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S. HRG. 103-160

TECHNIQUES FOR REVITALIZING SEVERELY DISTRESSED PUBLIC HOUSING

Y 4. B 22/3: S. HRG. 103-160

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Techniques for Revitalizing Severely...

ORE THE

SUBCOMMITTEE ON
HOUSING AND URBAN AFFAIRS

OF THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

WHAT ARE THE FACTORS THAT MAKE FOR A SUCCESSFUL PUBLIC
HOUSING PROGRAM AND HOW THEY CAN BE APPLIED TO THE SE-
VERELY DISTRESSED PUBLIC HOUSING PROGRAM

MAY 11, 1993

Printed for the use of the Committee on Banking, Housing, and Urban Affairs



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1993

71-593 CC

For sale by the U.S. Government Printing Office

Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

ISBN 0-16-041573-X

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TECHNIQUES FOR REVITALIZING SEVERELY DISTRESSED PUBLIC HOUSING

TUESDAY, MAY 11, 1993

**U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS,
Washington, DC.**

The subcommittee met at 10:10 a.m., in room SD-538 of the Dirksen Senate Office Building, Senator Paul S. Sarbanes presiding.

OPENING STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. The subcommittee will come to order. This morning is an important hearing focusing on the public housing program. The subcommittee has been doing a series of hearings. We did one on the home program and then we had a hearing with the Secretary concerning HUD management programs. And we are going to be doing a hearing in the not-too-distant future on multi-family housing.

This morning, we will focus on three key questions, at least I hope so: What is it that makes some public housing successful? What lessons can we learn from the successful public housing authorities that we can apply toward turning around those authorities or projects that are distressed or near distress? And, three, what other tools are available for dealing with distressed public housing?

Two weeks ago when Jim Rouse was before this subcommittee testifying on the home program, I asked why is it that some public housing projects work so well while conditions in others are so poor? He answered in one word: Management. I am not sure that's the full answer, but it strikes me certainly as a good place to start.

The public housing authority directors testifying before us today were invited because they enjoy a reputation within their industry for running well managed public housing authorities. We will want to hear from them how it is possible for some to succeed while functioning under the same rules and resource constraints as other public housing authority managers who do not do anywhere near as well.

In short, we want to learn what are the factors that make for a successful public housing authority. If we can learn what those factors are, then perhaps we can apply those lessons to that portion of the public housing inventory that is severely distressed or close to the line.

I am concerned that projects don't continue to move into the severely distressed category. And it seems to me in some respects that might be a problem more amenable to solution than the ones that are actually now categorized as distressed, which last year the Commission on Severely Distressed Public Housing said was 6 percent of the inventory.

Several of our witnesses today have actually dealt with distressed public housing authorities, and we look forward to their observations.

Finally, we will want to focus on available tools for dealing with distressed public housing. Specifically, the newly enacted HOPE-6 program, HUD's receivership authority, the potential for accelerating modernization spending and the experiences thus far with resident management.

We have a very good panel here today, and I am briefly going to say a few words about each of our witnesses and then yield to Senator Bond for his statement. Then we will be happy to hear from the panel.

David Gilmore is executive director of the San Francisco Public Housing Authority. He is credited with taking San Francisco off of the HUD list of management-troubled PHA's, and he also served on the National Commission on Severely Distressed Public Housing to which I just made reference. Their recommendations actually served as a basis for two major legislative initiatives to revitalize distressed public housing.

Stephen O'Rourke, from Providence, is credited with turning around that agency. Working closely with the mayor, they modernized the stock, instituted a management system which used strategic planning and performance standards to gain a measure of control over the agency's activities.

Richard Gentry, from Richmond, Virginia, is widely respected in the industry and, in fact, has testified here on previous occasions. He dealt with a financially troubled PHA in Austin, Texas, before coming to Richmond. And Richmond is now on the list of the top ten best managed PHA's in the country.

Irene Johnson is president of the LeClaire Courts Resident Management Corporation in Chicago. Ms. Johnson organized the tenants in her public housing development to take over many of the management functions previously performed by the authority. Physical conditions have improved markedly since that takeover, and morale has been significantly enhanced.

Members of Ms. Johnson's board have not only modernized their buildings and increased the responsiveness of maintenance employees, but from all reports, have significantly changed their own lives in terms of jobs and other opportunities.

Finally, Jim Stockard from Cambridge, Massachusetts, as a private consultant and a member of the board of the Cambridge Housing Authority, has been involved in formulating and carrying out plans to redesign and redevelop severely distressed housing projects in Boston, Cambridge, and other cities.

I will now turn to Senator Bond, who has taken a keen interest in this problem over the years and made a number of very positive and constructive contributions toward its solution, for any statement he may have.

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you very much, Mr. Chairman. It is a real pleasure to be working with you on one of the most difficult but certainly most significant problems that we are going to face on this subcommittee.

I, too, am impressed by the outstanding group of witnesses that you have assembled today and I look forward to an enlightening discussion on how to revitalize the stock of severely distressed public housing.

As you have already indicated, we estimate approximately 6 percent of public housing units in the United States or some 86,000 units can be considered severely distressed. Severely distressed public housing, for the record, is generally characterized by public housing families living in social and economic distress, by public housing developments plagued with high rates of crime, and by public housing buildings subject to significant physical deterioration.

I too agree that poor management is often not only a significant, but perhaps the controlling factor in deteriorating conditions in public housing. I hope that the reforms that we have built into the National Affordable Housing Act in 1990 and the Housing and Community Development Act of 1992 will give us a better handle on this issue.

I was very troubled by our past practice of punishing bad public housing management by cutting off the funds which could do something to alleviate the conditions of the residents subjected to that bad management. I trust that we have learned from these issues and I hope that we can continue to make progress.

We need to focus on the question that public housing tends to concentrate the very poorest of the poor together without social or economic opportunities for advancement or empowerment, and I think that needs to be part of our discussion in finding a way out as well.

As already mentioned, Congress took several actions in the 102nd Congress to help address the problems of severely distressed public housing. In the first place, the VA/HUD Appropriations Act for fiscal year 1993 established HOPE-6, the Urban Revitalization Demonstration program, a \$300 million competitive grant program designed to provide funding for up to 15 large PHA's for the replacement or major reconstruction of severely distressed or obsolete public housing projects.

As you all well know, 20 percent of the funds can be used for community service programs such as job training, day care, and youth activities programs for development residents. The program also revises the public housing demolition disposition rules to allow one third of the units to be replaced with section 8 certificates rather than a one-to-one hard unit replacement. I am sure many of our witnesses today are familiar with the efforts we are making, particularly in St. Louis, to try to deal with the problems that have arisen in that area.

The Housing and Community Development Act of 1992 authorized a similar revitalization of severely distressed public housing program which provides for planning and implementation grants to redesign and reconstruct severely distressed public housing. It al-

lows funding to be used for innovative activities designed to promote the economic self-sufficiency of residents, management improvements, and support services. I note that the President's budget for fiscal year 1994 requests \$483 million for this program.

I supported passage of these programs during the 102nd Congress because they seemed to me to be responsible, innovative approaches to the issue of severely distressed public housing. Nevertheless, I believe that public housing must overcome a number of challenges to be successful.

I look forward to the testimony today to help all of us understand the challenges facing public housing and how Congress can help public housing to meet those challenges.

I conclude by saying that I am rather disappointed that representatives of HUD are not here to testify on these matters. These are extremely important matters and I trust that the agency will be coming before us in the very near future to present their views and their ideas on how we may improve the situation. With that, Mr. Chairman, I look forward to hearing the witnesses.

Senator SARBANES. First of all, let me say on the reference to HUD, what I thought is that we would get this hearing under our belt by bringing people in from the field. And afterward—either at the nomination hearing for the assistant secretary for public housing, or subsequently, because that hearing may come up as part of a panel—we would have an opportunity to probe these issues on the basis of the information we have garnered here this morning.

So it didn't seem logical or sensible to bring an acting HUD person in here at this point, I thought. But we'll come back at that and have a chance to do it.

Now, I think what we are going to do is we're going to turn those lights on. We'll give each person 7 minutes. We will include the full statements in the record, but we're anxious to hear from everyone. And we are anxious to have some questions and discussion. I think that is probably best served if we try to hold the time.

If the lights go on you and you need just a little more time to finish up, why we'll certainly indulge you. But I think it would be better if we keep the statements short. We'll get the benefit of the full statements by putting them in the record. So if you could summarize and hit your high points, we would appreciate that.

I think we will start, Mr. Gilmore, with you and just move right across the panel and conclude with Mr. Stockard. So if you would begin, sir.

STATEMENT OF DAVID GILMORE, SAN FRANCISCO HOUSING AUTHORITY, SAN FRANCISCO, CA

Mr. GILMORE. Thank you, Mr. Chairman, Senator Bond. I want to first express my appreciation for the opportunity to be here and I appreciate the opportunity to be helpful in any way that is possible.

I would like to speak, and I am going to try to be very brief about this, from both the perspective of an executive director that has been involved in what I would like to classify as a successful turn-around of a troubled public housing authority, and also to represent to you in summary form some of the major findings of the

national commission on which I served as an appointee of the U.S. Senate with great, great gratitude for the opportunity to do so.

Let me, if I may, begin by describing briefly what I think are some of the essential elements of a turnaround of a troubled authority at the risk of being too categorical about it, because I don't think the process is quite this categorized. The process has to begin, Senators, with a very clear and honest assessment of conditions, without which a remediation plan is simply unimaginable to construct and appropriate priorities can't be established.

In San Francisco in the first 6 months of my tenure, which began in 1989, I devoted most of that first 6 months to a detailed examination of the agency from which there emerged a very detailed work plan, a 5-year work plan, which contained 75 or more specific management-related objectives and several hundred tasks and subtasks associated with them. And a time schedule by which those subtasks were to be implemented.

The process then continued with a revision every 6 months. And that process served then, Senators, as the road map that we used on the road to recovery.

Cognizant of the need to buy sufficient time to remedy the myriad of problems, and I think folks need to understand that it takes time to do this, it was essential that we identify some of the most severe problems and that we set about solving them while we were in the process of constructing this longer-term 5- and 6-year work-out plan.

It was important for us to do that for two reasons, Senators. First because the residents and the public at large needed to see some immediate improvement if we were to gain their confidence and allow us the time necessary to proceed with the long-term fix. Second, we needed to restore frankly our own confidence by proving that we could carry out some of these programs.

In San Francisco, we chose three problem priorities and set about their rectification almost immediately. They were: Vacancies—when I first got to San Francisco, I found a vacancy rate of more than 10 percent amongst the conventional stock of about 7,000 units; fiscal stability—a \$12 million debt and no operating reserve at all; and maintenance.

Three-and-a-half years later, the first and the second problems have been essentially remedied. We are consistently operating at a 98 percent-plus occupancy rate and have restored our operating reserve to above the minimum that is required by the regulations. And we are working and we probably are within about a year of establishing a kind of a maintenance program that is once again going to be able to deliver predictably and in a reasonable period of time the kind of routine and emergency maintenance that's necessary.

A third component to the fix in our case relates to the capital revitalization of development which cannot be reclaimed simply by fixing what's broken with respect to the authority's management capacity. These are developments which, through obsolescence of design or long-term deferred maintenance, management deficiency, high crime, high vacancies, neighborhood deterioration, et cetera, unmet human services needs, and others, have fallen into disrepair beyond the ability of a routine effort to fix.

We have been fortunate in San Francisco in securing significantly increased capital funding over the past 4 years, though I suspect that our good fortune is not necessarily shared by many other large housing authorities, and certainly hasn't been of sufficient magnitude to extend to all of the developments in our own stock requiring that kind of extensive treatment.

In that respect, let me just mention that the public housing development program, which I have always regarded as a tried and true producer, has been virtually extinct during the past decade. In San Francisco, with one notable exception, there has been no new permanent public housing built in the city since the 1970's, particularly for families, where the need is the greatest.

Currently, at the same time, appropriations for the modernization of older developments and our stock is surely aging; it has been far below the well documented need levels. Consequently, we fall further and further behind each year and annually risk losing developments which cross the threshold into severe distress.

In San Francisco, the backlog and capital need, the amount we need to bring our stock to a 20-year standard, viability standard, is estimated at between \$350 and \$400 million in 1992 dollars. Under the current comprehensive grant formula, the SFHA will receive approximately \$17 million per year.

At this rate of funding, we could not modernize our stock to the required standard in less than 23½ years. When cost escalation is added, that time period increases significantly, and the estimate takes no account of the deterioration which inevitably occurs over such a period of time. Even the least experienced eyes can plainly see the impossibility of incremental improvement in the physical condition of the inventory under such conditions.

Finally, with respect to the turnaround of troubled programs, there is the phase which is at least as critical for the long-term success of the effort as any of the others. It's the ability of the agency to broaden its attention to include other aspects of daily life upon which may well turn the quality of those lives for our resident clients. Here I am talking about issues relating to education, economic well-being, safety, health, and so on.

That, Senators is a very quick hit at the process that we have been going through in San Francisco. I hope that I will have an opportunity to speak in much greater detail as we get into the discussion.

Let me, if I may, take a couple of more minutes to discuss with you some of the major findings of the National Commission on Severely Distressed Housing. The more critical ones, although there were certainly many and varied ones.

The Commission recommended the creation of a separate unit within HUD to oversee programs aimed at severely distressed housing by bringing together the many disparate but related programs and funding sources under that unit. I put that number one, because I do want to stress that in addition to the allocation of funds necessary to carry out the mandate of the program, one of the experiences that we have been having as we approach the application deadline for the first round of funds, and the concern that I have, is that the process is so fragmented as to result in its being treated as yet just another modernization program.

I don't think that the remedy for severely distressed public housing can be treated as simply another modernization program. I think it is essential. And, from an administrative perspective, that the message go out across the administration and to the local agencies and to the residents that the kind of attention necessary has to be from a broad-based perspective that has to be applied to this program. It has got to be focused and centralized in the hands of one administrative body that will see this program through from the beginning to the end.

The Commission also recommended Federal interdepartmental coordination at the highest level so that maximum Federal resources might be mobilized. And I think that is important as well.

The Commission recommended a separate congressional appropriation of \$7.5 billion over the next 10 years to physically modernized distressed developments, and also found that the additional human service programs and administrative costs needed estimated to bring the total amount to in excess of \$10 billion during that period.

To strengthen the public housing community, the Commission recommended modifying regulations which work against income mixing, for example, the Federal preference system, and others. And also recommended some significant changes in the performance funding system and the allowable expense level systems and the like. So as ultimately to make it possible to manage distressed developments in a manner which would not remedy the distress, but prevent a fallback to the prior state.

I see the light is on, Senators. I think I am going to stop. And I will jump into the question-and-answer session with vigor.

Senator SARBANES. Thank you very much, Mr. Gilmore. That was very helpful.

Mr. O'Rourke.

STATEMENT OF STEPHEN O'ROURKE, PROVIDENCE HOUSING AUTHORITY, PROVIDENCE, RI

Mr. O'ROURKE. Mr. Chairman, members of the committee, I want to express my appreciation for being invited here today. Also, I took over the Providence Housing Authority, which had around 2,600 units, in 1987. It was amazing. I came from city government where I had just completed or participated in a management study of the city of Providence.

It was a very funny sight when our then-mayor got on bended knee and asked me to go to the housing authority. I had been a community development director a few years before that. And the housing authority had such a terrible reputation, we refused to give them any community development block grant funds, because we realized they didn't have the administrative capability of dealing with it.

People cautioned me about going to the housing authority, saying it will destroy your career. And I received more letters of condolences than letters of congratulations. But it was a challenge, and I went over there and got a lot of cooperation.

One of the first things I would say is I would echo Jim Rouse's comments that the difference between dysfunctional housing au-

thorities and well managed housing authorities is management. It is management and leadership.

One of the first things we had to do when we got together with our staff, I asked them to show up with their table of organization and their policy and procedures manuals and any goals they had and the PHA's mission statement. It was very odd. I sat in an empty conference room. There were none of these things. How they, for so many years, could operate without a mission statement or function statements was beyond me. I inherited a situation that was very difficult.

When I arrived, two developments were on a rent strike. Over \$600,000 were held in an escrowed account that the local legal services lawyer was taking care of. Our board chairman, Dr. Thomas Anton from the Public Policy Center at Brown University tells me that prior to my arrival at one board meeting, tenants showed up with a slide show showing deplorable conditions. There was a letter from the local banks stating they wouldn't cash the housing authority's checks because they weren't good. There was a letter from the city of Providence citing the housing authority for code violations. And last, but certainly not least, a letter from HUD stating they were considering putting the Providence Housing Authority under receivership.

Obviously this wasn't a very great situation to be in at the time. But our major concern, what we dealt with at first, was trying to raise the morale of the staff. The housing authority was looked down on by the city and the local media. Certainly there wasn't a day or two that didn't go by when there wasn't something negative in the local newspaper.

What I tried to do was establish a rapport with the local media and ask them for a little breathing room so we could properly establish the morale. We didn't conduct massive layoffs. We did most of our changes, and our ultimate success, using the same staff people. What we concentrated on was leadership.

The first thing we also did is, much like San Francisco, we put together a 5-year—what we called a goals management/performance monitoring system.

I know some people complain about PHMAP having a lot of indicators, but we have 162 indicators in our performance monitoring system. What we did then was to write a mission statement for the housing authority, a function statement for all of its departments, new job descriptions for the staff, and laid out a plan of what the goals, the objectives, and the tasks were, who was responsible for them, and when they were to be completed.

One of the things they didn't do in the past was have performance evaluations of staff. So we initiated that much to the chagrin of the four unions we were dealing with at the time. We assured them that the evaluations would be fair, and we eventually got their cooperation. And it has worked out quite well.

We did change the attitudes of a number of people. We invited all the residents in and asked them to organize. A lot of our developments didn't have resident organizations at the time. We went around to our 14 developments and asked them and assisted them in establishing resident organizations, teaching them Roberts Rules of Order, getting them charters through the Secretary of State's of-

ficie. So after we established this rapport with the media, with the local government, and with the residents, we were on our way with our management plan.

One of the things that I think is probably of the utmost importance in any housing authority is to keep politics and patronage out. I would say bad politics, because good politics can help.

I was an appointee from my mayor to go to the housing authority. But in the past, the housing authority had been a dumping ground for mostly political patronage positions, people who were unqualified even for senior administrative staff positions. Public housing and the housing field has become too complex to have people in positions who don't understand the system and the where-withal of goals management.

The next thing we did was conduct a very intensive grant writing program to bring in the funds to rehabilitate our housing stock. Most of our family developments were in deplorable condition. One development had a 50 percent vacancy rate. It looked like bombed-out Dresden during the Second World War.

What we had to do was increase the confidence of the residents. We brought them into the planning process, into our comprehensive plan for modernization, and put together a 5-year plan and started submitting that to HUD. Prior to 1987, the housing authority had received only approximately \$10 million in the previous 5 years for modernization. The local HUD office said they were dissatisfied with the way they administered those funds.

Well, over the next 5 years, we were able to bring in close to \$60 million of modernization. We completed work at our Chad Brown, Admiral Terrace, and Sunset Village family developments. We're underway now at our two largest developments, Hartford Park and Manton Heights. They are 50 percent completed. This year under the contract, we will start work on one of our smaller developments, Coddling Court, which will be the last family development to be modernized.

This has certainly increased the confidence of the staff and residents that they can do the job. We brought residents in to participate in the planning process.

A number of years ago we started a resident employment program. Now, 20 percent of our staff are public housing residents. After we received these funds, we were very interested in protecting the assets that the taxpayers had invested in so heavily. The public housing programs, like others, have to come here to the Hill and compete for funds.

Once we completed our first modernization project, someone in an article in the paper said, "Yes, it looks nice now; I want to see it a year from now." Well, it's 4 years and the Chad Brown project still looks nice.

Just one more thing I want to say that still ties into public housing. We have a lot of residents. There are some dysfunctional behaviors exhibited there at public housing. Most of our residents in the family developments are unemployed AFDC recipients. We are looking forward to the administration's welfare reform proposal.

I would say to you that I think public housing developments would be an ideal model to use to get education and job training skills to help people help themselves to get up the economic ladder.

Public housing should probably go back to what its original intention was in the 1937 act, which is transitional housing.

Thank you.

Senator SARBANES. Thank you, Mr. O'Rourke.

Mr. Gentry.

**STATEMENT OF RICHARD GENTRY, RICHMOND
REDEVELOPMENT AND HOUSING AUTHORITY, RICHMOND, VA**

Mr. GENTRY. Thank you, Senator. It's good to be here again. I appreciate your kind introduction.

As you may well remember, I have been the executive director of the Richmond Redevelopment and Housing Authority now for about 3½ years. Richmond received a 97 on its FMAP score for the 1992 fiscal year and a 96 for the year before that. So we were one of the highest scoring agencies in the country.

Prior to moving to Richmond, I was in Austin, Texas. We managed to turn around the Austin Housing Authority in the late 1980's, which had been classified by HUD as a financially troubled housing authority for some time. Austin also included in its inventory a troubled project, so I had both a bad project and a troublesome authority.

