choice Neighborhoods effort. Preservation of Affordable Housing, Inc. (POAH) was the winner of one of the first implementation grants. POAH received a grant to transform the 504-unit Grove Parc Plaza Apartments in Chicago into Woodlawn Park, a new mixed-income, mixed-use development that will be the anchor for a comprehensive Woodlawn revitalization. With its \$30.5 million Choice Neighborhoods grant, POAH expects to leverage \$272 million of total

development in the area over the next five years. The City of Chicago is a key partner in the project's implementation and many other community organizations will also participate including the Woodlawn Children's Promise Community (WCPC), the Woodlawn New Communities Program, and Metropolitan Family Services.

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

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

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



HPN members are also leading or participating in Choice Neighborhoods planning grants. The Community Action Project of Tulsa County, Inc. (CAP), for example, received a round one Choice Neighborhoods planning grant as the lead developer. CAP has partnered with Brightwaters Housing Partners and McCormack Baron Salazar to revitalize the Eugene Field neighborhood of Tulsa, Oklahoma. The Eugene Field neighborhood is one of Tulsa's poorest and most isolated communities. It has experienced a violent crime rate more than double the rest of the city. The Brightwaters Apartments in the neighborhood is a 200-unit HUD-assisted property. In addition to redeveloping this property, the local effort will leverage existing volunteer-led activity in the community with a state-of-the-art preschool, a fresh foods market, and a new playground. The project is expected to move Brightwaters toward a mixed-income development and include expanded CAP efforts to link the residents of the community to supportive services and job opportunities.

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

## **Policy Observations and Proposals**

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

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

Real estate development requires extensive planning activities and a long lead time. Acquiring land or property and holding it is expensive. In the case of Choice Neighborhoods eligible efforts, the upfront costs will, of necessity, be elevated as partnerships across

multiple disciplines are formed and formalized. Many HPN members – who are the types of organizations one would like involved in the development process as strong counterparties – have not stepped up to compete because of the uncertainty in program funding, lack of an authorization, and uncertain probability of success. When the program funding levels and its rules are institutionalized the strongest players in the not-for-profit sector will be more willing to absorb the upfront costs and take on the risks to compete. A predictable grant-making process over multiple years will increase the strength of the applications. It is important for this Committee to put in place an authorization that provides more permanent guidance and a lasting authorization framework.

2. *Embrace the equivalency of publicly-owned and privately-owned distressed housing.*

Distressed housing has identical impacts on the people who live there and on the neighborhoods that surround that property. We would recommend that the Choice Neighborhoods program move toward a level competitive playing field unrelated to the ownership of the properties. With limited resources at the federal level, Congress should set up the competition for Choice Neighborhoods grants devoid of set-asides for one type of housing, or one type of developer versus another. Projects should compete head to head for the public resources based on the strength and experience of the lead development counterparty, on the quality of the cross-silo partnerships committed to the development, on the leverage achieved in bringing in other non-public resources, and on the quality, assurance, and effectiveness of the intervention on the lives of the residents living in these communities. The competition for the resources will allow the very best projects to rise to the top and the federal government will maximize the social return on its public investments.

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

based Section 8 accounts. Both programs are essential in the production and preservation of affordable housing in this country. HOME is a very important and successful block grant program, providing gap funds that allow development and preservation projects to move forward. HOME has been wrongly maligned in the press recently and as a result has suffered some serious cuts in the appropriations process. We are also working with Congress to restore the HOME funds and to fully fund the Section 8 program.

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

### **Conclusion**

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



**Housing Partnership Network Membership List**

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

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

Religious Coalition for Community Renewal  
Rocky Mountain Communities  
San Antonio Housing Trust Foundation  
Settlement Housing Fund  
Sioux Empire Housing Partnership  
South County Housing  
South Shore Housing  
Southwest Minnesota Housing Partnership  
St. Ambrose Housing Aid Center  
Tarrant County Housing Partnership  
Tenderloin Neighborhood Development Corporation  
The Caleb Foundation  
The Housing Partnership  
The Housing Trust  
The Phipps Houses Group  
The Reinvestment Fund  
Wesley Housing Development Corporation  
Wisconsin Partnership for Housing Development

Charleston WV  
Denver CO  
San Antonio TX  
New York NY  
Sioux Falls SD  
Gilroy CA  
Kingston MA  
Slayton MN  
Baltimore MD  
Fort Worth TX  
San Francisco CA  
Swampscott MA  
Charlotte NC  
Santa Fe NM  
New York NY  
Philadelphia PA  
Alexandria VA  
Madison WI