Prior to moving to Austin, I was in Greensboro, North Carolina, for 15 years. Eight of those years, I was an employee of the Department of Housing and Urban Development, charged with monitoring housing authorities statewide. So I have seen housing authority issues from a number of levels.

In my prepared remarks, I have done a brief chronology of the things that we did to turn around the Austin authority. I have also provided a brief description of what I think are some of the most important characteristics of Richmond, as what could be considered a model authority for the country.

In my verbal remarks this morning, however, I would like to just briefly address what I would hope you would see as the continuum of problems within public housing. And what I would ask you to do is to look at this not as a matter of one set of problems, but as a continuum that could basically be described in three levels.

First of all, there are troubled projects, troubled properties, which are problematic for a number of reasons. They could include socioeconomic characteristics, they could include physical design characteristics, which was the major problem we had to deal with in Texas. They could include local neglect, mismanagement, what have you. But there are troubled projects which have nothing to do, necessarily, with the ability to manage the housing authority that may contain that project. That project may tend, for an otherwise well managed housing authority, to have severe difficulties.

The second level of trouble would be troubled housing authorities, troubled PHA's, which is the area that tends to get most of the Federal attention. The high-profile, big city, troubled authorities, such as Philadelphia, Chicago, New Orleans. In those authorities, again, there are a number of reasons for their local dysfunction heavily related, as Mr. Rouse indicated, to mismanagement.

Although I like Mr. O'Rourke's comment a minute ago that perhaps a better term would be lack of local leadership because, in the vast majority of those cases, the problems are a combination of a

concentration of socioeconomic demographics, plus lack of local responsibility and accountability for the quality of the programs. Those are not just mismanagement by the executive staff nor, necessarily, the board of the authority but can go back to neglect by the city.

The third area that I would request that you take a look at is troublesome Federal regulations which affect all of us, and which cause difficulty not only to troubled housing authorities but to well performing housing authorities as well. Federal regulations have grown up over the years, have proliferated greatly over the past 15 to 20 years, and generally have helped produce a dysfunctional program and have caused us more problems than they have solved.

In my prepared remarks, I refer to two broad Federal regulatory areas in particular that have caused us problems, both of them very well intentioned, that meant well to start with, but have given us some severe difficulty.

One is the method of admissions of residents.

About 12 years ago, there was a very high-profile phrase in Washington called the safety net for the truly needy. Now the safety net for the truly needy as applied to public housing has resulted in a severe concentration of poverty within our properties, which, whether the Authority is well managed or not, causes all of us problems.

There's a great need, not only to provide for the most needy among our constituencies, but also to provide for broad-based, well functioning communities. The Federal preferences that were very well meaning in intent back in the early 1980's have caused some severe problems.

The second broad area of negative impact of Federal regulations also was an initially well meaning regulation that was statutory in its basis but has basically caused a radical change in the nature of public housing over the past 20 years.

That was the implementation of the various Brooke amendments, beginning in 1969, and going through 1972, which had as its purpose at the time, the very well meaning intent of limiting what a public housing tenant would have to pay in rent.

The net effect of those regulations and the way they've played out over the past 20-some odd years is that the programs have provided some severe disincentives to productive behavior by residents.

If a resident mother, and most of our heads of household are single women with children, for a single mother to go to work in public housing, she has to lose so many of her benefits that it's simply not functional for her to do so. She winds up hurting her children in order to be a productive citizen.

We've done some studies in Richmond and have found that for a working mother to get off welfare and go to work and remain in public housing, she needs a job paying \$7 to \$9 dollars an hour, depending on her family's circumstances, to break even, not even taking into account the cost of health insurance. Blue Cross/Blue Shield of Virginia estimates that it takes a disposable income of about \$22,000 to \$24,000 a year to be able to afford the kind of insurance that provides adequately family protection.

When you put a working mother in public housing in that predicament, it's simply not to her family's benefit for her to be productive. And the biggest single negative part of that equation is the rental structure. I would recommend that you take a look at that.

Back to the issue of troubled housing authorities. In my prepared remarks, I give a very brief overriding description of Richmond and what it is about Richmond that perhaps could be a model. I think that can boil down into about three different categories.

One is local responsibility. In Richmond, in the 1980's, the Authority did experience some difficulties. However, unlike Austin, the Richmond board recognized those problems, accepted responsibility for them, and effected changes, so that the troubles were not caused by the Authority.

The second issue is that we run the Authority as a business, we see it as a business, we operate it in a businesslike way, both in terms of our finances, our relationship to our customers, that is our residents, and our relationship to the community.

The third broad area is that of our relations with the residents. The residents in Richmond do not care about managing their properties nor necessarily purchasing the properties. They do care about our operating the properties in a sound, responsible manner.

We have close working relationships with the residents, and many of those can be shown by the significant reduction in violent crime that has occurred on our properties over the past 2 years.

I'll be glad to answer any questions later that you would wish to ask.

Senator SARBANES. That was a very helpful statement, Mr. Gentry.

Ms. Johnson.

STATEMENT OF IRENE JOHNSON, PRESIDENT, LeCLAIRE COURTS RESIDENT MANAGEMENT CORPORATION; VICE PRESIDENT, NATIONAL LOW INCOME HOUSING COALITION

Ms. JOHNSON. Thank you, Mr. Chairman. Good morning to Senator Bond and to the members of the subcommittee. It's a real pleasure to be here, and I thank you for this invitation. I come to you today from three different perspectives.

First, I'm a resident of public housing. Second, I'm the president of LeClaire Courts Resident Management Corporation. Third, I'm a vice president of the Management Coalition for Low Income Housing.

LeClaire Courts is a 616-unit low-rise public housing development located on the Southwest side of Chicago, Illinois, owned by the Chicago Housing Authority.

The residents in Chicago, and particularly at LeClaire, at the time that we began to organize in our community in the early 1980's, organized around what we figured was mismanagement or lack of concern and caring about the public housing in Chicago.

The Tribune put an article out, a week-long article, talking about the problems in the Chicago Housing Authority, and it was very reflective of the responsibility given to the residents. That was one of the catalysts that made us organize, because we got angry because they put all of the responsibility on the residents, in terms of the physical deterioration of the property. And we began to real-

ly sit down at that point and assess ourselves and the Authority, to see where responsibility really lies.

What was our responsibility, and what was the Authority's responsibility. From that, we decided to take on community development project, and at the time, we had not discovered Resident Management. But in doing the assessment and the feasibility, we ran upon some groups doing resident management or tenant management. And we decided to look up doing this program in order to meet the needs that we found that the Housing Authority said were their goals and objectives. To provide decent, safe, and sanitary housing which, at that point, was not longer decent, safe, and sanitary.

We took on the responsibility to organize the community to become a partner with the Chicago Housing Authority in order to retain and maintain low-income housing for ourselves.

At the time, as Mr. Gentry talked about, the change in the rent calculation, we had set the rent at a percentage, and you had to report the income of everybody working in your house, and it became a severe hardship. We had a massive move out of public housing into the private sector. But in the process of doing that, we found out there were no, little or none, affordable housing in the private sector.

That was one of the key issues and reasons why we came back to organize the community to retain and maintain units that we have in place there.

I bring you greetings from a Board of Directors of all residents at LeClaire Courts who say that they appreciate your giving us the opportunity to talk about the trials and tribulations of doing this program.

In my prepared statement, I won't read it word for word, but we talked about the difficulty of having to gain the respect of society.

One of the problems in your distressed communities is lack of respect for residents living on a particular property by all concerns; management, city, state and Federal Government. It appears that they use this property as just, we're not part of the city; we got little or no city services, no police protection or anything like that. So that was another issue that we organized around.

Also, we made one of our goals to get ourselves in a position to prove to society that we were part of the regular mainstream. We were humans, we had feelings, we were unemployed, but we wanted to work, we wanted to control our families. So we set this resident management in place. We've defined resident management as, first, self-management, second, people development, and third, property management. And from that, we began to set a program in place, or rather a process in place.

We organized the community, we began to take self-esteem and self-evaluation and leadership development classes. And we did reform the Board of Directors in order to strengthen the community organization. We learned how to become a community organization, and took various classes.

Then we took property management classes. We learned how to hire, what all the State and local rules were, the Authority's rules and regulations, and HUD's regulations on hiring.

Then we negotiated a contract with the Chicago Housing Authority in order that we would do a dual management phase, and really learn how to manage the property.

Upon doing that, we ran up on a lot of obstacles which we entitled the "bureaucratic maze." We found that one of the difficulties that the Authority had to suffer through was that HUD penalized the Authority for being a severely distressed agency, and took the dollars away, thereby further penalizing the residents.

But we set out to become even more of a partner with the Authority by going to the private sector, to the city, to the State and to the Federal Government in order that we would be able to get dollars to rehab our property. And since 1989, we have raised \$8.8 million to rehab the property. We've done the first phase of rehab. We're on the second phase now.

The other thing that is real important for us is that legislators, lawmakers and other people in positions to set policy need to understand that you've got regular American citizens living in these dilapidated conditions. Public housing that's in distress is not just physical property in distress. You've got people in distress, real distress. We're the lowest on the totem pole.

We want jobs, and if we had jobs and if we had opportunities to have social needs met, health needs met, then the productivity of the people living there becomes in the normal stream. So you can prove that by this program that we have.

We negotiated with the Authority to get rent collection and regular subsidy coming to these 616 units. We presently employ 35 people. Twenty-seven of those are residents at LeClaire Courts. The attitudes have changed. The self-esteem of all the people there, the young people, they don't do as much hanging out on the corner as they used to. The crime went down 50 percent.

In the first 3-year contract with the Authority, we saved \$1 million in order to put it back into the proper rehab of the units, we were allowed to learn HUD's procurement process, and saved money through going a different direction than the Authority because as soon as people know that you're Chicago Housing Authority, they increase the price a third or more for you to buy the same product as you would otherwise.

I see the light's on, but I appreciate the fact that we're able to say that we have developed a partnership for which HUD made us the model in 1990, to show that we have become partners with the Housing Authority, HUD, the private sector, the city, the State, and many other individuals and agencies.

And we're proud to tell you that in the written statement, we talk about several regulations that we feel should be given attention, after groups go into tenant management. If the group goes into tenant management, the funds should come directly to the resident management corporation.

I appreciate the opportunity to answer any questions if you have any.

Thank you so much.

Senator SARBANES. Thank you. That was a very interesting and a very helpful statement.

Now we'll hear from Mr. Stockard, and then we'll go to our general discussion and questions.

**STATEMENT OF JAMES G. STOCKARD, JR., COMMISSIONER,
CAMBRIDGE, MASSACHUSETTS HOUSING AUTHORITY**

Mr. STOCKARD. Thank you, Senator. And thank you again for the opportunity to come and share our experiences with you.

We've heard from some wise individuals this morning.

I'll try to be as brief as I possibly can.

I've had the privilege, over the past 20 years, to serve as a Commissioner of a reforming public housing authority. I think we would view that as a continuous effort, and not one that's ever quite finished. I've also had the opportunity to serve several housing authorities in the midst of such efforts as a consultant and technical assistant to board members, staff, and resident organizations.

I have suggested, in my prepared testimony, five keys which I think are very important to a turnaround effort. Four of them you've already heard from the individuals to my right. I'll briefly mention them, and you'll understand why they haven't mentioned the fifth one, when I tell you what it is.

The first is that it is critical, in my mind, to sever the relationships between previous priority setters and the agency in order to turn around a housing authority.

This may be a mayor who thinks jobs for some of his or her friends are more important than good professional performance by housing authority staff, or it may be a judge who believes that public housing should be the housing of last resort, and that that priority is more important than maintaining decent, safe, and sanitary housing. It may be a commissioner who thinks his or her idea of who really deserves public housing is more important than a public and fair system of tenant selection.

In these cases, somebody has been messing around with the priorities and that relationship, between whoever that party is and the authority, must be severed in order for some reform to take place.

Second, however that reform takes place, as you've heard from other members of this panel, it must include a very strong, very honest, and very forthcoming relationship between the staff and the residents.

They are, after all, why public housing exists. As you've heard from Ms. Johnson, they are quite capable of being real contributors to the reform process. What is critical is that the process that involves residents have the time, and as Ms. Johnson mentioned, the training and technical assistance that's necessary, to make the parties all equal when they come to the table.

Item number three is money. There isn't any way around it. We have waited too long, in many of the large cities, to undertake these efforts. It is therefore going to cost more because we've waited too long. I would suggest there are at least three ways in which money is necessary.

One is staffing. In many cases, the senior leadership of a housing authority, when turnaround is necessary, are, at best, not part of the solution, and sometimes they are part of the problem. They must sometimes be double staffed in order to get the most important priorities dealt with immediately.

Second, it's critical to have some money for capital improvements. David's numbers were quite staggering about the San Francisco situation, and I commend them to your attention. Literally, we are looking at a virtually impossible mathematical equation to put the housing units of the San Francisco Housing Authority back in shape, unless significant funds are made available for this activity.

Finally, there are some significant areas in which the PFS formula under-funds the operating budget for housing authorities.

If you talk to most directors, I think you'll find that substantially they'll talk about security, social services, economic opportunities for residents, and maintenance as areas which simply are not funded adequately, given the way this archaic formula was created 25 years ago, and what it does and doesn't include.

Fourth, I do think it's important to build some strong relationships with other city agencies.

I was in Chicago last week, and heard from Vince Lane that the Chicago Housing Authority this year will spend \$60 million on security alone.

Now I know nothing about the relationship between the Housing Authority's security force and the city of Chicago Police Department, but I would suggest that Chicago's 84,000 public housing residents are a part of the city of Chicago, and somehow or another their security must be one that's built together with other citizens of the city in an innovative fashion, rather than a separate and distinct set of forces, which is what's going on now.

I believe it's important to build some strong relationships with the local government, so that public housing residents become part of the city they live in.

The fifth thing I wanted to tell you, and the reason these people sitting to my right couldn't tell you that, is because it's them. It's been the case in every place that I've ever been. The forces of reform needed to find an exceptional leader. I wish that I could tell you that public housing reform can occur by committee, but in point of fact, I believe that you must find the David Gilmores, Rick Gentrys, Stephen O'Rourke, and at the site level, Ms. Johnsons, in order to carry this out.

They must be people with vision, the ability to attract other people to that vision, and the ability to build relationships with other people as integral parts of the process. Perhaps, most importantly, they must be people who can set priorities. You've heard this earlier from several of these people to my right. They must be able to set priorities and stick with them.

Stephen is right. There *are* 162 priorities. The problem is you can't *do* 162 at the same level of intensity and at the same time.

What you must find is the ability to say, we're going to concentrate on, to use David's words, vacancy, fiscal stability, and maintenance. That's where we're going to put our energy, rather than having each new attack from somewhere bring the response of, "Oh, we better change the priorities and do something else instead."

I believe that all five of those things are critical. In my experience with reform, where one of them is missing, the effort fails, or at least staggers. I wish I could say differently, and we may be able

to deal with this more in the question period. But I really think all five are necessary.

Just a few words about prescriptions. I say this with some hesitancy in the presence of distinguished leaders elsewhere here. But let me suggest that the first and most important principle is to act earlier.

In a sense, we are all responsible for waiting too long. We've waited much too long in terms of what we would have expected for conditions for ourselves, for our own families or our close friends. Why should we not act earlier in the case of the residents we serve here?

There are several ways in which to do that, as you've heard from others. I suggest, first, that we eliminate a large part of the regulations, don't toy with them or monkey with them. Take them away. Trust local officials to be able to run these Authorities well.

I also think we need to radically change the funding formula so that it works adequately. And we should encourage, possibly, some form of peer review by PHA's and for PHA's. That would be one way of getting into the picture a little earlier. If you let some distinguished executive directors visit with other authorities, as in the college accrediting process, some of the information they need to make improvements will happen much earlier.

Finally, and I think this is something your staff wanted me to address. I'll be clear about it. The receiver model is very important. It *does* cut those links to inappropriate priorities. It *does* make it possible to take on new priorities and set them firmly.

And I would make broader use of the receiver role, especially given HUD's new authority to do so. HUD might also consider an expanded role as a plaintiff, perhaps, in cases where the courts are asked to consider receivership.

The idea from the Commission on Severely Distressed Public Housing of a staff and funding support for such a division at HUD is quite critical.

Let me just say two last things, and we'll then go to questions. One, recruit a different staff than we have had before at HUD. Steal some David Gilmores and Rick Gentrys from their Authorities and use them to work in these turnaround situations. And second, use the authority of HUD to deal both with local cities and with housing authorities so that some of those funding dollars that go through Community Development Block Grant, HOME, and other mechanisms may end up at the Authority, if that's what it takes to do the turnarounds.

Thank you very much.

Senator SARBANES. Thank you very much.

First of all, I want to thank all of the members of the panel for the evident thought and attention that went into the preparation of the written statements. We're most appreciative of that. And I apologize that the constraints of time are such that we do have to summarize them in receiving the testimony.

But I think it's obviously a very important subject, as Mr. Stockard said at the end of his statement. He says the topic is important, and I found myself with more to say than I had imagined. That was the in course of apologizing for a lengthy paper, but we're very pleased to have it.

Before I turn to my own questions, I'm going to yield to my colleague. We've been joined by Senator Carol Moseley-Braun for any opening statement she may wish to make.

OPENING STATEMENT OF SENATOR CAROL MOSELEY-BRAUN

Senator MOSELEY-BRAUN. Thank you very much, Mr. Chairman. I too would like to thank the panel for their comments and their written statements. In particular, hello to Ms. Johnson from my home town of Chicago.

Senator SARBANES. You produce strong women out there in Chicago.

Senator MOSELEY-BRAUN. It's in the water.

Thank you, Mr. Chairman. And I want to thank you for holding this hearing. This is a very important area and one that really lies at the heart of the challenges that we face as members of this Congress. As a product of the inner city, I grew up on Chicago's southside, not too very far from some of the country's most distressed public housing units. Today, I welcome this opportunity.

I have an opening statement, Mr. Chairman, which really talks about the connection between this issue and what we heard from the Kerner Commission, and the importance of public housing in terms of the quality of life for people, in particular in urban settings, but also in rural settings and small towns as well. But I would like to submit that for the record. And share with you a personal observation, and perhaps a question for the panel.

I actually got my start in my professional life as an employee in public housing. Maybe you didn't know that. I worked for the Chicago Public Housing Authority. I had been a dropout. It was at the time when the riots happened in Chicago, and my supervisor, who was singularly mean to me, gave me a helmet and told me, go out among the highrises and ask my residents to stay inside, because there's a riot going on.

So here I was, I must have been about 16, 17 years old, ducking from building to building to try to reach out to the people that I worked with. I became convinced, at that early age, that public housing was in great need of change. The change that I made most immediately was to go back to school. It was a real incentive to send me back to college.

But I've been close to and an observer of the developments in public housing, and am very concerned, on a very personal level, with this issue ever since. Having been there, it's hard not to take it to heart and feel very personally about what happens.

So I congratulate you, and I think Mr. Stockard was exactly right. Where you have the leadership that cares about what happens, then you can have changes. You can have improvements, and it can be made better for the people who live there.

But I guess my initial question, I'd like to put it to Ms. Johnson, actually. You know, as we talk about fixing what we have in public housing, I think we must always ask the fundamental question of whether or not there are alternative ways to approach the issue of affordable and accessible housing for low- and moderate-income people, because that really is bottom line our issue here. And the question becomes, for me, whether or not, Ms. Johnson, you would think that, as an alternative altogether, that maybe in addition to

fixing the housing we've got and putting in tenant management, because I think tenant management has shown itself to be successful where it's been tried, and the kinds of improvements that we've talked about this morning, would not we be better just going to an income subsidy for poor people, so they can live where they want to live, as opposed to continuing to focus in on governmentally sponsored housing?

Ms. JOHNSON. I think that's, I don't know how you want to say it, an idealistic idea. But due to the history of things, and particularly in Chicago, society's attitude stops you from doing that freely. Because when you fill out an application for a house in Chicago, and you put down you're a landlord with the Chicago Housing Authority for 16 years, all of a sudden, the list is long, and you're about number 10, and we'll get back to you.

And so, I think that, due to that kind of thing, either build some new houses, and I do agree that some of the very severely distressed buildings should be demolished, but they all should be replaced.

I also think that we should change the rule where you cannot replace low-income housing in a low-income neighborhood. I don't know why. Other neighborhoods don't want us in there. The example of Chicago, you've got vacant land, vacant land, vacant land that you can't build on, because I think you call it the control issue?

Senator MOSELEY-BRAUN. The control issue, yes.

Ms. JOHNSON. That's just crazy, because here people are living in buildings falling down on their heads. You've got all this vacant land and you can't build. And you go to the affluent neighborhoods, and they don't want you in there. So if you can resolve society's attitude, that would work, but that one won't work or only on a very limited basis, from my experience.

Senator MOSELEY-BRAUN. Well, section 8 was very popular.

Ms. JOHNSON. It was very popular but it will only take care of a certain percentage. You have 184,000 residents in Chicago.

Mr. STOCKARD. Ms. Moseley-Braun, can I share a real experience from the Cambridge Housing Authority?

A number of years ago, we made a determination that we were going to empty our most troubled public housing development. It had about 324 units at that time. There were only about 178 residents remaining. We decided we would entirely empty it, radically rebuild it, and then re-tenant it.

And we said to the residents, we made some arrangements in terms of our other waiting list vacancies and our section 8 program, and you may have either a section 8 certificate, or we will house you in another public housing development elsewhere in the city of Cambridge. We'll give you a first priority for all of our vacancies.

We were certain that 80 or 90 percent of the residents would choose a section 8 certificate and go to the private sector. That made all the sense in the world. In fact, the numbers were reversed. Eighty percent chose another public housing unit.

When I asked my friends in the resident body, they said some very interesting things.

They said, listen, when I go to the private market, there are lots of unknowns, and my long-term security is not so clear. That landlord could decide to bounce me because he or she wants to move his grandmother into the unit. That's fair and legal and I'd be out of a unit, and I'd have no place to go. The housing authority won't do that to me. As long as I pay my rent, they'll let me stay in that place. Sometimes I don't know where my private landlord is. I can't call him 24 hours a day necessarily, so I don't know where to find him. But I can always find the CHA.

Right now, this housing authority is pretty well run. The heat comes on every night all winter long, and that's not always the case in the private sector in our town.

And finally, as Ms. Johnson has said, there are some neighborhoods, sir, where I can't go in this town, and nobody's going to rent a house to me, and they'll find some reason not to. And I know the Cambridge Housing Authority won't do that to me.

So what I would say to you is, we need all those programs. We need a leased housing program. It's a very important program and it should continue to exist. But we're going to need, in my estimation, for the long haul, a public agency that owns permanent housing available for low- and moderate-income citizens. I would suggest, we might move toward providing this housing in a much more mixed way than we have it now, exclusively the lowest of low incomes.

But we're going to need the public sector to continue to play a role in the housing arena, just as Ms. Johnson says, until the attitudes and the approach to housing by the private sector is different.

Senator MOSELEY-BRAUN. If I may follow up in that regard, and thank you very much for that response, because it's important, I think, to know what the barriers and the roadblocks are, even with regard to the section 8 approach.

My next question gets to the whole concept of mixed use in terms of public housing buildings, not only income integration but also again mixed use.

Has thought been given, or have you any experience with putting in official offices, other kinds of service for residents. Offices representing the local court system or the local police? I mean, has there been much thought given to integration of functions within public housing, as a way of adapting for use, if you will, some of the buildings which have contributed to overcrowding and other problems?

Ms. JOHNSON. Could I just add, to begin this answer, and anybody else can certainly share. With the resident management program, there are some things we want in the community, and there are some things we don't want in the community, because you could never get people into the mainstream if everything is right at your fingertips.

So we want to be like any other community. You have those necessary vital things at arm's reach, but the other part, you want to be able to take the bus, have good public transportation and police protection and city services where you can just be like anybody else. You take your bus to the loop and see a movie or to the thea-

ter. We don't need a theater at LeClaire because then you won't mix.

And then jobs. We want some jobs at LeClaire but we want to be able to leave LeClaire and go into another part of the city. Because we found, you see, we do intensive educational activities, to talk about basic living, what it means to integrate with other parts of society, what other races do, on purpose, so you won't feel left out. That's the purpose of not putting everything there. Yet, we need everything that every other community has. We want to have access.

Senator MOSELEY-BRAUN. LeClaire is different in that regard, because you really are near other kinds of—you've got stores and things.

Ms. JOHNSON. I mean, we can take public transit. We're kind of like in a corner. We're in the suburbs but we're in the city, so we just happen to be in a unique spot.

Yet there's nothing out there, no health clinics, et cetera. We have to bring it in. But we put it where everybody in that community can use that facility, because we don't want it just on the site, because we're sending a message. We want to be part of the mainstream.

Senator MOSELEY-BRAUN. How do you do that with a Robert Taylor or Stateway?

Ms. JOHNSON. How do you do that? Intense education with the people. You've got to get people's minds into do you want to go down to the museum, do you want to go to the Gold Coast and look around, and see how people live, and come back and appreciate your neighborhood. You can be just as pretty. It's an intense educational process, which takes a long time. But you still need to have the jobs there so people can get up and work. Some need to be in the neighborhood, some need to go out of the neighborhood, and you talk about that.

So that's the approach that we're taking at this point, and it's working pretty good.

Mr. GENTRY. I think Ms. Johnson's absolutely correct. The key is mainstreaming the public housing communities as much as possible, so that, as much as possible, they're just like any other neighborhood in the larger community.

Unfortunately, the net effect of about 25 years of well intentioned but disastrous Federal public housing policy has been to make public housing properties dysfunctional. Residents are rewarded and punished for all the wrong things. And it's mainly through the public housing rent system.

I would advocate a system of rent reform as the best single one thing you could do to help our business.

The single dumbest thing I do in my day-to-day work in Richmond is the way I charge rent to tenants, is the way that's mandated by regulation and by statute here in Washington.

What I'm mandated to do is that every time somebody goes to work and earns a dollar, I get my 30 percent of it in rent, no matter how high that goes.

You add to that Federal income taxes, State income taxes. In some localities, there are city income taxes; fortunately, not in Virginia. But you add to that the cost of day care, you add to that the

cost associated with going to work, and a welfare mother trying to go to work is lucky if she realizes 20 to 30 cents on the dollar. That's a more regressive system of taxation than the British before Thatcher.

In terms of the behaviorist approach, it punishes people for doing the right things. And the net effect of the last 25 years of Federal housing legislation has been that we have warehoused, we have concentrated the poor and then we have warehoused them long-term, and have punished them for trying to get out.

Now in terms of the way you all have to deal with that up here now is you're constrained by a zero sum OMB approach to appropriations as it relates to authorization.

For you to change the way rent is figured, you've got to come up with appropriations to cover the dollars lost to the Treasury which are less than 30 percent at certain income levels. That's a totally dumb approach to looking at it. What OMB does is they assume that it's a zero sum game, and the people are going to go to work, no matter what. So that if we don't get our percentage of it, the taxpayers have to pay more.

And using that assumption, it's a valid approach, but if you look at the effect on the people, if a welfare mother decides not to go to work because she's punished for it, there's no extra income to offset against the taxpayers anyway.

What I would advocate is that you take a look at the way that the regulations up here are structured relative to the rent that the residents pay, and what HUD has to come up with at appropriations to offset that.

It's a false way of looking at it. It has the net effect of keeping people in poverty, and telling our residents that positive, productive behavior is wrong in one area, rubs off on all the other areas of life, and contributes to the detriment of our communities.

Senator SARBANES. Let me ask you this question, because the genesis of that particular requirement was not intended to bring about this result. This is the law of unintended consequences.

Mr. GENTRY. Yes, sir, I realize.

Senator SARBANES. Let me probe that with you.

If the rent weren't set as it now is, as a percent of income, on what basis would you set the rent?

Mr. GENTRY. What you have anyway is a welfare-based occupancy of public housing.

What has happened to our occupancy over the past 25 years, as we have housed a poorer and poorer income cross section to start with, and as we have penalized people for working, the occupancy has changed so that now it's predominantly public income, public assistance.

In Richmond, 88 percent of our occupancy is on some form of support, and we're one of the best housing authorities in the country.

Over the last 25 years, we've gone from almost no subsidy to a full 60 percent of our annual operating budget being required to be covered by subsidy, not because we're a bad agency, but because the regulations, in limiting the income of the people who come in and their rent, has also required a dollar-for-dollar increase in subsidy. And I would submit to you, there's no relationship between

subsidy paid to an authority and how good that authority is. The subsidy is the relationship with the Federal policy.

What I would advocate is that rent, not that you look to do minor tinkering or adjustments with the system, as Mr. Stockard indicated, but that you do a radical restructuring so that a family's rent would not change noticeably if they went from welfare to working. And I would submit to you—

Senator SARBANES. If you don't set it as a percent of income for the family that isn't moving toward working, which is the example you gave, how would their rent, under your system, compare with their current rent? At the time this system was put in, it was designed to help keep tenants from paying higher rents, was it not?

Mr. GENTRY. Yes, sir.

Senator SARBANES. And the purpose of the rule, it was then 25 percent of income, as I recall, was to provide that, for many of these tenants, less of their resources would go to rent than under the existing public housing rent schedule. Is that not correct?

Mr. GENTRY. Yes, sir. Because, back in those days, there was a minimum rent, a maximum rent, and then a schedule between the two.

What has happened is, that was not necessarily going to 25 percent, that was the problem. That was part of it. Because, typically, if you were between the ceiling and the maximum back in those days, you either paid 16 or 18 percent of your income for rent.

The problem was the very low-income tenants, where 25 percent, or even 16 percent was an inordinate amount, what happened is that when the ceiling was done away with, and there was no way for a resident to work for a while, accumulate some money, and then get out, there was no way to transition or to work your way out of poverty.

I can't tell you exactly today how I would restructure it, but I sure as hell would, and I would include some method either of enforced savings, where a certain amount of the amount over the 25 percent would be put into an equity account that could be used to purchase a house, or to move out and get an apartment, whatever they would choose to, or that there be a way of limiting what the extra rent would be from earned income going to the Authority. I think that could be developed over a period of time.

All I'm saying is that the net effect of the current system is to tell people not to work and to stay on welfare, because they are punished if they do otherwise.

Mr. GILMORE. I think, Senator, I'd approach this a little bit differently.

I would suggest that there's nothing inherently wrong with a rent determination system which is based upon income. I think where the problem arises is that, when you introduce into this discussion the concept or the objective of encouraging working families to remain in public housing, to encourage some degree of heterogeneity in and amongst the population that resides in public housing, this is where the issue becomes a problem.

I think that the solution, quite frankly, is relatively simple. I don't think it's very complicated in this instance. We used to have the ability to encourage working families to stay by the use of a

ceiling rent system, which didn't place, by virtue of their income, didn't place them out of the market.

Let me give you an example of how it has now affected us in San Francisco, as one example.

We did a study. We are told that it is important to encourage employment amongst residents, and I agree. I completely agree with it from a philosophical perspective. So we developed, in San Francisco, a fairly sophisticated and significantly large employment opportunity program for public housing residents to come to work for us.

I think that's an important point. What we wind up doing, however, as the study reveals, is we do one of two things. We either drive them out of public housing because the rents go up to a level beyond what is reasonable from a market perspective, or in fact, we found that in most of the cases, with respect to our residents that we employ, their disposable income went down as much as 52 percent. Why did that happen?

One, it's because we were taking an inordinate amount of their income for rent. It was still 30 percent, but the amount of dollars actually was very very high, and the related piece of that is they lost a whole range of benefits that they were enjoying, health benefits and others that they were enjoying, when they were on some form of public assistance.

Ultimately, we're discouraging employment amongst public housing residents, and I think that ultimately gets, or begins to get, Senator, at the question you raised.

If that's the case, aren't we just simply continuing to build higher and higher the walls around public housing developments, which segregate residents from the rest of the community? And in fact, if we believe in mainstreaming as an objective, by virtue of the operation of these kinds of rules, we make them impossible.

If we are really serious and we want to encourage employment, we want to encourage family stability, and we want to encourage heterogeneity in public housing, these are some of the things we've got to deal with. And we can deal with them reactively simply by saying that we're going to remove those fairly obvious barriers to the objectives.

Senator SARBANES. What do you say to the advocacy groups, some of whom say to us, well, this is all fine and good, but there's a limited amount of housing available. There's a general housing shortage, and we think that this publicly funded housing essentially should be reserved for the poorest of the poor.

The argument to counter that, I gather, is yes, but then we don't have a functional project. If you do that to us, you're decapitating our tenant population, because you are constantly cutting off the more successful ones who can provide leadership and stability and so forth within the project.

How do you balance those two views?

Obviously, you can move along in that direction until you have a lot of families who are not the poorest of the poor, but are up in the next strata, and the project probably will get better and better as that happens. People who have a little more income. Who've got their act together and so forth. How do we balance that out?

Now, of course, you are all managers, or most of you, so you probably want to move. Do you want to take a crack at that?

Ms. JOHNSON. Let me just take a start at this.

Senator SARBANES. You know the argument I'm talking about.

Ms. JOHNSON. Yes, I have it regularly, because I'm part of the Low Income Coalition. We have some great discussions.

It's very easy to project something that you don't know what's real. The reality, I'm a resident of public housing. I pay enough rent to buy a house that costs about \$150,000. And the reason why I stay there is because I've been there long enough to see the problem. Somebody has to stay there and break that bond.

You see, what we really want to do is get rid of welfare, down to almost zero. And this perpetuates it. Somebody's got to stay there and pay the rent and prove to people, you must not lie, you must not cheat, you must change the law, in order that your children—

You see, this has a ripple effect on your children. When you don't report your income, you're lying. It has to do with human nature, and I cannot explain to you, it deteriorates people's morals. And so kids learn to lie and cheat because mamma does it, because dad is sneaking in and out on the lease, and it tears the family.

We can prove, from the resident management program, that it has a ripple effect on crime. So if you can get people to get morals in their minds, and they've got to live by this rule, and the rule is not right, let's change the rule.

That's why residents organize and say, look, it's going to be forever, but we've got to get in the system, so we can tell people, this is not working. You're going to have to effect the diminishment of crime.

That's one issue. The industry groups mean well, but they don't know what they're talking about because they ain't never lived there. They just stand on the outside looking in. And when you invite them in, oh, dear, you poor people. You're living in this and that. Then they don't understand. You've got to be there to know what it is. I wish I knew how to really tell you what it's like.

But if you do something, where you give people a responsibility, you see, it takes away from a person when you give them everything. But if you've got to be accountable, if I was on welfare and I had to pay \$150 a month rent, I would pay \$150, believe me. People appreciate it.

I'll give you an example. We have a family day. The business people donate the food. When we give that food, the kids half eat the hot dogs, drink half the pops. So we said, wait a minute. If they pay for it, we charge the kids 25 cents for pop and 25 cents for a hot dog, not one piece of nothing is thrown away.

So if residents of public housing had to pay a reasonable rent, regardless of what your income level is, there's something about it that makes people gain respect.

The public housing agent used to penalize you when you didn't take care of your lawn; you took care of your lawn. So then they stopped doing it, so people don't take care of their lawns. So we started instituting the old laws on the books. You know what happens? People are taking care of their lawns, because they know they'll get fined. If they say, if you don't cut your lawn, you're going

to have to pay \$12, you can cut it yourself for probably nothing, or pay a kid \$2.50.

So there's something about it, I can't explain to you, that has that kind of effect upon people's morals or something. And some of these other professional gentlemen can give you a little bit more technical information.

[Laughter.]

Mr. STOCKARD. No, you just heard everything you need to know.

Mr. GILMORE. Senator, we aren't adequately serving the poorest of the poor now. We're not yet there.

In San Francisco, I'd like to believe that I provide housing for 7,000 very poor families, and I'd like to believe that we do it reasonably adequately. But there are 11,000 more of the poorest of the poor in San Francisco that are on my waiting list. And they're not going to get into public housing any time in the foreseeable future, because there isn't enough housing.

My argument in response to that issue is we then ought to take it the next step, and if we understand that in this country, we are not in fact adequately housing all of the poorest of the poor, we have an opportunity and a responsibility to worry about the quality of the housing that we do provide to the people that we do provide that housing to.

Senator MOSELEY-BRAUN. I suppose, if I may, Mr. Chairman. Listening to Ms. Johnson and again having thought about these issues and knowing the concern of this committee, Mr. Gilmore, our challenge, I think at this point, would be for you, who are experts in the field and know how the rules and regulations work, in addition to suggesting to us ways that we can tinker with what we have, to give us some approaches that will allow us to get past where we are.

The fact is that what started out as a safety net, a social safety net, has become corrupted over time and is now a spider's web. And it traps people in poverty.

As Ms. Johnson says, we don't want to reinforce those mechanisms that trap people. If anything, we want to begin to take approaches that will give people opportunity, allow people to provide and do for themselves, allow people to be mainstreamed. Those are the objectives that I think we have an obligation to fashion at this point.

And it would be very helpful to have some guidance from those of you who have been laboring in these particular vineyards, to give us some direction in addition to fixing section 104. That's one thing we can do right now quickly and right away. But it may be that the whole construct in which section 104 happens—

Mr. STOCKARD. If I could, let me suggest, at the risk of some disagreement among some of the panelists, that I think public housing authorities need to own more housing units in our cities and towns. The difference is they need to be able to serve a wider range of people in those developments.

My friends at West Broadway, a public housing development in South Boston that I spent a considerable time working with several years ago, say they would like to change the tenant selection regulations. And they would like to change them because they would

like to have more people living in their development who are working people.

They say it's very simple for them. They want to work, and candidly, the way they believe you find a job is to know somebody else who's got a job, because they tell you when there's something open at their shop, and you get a chance to go apply. Also, your kids see them getting up in the morning and going to work, and see that they have a few more options in their lives because of the kinds of money they have.

We want neighborhoods like old low-income neighborhoods used to be. Old low-income neighborhoods in cities used to be neighborhoods with lots of different kinds of people in them; some unemployed people, some working people with not a whole lot of money; some priests or social service workers who chose those neighborhoods to live in for all kinds of other reasons. Kids growing up had lots of models about what life might be like, and they could pick and choose among those models.

In Cambridge right now, we serve about 10 percent of the population. I would like us to serve 20 percent of the population, but a broader spectrum of the population in each one of our developments. We would have just as many units available for low- and moderate-income people, but they would be in housing settings or developments, each one of which had a wide range of Cambridge's citizens in it.

If you want to talk about a fundamental reorganization of this program, I would suggest that we allow housing authorities to expand the breadth of people they can serve and, at the same time, expand the amount of money they have to own and purchase units, both in freestanding developments and in the midst of other developments.

Senator MOSELEY-BRAUN. Would each of you be willing to reduce your thoughts in this regard to writing and send it to us? Would that be all right to do that?

Senator SARBANES. Of course you're advocating for a social attitude toward public involvement in housing that corresponds more with the European model than the traditional American attitude.

I mean, I may have some sympathy with that, but there's a lot of opposition to it, as you well recognize.

Mr. STOCKARD. Let me just suggest that a good model to examine (perhaps you all have looked at this before) is MHFA. I'm sure this is true in other States, as well, but the State I'm most familiar with is my own. The Massachusetts Housing Finance Agency, by statute, must include in every development it finances (which now amounts to 70,000 units across the Commonwealth) at least 25 percent of units for residents who are of low- and moderate-income—that is, people who would be eligible for public housing. Their incomes are at the same levels.

So we have 70,000 units of, if you will, mixed-income housing. These units are owned by private, either not-for-profit or for-profit organizations that agree to make the housing available to these residents in exchange for the reduced interest rate on their loans.

Every so often, someone takes a look at that housing to see what kind of state it's in. It turns out that the success of this mixed-in-

come housing is dependent almost exclusively—here's this word again—on management.

Because what people really turn out to care about is not so much what the income of their next-door neighbor is as what their behavior is like.

So you can earn \$100,000 a year, and if you're playing your stereo too loud, or you're selling drugs in your apartment, I don't care what your income is, I'd just want you out of my life.

On the other hand, if you come and go in a reasonable way, and you interact normally in the hallways, then I don't particularly care what your income is. In most cases, I don't know what your income is.

What insures good behavior is good management. Because when that person is acting badly next door, good management firms deal with that person because they're breaking the rules and conventions.

I would suggest that there are actually a lot of pretty well-functioning quite mixed-income developments in operation. They may not be publicly owned, but they have a heavy public involvement in terms of MHFA's management rules and oversight.

Why some of those developments couldn't be owned by public housing authorities in those communities, I'm not really quite sure. In fact, my guess is some housing authorities would do a better job of managing some of those properties than some of their private owners do.

Senator SARBANES. Of course, the HOME program is designed to accomplish some of that.

Mr. STOCKARD. It needs a little fixing, but yes, there are some worthwhile targets there.

Senator SARBANES. Let me ask the panel these questions, very quickly.

First of all, are you satisfied that the success stories are adequately known within the industry?

Mr. GILMORE. No, Senator, not at all.

Senator SARBANES. What's the problem there? You've got about 3,100 public housing authorities across the country. Why can't we build up some pressure, where the authorities that are not so good know what's being done, where it's being done well, and begin to feel some pressure on them to emulate these examples? What's the breakdown there? Why can't we get that story out?

Mr. O'ROURKE. I think in the past what happened, even in the previous administration, especially over at HUD, used to highlight the troubled housing authorities more than the success stories. The same with the media. The media tends to go to something that's very sensational. There's a killing or a fire or what-have-you at a troubled housing authority.

We haven't been very good at getting the record of our success stories out to the public, so we have to concentrate more on that, using our professional associations.

Mr. GENTRY. I think also even good housing authorities have problems. We deal with old structures, primarily, built way back to save money, which wind up with the properties having a very institutional appearance. They're not pretty in many respects.

We deal with a clientele, a part of the population, the socio-economic graphics tend to produce relatively more social dysfunction than, say, a middle-class neighborhood would.

So I think part of it is, even in a good housing authority, there are still going to be problems, and those problems, because they are concentrated and visible and, in some respects, can be stereotyped very easily, tend to produce negative media; this is a normal course of events.

Probably we in the industry have not done as good a job as we should have of telling our story. We have taken a very aggressive public relations approach in Richmond, as we did in Texas, before that, to tell the story.

You've got to be aggressive doing that because, even for the best authority in the country, in the normal course of events, you're going to get bad press. It's built into the system.

Mr. GILMORE. Let me also just say, Senator, I think that from a national perspective, we're emerging now, I hope we're emerging from a pretty dark period in our history.

This program did not enjoy much favor amongst the prior administrations. And, quite frankly, from my perspective, we've gone through a period of time in which a lot of effort and energy was spent in efforts to break down the perception that public housing in the United States was a good program, was a good resource that should be supported and rebuilt.

Instead, a lot of effort was expended at the national level to send out a message which was exactly the opposite. We spent an awful lot of our time, Senators, over the last 8 or more years, having to battle that perception, which I think was being fostered very heavily by prior administrations, as well.

So, in part, while we were attempting to defend ourselves, quite frankly, from that onslaught, it was almost impossible for us to get beyond just the defense into the realm in which positive affirmative information was being put out there. It was hard, if not impossible, for us to do it.

Senator SARBANES. Mr. Gentry, you said—

I'm sorry. Ms. Johnson?

Ms. JOHNSON. Thank you.

I would just like to add to that, from the resident's perspective. For example, in the resident management program, you have to have a face like flint. You've just got to be able to stonewall, because the attitudes and the perceptions in society are almost insurmountable, compared to just learning how to do business on a daily basis, because it's been preconceived in people's minds that residents in public housing can't do anything.

That's policy. So when we've got the program up and running, and it was actually working, then we had the 5-month visit of the inspector general, that was just going to prove that we were thieves and whatever. And so we had to overcome these kinds of things.

You've got your local politics that you have to deal with, because now that you've got a couple million dollars being flowed through, it's like you all can't do this. I can't even begin to explain to you the difficulties we've gone through, just to say, look, we're people

like everybody else. We can add 2 and 3, equals 5, you know. Sometimes it's a plus and sometimes it's a minus.

And take the very basic same principles that everybody else uses to manage and run a program. You've got people that feel threatened that the residents are going to take over the agency and take all the jobs. It's been proven by our program that jobs increase because you became a partner. We do a lot of things with the Authority on a dual area.

Plus the other thing, when residents get their minds set to change, you can't even add it up in a kind of dollar figure.

Once you rehab the buildings, we rehabbed the people first, so the buildings can stay rehabbed. Because the mind set of the society, folks living there, as well as outside, so it's been a real difficult thing to sell the program, to say it works.

Some people have approached us; they want us to do a program with no money. We said the Housing Authority can't run the program without money. How do you think we're going to do it without money?

We organized and got a lot of pro bono training, but at some point, that ends. When the private sector says, we've helped you to this point, and now you're on your own. You go out and get you some boots and you strap them up. So you've got several areas of disincentives for residents to do a program like the one we're doing. It's very difficult.

Senator SARBANES. Mr. Gentry, you said that when you were in Austin, you had difficulties there because of physical design characteristics.

Mr. GENTRY. Yes, sir.

Senator SARBANES. I wondered what you were making reference to?

I guess I'm really, in the end, going to get back to highrise public housing, none of which has now been built for a number of years, as I understand, and which seems, in many instances, to be at the center of some of the more troubled projects. First of all, is that an accurate perception on my part? And is that what you were referring to? Or were there other physical design problems?

Mr. GENTRY. That is accurate.

Senator MOSELEY-BRAUN. Before Mr. Gentry starts, I have another conflict. You guys don't issue roller skates with this job, but I've run from one part of the Capitol to this building. So I have a conflict, I have to leave. I would just like again to say thank you very much, and I will want to follow up with members of the panel again.

Thank you very much for coming.

Senator SARBANES. Thank you, Carol.

Mr. GENTRY. Two answers. Yes, your perception is accurate. Family highrises are a different problem onto themselves. However, generally family highrises do not exist in the south. There are none in Richmond, none in Greensboro, there were none in Austin.

How the physical design problems, how those affected Austin, I had one 300-unit property that had been built on what the architects called an alluvial plain, which was a clay substance that expanded and contracted with rain. And literally the foundations of some of the buildings were crumbling. By the time I arrived in

Austin in 1987, that 300-unit property had been almost totally vacated.

The way we dealt with the issue was partial demolition, partial new construction, and partial renovation. We wound up downsizing the project by 84 units. We retained 116 units. We demolished the rest, partially replaced those with 100 newly constructed units built in a way that could handle the soil, and we wound up with a very functional, 216-unit property to replace the 300-unit vacated property.

That 300 units was a very large percentage of our 1,900-unit inventory at the Housing Authority in Austin, and had some financial implications for the Authority. It was not the reason the Authority fell into financial trouble. Incompetence and local mismanagement did that. But it was a factor, and until we addressed that, we really were not in a position to solve all the problems.

Senator SARBANES. Mr. Stockard, I know you have another engagement, so if you have to excuse yourself, why don't you just slip on out?

Mr. STOCKARD. Thank you very much. I appreciate it, Senator. Thank you very much for the opportunity to chat with you this morning.

Senator SARBANES. You've been very helpful, and I'm sure we'll be back to you, and other members of the panel, as we develop this issue. Did someone else want to comment?

Mr. O'ROURKE. Dealing with highrise buildings for the families, we had a development which was our largest at that time, and had three highrises for families.

The vacancy rate was always around 50 percent. When I arrived, we did a study and found that our costs for maintenance and security were excessive. The elevator maintenance firm was always responding to make repairs due to vandalism. There was a huge drain on our resources.

We made the determination to make the rest of the site viable, and to rehabilitate it, we had to tear down the three buildings. It was unfortunate but unavoidable. We replaced those with scattered sites, single-family and duplex housing, which most of the people favor.

In fact, we got a lot of publicity when the first duplexes and single-family units were completed, and people were coming in and applying for the scattered-site program, which they can't do separately. They have to go to the regular waiting list. But they find it a much better environment in which to live.

Tenant screening is very important also. In the past, to meet occupancy standards for HUD, housing authorities would just take almost anyone off the list, and just admit them to public housing and put them in without doing a background check.

One of the things we instituted was a police background check. Families with a history of criminal activity were not allowed in.

We'd do a home visit. We'd visit them with a staff member, a former public housing resident herself, where they currently lived. She would go and visit them in their homes. If they had poor hygiene or poor housekeeping habits, they were denied, at least for a year, until they could correct that.

Last, but certainly not least, we initiated what we called the preparation for community living program. It was a mandatory, preoccupancy training program for all new public housing residents.

We took a lot of heat for that at first. We were challenged by the local legal services group, saying that we were insulting poor people. What we did was talk to the residents, and they said that was a very good program, and that we should initiate it.

We changed the name from living skills to preparation for community living, and, most importantly, we hired a public housing resident to teach the program.

Mr. GILMORE. I think, Senator, I would just add to this, there's probably some general agreement among all of us that if we have a choice to make, if there's an option, none of us would favor constructing a highrise building. By that, I think we're talking about any buildings that require elevator systems in order to reach the upper floors.

Senator SARBANES. What about for the elderly? Are they an exception?

Mr. GILMORE. I think an exception.

Mr. GENTRY. They work.

Mr. O'ROURKE. There are some problems with the mixed population, though. The problem with the elderly—excuse me, David—some of the mixed populations in the highrises, some of these highrises have as many young people as they do old people, and that's been a serious problem in Providence.

We went from a population that was 90 percent elderly in our highrises, to where there's 60 percent now, 40 percent of them are young people in those buildings, and they're creating the problems that you have in the family development.

Senator SARBANES. Now they're getting the disability preference?

Mr. O'ROURKE. Yes, Senator.

Mr. GENTRY. That's a good point. The key factors to the highrises is security. Where it's entirely elderly, you can make central security at the ingress and egress, it works very well, but where it's a family highrise, from what I've gathered, I've never had to manage one of those, but from what I've gathered, it's internal security that's the issue.

When you add the disabled to the elderly population, and I'm speaking as a relatively young disabled person myself, I understand that side of the problem as well, but when you add someone who's disabled, particularly with a behavioral or related disorder to a contained otherwise elderly property, then you decrease the security within that building, and cause all kinds of management problems for the authority, and security problems and real fears on the part of the elderly residents there.

Mr. GILMORE. I just wanted to add, if I may, Senator, that again, if the option is presented to us, I don't think any of us would opt for a highrise development. There are, however, instances, particularly in many of the larger cities, in which there isn't an option. The only option is to destroy the resource.

In that case, I happen to be one of those folks that believes that it is possible, through a combination of some reasonably creative

design and a restructuring of the management practices of an agency, to in fact operate highrise developments for families.

Senator SARBANES. What do you mean by highrise?

Mr. GILMORE. Let me give you an example. I would define a highrise as any building in which access is provided through some elevator system, in which not every family has the ability to go down steps to reach the ground, or has immediate access to the street.

Senator SARBANES. Now, how many stories do you think you can go up before you reach that question?

Mr. GILMORE. I am not sure I know the answer to that.

Senator SARBANES. What is the working rule in the business? How high can you build a building and not put an elevator in it, I guess is my question? I'm just curious. I mean, you can build it any height?

Mr. GILMORE. I think anything beyond three stories or a four-story building in which the top two units are duplex, they're stacked units, I think anything over three stories requires an elevator.

In Boston, let me just give you an example. I spent 10 years in Boston.

Senator SARBANES. In Paris, they have very expensive apartments 5 and 6 stories up before they break out into elevators.

Mr. O'ROURKE. Cheese and wine.

[Laughter.]

Mr. GILMORE. We were able to rehabilitate or reconstruct a seriously distressed development, a primarily highrise development, through a technique in which the larger units were brought down to the lower floors, the larger units for the larger families, providing more direct street access to the larger families with the largest number of children and limiting the upper floors to the very small units in which the kids were particularly pretty young.

That enabled us to operate fairly effectively a highrise living environment, but in a way that was different than the previous environment, significantly so. That, plus the combination of some different management made it possible for that development to function. As a matter of fact, it won an award, I think.

Senator SARBANES. Let me ask a couple more questions. Then we will have to close out this hearing.

There is a lot of agitation now over the failure to move the modernization money. There is a lot of modernization money in the pipeline and we're getting a number of different stories about that.

One position is, well, this is the normal course of events. You're not being realistic. There's always a lot of money in the pipeline, and this is not inordinately more. That's just the way it works. It takes a long time from when you start to when you use it, and so forth, at some point.

Another position is, well, yes, there's something of a problem, but it's essentially HUD's fault, not the housing authorities' fault. Then we get into a back-and-forth, whether it's the housing authorities that aren't moving the money, or whether it's HUD that's holding it back.

The third position is something's really wrong; we really ought to be able to move this thing a lot faster than we're moving. Why

can't we get a system working that really moves that money out there? And isn't there something we can do right now to turn loose a lot of that money and get some results? How do you all see that issue?

Mr. GENTRY. Most of it is an inordinately long bureaucratic process getting the money from HUD to us. I'll give you an example.

For the money that you all allocated up here in September 1991 for fiscal year 1992, it was finally allocated to us a full year later in September of last year. Following that allocation, it takes 90 to 150 days, typically, for us to get the paperwork completed with HUD in order to get the transfer of the money. In Richmond, the 1991 money that you allocated to us we finally began receiving in February 1993. Approximately a 17-, 18-month lag.

Senator SARBANES. Now, as I understand it, Cisneros has indicated that they're going to move on that front with earlier allocations and maybe with a 2-year allocation. Are you telling us that, or are you seeing that as well or at least hearing that?

Mr. GENTRY. We are hearing that; we haven't seen it yet. My agency came up and provided some help to HUD administration back in January or February to provide some assistance on where to break it loose. The secretary issued a new regulation a couple of months ago which hopefully will reduce the HUD process from about 75 days to 14. Now, hopefully, that will happen.

The problem for most of the money is just simply getting it to us. Now, there have been some housing authorities classified as non-troubled who have had problems spending the money. That has not been the case for most of us.

For most of us, it's an overly bureaucratic system where there are too many bells and whistles that HUD requires you to take care of in the interim process, I might point out, whether you're good, bad, or somewhere in between it's the same bureaucratic process.

What would be more useful, much more useful, not only for modernization but for much of the rest of our programs, is a disclaimer program much like the urban renewal programs used to have, where an authority does not have to jump through all the hoops but can go ahead and implement programs. You combine that with a tough audit and sanctions where authorities do screw up, but you don't require all the hurdles front end and I think you will get a much more effective, more timely implemented program.

Mr. GILMORE. Senator, I would like to suggest that it is appropriate that we in the industry stop pretending competence weren't a problem. To some extent, and I don't know exactly what the extent is, but competence is an issue that we have to deal with.

Even if we clear away all the bureaucratic obstacles, even if we establish all the right kinds of rules, even if we reform the Federal procurement rules, and even if we project out in advance as much as we can so that we can plan, there still will be some concern about how quickly some agencies can get this money out into the street, and I want to emphasize that again.

The National Commission understood and found some degree of link between distressed public housing developments and agencies themselves which were having difficulty functioning. One of the issues that I hope will be taken on at some point in this process is

a methodology by which the industry itself, because we are at the same time needing to face the issue of competence within our midst, and also I think the most able to fix what is broken about the industry.

But having said that, there is an excruciating, it seems to me, incongruity between the concern that is expressed about how even the most competent agencies amongst us, how quickly we get this money out, and the pressures that are brought to bear in other arenas, through HUD itself, through the IG, and other forums that say to us, you housing authorities are overstuffed administratively, you have too many administrative personnel, you have too many maintenance folks out there for the number of units you manage. And the incongruity between that and the excruciating detail in terms of rules and regulations, Federal procurement rules, the do's and don't's of the system which require that, in order for us to meet the limitations or the prescriptions of those rules that we've got to maintain the kinds of staffs that we do. We can't do both at the same time.

Senator SARBANES. Let me ask you this question. I think it is very important to have winners in this arena to show that it can be done. And to have enough winners or a sufficiently small number of losers that the perception is that the system is not inherently at fault. Actually, to pick up on your comment, I do think there was an effort to portray the whole system as being at fault and to just try to close it out if possible.

But the fact is there's a huge investment in the public housing stock. It does work well in a number of places and it can be made to work better. And it may sound sort of ruthless, but I'm not sure that the resources ought not to go to make sure the ones working well continue to work well, and to jack up the ones that are drifting downwards so they don't fall well below the line.

And to the severely distressed agencies, you say, look, you've got to shape up your act some way or other or we're going to have some radical restructuring. But we're not going to deny resources to the vast—to the large number of these authorities to be able to continue to do a good job and run the risk of deteriorating. What's your attitude on that point?

Mr. O'ROURKE. The problem about doing that, you're cutting off the severely distressed because of management problems or whatever and you end up punishing some of the residents that are there and some of the good staff members.

I think there probably should be a racheting of funds, if you will. They have to show progress and improvement along the way or suffer takeover eventually.

It gets to a certain point where, if push comes to shove, that someone has to go in and take the reins and run the program. If the local management, due to politics or just plain incompetence just can't do it.

We would have never been able to improve in Providence if we hadn't received some comprehensive improvement funds over the years to get our management improvement program going. With management improvement funds, we were able to start our living skills program, any number of other programs, to be able to im-

prove themselves. So they can't be denied funds. But they have to realize that there are some responsibilities that go with it.

Mr. GILMORE. I would add, Senator, I think that the scenario that you just described makes all the sense in the world. But it seems to me that it comes down to a resource issue, not a capacity issue. Those of us that have demonstrated our capacity to perform, frankly, I think ought to be left alone to do what we do and let us get it done. The other segment of the population that needs that remedial assistance ought to be getting it and they're not getting it.

Mr. GENTRY. I certainly don't think that a poorly performing housing authority should be thrown into debtors prison where they can never work their way out. However, if you're a behaviorist as I am and if you believe that people and institutions respond to stimuli, they respond to rewards and they respond to negative incentives, what you just said is absolutely the way to go.

I would love to see it applied to this business because my agency would prosper. But I think it would be the kinds of carrot and stick approach that would work well with the problem authorities.

As I indicated a while ago, I see the problems of this business on three levels. There are problem projects which are problematic for a variety of reasons. Dave's committee dealt with those last year. Whether they be highrises in inner cities, whether they be the crumbling properties like I had in Austin, Texas, those are isolated and can be dealt with on an ad hoc basis. And there are dysfunctional regulations that affect all of us that we spent a good bit of this time today discussing.

But the middle category where it's the troubled housing authority, frequently that is a matter of lack of competence locally and lack of concern.

I have to contrast Austin and Richmond. Both agencies had trouble in the 1980's. The Austin board at the time the troubles occurred did not own up to the problems and that board wound up having to be replaced by the mayor in order to get the problem addressed. In Richmond, the board recognized problems as they were developing and took the responsibility for turning it around.

Unfortunately one of the things that has tended to happen over the past 20 to 25 years as more Federal money has come into localities is that frequently city leaders have seen housing authorities as Federal creatures rather than local creatures, and therefore the money is going to come from the feds anyway, and they have tended to divest themselves of responsibility. And it is restoring local responsibility that will get the problems corrected.

Senator SARBANES. Ms. Johnson, let me ask you this question. You represent a tenant management group that is running your project, is that right?

Ms. JOHNSON. Yes, sir.

Senator SARBANES. What do you think of the big push to sell these public housing units to the tenants?

Ms. JOHNSON. I think the idea is a good one if the units are brought up to housing quality standards before the residents take them over. Because in our situation, we took over as-is, and we didn't pass the housing quality standards when the IG came. And

given the same rules to live by, nothing has changed from the authorities.

I think home ownership is a wonderful idea, but the scattered site proposition is a good one. You know, all of the HUD houses in a lot of communities that's boarded up, they're excellent incentives.

I don't think very many groups are going to want to buy that unit as-is in the configuration. For example, 616 units, many groups don't want to attempt to buy it. Because once you get into management and understand the bureaucratic maze, you say, this is going to be forever; I don't know if I want to deal with this. So you don't have a lot of groups that's really totally wound up about buying their own area.

Senator SARBANES. They are or are not?

Ms. JOHNSON. They were, but they're not now. Because the question now is, will HUD follow through on the appropriations? For example, we had a planning grant. And now the question is, will you be able to get the implementation grant to go to the next phase? So it's kind of like people are at a standstill.

We had a lot of excitement for a small number of groups now. It's just not a lot of resident manager groups in a position to purchase yet.

Mr. O'ROURKE. There's a lot of drawbacks to the whole program, well-meaning as it may be, and the American dream of home ownership.

We've had some interest. We plan to sell some single-family and some duplex homes. Most of the people in our housing authority are very low-income, making an average income of around \$7,200 a year. It's very difficult to maintain a home at that income level.

We have some higher-income residents in our scattered-site program that we think can make good home owners. And we also want to assist them with down payment assistance and closing costs. However, there is a broader public policy issue here.

We wonder what kind of message that sends out to the working family that's working two jobs, evenings and weekends, and has saved to buy a home to meet their dreams. A lot of people complained when we received publicity for our program. People were mentioning, well, we're subsidizing the very low-income here, and here are people who are middle-class nowadays in this housing market, with the difficulty of buying an affordable home themselves. So there has to be a balance there also.

Mr. GILMORE. Senator, over the last 5 years, I think I found myself in pretty hot water over this issue, so I probably—wisdom would suggest that I keep my mouth shut over this one, but it's hard to do it.

My view of this issue is this: I believe that public housing in its conventional form is a precious national resource, and it oughtn't to be dispersed. We oughtn't to be dispersing it through any mechanism.

It was hard-fought. A lot of blood and a lot of sweat was expended in the very big cities to get conventional development built. And if there is a need, and I believe there is, I'm all for it. If there is a need to push forward in the arena of home ownership for low-income Americans, we ought to do that. But we ought not to do it off of the backs of other poor Americans that need the public hous-

ing program now and in the future. Let's go find some other mechanism for doing it. Let's not sell off public housing as we know it.

Mr. GENTRY. That's good. There is a significant part of our population that has been left out of our discussion today, and that is the people on the waiting list. However unpopular public housing may tend to be from time to time, it is a very popular program for those people.

I would submit to you, Senator, that the least expensive way for taxpayers to provide for a unit of affordable housing is to help the current family in public housing move up and out and become mainstreamed and provide that unit to a family on the waiting list.

Ms. JOHNSON. That answers something. I think you need to look at this issue city by city, because in Chicago there are some developments. And if the residents don't take them over, the housing authority is just going to take dynamite and blow it down. Some of these developments are just so distressed because the people—the crime is high. If the people living there don't take it over, you might as well blow it up. It's not going to be ever controlled again. Because people are taking on the responsibility for themselves and for each other. And that has served to be able to be a conduit for control.

One of the things, like an example at LeClaire, that's one of the ways we controlled things is by saying, this is where we live. We did a study about the private market and what's out there to move out. And what do you have to lose if you've been here 15 to 20 years already.

So people say, you're right. We might as well fix it up and stay here, whatever, the rest of our lives, because if we don't do this, the authority is not going to control it. Because you can constantly move in people with no income and they have no incentive to keep the property up. So you've got dual problems.

I think that in an agency that's doing a really good job of management, don't sell it out. But in areas where you've got to make a choice and you see people living there that can handle it better on a basis like that, that's not a lot.

I mean, I've talked to many groups. They don't really want that responsibility of deteriorating property. Some do. To some, it's a challenge, like for us. It's a challenge to go out and make this partnership work with the private sector to get dollars.

The city's coming in, the state has bought in, and so that's an incentive to say, OK, we have to keep it up after the rehab. But you have to be responsible for keeping it in that position. So it just changed people's lifestyles around. And the mind set. So you've got to deal with it city by city, I recommend.

Senator SARBANES. Let me place a premise before you and get your reaction:

Public housing should be the landlord of last resort. I take it from the testimony here today you all would disagree with that because you would see it as taking the projects down to the very poorest of the poor and then you don't think you could sustain the project as a community.

Is your objection conceptual, or is it based on the inadequacy of the resources? Suppose you had more resources with which to have

more units? Would you still reject the notion that public housing would be the landlord of last resort?

Mr. O'ROURKE. From the affordability point of view, public housing almost certainly is the housing of last resort.

What I object to is when we have to do an eviction of someone who's violating their lease for drug sales, loud music, misbehavior, etc., and the local judge, who does the T&E's, says I can't evict them because public housing is the housing of last resort.

Public housing was never built to be the housing of last resort. It was built for decent people who are down on their luck for a temporary period. And they are supposed to stay there and follow the lease.

Some judges say they won't do an eviction for any reason, and it sort of destroys the environment for the rest of the good, law-abiding people who are following the leases in the public housing development.

Mr. GILMORE. I would just say, Senator, that if what you mean by housing of last resort is that there are no standards and no criteria for admission and then no standards for behavior once you are admitted, if that's what housing of last resort means, then I have a principled and a philosophical objection to it. It isn't just a resource question.

Senator SARBANES. If I accept that, what do we do with those people?

Mr. GILMORE. The answer is, I don't know. But if I may just finish my point, I don't know the answer to that.

Senator SARBANES. I am not suggesting you do, but I am just asking.

Mr. GILMORE. I don't know, but the associated question is, if we make public housing the housing of last resort, what do we do with all the folks that ultimately will be the victims of that small number of folks that can't manage to survive in that setting?

Senator SARBANES. I think that is an important point.

Ms. Johnson.

Ms. JOHNSON. I don't like the idea of public housing being the last resort for the reason that it contributes to the negativity that society has for public housing people already.

We always used the term, brick and mortar does not make a man; man makes brick and mortar. So you associate the person with where they live, that they have no worth. And that further contributes to the problem that we're experiencing.

If we can convince the judges that you shouldn't send people back that are disruptive and disrespectful to the community—let them fend for themselves. We could become our brother's keeper to a limitation. When you go through all the rules, all the flexibility, and they just don't do right, you put them out and let them fend for themselves.

It's been our experience as resident managers that the many really hard-core families just took the authority's liberty for granted. Once we evicted them, they changed their lifestyle around. When they got them a house in the private sector, they paid their rent, they looked decent, they act decent, because we brought them off the property. Some folks, it just takes force to make them live

better and live right. Other folks further deteriorate, of course. You have to take your chance.

Mr. O'ROURKE. You have to realize there is a price for misbehavior and certain social obligations to citizenship that's behaving.

Senator SARBANES. Let me ask this question. There is a freeze on new construction, more or less. How serious an impediment is that for doing your business?

Mr. GILMORE. I think in the final analysis, our waiting lists grow. On the premise that our clients are not only our current residents but those who could be our residents in the future, it is a serious impediment. Our waiting lists grow.

The only mechanism that we have had at hand in San Francisco to significantly expand the availability of affordable housing in the city is through the section 8 program. I know that Senator Moseley-Braun made reference to this before.

I don't want anybody to be misled into thinking that the public housing program just simply or the section 8 program simply chugs along on its own; it is a major responsibility. And even though we don't manage the housing on a day-to-day basis, there are many other kinds of functions that we must perform in order to assure that the housing is: (a) available and, (b) is of a quality sufficient to serve the needs of our clients.

But what has happened, as you well know, Senator, is that even with respect to the section 8 program, although I cannot foresee a time at which funds to support the program will be withdrawn and the program will shrink, one needs to worry about that sort of thing in light of the fact that what were previously sort of semi-permanent allocations, 15-year contracts for section 8 certificates have now become 5-year renewable contracts and in some cases 3-year renewable contracts.

In the back of your mind, you almost must worry about whether or not the economic pressures in the United States are going to ultimately find their way down to that section 8 program as well. I worry about that.

Mr. O'ROURKE. I am concerned with the waiting lists the way they are around the country. We have to do something. But I am more concerned about taking care of the thousands and thousands of vacant units that are in the public housing system right now. I favor more funds for the Comprehensive Grant Program.

We also have to do something—going back to my opening remarks—something about the welfare system in this country where it gives people training and educational opportunities so they can get up and out of public housing. This way we can have room in public housing for the poor. We must also go back to the traditional role of public housing as transitional housing.

Mr. GENTRY. I agree. I think it is important that a locality be able to fit its public housing program into context. We don't exist as an independent enclave on the edge of town. Hopefully that's been forgotten.

One of the benefits or good factors about Richmond is that I run not just a housing authority, but a redevelopment housing authority. We administer about half of the city's CDBG allocation each year. We're administering over half of the city's HOME allocation.

And we are operating a number of combination conservation programs and old-style urban renewal programs.

One of the things we have tried to do over the years in Richmond is to create a continuum of housing programs so that a family coming into public housing as they can work up to work out, that there be entry-level housing available to them.

We can provide home ownership housing in Richmond which by DC standards is a low-cost area. We can provide entry-level home ownership for units for anywhere from \$40,000 to \$65,000, which means that if a family is working and earning decent money, they can move up and move out. The problem is getting that stake to be able to get up and get out, and that is where the current system is not functional.

I don't know if that answers your question, but the need is still out there. It is not going away. It is increasing. And the lack of additional resources does hurt us all.

Senator SARBANES. Do you see the HOME program as offering another opportunity to address this issue?

Mr. GENTRY. It will serve to provide additional affordable housing, but not subsidized housing. If I could draw a distinction between those two, for the very poor we're going to continue to have a need for ongoing deep subsidy programs like public housing, section 8—and I love the section 8 program. That's worked very great in all three States I have lived in. Both programs are going to be needed to serve those people who are not able to take care of themselves over the long term.

Affordable housing I would characterize as the next level where there is a shallow subsidy up front to reduce the cost. But then over the long term the family takes care of it themselves. Downpayment assistance, cost of land and relocation in an urban renewal area, certain rehab costs absorbed. And for affordable housing, the HOME program works great. But affordable housing is the housing that you use to address the working poor. For the welfare poor, for the very poor who need ongoing subsidy, HOME will not address those.

Senator SARBANES. Of course you were talking earlier, as was Ms. Johnson, I thought very effectively, about—and this is a bigger issue—how do we move the welfare poor into being the working poor and how do we move them along that ladder?

Mr. GENTRY. If we could combine a way for, say, a welfare family living in public housing, if that welfare mother can go to work and let's say she has a grace time period of 1, 2, 3, 4, 5 years, whatever is reasonable for her to accumulate a downpayment to move up and move out, so that she can see she's getting the benefits of her labor.

And then you combine that, perhaps, with HOME or with CDBG, or some other shallow subsidy to lower the initial cost of entry-level home ownership housing. That will work extremely well. And we do similar programs to that in Richmond right now using the local resources or locally designed programs, using Federal resources, HOME or CDBG, and put it in that context where there is a continuum, there are rewards for positive behavior, and there's a help to get up and out. Then the family becomes a taxpaying citizen, helping to pay the way, rather than just a continuing burden. But to do that, you need a system that's reasonable.

I appreciate what Jim Stockard said a while ago, and yourself and others here about leadership. It is true, leadership is needed and it is true that good people can make any dumb program work. But I think that what we need is a program that is designed so that it can work without the necessity for heroic action to make it work. I don't think now that public housing is designed to work without heroic action. I think some common-sense approaches that simply reward behavior would be the first step toward doing that. That and requiring localities to look toward the development of the continuum of approaches.

Senator SARBANES. This has been a very helpful panel. Is there any concluding observation anyone might wish to make?

Mr. GILMORE. If I just may add a little piece of information, I am sure you already know, Senator, in relation to this last issue, while no interest here in denigrating the section 8 program, the fact is that conventional public housing as a means of housing low-income people is much cheaper and will always be cheaper.

Senator SARBANES. Of course. That's one of the problems with selling off these units to the tenants. In the few places where they've been trying to bring them up to the level that made them acceptable for sale, the cost I think was double what it would have cost to build an additional unit. I mean, there was a phenomenal spread.

Mr. GILMORE. That may very well be. I would never make the argument that we shouldn't build additional units at a lower cost, but building in many cases is more economical than rehabilitating what you've got. But ultimately the issue turns, in my mind anyway, on the question of whether the housing is permanently available, whether it will be a part of the affordable housing stock into the long-term future, or whether I worry that we aren't moving in the direction of constructing a house of cards which under the worst and most adverse circumstances we can imagine might crumble on us.

Ms. JOHNSON. In my closing statement, I want to express my sincere appreciation for this opportunity again. I would think in reviewing all the things that are going on, keep in mind that partnership is so critical.

The other issue is attitude. I find that if you have the right kind of attitude, you can take the worst circumstance and begin to build and change things around. We have experienced that in the community in LeClaire courts where we live. So where we might not agree on certain areas, I think we ought to look at more than one thing to solve these various problems.

For example, in terms of selling off units, I do personally feel that there would be a very limited amount of units sold off. But where it's feasible, I would encourage that you try that. Where it's not feasible, don't try.

But we certainly request that you build some new units. There are so many homeless people, and in our community, we've got double families. And if they don't tear the property up, you really can't ask them out. You know they're there. They're silent. There's just so many things contributing.

Last, the job situation. The unemployment just contributes to the housing problem. It contributes to safety, it connects all together.

I don't quite know how to explain it. But thank you again very much for listening. God bless you.

Senator SARBANES. Thank you very much for coming.

I must make this concluding observation, Ms. Johnson. If we had residents like you and managers like these fellows, I don't think we'd have any trouble with the housing units. I think that's pretty clear. We thank the panel very much for coming.

The hearing is concluded.

[Whereupon, at 12:30 p.m., the hearing was adjourned.]

[Prepared statements of witnesses and additional material supplied for the record follow:]

STATEMENT OF DAVID GILMORE
EXECUTIVE DIRECTOR, SAN FRANCISCO HOUSING AUTHORITY

TOOLS FOR REVITALIZING DISTRESSED PUBLIC HOUSING AND MODELS OF SOUND
HOUSING MANAGEMENT

MAY 11, 1993

Mr. Chairman, Members of the Committee: My name is David Gilmore and I am the Executive Director of the San Francisco Housing Authority. Thank you for allowing me the privilege of testifying before you today. I am pleased to be here on behalf of The National Association of Housing and Redevelopment Officials. To establish my credentials I have served for two years as one of your six representatives on the National Commission on Severely Distressed Public Housing and also represent a large public housing authority which has emerged from HUD's infamous list of troubled public housing authorities. The San Francisco Housing Authority was my second experience with remediation of a troubled Public Housing Authority. I was Chief of Operations and Deputy Administrator at the Boston Housing Authority for most of the ten years of its receivership.

I hope the information I bring you will be of use to you as you consider ways to further support local authorities in their mandate to eradicate the blight of severe distress within their midst. I'd like to focus my testimony in two directions. First, I'd like to touch upon some of the findings of the National Commission and then tell you briefly about the turnaround of the SFHA.

The findings and recommendations of the National Commission on Severely Distressed Public Housing were fairly far-reaching and quite detailed. In the interest of time please let me summarize those that I think are most important to today's purpose:

(1) The Commission recommended creation of a separate unit within HUD to oversee programs aimed at Severely Distressed Public Housing by bringing together the many disparate but related programs and funding sources under that unit.

(2) It recommended Federal Interdepartmental coordination at the highest level (The White House) so that maximum Federal resources might be mobilized.

(3) The Commission recommended a separate Congressional appropriation of 7.5 billion over the next ten years to physically modernize distressed developments.

(4) The Commission also found that the additional human service programs and administrative coats needed are estimated to bring the tenure amount to in excess 10 billion.

(5) To strengthen the public housing community the Commission recommended modifying regulations which work against income mixing including, for example, the Federal preference system for admission, constraints which make rent ceiling unworkable, and rent determination and public assistance rules which discourage recipients from seeking employment and work to destroy stable two-parent families.

(6) The Commission recommended revision in PFS and other HUD rules to permit inclusion of security costs, AEL's which are based upon distressed development management plans, establishment of realistic development costs and the need for significantly expanded management improvement programs and associated costs.

(7) To encourage improvement in management of severely distressed developments and troubled PHA's, the Commission recommended the establishment of a public Housing accreditation program similar to those for hospitals and universities which would establish performance standards, evaluate the performance of public housing authorities and provide remedial technical assistance where necessary. Such a system is recommended to be administered by the public housing industry itself.

(8) The Commission recognized the critical tie between remediation of severely distressed public housing developments and the environment of the neighborhoods in which they exist and the coordination of comprehensive social services.

The Commission determined that severe distress exists in approximately 6 percent of the public housing units in the United States or about 86,000 units. The good news, of course is that 94 percent of the nation's public housing is NOT severely distressed, although if we don't soon reconsider our priorities, we'll not be able to find much solace in that number. On the other hand to have permitted 86,000 units of this precious national resource to have become virtually uninhabitable, in light of overwhelming unmet need, is as the Commission described, "a national disgrace" amount to "de facto demolition." The Commission recommended an annual appropriation in excess of \$1 billion be directed at the effort to reclaim severely distressed public housing. Last year's Urban Revitalization Demonstration Program, which you, Mr. Chairman, Senator Mikulski, and others were key in creat-

ing, is a start, but only a start. Please allow me to remind that funding the physical renewal of these developments was but one of a number of other approaches to eradicating distress worthy of implementation by the Congress. NAHRO and other public housing advocates reminded the Commission that in those areas of our nation, where there is such a tremendous need for physical improvements, economic development and family support services, a more **comprehensive** approach combining public and private resources is needed. We must look not only at the condition of housing, the number and variety of economic opportunities and the quality of infrastructure but also the needs of families involved, the strength of neighborhood organizations, the impact of crime, the availability of family support services and recreational opportunities and the quality of education. It went on to further urge the Commission to incorporate into its recommendations:

(1) Increase targeted funding resources in order to provide adequate resources for neighborhood improvements and economic development initiatives in neighborhoods where distresses public housing developments are located.

(2) Require funding and cooperative agreements between HUD, HHS, Education and Labor to target support services such as education, job training, child care, support for independent frail elderly or handicapped to public housing residents.

(3) Provide funding for technical assistance teams made up of public housing experts to provide ongoing assistance and technical oversight for severely distressed public housing. NAHRO stands ready to assist in the development of those teams.

These and the suggestions of many others concerned with the quality of public housing in this country found their way into the Commission's final report and recommendations. Notable among them is an effort to recognize the relationship between the quality of management and the presence of distress, to resources for the remediation of management deficiencies where they exist, and to ascribe to the public housing industry, itself, a pivotal role in establishing performance standards, assessing the performance of its membership, and assisting its members to meet those standards.

Now please allow me to briefly discuss the turnaround of San Francisco's public housing program. In the interest of time, let me organize the process of remediation into four parts although the process isn't nearly as categorized as I may make it sound.

It is essential to begin with a clear assessment of the conditions without which a remediation plan is unimaginable to construct and appropriate priorities cannot be established.

In San Francisco, the first six months of my tenure was devoted to a detailed examination of the agency from which there emerged a very detailed five year work plan, which identified 76 objectives and several hundred tasks and sub-tasks. This plan, updated by progress reports and revisions every six months has served as our road map on the recovery road.

Cognizant of the need to buy sufficient time to remedy the myriad of problems which accumulated over years of the plunge, it was essential that we identify the most severe of the problems and set about solving them concurrent with the implementation of our long-range work plan.

This was important for two reasons. First, our residents and the public-at-large needed to see some immediate improvement if we were to gain and keep their confidence. Second, we needed to restore our own self-confidence by proving we could carry out our program.

In San Francisco, we chose three problem priorities and set about their rectification. There were vacancies (more than 10 percent of the conventional stock), fiscal stability (a \$12 million debt and no operating reserve), and maintenance. Three and a half years later, the first and second problems are no longer with us and the third is one more year from completion.

A third component relates to the capital revitalization of developments which cannot be reclaimed simply by fixing what is broken with respect to an authority's management capacity. These are developments which through obsolescence of design, long-term deferred maintenance, management deficiency, high crime, high vacancies, neighborhood deterioration, unmet human service needs, and a host of other reasons, have fallen into disrepair beyond the ability of routine effort to fix. We have been quite fortunate in San Francisco in securing significantly increased capital funding over the past 4 years though I suspect our good fortune is not shared by many other large Authorities and certainly hasn't been of sufficient magnitude to extend to all the developments in our stock requiring such extensive treatment. The public housing development program, a tried and true producer, has been virtually extinct during the last decade. In San Francisco, with one exception, no new permanent public housing has been built since the 1970's. Though I'm not absolutely certain of this, the single exception (actually a reconstruction of an obsolete develop-

ment which did not actually increase the inventory of available public housing units in the city) may have been the last construction of a new public housing community of significant size in the country. Concurrently, appropriations for the modernization of older developments, and our stock is surely aging, have been far below well documented needs. Consequently, we fall further and further behind each year and annually risk losing additional developments which cross the threshold into severe distress. In San Francisco, the backlog in capital need, the amount needed to bring the stock to a 20 year viability standard, is estimated at between \$350 and \$400 million in 1992 dollars. Under the current comprehensive grant formula, the SFHA will receive approximately \$17 million per year. At this rate of funding we could not modernize our stock to the required standard in less than 23½ years. When cost escalation is added, that time period increasing significantly, and the estimate takes no account of the deterioration which inevitably occurs over such a period of time. Even the least experienced eyes can plainly see the impossibility of incremental improvement in the physical condition of the inventory under such circumstances.

Finally, with respect to turnaround of troubled programs, there is the phase which is at least as critical for the long-term success of the effort as any of the others. It's the ability of the agency to broaden its attention to include other aspects of daily life upon which may well turn the quality of those lives for our resident clients. I'm talking about education, economic well being, safety, health, and so many more. I'm talking about leveling the playing field such that public housing residents are no longer consistently at a disadvantage in access to quality public education, in the work place, in the political arena. I'm talking about an environment in which adult residents of public housing enjoy the same freedom of choice and self-determination for themselves and their families most of us enjoy, free of controlling rules and regulations associated with dependence upon agencies such as ours which dictate how life will be lived in often minute detail, and which rob dignity, deny opportunity, and smother human potential. Some of my colleagues believe our jobs are hard enough without adding to them responsibility for the conditions of life which appear to extend beyond our own mandates. In truth, though, it seems hardly likely that we will ultimately succeed in our own mission if we fail to include them in our sphere of concern. And so, many of my colleagues, without adequate funds or the approval and active assistance of regulatory agencies, have entered into working pacts, mostly as advocates, with our local school departments to improve public education, with public and private organizations to train and hire residents and assist in the creation of small businesses, with local health departments to reduce infant mortality and screen for lead poisoning, the list goes on and on. There is just so much to be done.

Thank you, Mr. Chairman and members of the Committee for your courtesy and for allowing me to share my thoughts and experiences with you.

WRITTEN TESTIMONY OF STEPHEN J. O'ROURKE
EXECUTIVE DIRECTOR, PROVIDENCE HOUSING AUTHORITY

OVERVIEW

Providence Housing Authority Board Chairman Thomas J. Anton recalls attending his first PHA board meeting more than eight years ago. Residents showed a videotape illustrating the appalling conditions in their homes. A letter from the city's code enforcement office provided a virtual catalog of code violations in public housing facilities throughout the city. A local bank informed the board in writing that they would no longer cash employee paychecks. The final surprise was a letter from the local HUD office informing the board that they were considering placing the housing authority under receivership.

Last year, Dr. Anton traveled to Washington to receive one of three National Performance Awards from HUD. The previous year, Providence received two such awards. In 1991 and 1992 the PHA received a total of ten National NAHRO Awards for various programs and initiatives.

The Providence Housing Authority was the first large housing authority in the nation to be removed from HUD's "troubled" list. The Authority was designated troubled in 1984 and removed in 1989. We administer 2,472 units of public housing in highrise, low rise and scattered site developments and approximately 2,800 units of Section 8 assisted rental housing. We are also in the process of developing an additional 269 units of scattered site public housing. This discussion will focus on public housing administration.

The "troubled" designation was formally attributed to the PHA's inability to maintain a 40 percent operating reserve. In 1984, the reserve was 3 percent. However,

a number of related factors also contributed to the designation. Clearly, the dilapidated condition of many developments contributed to low rent collection rates. At the time, tenants' accounts receivable were running at about 67 percent, mainly as a result of a rent strike. Many public housing units in the city of Providence were vacant. Chad Brown/Admiral Terrace, a 360 unit development, was about half occupied. Roger Williams Homes, originally a 770 unit development, had about 40 occupied units. HUD also stopped the relatively modestly funded modernization at Chad Brown because of the poor quality of the work and because the PHA was not adequately accounting for those modernization funds. HUD determined that the PHA lacked modernization capability. Poorly maintained buildings with high rates of vacancy drove up maintenance costs.

Poor record keeping is also a symptom of a poorly managed organization and many of the staff people now responsible for maintaining records were not at the PHA when the problems were occurring. Since 1988, the PHA has generated monthly, quarterly and annual management reports in which each of six departments records all pertinent data and narrative information.

When I came to the PHA in 1987, I had recently participated in a management study for the city of Providence. I was already familiar with the ins and outs of Federal assistance, having worked in the Community Development Program. I believe that my experience in the military contributed a great deal to the management model I find effective. In the ten years prior to my appointment by the Board of Commissioners, the Authority had three executive directors.

The "renaissance" of this PHA has resulted from many factors, but three are especially prominent. First, I have had little local political intervention and this has held true for two mayoral administrations. I have been unimpeded in staffing decisions, site locations and all the other areas traditionally vulnerable to interference. The personal dedication of many staff members to the improvement of this Authority is another critical element of our success. Many employees of this Authority have been required to go significantly beyond their job descriptions to accommodate new approaches and programs and by and large they have risen to the occasion. Bear in mind that this had occurred in an agency in which four labor unions are represented. I know by the number and caliber of resumes that cross my desk that we have gained a reputation as a good place to work. Igniting a healthy competitive spirit *and esprit de corps* has, think, uplifted the staff. The early declaration of the intention of changing and some important events—such as the demolition of extremely poorly managed highrises—that took on symbolic meaning sent a message to the staff that, if they were interested in continuing to work for us, they had to change.

It was immediately apparent to me when I arrived that a serious lack of organizational skills lay at the heart of the PHA's problems. In the course of working out the administrative difficulties in Providence, I have concluded that public housing administration has become too complex to be left to amateurs or political hacks. Not everyone left the PHA under my administration but I can say that those who stayed were either reassigned or retrained. I find the discussion between HUD and the industry around PHMAP interesting, since the development of a goals management plan with specific performance indicators has been a critical element of the transformation in Providence. I do not think that HUD has yet developed a set of indicators which accurately gauge a PHA's performance but I do think that the type of accountability PHMAP engenders will improve public housing administration. I can sympathize with a public housing administrator forced to endure local political tinkering, especially with staffing decisions, since they will most likely find the achievement of a good PHMAP score an impossibility.

In every aspect of public housing administration there are issues meriting discussion. At a good PHA, all administrative elements are balanced. Consider the 40 percent reserve requirement, which HUD evoked to justify our "troubled" status. The finance department does not operate in a vacuum. Even today, with all the many improvements we've made, we have nowhere near a 40 percent operating reserve. I could get there, but I'd have to fire a lot of people and next year we'd be hearing that our maintenance was inadequate or we weren't scrutinizing bids for modernization work carefully enough. In fact, the 40 percent reserve requirement is now obsolete since current funding mechanisms allow for the types of emergencies that a large reserve was designed to cover.

A description of this PHA's organization and a discussion of the most pertinent issues in each administrative area follows.

MAINTENANCE

This is one of the most straight forward areas of public housing administration. Over the past several years, we have effectively shifted our focus from reactive to proactive, preventive maintenance. In fact, our preventive maintenance program received a National NAHRO award in 1992. Routine preventive inspections, cyclical painting and routine maintenance of PHA vehicles have reduced maintenance costs and allow us to prioritize work orders to such a degree that emergency work is now performed on the same day as reported. Routine work orders are completed within two days.

Unit maintenance operates from a centralized office/warehouse, although there are some maintenance workers assigned to particular developments. Eighty-one employees work in the department of maintenance. General maintenance workers are assigned to sites, where they very often function as traditional "supers;" more highly skilled maintenance staff (carpenters, electricians, heating/ventilation system technicians, plumbers, plasterers, mechanics) are assigned from the central office. Skilled and semi-skilled laborers report to foremen who in turn report to a director and assistant director of maintenance. The central office is staffed by a control clerk, an administrative aide, a dispatcher supervisor and a dispatcher clerk.

The maintenance department career ladder was part of the program which received a NAHRO award in 1992. The PHA sponsors pertinent training and provides significant opportunities for advancement for maintenance staff in an effort to retain skilled workers.

HOUSING MANAGEMENT

Extremely high tenant accounts receivable and vacancy rates categorized the PHA during its troubled period. Although there were no vacant positions in housing management during our troubled period, some additional positions have been created in the revitalized PHA. There are six site managers and each is assisted by at least one management aide. This includes a full-time manager of scattered sites. Every family development has a manager on site with the exception of the two smallest which share a full-time manager. There is one manager for six highrise buildings. Each office in those buildings is also staffed by a more experienced management aide.

Effective enforcement of existing screening and eviction procedures has yielded, in Providence, a public housing population which responds well to good management practices. We do not lease to families in which any adult member has a serious criminal record and we evict families if there is a drug-related conviction. Of course, in many instances, these families remain in the area and are active in public housing, but I believe that we have fewer problems on our sites than many people believe is typical in public housing.

Public housing management certification is required of managers. The PHA will sponsor this training. Although no college degree is required, college educated people have been attracted to these positions. The increase in reporting and record keeping requirements both in-house and from HUD have changed the nature of a manager's work. The PHA has attempted, by bolstering the skill levels of managers, aides and central housing management staff (a director, an administrative assistant and a secretary), to meet this need. Industry-sponsored management training is usually very practical and well designed. Limited staff development funding prohibits us from taking full advantage of training opportunities; however, we have developed a reasonably effective in-house training program which includes goals management, business writing, time management and some interpersonal/sensitivity training.

FINANCIAL MANAGEMENT

The Department of Finance and Accounting is overseen by a director assisted by two accountants, a data processing manager, a programmer, a payroll clerk and a bookkeeper. College degrees are required for these positions. There were no vacant positions when we were troubled, although some of the support positions have been created since removal from the list. The development of our information management system has contributed enormously to our improved administration. The data processing manager oversees the information management needs at all levels of the organization and on-going PC training is available to most staff. We are currently in the process of converting to a networked information management system which will ultimately connect all PHA-owned properties.

We are also just on the brink of full conversion to project-based accounting. We've been operating under a dual system for the past year; the conversion will be complete at the start of fiscal 1994.

It is worth noting that, financially, this Authority is still far from robust. HUD's allowable expense level is a problem for us. The year for which HUD gathered data to determine the AEL was an aberrant one for us; consequently, we have an approved level substantially lower than comparable PHA's. Last year, we were able to cover our deficit when HUD offered a one time AEL adjustment. However, my understanding is that this is not programmatic. Our projections indicate that if our operating subsidy were more realistic, we would be able to expand and build a better reserve.

One overriding problem in the area of finance lies in the sheer number of new programs we are asked or encouraged to take on without additional overhead. Our computer system, our telephone system, our office furniture and supplies and our staff are stretched thinner and thinner every year. I believe that public housing developments are often the very best places for service coordination and I agree that given a national public housing stock which is aging increased modernization funding is necessary to preserve this resource. I also know that an agency needs the tools, including the staff, with which to realize these important objectives.

MODERNIZATION AND DEVELOPMENT

This is one of the more complex areas of public housing administration. We are currently in the midst of a 269 unit development of new scattered site housing. This replaces highrise units demolished in 1989. Thus far, 103 are constructed and occupied. A portion of the balance of the project has been the subject of litigation in which siting was an issue. Furthermore, one developer (these are turnkey projects) has been cited for Davis/Bacon violations and approximately 40 units are under foreclosure.

This department is overseen by a director who is assisted by a planning assistant, two architects, a development coordinator, a program analyst, a modernization specialist, a development specialist and a secretary. Minimal modernization funding was made available to this Authority during most of its troubled period (approximately \$10.7 million between 1984 and 1986) until HUD acknowledged that funding would be required to improve our public housing stock. Between 1987 and 1991, we've received \$51,792,000 in modernization funding (including MRDP) and \$28,000,000 in development funds.

It is quite obvious that a higher quality housing stock is easier to market and manage. In fact, our first wave of scattered sites also received a NAHRO award partly in acknowledgment of the legal and political battles we waged to get them built. Many low-income people have come to our offices specifically to apply for scattered site housing.

The issues inhibiting the development of high quality public housing are many and various and I will focus on just two here. Site requirements, when combined with the total allowable cost, place unrealistic demands on local authorities. Here, I think, we see an example of two major arms of HUD pulling in opposite directions. An examination of the litigation costs incurred by this one authority alone tells us that low-income people who need housing are the real losers. Davis/Bacon requirements also drive up the costs of construction. The money saved by waiving Davis/Bacon regulations could be used to build more or higher quality housing.

Davis/Bacon requirements also work counter to the very admirable objective of using public housing modernization and development money to create training and employment opportunities for low-income families. I would be personally very satisfied to be able to tell our residents that they can learn a marketable skill at one of our development sites. Unfortunately, thus far, I have not been able to do so. HUD and Labor should expedite the Step Up program which would make this possible.

Currently, our five year comprehensive plan has been approved by HUD. We have completed several substantial phases of modernization work, a total of 360 units at Chad Brown, 24 units at Sunset Village, 294 units at Hartford Park and 168 units at Manton Heights. The five year plan identifies \$34 million in physical improvements to be made in our developments. With only \$3.787 million available in 1993 and the same amount estimated for 1994, we have had to make some difficult decisions. The identified priorities are: correcting emergency conditions which threaten the health and safety of residents and staff; meeting all statutory or legally mandated requirements; meeting the Section 504 requirements; completing required lead-based paint testing and completing modernization of vacant units at Manton Heights and Hartford Park. One hundred and sixty two units at Manton and 214

units at Hartford are currently undergoing modernization and are scheduled for completion by the end of this year.

Additional priorities are: upgrading major building systems and components; beginning the comprehensive modernization of Codding Court; replacing stoves and refrigerators and energy conservation.

Incidentally, lead based paint abatement has been a limited problem in Providence. The lack of clarity in the regulations and the lack of a completely reliable testing instrument caused approximately a one year delay in the modernization of Hartford Park. We did hire a consultant to help us sort out the lead paint situation. As it turns out, we have a relatively minor problem with unacceptable lead levels in some window frames and siding. However, the cost of environmental (lead and asbestos) problems should be given extra consideration because of the effect it has on a modernization budget.

SPECIAL SERVICES

This is our newest department and one which was not fully operational until we were off the troubled list. Meeting the non-housing needs of residents is an area in which I think we are truly industry leaders and I still believe that there is much to be done.

We are currently operating three community centers in our sites and co-administering activities in a fourth. These centers are funded primarily through the Public Housing Drug Elimination Program although the PHA has successfully sought state, local and private funding. The interplay of functions is very apparent in this area. The educational, recreational, career development and enrichment activities in the sites do a great deal to make the developments more marketable on the one hand, yet the PHA is also absorbing significant administrative overhead resulting from a staff increase. Furthermore, the accountants are now required to assist with non-Federal reporting requirements with no increase in salary.

We are about to enter our fourth PHDEP funding period and although we have been able to document a greater number of drug arrests, we have seen a change in the nature of criminal activity in the areas around public housing. Building security remains a very important issue. We have been fortunate to be able to provide security at the highrises through a combination of state and local funding. With the tensions which result from the HUD-mandated mixing of populations in those buildings, it is difficult to image the quality of life without on site security. Again, HUD is providing some remedy for the mixed population problem but, in the interim, we have had to hire four full-time social workers and concentrate many of our security resources in those buildings. Furthermore, the four full-time Providence Police officers assigned to the PHA spend a great deal of time in highrises. Traditionally, these buildings have needed less in the way of security, management resources and social services than family developments. In the past few years, there has been a marked shift in the deployment of resources between the two building types. If we had not been up to speed administratively, it is easy to imagine that the rapid shift in the highrise population would have driven us under. It is easy to see how a more precariously positioned authority, particularly one which did not have access to drug elimination or other supportive service funding, would be undone by mixed populations.

Some of the non-housing initiatives which have received national awards from HUD and NAHRO include Preparation for Community Living (a mandatory preoccupancy educational program), the Mentoring Program (through which teenagers mentor younger children and which has an intergenerational component involving residents of the highrises) and PHASE (the Providence Housing Authority Summer Enrichment Program through which high school aged residents are afforded a summer employment and remedial education opportunity).

RESIDENT INITIATIVES

This is an area in which we have begun to operate only since being removed from the list and one in which anything we have accomplished has been without the benefit of administrative funding.

There are ten resident associations in our developments. Each of them meets monthly and the meetings are attended by PHA representatives. There is also a Board of Commissioners Resident Affairs Committee which hears individual problems and concerns and reports on them monthly. One of our resident associations received a Resident Management Technical Assistance Grant to explore the possibility of training for resident management. We worked closely with them in securing this funding. Furthermore, we actively seek the involvement of elected resident representatives in developing both housing and non-housing programs. Committees of

residents and staff assist in developing programming for the community centers. Modernization committees participate in planning funding allocations for site work.

We have also provided technical assistance for the development of seven resident crime watch groups in our developments. Our PHDEP funding covers equipment for the crime watch groups. Security guards are funded through state and local grants. Furthermore, PHA police train the security volunteers.

We are currently operating a Section 8 based Family Self Sufficiency Program and 42 families are enrolled. The service coordinator is paid from the operating budget and is, in fact, an administrative employee who has been assigned these additional duties. As the program grows (which it is designed to do) a full time FSS Coordinator will be necessary. Participants have been enrolled from six months to two years. About half of the enrollees are involved in basic education (ESL or GED) leading to job training. Another half, many of whom are working but who are under-employed, are enrolled in post secondary education. The typical participant is assisted by the Federal JOB's program and Pell Grant or U.S. Department of Labor funding.

In two highrise buildings, the resident associations operate the laundromats and use the proceeds to fund social activities. This resident entrepreneur program received a HUD National Performance Award in 1990.

The PHA received a childcare grant in 1990 and there are now Head Start programs operating in two of our family developments. Through purchase of service agreements we are offering GED preparation and ESL classes which are frequently coordinated with the available on-site daycare.

One of the most effective tools of the PHA in assisting residents to achieve economic independence is through employment. Currently, nearly 20 percent of our staff are residents. These are the full-time positions and the count excludes the more than 20 part-time resident assistants hired through the drug elimination program. Resident employees hold positions in the maintenance, management and special services departments. The employee development and training programs described below are available to resident employees. Furthermore, the PHA has adopted a policy to actively seek and hire qualified residents for available positions.

EMPLOYEE DEVELOPMENT AND TRAINING

This is an area in which the PHA has made significant advances since removal from the troubled list. This program, too, received a National NAHRO award in 1992.

In fiscal 1992, PHA employees completed 2,095 hours of employer-sponsored training. Subject areas included management principles, computer education, safety awareness, employee assistance, maintenance operations, mental health and social services, self enrichment, communications skills, grant writing and drug awareness.

Staff development and retention is an area which truly distinguishes a poorly run authority from which is a nationally recognized industry leader. As the mission of the public housing authority expands and the procedures and regulations become more complex, retaining experienced staff is critical to high performance. I would estimate that 50 PHA employees who could benefit from training did not receive what was available because of limited funding. Professional organizations such as NAHRO and CLPHA provide outstanding training opportunities and I wish more staff could attend them.

BOARD OF COMMISSIONERS

Dr. Thomas J. Anton, of Brown University's Taubman Center for Public Policy and American Institutions, chairs our board and has been a member for eight years. There are 11 commissioners in all and three of them are public housing residents. Their backgrounds are in law, finance, education and government.

The staff of a well-managed authority should feel that the board is a resource to assist them in performing their jobs well. We make a concerted effort to keep the board members well informed about programs and developments at the PHA. An effective chairperson should advocate for the authority in the mayor's office and at the city council to be certain that all appointees have something to offer the public housing program.

CONCLUSION

It is important for Congress and HUD to continue programs that work. The Comprehensive Grant Program, Youth Sports Initiatives and the Public Housing Drug Elimination Program have all contributed to making us a better housing authority and improving the quality of life for the people we service.

Congress and HUD should expect something in return for continued funding: progress and results. Those housing authorities not managed to levels of acceptable standards should be given the technical assistance they need. If problems remain after a specific period of time resulting solely from managerial incompetence or political interference, HUD should take the necessary steps—including takeover—to resolve them. The taxpayers of this country deserve more and are justified in expecting more.

Congress and HUD must also consider the long-term impact of some of their rules and regulations. Well-intended changes in the definition of what constitutes an elderly family have made life in some highrise developments intolerable for the elderly. Formulation of a vision of the future in public housing should include discussion of regulatory changes to allow for a broader range of incomes and programmatic self-sufficiency elements, including subsidized homeownership.

Residents should also be expected to give something in return for the privilege of living in subsidized public housing. I eagerly await President Clinton's welfare reform proposals to determine if there is any link to public housing residents. Believe public housing developments could serve as the models for family self-sufficiency by providing education and job training opportunities on site. It's time we put an end to warehousing the poor.

There is much to do, but resources are limited. However, if we do not require competent public housing administration and self sufficiency for public housing residents, our job will only become more difficult.

Thank you for giving me this opportunity to testify.

TESTIMONY FOR RICHARD C. GENTRY

TUESDAY, MAY 11, 1993

Good morning, Mr. Chairman and members of the subcommittee. My name is Richard C. Gentry and I am the executive director of the Richmond, Virginia Redevelopment and Housing Authority.

Today I will present a comparative analysis of the Austin, Texas Housing Authority, formerly a financially troubled agency, and the Richmond Redevelopment and Housing Authority, a well-run, high performing agency.

THE AUSTIN TEXAS HOUSING AUTHORITY (AHA) EXAMPLE

Background

I was appointed executive director of the Austin Housing Authority in 1987 and removed the authority from the U.S. Department of Housing and Urban Development's troubled list in 1988. It was one of the hardest assignments of my 21-year housing career but one of my most rewarding achievements.

The Austin Housing Authority manages 1,909 conventional public housing units for low-income residents. The mayor of Austin appoints five private citizens to the governing Board of Commissioners who determine AHA policies.

In 1984 AHA was officially designated a financially troubled agency by HUD. The previous executive staff did not possess the skills and knowledge necessary to prevent the agency from falling into troubled status. As a result, the agency lost control of its finances and allowed its management functions to fall into disarray. The board of directors gave little direction, neglecting to perform its most critical function—to set policy. HUD did monitor AHA and provided a number of critical assessments. However, HUD's advice and assistance was insufficient in halting the agency's decline to troubled status. Hence, three years later when I arrived in Austin, I found disorganization and a lack of technical expertise in every level from top management to maintenance.

The Austin Housing Authority is smaller than many of the current troubled housing authorities. However, the problems that Austin faced are typical for most troubled agencies: inadequate financial management, an inattentive board, lack of professional housing expertise among staff, many of whom are hired for reasons other than merit, an avoidance of responsibility by the local municipality, poor delivery of management services which results in poor relations with residents, and deteriorating physical conditions.

My biggest challenge was to develop a plan of action to address the most critical needs first and prioritize the rest in stages. With so much internal operational dysfunction, I recognized immediately I could not solve everything at once. I would have to make headway in layers. In short, I resolved to go back to the basics.

METHODOLOGY OF FIRST SIX MONTHS

In the first six months, I devised a blueprint that consisted of a four-pronged strategy.

Reorganization of Staff

I immediately assembled a superior upper level management team. This meant I had the unenviable responsibility of removing personnel, many of whom had put in long years with the authority but lacked the basic skills and knowledge to do an effective job. I assembled a management team of competent, experienced professionals who had no connection to AHA's previous problems. Together, we began to chart AHA's organizational future.

Thorough Internal Assessment

I hired one of the best financial consultants in the country to conduct a thorough internal assessment of our financial management system. I charged this consultant with the task of identifying the reason or reason for AHA's financial insolvency and of charting solutions for the agency's fiscal future.

Aggressive Public Relations

My third maneuver was to utilize an aggressive public relations strategy to sell the agency to the community. I began reaching out to community groups and resident leaders by being honest and upfront about the many problems, explaining corrective measures we were taking and outlining my expectations for the authority in the upcoming year. This approach, however, can be a dangerous tactic unless you are able to produce progress, rather than just rhetoric.

Careful Sequential Planning

The fourth step was to plan sequential steps for the next six months. Turning around a distressed housing authority is an organic process in which every action has collateral implications. Every important decision made by top management dramatically impacts other areas. The best strategy then is to act as you plan. An agency that awaits the perfect plan with all details addressed prior to action will never succeed. The successful agency will sequence its planning in pre-determined steps, each predicated and shaped by prior actions.

METHODOLOGY OF SECOND SIX MONTHS

Restructure Financial Management

After we determined the cause of the financial difficulty—the next step was to solve the problem. All housing authorities, even good ones, run their programs on a very thin margin financially. The loss of control over the level of expenses or over maximizing income (principally operating subsidy) will typically cause an agency to experience severe financial difficulty, ordinarily within a year or two.

In the case of the Austin Housing Authority, a major problem was failure to maximize the return on HUD's operating subsidy system.

The methodology for calculating a housing authority's income is dictated wholly by the Federal Government. HUD determines a housing authority's rental income by establishing applicant eligibility criteria, the order in which applicants are admitted, and the method for charging rents to tenants. The Federal Government then promises to compensate for the difference between a housing authority's aggregate income and its aggregate expenses within certain defined limits. AHA was not receiving all the income HUD was obligated to pay based on the federally prescribed subsidy formula. In essence, AHA was literally too ignorant of program rules to realize that more subsidy should have been made available from the Federal Government all along, and HUD was equally ignorant of its own regulations. Although HUD had done a good job monitoring AHA and pointing out problem areas, HUD was generally not competent to prescribe appropriate corrective actions.

By making housing authorities dependent on federally-determined subsidy that falls short, the current system gives housing authorities little control over balancing their budgets. Instead of offering useful technical assistance to help housing authorities restructure financially and organizationally, HUD typically only browbeats the troubled agencies for becoming distressed.

Reorganization of Agency Management

During the second six months, I put into effect a complete reorganization of the entire agency. The details of much of the restructuring were accomplished by the upper level management team assembled during the first six months. The reorganization was based on the needs of the agency and not the individuals in place at the time.

Reorganization of Resident Leadership Involvement

Active resident involvement is a major cornerstone for any successful housing authority turn around. The restructuring of resident involvement, however, was not initiated in Austin until I had developed agency capacity to respond to residents needs. In Austin, public housing residents were not interested in managing their developments or buying residential units. They expected the authority to manage the developments properly.

During the restructuring process, I met personally with resident leaders every month to seek their genuine input. We organized bylaws and elections for the resident councils to ensure that elected representatives reflected the wishes of the neighborhoods. With this approach, resident/authority relations improved and mutual trust and respect were established.

Accept Responsibility

I understood from the beginning that after a year on the job in Austin, I would inherit the responsibility for all remaining problems at the agency whether I had caused them or not. Therefore, I was careful to do a thorough assessment in each area of management so that I could initiate activity in every problem area prior to the end of the first year.

RESULTS OF FIRST YEAR

- AHA was removed from HUD's troubled list in one year.
- AHA received HUD's "Most Improved Large Housing Authority in the Nation" award in 1988.
- AHA became financially solvent.
- Major reorganization of top staff.

METHODOLOGY OF SECOND YEAR

Policy Formulation with Board of Commissioners

After rescuing the agency with techniques designed to meet urgent, immediate needs in the first year, it was then imperative to step back and plan for the future. I conducted several retreats with the board of directors for long-term planning and policy formulation. The agency's future success depended on the executive director and the board being in harmony with one another.

Second Year Planning

Beginning with the second year of restructuring, my planning changed from a six-month strategy to an annual strategy. AHA continued to consolidate reforms initiated in the first year as we planned for the second year.

Staff Training

Increasing the skills of staff members is essential in improving efficiency of operations and offering improved services to clientele. For example, in Austin I mandated across-the-board customer service training for all employees and procured technical training for personnel in the areas of maintenance, housing management, accounting, data processing, and the Section 8 Program.

Continue Public Relations Strategy

I accepted speaking engagements and attended numerous activities to continue to sell the agency to the public, share our accomplishments to date, and express our new vision for the future. I continued to perceive one of my roles as executive director to be the chief salesman for the agency, marketing it to the public.

Modernize Deteriorating Physical Structures

One of the areas that caused considerable problems in Austin was the poor physical design of some of the development buildings. AHA included a 300-unit distressed project, Booker T. Washington Homes (BTWH). By 1987 BTWH had been mostly vacated due to a combination of poor management, high crime, low level of maintenance upkeep, and most importantly, physical danger from poor project design. Much of BTWH's buildings had been built on a soil base that expanded and contracted with rainy and dry-weather. Over the years buildings had cracked and sagged and became uninhabitable.

Although HUD was not helpful in solving the financial mismanagement woes, HUD offered excellent advice in bringing this property back in line. By year two, BTWH was successfully revitalized, utilizing a combination of demolition, new construction, and modernization of existing buildings. The number of housing units was ultimately decreased by 84.

RESULTS OF SECOND YEAR

By the end of the second year, the agency was in solid, sound financial and management condition. This was accomplished by accepting responsibility for our condition independent of advice given by HUD. HUD generally did a good job monitoring AHA and pointing out problem areas, but HUD provided inadequate advice for turning around the agency financially.

THE RICHMOND REDEVELOPMENT AND HOUSING (RRHA) MODEL

Background

The Richmond Redevelopment and Housing Authority is a political subdivision of the Commonwealth of Virginia. It is a municipal corporation that serves the Richmond community. RRHA provides decent, safe, and affordable housing to more than 30,000 low- and moderate-income citizens and implements community development programs citywide. RRHA owns and operates seven family developments for low-income families, nine developments for low-income elderly, and a number of scattered site and special housing units totaling approximately 4,500 units. The five RRHA Board of Commissioners are appointed by the Richmond City Council.

RRHA is an excellent example of a well-run, high performing public housing agency. In 1992 HUD's Public Housing Management Assessment Program (PHMAP) rated RRHA number one among large inner-city housing authorities and number two among the 126 largest public housing authorities in the nation. RRHA received a score of 97 out of a possible 100 points in 1992 and a score of 96 in 1991. Awards of recognition from HUD and the National Association of Housing and Redevelopment Officials have gained RRHA national recognition.

Unlike the Austin Housing Authority, which manages only low-income housing programs, RRHA is a large housing authority which handles redevelopment as well as public housing. My two and a half-year tenure at the severely troubled AHA prepared me for the problems at RRHA. When I arrived in Richmond in 1990, RRHA had experienced a mixed history.

By the late 1980's Richmond had outgrown its financial management and data processing systems and was on the verge of severe difficulties. But unlike Austin, it had a very active and concerned Board of Commissioners who noticed the problems and took immediate action to prevent slippage into troubled status. The board made some key personnel changes and I was hired as the new director in 1990. I addressed the areas of financial statement management and data processing first, which had been the areas of greatest concern to the Board. I also gave particular attention to agency organization and direction, program management and relations between the agency and other groups and organizations, including HUD, the city government and resident organizations.

HOUSING AUTHORITIES MUST OPERATE AS COMPETENT BUSINESSES

A major reason Richmond is a model of sound public housing management is that we see ourselves as a local agency, not an adjunct to the Federal Government. We operate our programs as any competent business would. All of our management areas are strong and our financial management is exemplary. Our reserve level is maintained between 55 and 60 percent of maximum, well exceeding the minimum level required by HUD. We have a competent financial staff, including five CPA's who do budgeting, forecasting, account receivables and account payables comparable to any well-managed business in the private sector.

Our property management function, which consists of housing management and maintenance, is of superior quality. The authority's vacancy rate runs consistently less than one percent, which points to a well-run system as well as a relatively tight housing market. RRHA's preventive maintenance program, which saves the authority an estimated \$500,000 in unnecessary maintenance costs annually, is utilized by HUD as a national training model. RRHA has also implemented a comprehensive modernization which permits input from both residents and staff.

INNOVATIVE RESIDENT INITIATIVES

Similar to Austin, residents in Richmond do not wish to manage the properties themselves but want the authority to manage developments properly. Residents do, however, actively participate in improving the quality of life in their respective communities with innovative resident initiatives. One such program is the Gilpin Safe Neighborhood Program, which has been implemented in Richmond's largest and oldest public housing development, Gilpin Court.

The Gilpin Safe Neighborhood Program

The Gilpin Safe Neighborhood Program (GSNP) is a concerted effort of residents of the community, the Metro Richmond Coalition Against Drugs, which is a cadre of private sector businesses, RRHA, and other agencies to mobilize a coordinated attack against the sale of drugs and eliminate accompanying crime. Since May 1990, residents, police, public and private agencies, local businesses, and citizens concerned about crime in Richmond have forged a program that is making a real difference in a community which was previously besieged with the highest rate of crime, drugs, and youth arrests in the city.

The ultimate goal of the Gilpin Safe Neighborhood Program is returning the Gilpin community to a crime free, drug free community. The key to the success of the program is the involvement of the people in the community. It is their "ownership" of the program that makes the difference between "another crime elimination program" and the actual elimination of crime.

In 1991 we began expanding the Gilpin program to our other public housing communities. As a result of efforts such as this, according to police statistics, violent crime in Richmond's public housing developments dropped 28 percent in 1992 as compared to 1991 figures. Gilpin Court experienced a 37 percent decrease in violent crime, the greatest reduction of all Richmond's public housing developments.

Richmond's chief of police attributes this impressive decline to two key factors: improved cooperation between the police and residents, and a strong relationship between police and RRHA. Police have established a mini police precinct on the premises and have implemented community policing. Community policing is a program designed to help police better interact with the community. It consists of police foot patrols who daily walk the streets of Gilpin as a deterrent to crime.

The GSNP is designed for all ages and creates an anti-drug environment by increasing educational opportunities for all residents through on-site programs, upward mobility opportunities for heads of households through job training, job referrals, and employment opportunities including resident-owned businesses, and home ownership opportunities. Drug counseling services for individuals and families, legal counseling, and training for residents and police in communications skills are also a part of the educational effort.

RRHA IS PART OF THE LARGER COMMUNITY

In all of our activities, RRHA operates as part of the larger community. The authority is a member of the broad based Metro Richmond Coalition Against Drugs; I serve on the coalitions' Board of Directors. RRHA is also a member of the Richmond Chamber of Commerce. I serve on the City Manager's Violent Prevention Task Force, the City's Advisory Board on Health, and the City's Housing Task Force, as well as the local Disabilities Services Board. My staff and I are active in many civic endeavors and my Commissioners are strong leaders within the community.

The structure of our agency as a combined redevelopment and housing authority assures us a close relationship with the city and city council. In most other cities our counterparts only deal with the public housing and Section 8 function. All too often there is the tendency on the part of the city in many of these cases to neglect involvement with public housing since it is funded by the Federal Government.

In Richmond, RRHA is intimately involved with the city because we serve as the redevelopment arm of the city. It allows the authority the ability to fit its programs into the context of the city. This close relationship has a direct effect on the housing side. Our housing programs, including public housing, benefit from a close, responsible observation by the city.

LEGISLATIVE TOOLS

Federal legislation governing public housing tends to be dysfunctional. Public housing reform requires innovative approaches. Local authorities must have the vision to implement creative programs that address local needs and the Federal Government must allow localities more flexibility in decision making and problem solving. Program micro-management by HUD must stop. Two areas in which localities must take greater control and be allowed greater flexibility is rent determination and tenant selection.

Rent Reform

Residents' upward mobility must be a top priority in our nation's housing policy. Federal mandates for rent collection discourage the productive behavior of those public housing residents who work. Residents who work pay 30 percent of their income for rent and are subject to the loss of important benefits such as welfare, Medicaid, and food stamps. Residents encounter strong disincentives to working which

include: paying high rent in addition to taxes and other working expenses such as child care and transportation. The result of these disincentives is that residents are enslaved in a cycle of poverty.

The concentration of poverty is the most significant factor in public housing today. PHA's must provide more self-sufficiency programs to increase the income levels of public housing residents. I am an advocate for dismantling disastrous Federal policies that penalize those who want to work.

Admission Selection

Local authorities must have the discretion to screen tenants for admission without the burden of misguided government restrictions. We should serve the most needy as well as maintain an economically-mixed cross section of occupancy, creating diversity in spirit and income among residents and providing positive role models. The concentration of the poorest of the poor families in public housing has caused the system to malfunction.

CONCLUSION

Program micro-management by HUD must cease and greater flexibility and freedom must be granted to local agencies. HUD regulations must reward local authorities for good management practices and provide disincentives for bad management techniques. I believe we must restructure the areas of admission preference and methodology for collecting rent first in order to allow local agencies to lower the level of concentration of poverty and to remove the disincentives for working which continue to trap public housing residents in poverty. Until we return to a national policy grounded in the broad overriding principles of local decision making and resident upward mobility, we will never achieve true reform and address the breadth of critical problems facing the public housing industry today.

STATEMENT OF IRENE JOHNSON

**PRESIDENT, LeCLAIRE COURTS RESIDENT MANAGEMENT
VICE PRESIDENT, NATIONAL LOW INCOME HOUSING COALITION
REVITALIZING SEVERELY DISTRESSED PUBLIC HOUSING**

Mr. Chairman, Members of the Subcommittee, my name is Irene Johnson. Thank you for the invitation to appear before you. I appear today as President of the LeClaire Courts Resident Management Corporation (LCRMC), (Chicago Housing Authority), Chicago, Illinois. The LeClaire R.M.C. is a non-partisan, non-for-profit Corporation. The general purposes and goals of the LeClaire Courts Resident Management is to provide safe, decent, and sanitary housing for the residents of properties managed by the Corporation. Related activities which provide for the well-being of residents may be conducted as well.

The LeClaire Courts Resident Management is governed by an elected Board of Directors from the LeClaire Community which meets once a month to monitor, review programs and set policies for the group.

I also appear today as Vice President of the National Low Income Housing Affiliation. The Coalition is a non-partisan non-profit information and advocacy membership organization headquartered in Washington, DC. The Coalition is governed by an elected Board of Directors from across the country, which meets twice a year to review and set policies for the group.

I appreciate this opportunity to share our views and experiences on Distress Public Housing. On behalf of our Boards and Members, I want to thank all the members of this committee for your concern and willingness to listen to recommendations for revitalizing severely distressed public housing.

LeClaire Courts is a low-rise two-story townhouse style housing complex located on the Southwest side of Chicago, IL Interstate 55 and Cicero Avenue, about one (1) mile north of Midway Airport. It consist of 616 units; one, two, three, and four bedroom units. Population is 3,500 people.

In the early 1980's, the LeClaire community came together and began organizing because of the serious deterioration of the physical property. Little or no maintenance, gutters and down-spouts and roofs were leaking. The rent changed. It went from a set amount per bedroom size to 25 percent of all income coming in to the leaseholder. There was a massive move-out by residents at LeClaire. Crime increased, and there were little or no police or city services.

Resident Management is a process where by residents living in Public Housing manage their own development. It is first self-management, secondly, people development, and thirdly, property management. The residents at LeClaire decided to

use this program as a conduit to address all of the basic needs of a community. In order to be a viable community and become a productive part of society, we the people had to become empowered and take control of our environment and our destiny.

First, residents had to come together and work with each other. Agree and disagree, and not fall out but do business. Second, identify and request professional technical assistance. Third, do a feasibility study to determine what kind of program to do based upon the expressed desires of the residents in the community.

Residents decided to do a Resident Management Program to better address the needs of the residents (i.e., economic development, job readiness, job creation, etc.). Board of Directors were selected by residents in the Community. Board development, leadership development, Community organizing and planning. This training included boards members, and residents in the development.

We began reaching out to other agencies, foundations, corporations, the state, and the city and Federal Government. HUD supported the R.M.C. at LeClaire Courts. We went thru a great struggle to get the Chicago Housing Authority to recognize the LeClaire R.M.C. We were assisted by a large number of people from private sector, churches, individuals, and a lot of non-for-profit groups.

We successfully negotiated a contract with the Chicago Housing Authority in 1987. Due to constant change in administration at CHA, the contract was not activated until May 1988. This first contract required one year of dual management with the R.M.C. staff and CHA staff.

We bargained full management in May 1989. We have full responsibility of managing LeClaire Courts with a Board of Directors of ten (10) residents and 35 staff.

We have a Reverse Commute Transportation Company where we transport 135 people daily to the suburbs to work. A Charter Bus Service, and a Laundromat operated by residents.

The difficulty of doing a program like this is not having enough resources from the public housing agencies, HUD, etc. A total disrespect for residents in public housing in general. Overcoming negative attitudes in both from within, and thru-out the community. Winning the respect of other business people, keeping the residents motivated and involved, learning how to work and deal within the government bureaucracy, not having enough resources, convincing the residents that we were not the Chicago Housing Authority. Building trust with each other, CHA, HUD, and the private sector. Against all of these odds, we have been able to be named the Model Program of the year in 1990 by HUD. We successfully completed our first three (3) year contract with CHA. The following is a list of recommendations that would help RMC's do a better job of managing a development.

1. Public Housing Management Assessment Program (PHMAP) indicators need to be calculated and reported separately from PHA for an RMC.

2. Comprehensive Grant Funds need to be calculated based on RMC's PHMAP indicators not PHA's—Comp Grant Funds probably ought to flow separately, preferably directly to RMC.

3. Drug Grant Public Housing Development Economic Program (PHDEP) and Youth Sports—RMC's need to be eligible applicants.

4. In a troubled PHA, RMC's with proven track records, need to be encouraged to takeover such things as evictions, collections and tenant accounting.

5. Prior to RMC's taking over management, a complete HQS inspection must be completed, and a plan to bring up to HQS put in place.

Mr. Chairman, I appreciate this opportunity to share our views on this important subject, and will be happy to answer any questions you may have. Thank you for your consideration.

TESTIMONY OF JAMES G. STOCKARD, JR.
COMMISSIONER, CAMBRIDGE (MA) HOUSING AUTHORITY
PRINCIPAL, STOOD & ENGLER, INC.

INTRODUCTION

Public Housing is a vital part of our nation's efforts to assure that all of our citizens have decent and affordable housing. It is the oldest part of that effort, and, by many tests, still the most successful. While other parts of the network of programs are also important (e.g. mortgage insurance, programs administered by non-profits, leasing in the private stock, and incentives that induce private, for-profit owners to serve low and moderate income citizens), I believe we will always need some number of units owned by public agencies. It is crystal clear that even in the most difficult of times, the private market will not (in some cases, cannot) produce enough affordable and decent homes for people of modest means. And while private

actors often provide good solutions when provided with incentives to do so, they do not provide the permanence of public agencies.

Let me just make two points about context before I begin my testimony. First, Public Housing Authorities are asked to do an enormously difficult job today, under the most difficult of circumstances. They are asked to house a very large number of families who, for a wide variety of reasons, have not been able to make it into the mainstream of our economy. In many cases, particularly in our largest cities, the effect of HUD's Federal Preferences for tenant selection have meant that the PHA's have been asked to house a large number of people who have not been successful in their previous efforts to live independently. A large number of these families have only a single parent. A significant number are in need of supportive services of some kind. In addition, the physical properties the PHA's own (shaped over the years by Federal regulations) are ill-designed to serve families well, and have been starved for the capital improvement money they need to keep them safe for the residents (e.g. free from lead paint asbestos, and other hazardous materials) and in good operating shape. Many of these properties are in troubled neighborhoods, in large part because of the history of how those sites came to be chosen. And the PHA's are asked to do this with wholly inadequate funding under the most over-regulated and micromanaged conditions that I have been able to discover in the Federal Government PHA's have an almost impossible task.

But the second point is that they are doing a remarkable job of making this program work in the vast majority of cases. The Commission of Severely Distressed Public Housing found that only 6 percent of all public housing units are in that condition. Even in the city of Chicago, with a reputation of being extremely troubled, the overall vacancy rate is only 15 percent, and fully half of all of Chicago's units meet the HUD standards for reasonably managed properties. I believe you will find similar statistics almost everywhere you look. I have been involved in the Public Housing program as both a Commissioner and a consultant for over 20 years, and have spent time in many parts of the country. By and large, I can testify that dedicated public servants at local housing authorities throughout the country struggle mightily to deliver good services to their residents—and they succeed.

Nonetheless, there are failures. And typically they are dramatic. They are the stories on the front page of the daily newspapers, and on the evening news. They play a disproportionate role in shaping the public's opinion of the program. More importantly, these failures cause great misery in the lives of thousands of decent residents. Up to now, we have not been very good at dealing with these failures. I have been involved with several efforts at turning around public housing agencies that have been in trouble. Some have been very successful, others mixed, and others distinct failures. Rather than describe each situation in detail, I would like to share with you some principles that I deduce from these experiences, as illustrated by situations from some of the cases I have experienced. At the conclusion of my testimony, I have some suggestions for new strategies that I think might help.

THE SIGNS OF FAILURE

I'm sure I do not need to dwell on these. Empty units, boarded up windows, clear evidence of criminal activity; and desolate grounds are usually the most visible signs to the passer-by. A look at the records of the agency will show high vacancy rates, slow turnaround time, high rent delinquencies, shaky finances, low reserves, and slow responsiveness to maintenance needs. Further exposure to the authority is likely to show poor relations with residents, weak supervisory practices, interference in daily operations from Board members or city officials, and an unsatisfactory relationship with HUD. Other indicators may be present as well. This is an agency out of control. It should never have been allowed to get this bad, but since it has, something dramatic must be done. In several cases with which I am familiar, conditions such as this existed, and steps were taken to turn the agency around. In one case—the Cambridge Housing Authority—I believe these steps have been extremely successful. In others—Boston and New Haven—the results have been mixed, but generally positive. And in at least one—Philadelphia—very little change had occurred after numerous efforts that I was last familiar with the situation. Let me offer some observations about what it takes to make these efforts successful.

THE KEYS TO SUCCESS

1. The links to the old loyalties and priorities must be dramatically severed.

I was tempted to use the word "politicians" here, but I want to be more precise. After all, politician is a word we apply to people who can also be designated as leaders, and even states people. The single individual who did the most to start the re-

form of the Cambridge Housing Authority was, after all, a city counselor and state representative, clearly a politician. But it was her commitment to better public housing in our community that got the process started.

What I mean is that some actor or set of actors has been placing their own loyalties or priorities above those a well functioning housing authority must have. A mayor thinks jobs for his or her political allies are more important than good professional workers and tight supervision. A Commissioner thinks housing units for people that he or she has decided are in need is more important than a fair and public system of tenant selection. A judge thinks his or her notion that public housing should be the housing of last resort is more important than being able to evict residents who are making life miserable for their neighbors. A union thinks protecting its nonperforming members is more important than rapid response to resident requests for maintenance. A resident group thinks protecting some of its members from eviction is more important than creating a safe community. A HUD official thinks putting checks in boxes on forms and interpreting regulations in the narrowest way possible is more important than allowing local public officials to take the actions they think necessary to run a good housing authority.

I want to be clear that I am not saying these particular groups are always guilty of these subversions. Far from it. But what I am saying is that when enough of these displacements of responsible goals have taken place, the housing authority is certain to fail. And when that happens, one critical element of any effort to reform the agency is to radically sever the linkages that allow these misplaced loyalties and priorities to control the agency.

This can happen in a number of ways. In Cambridge, the Governor went well out on a limb to appoint a new commissioner (a person from the opposite political party) and a new city manager appointed two other commissioners. Neither the governor nor the city manager asked anything of their appointees other than the turnaround of the CHA. The result has been twenty uninterrupted years of progress from a very troubled authority to a national model for quality public housing. In Boston, after many years of legal action by the residents, and after an experiment with a court-appointed Master superimposed on the existing structure, the court instituted a receivership. The receiver/administrator served as both Executive Director and Board of Commissioners. All of the previously poisonous ties into the PHA were cut. And the agency began to make progress almost immediately. In Chicago, leading members of the business and institutional community took the initiative to go to the mayor and not only protest the embarrassing performance of the housing authority, but volunteer to play Board and Executive Director roles to help turn it around. They have been good models of how to play these roles, and the CHA is making important strides.

On the other hand, several efforts at reform in Philadelphia were thwarted, at least in part because the ties were never cut. Several factions continued to war among themselves from their seats on the Board of Commissioners, with the prize seemingly jobs for their friends.

2. An exceptional leader must be found and given the support he or she needs to turn the agency around.

As attractive as it might be to say that reform is a "bottom up" process, that has not been my experience. In every successful situation I have seen, there is a strong, insightful, usually charismatic leader who sets the tone for the new way of doing things for at least the first several years of the turnaround effort. Certainly Harry Spence fits this mold in the Cambridge and Boston situations. Vince Lane has played this role in Chicago. You heard earlier this morning from David Gilmore who is playing that role in San Francisco. Elaine Ostrowski has done this in Greensboro.

It clearly helps if this person has worked in the complex field of public housing previously. All of the above named examples except Vince Lane had public housing experience when they took on their reform efforts. And Vince had worked in a closely allied industry. Even more important is the ability to build relationships with residents, with the authority's staff and with members of the public and private sectors who can be helpful. In every case I have witnessed, these leaders have also been people with a clear vision of where the authority should be going, and the ability to communicate that vision and get others committed to it as well. Finally, they have been people who could make priority choices and stick with them.

In Cambridge, I remember one day early in his administration, I came to the office of the CHA and saw Harry Spence standing among a pile of material that had obviously come out of a large number of file drawers. I asked what he was doing. He said they were old records that counsel has said we were no longer obligated to keep. Harry was going to throw them away. I protested that these files might contain materials that would provide evidence of some of the improprieties that we

were certain had gone on at the CHA previously. Harry said (loudly enough for nearby staff to hear) "That's yesterday. We haven't got time to worry about yesterday. We have to spend all our time focusing on making a better tomorrow at the CHA. And anybody who wants to help us, regardless of what they were doing yesterday, is welcome to the team." That clarity and vision were critical in getting us started.

Dan Wuenschel, Harry's successor, faced a very difficult decision about what to do with our most troubled development. After much conversation with residents, the Board, professional architects and planners, and HUD, we decided to empty the 324 unit development, radically rebuild it at a lower density and then re-tenant it. This was a very controversial decision. But Dan, backed by his Board, stuck resolutely to the decision. Enormous pressures were mounted from all directions. But Dan's constancy got the job done. Today, Washington Elms is among the most desirable developments in Cambridge. In contrast, Elm Haven, an even more troubled development in New Haven has only just been demolished, and nothing has been provided to replace those units. A large part of the reason for this overly long process (which started at about the same time as the Washington Elms process) was the indecisiveness of the Executive Director in the early part of that process. As soon as somebody (Mayor, press, resident leader) questioned a particular planning decision, the Executive Director backed off and re-started the planning process. The result was the continued presence of a dramatic testimony to the failure of public housing in New Haven for many years longer than necessary.

3. Build a strong, serious, thoughtful relationship with residents.

Bob Rigby has written about this kind of relationship and its many benefits for reform in his community of Jersey City where he is the Executive Director. It is a critical piece of any reform effort. The residents, after all, are what public housing is all about. The more they feel a sense of participation and "ownership" in their developments, the more their "units" will become "homes," and the more their "projects" will become "communities." It has been especially important, in my experience, to involve residents in decisions about such matters as modernization priorities, security, resident services, lease enforcement and tenant selection.

However, it is also very important to create relationships that take the issues and priorities of public housing seriously. The real goal is to have planning sessions where labels (e.g. staff, board, resident) are not important, but ideas are. In the last several years there has been a great deal of lip service paid to resident involvement. Some people have taken it very seriously and tried to make such efforts work. But others have had no understanding of what real resident initiatives are all about, and have simply been going through the motions. Residents are usually not professional housing managers. Nor are they typically experienced public administrators. While they may often be able to identify what is wrong at a troubled authority, it's not as clear they should be expected to know about solutions. For these relationships to work, it is typically necessary for residents to have a substantial training program, and a reasonable period of time in which to apply some of that learning through discussion and activity. I believe this is why the resident management efforts that have worked have not only had very strong leadership from the tenant body, but also have used a long, slow process to move toward full responsibility.

Thoughtful joint planning is actually easier. In Cambridge, the City Council provided money to a resident group at one development so they could hire a lawyer and an architect as technical assistants. Then this full resident team joined with the authority in a mutual effort to plan for the radical redevelopment of their community. In Boston, I worked as a technical assistant to a resident task force at two separate developments. We worked together with housing authority staff from the site and from the central office to develop a new concept of "Shared Management" at one location and a sophisticated resident services plan at the other. In each case, the PHA receiver was saying that he wanted the residents to be able to participate as full partners in these discussions, and that if technical assistance was necessary, the authority should pay for it. In cases where the resident body could not come together on a regular and consistent basis, or brought only posture and resistance to change to the planning table, the PHA moved on to other developments for serious works.

4. Provide money.

Unfortunately, there is no substitute for this prescription. The sad problem is that in most cases, a PHA could have been kept from reaching disaster status with far fewer dollars expended in reasonable ways. But once a crisis state of affairs has been reached, the costs of repair are great. There are three significant areas in which costs need to be recognized, based on my experience.

The first is additional staff. In many, if not all, cases of severely troubled authorities, a substantial number of senior staff are a major part of the problem. Or at least they are not part of the solution. The new administrator must be able to "double hire" in certain positions for at least a modest period of time. He or she may also need to create new positions, particularly ones that focus on the authority's priority problems.

The second area where money may be critically important is in funding capital improvements. Changing the administration and the attitudes of the authority is important, but for residents it is the change in the conditions of their homes that signals a new day. If the agency cannot deliver on these physical changes, its credibility with residents and the public, in general, will fade very quickly. In every case of sustained reform of which I am aware, substantial additional funding for capital improvements has been made available. In many situations, it has taken too much effort, and too many explanations, and too long a period for waivers. But the money has finally been forthcoming.

Finally, there are several areas of what should be thought of as the normal operating budget where additional funds may be needed to break the downward spiral of deterioration. Maintenance budgets often need to be increased in order to begin completing preventive maintenance and inspection functions, while still retaining the capacity to respond to resident requests. Security and resident services are areas for which most authorities have no budget, yet making significant improvements in these arenas may be exactly what is necessary to turn an authority around. Successful reforms have, unfortunately, had to turn to outside sources in most cases for these funds. Boston raised private money. Cambridge got help from the city in the form of Community Development Block Grant money. Chicago found past shortfalls in their funding from HUD which secured large one-time increases in available dollars. While some will applaud the authorities for this resourcefulness, the seeking of these outside funds is an enormous drain on the time and energy of the staff. And it always adds one more actor who has an agenda to push and a set of reports to require. The fewer distractions of this nature intrude on a turnaround effort, the more smoothly it will proceed.

As noted earlier, an important principle of providing this money to PHA's that are in a turnaround mode is to attach as few strings as possible. Reform efforts are not business as usual. They must not be treated that way. Great leeway should be given to the local leadership in terms of how they will spend the money. In Cambridge, the then director of HUD's Boston Area Office allowed the CHA to spend more money per unit than the regulations called for, directed Section 8 Certificates to the Authority so it could respond to residents and advocates who were concerned about the reduction of public housing units, allowed the development of a building for "empty nesters" (a concept not recognized in HUD regulations at that time), and agreed to use Federal dollars to help redevelop a state financed property as long as the state would also make substantial commitments to the effort. Without this flexibility, the reform in Cambridge might have been doomed. Clearly, this freedom cannot be granted without considerable discussion. But in Cambridge, the primary questions were "What do you want to do?, Why do you think that's the right thing to do? and How can we help?" rather than the more typical statement (not question) "The regulations don't allow that." In Boston, similar things occurred. The creation of a mixed income community out of one of the city's largest and most troubled public housing developments, the substantial increases in modernization funding, and the creation of a state law allowing speedy evictions in the case of a few particularly violent problems are some examples.

5. Build coalitions with other local public agencies.

I have seen housing authorities fall apart in cities where the local government is relatively competent simply because nobody was paying attention to the PHA. But I have never seen an authority revive itself without a cooperative and supportive network of local public and private institutions.

Clearly this is most difficult in places where the local government has been part of the problem in the past. But even in these cases, the intervention of a receiver or a master often changes the dynamics enough that new relationships are possible. The connections need to begin with the chief executive officer of the city and extend through him or her to the police department, the public works agency, the parks and recreation people, the schools, and other public entities that have some responsibility for matters that are troublesome for the residents of the housing authority. The principle here is that public housing residents are citizens of the city and deserve the same programs, supportive services, and protection that any other citizen receives.

We were somewhat slow to understand the importance of this principle in Cambridge, and it took a while to build some of these relationships. I fear part of the problem may have been our own fortress mentality. But once we started working cooperatively with the police, the security of our residents grew substantially. And we have a negligible budget for security. In Boston, the Receiver built strong links to the mayor's office and to the business community, which helped found the private "Friends of Boston Public Housing." He then found ways to tap these groups for additional public support and funding for important priorities. In Philadelphia, a group of very senior local business and community leaders lent many hours of their time to helping the authority conduct its strategic planning efforts. In nearly every successful reform effort of which I am aware, some level of this type of coalition building has been accomplished.

6. It takes the full package.

I wish I could testify that doing any two or three of these things would assure the successful turnaround of a public housing authority. Unfortunately, I do not believe that is true. To at least some substantial degree all five of these principles must be followed. In Cambridge, this was the case, and we have what is, to my knowledge, the longest sustained public housing reform in the nation. In Boston, most of these principles were followed, and the improvements have been generally constant, though with a few setbacks. My own conjecture is that those setbacks occurred primarily because of a period of time when the leadership was well intentioned, but made several critical mistakes in judgment, when the city was outwardly supportive, but subtly undermining of the agency, and when HUD's excessive over regulating and micromanaging was at its height. In Philadelphia there was good leadership, lots of money and some excellent local coalitions. However, certain local public officials and PHA Commissioners continued to use the old channels of authority to insist on priorities that had nothing to do with good public housing. A well meaning person was appointed to run the authority at one stage whose major credential was an important role in the election campaign of the person who appointed him. So even with more modernization money than the authority had requested, it could not begin to undertake the planning necessary to accomplish these complex revitalization efforts.

The list goes on. In New Haven, new priorities were in place with a fine Board of Commissioners, the city was cooperating, there was plenty of money and relations with residents were reasonable. But because the Board's choice as Executive Director did not work out well, the effort floundered. Well meaning, she did not have the courage of her convictions and therefore consistency of vision was never achieved. While I know the Chicago situation less well, it is my impression that it has the potential for being the most successful large city reform effort because all of the principles noted above are being followed to a reasonable degree.

My conclusion is that without all five of these conditions, reform of seriously troubled public housing authorities is very difficult.

WHAT WILL HELP

(1) Act Much Earlier

The biggest single improvement that can be made in our ability to avoid these disasters in our cities is to move to make the necessary changes at the early signs of trouble. It is a disgrace to all of us in our various roles that we allowed situations to deteriorate as far as they did in Cambridge, Boston, Chicago, Philadelphia, Chester, New Orleans and here in the District of Columbia before doing something dramatic about it. All of the actors have "reasonable" excuses why they could not do any more than they did. But the fact is nobody did what was required, and the progress in Cambridge, Boston and Chicago shows that turnaround always was possible. In each of those cases, the turnaround would have been easier, and less expensive if it had been begun earlier. Would we have waited this long if the problems had been this bad in the military, or in the National Parks program, or in the Postal Service? Every situation is different, and the initiator of the turnaround effort will be different in various cases. But since the Congress and HUD are the major finders and regulators of public housing, it seems to me particularly appropriate that they be willing to be the instigator of change if no one else is stepping forward. And HUD's Public Housing Management Assessment Program (if modified) provides a fine early warning system that places it in a unique position to know if danger signals are starting to appear. With this general principle of early action in mind, let me make some more specific suggestions about tactics.

(2) Encourage Peer Review

The people who know best when trouble is brewing, and who know best how to deal with it are those who work in the industry. Colleges are accredited, after all, not by the Department of Education of the Federal Government, but by their peers. The visits are periodic and universal, so the heavy weight of presumed problems does not sit on each visit. Members of the secondary school industry know they are all weakened by a lack of standards so they are not afraid to tell one of their number that certain improvements must be made. And these visits help to build linkages among administrators that they can use for problem solving between visits. All of these principles could apply to public housing. While it is true that nothing is stopping the current professional organizations from mounting such a program, nothing encourages it either. Travel budgets are not generous. Backup staff to cover for officials who are away visiting is not easy to pay for. There are no professional "rewards" undertaking this form of activity. Most important, there is no clout behind such a peer review. Working with the professional organizations to develop such a system might have very significant payoffs in avoiding crises.

(3) Eliminate Large Portions of Current Regulations

Far too many elements of the daily operations of a housing authority are controlled by a set of regulations written in a distant city (Washington, D.C.) by people who have never had anything to do with running such an agency. Some of the regulations (e.g. tenant selection, modernization, design guidelines, calculation of operating subsidies) are directly responsible for the problems that cause a housing authority to fall into disarray. By eliminating a large proportion of these rules, and allowing local officials to run the program in ways that make sense in their community, I believe HUD would avoid many future crises among the authorities.

Some matters will have to be regulated from the central office of HUD because of the difficulty local officials have in carrying out such national policies—fair housing, and highly technical matters such as lead paint abatement are good examples for different reasons. But do we really need regulations to tell local agencies how many square feet they must have in each apartment, or whose names must go on the front page of the drawings for a new development, or what the form of the letter for verification of income must be? A large part of what happens when local agencies are created this way is that their leaders stop feeling responsible for the agency they run. Rather than looking for signs of problems, or creating new programs to challenge and support their residents, they concentrate on putting the right checks in the right boxes, and can no longer see the forest for the trees. It is not a surprise, then, that they should sometimes be late in looking up to see the fire blazing.

(4) Fund the Housing Authorities Adequately

The Performance Funding System really has nothing to do with performance (if it ever did) and is an inadequate way of providing financial support to local agencies. Over its almost 20 year history, PHA's have learned how to carry on as well as possible within its constraints. But if it were to be overhauled with the ideal in mind of allowing agencies to determine what they need in order to run a good agency, and subjecting that proposal to the review of thoughtful and experienced public housing people, many of the crises we see today would be avoided. Yes, there would be some abuses. And a part of the program, both as to violations of the public trust in a less regulated state and improper use of funds, consequences should be swift and severe. But I can promise you that far more would be gained by turning local officials loose than would be lost. In all my years of dealing with public housing officials at all levels of government (and with some notable exceptions to the generalization) it is crystal clear that the local people have the most commitment to their enterprise, the most creativity, the most insight into what their program needs to make it work for the residents, and the most willingness to work hard to bring that about. The further away from the local situation you go, the less common are those traits. If my observation is accurate, why does it not make sense to put the dollars and the operational decisions in the hands of these people, give them good technical assistance and support and get out of their way? When the occasional failure occurs, the consequences should be significant and public in order to send a message.

(5) Encourage, and Make Broader Use of the Receiver Model

In many situations, this is the most effective way of cutting those linkages to inappropriate loyalties and priorities. It is dramatic, sends a strong message, and provides the freedom the new leadership needs to make significant changes. The only problem with this mechanism is that it takes a long time. The process took almost eight years in Boston. A similar case in Washington has been in the courts for many years.

I believe HUD could help by serving as the plaintiff in more cases. This might allow cases to reach court more rapidly, and it might be easier for judges to make a positive decision if HUD were weighing in on the side of change. It may be difficult for the Department, because of its own implication in the problems. But it is far better to move ahead with change before disaster strikes, than stand on the sideline and allow resident's lives to be made miserable while protecting HUD's image.

In addition, and I say this with some trepidation, I believe HUD should adjust its documents with the local agencies (primarily the ACC) so that they have clearer authority to step in with their own form of receivership. This might include removing or spending the authority of the Board of Commissioners and taking similar action with regard to the Executive Director. The problem with this recommendation is that up to this point, HUD has not been staffed to undertake such a task primarily because they have very few employees at any level that have ever worked for a housing authority. I find this most strange. And I must say that the proposed new Assistant Secretary for Public and Indian Housing is a welcome change in this area. As a former administrator of the New York City and Los Angeles Housing Authorities, and because of the personal qualities he has brought to those assignments, I am confident he will be the best Assistant Secretary we have ever had in this field.

HUD has occasionally used consultants to manage authorities with mixed results. But the Department has been reluctant to force even these solutions because it puts itself on the line for the turnaround effort. I believe that as public housing is now structured, there should be no choice about this. Rather than duck a responsibility, I believe the agency should add some new staff (see recommendation below) and take on this unpleasant task when necessary. Administrative receivership could occur much more quickly, be adjusted more easily to the individual situation, and terminated more expeditiously when the problems had been solved.

(6) Create a Staff and Funding to Support Turnarounds

HUD should recruit, perhaps on a regional basis, new employees with distinguished credentials as public housing administrators. The function of this group would be to work with agencies experiencing problems to help solve them before a crisis was reached. And when this effort was to no avail, this staff would recommend, and help implement administrative receivership efforts. If well recruited, this staff would have the respect of their peers, and would be looked to for help rather than avoided as obsessive paper pushers. Their skills and experience would give them credibility with state and local officials whose help would be needed. And their experience at the local level would keep them focussed on returning the authority to local control as quickly as possible.

This new part of the agency will need access to money to help provide the financial support that agencies need in their turnaround efforts. I believe that substantial parts of the funding needed for this effort can be realized as a result of the savings gained in the reduction in regulation monitoring HUD is now doing. The funding should be highly flexible, and decisions about how to use it should be substantially in the hands of the HUD turnaround specialists and the local officials with whom they work.

(7) Strongly Support the Building of Local Coalitions

HUD is in the unique position of supplying funds to both local housing authorities and local governments. Its sibling agencies at the Federal levels also supply large amounts of funding for local bodies. I would urge HUD to consider linking funding such as Community Development Block Grant and HOME to the performance of the local housing authority (which, after all, serves exclusively people who are supposed to be the beneficiaries of CDBG and HOME monies). If things are well at the local PHA, then those other funds could be used as the local community sees fit. But if vacancies were high, or rent collections were low, or crime was a problem on the sites, then perhaps some of the CDBG and HOME monies might be mandated to flow to the housing authority. This would encourage local government to work closely with the authority to assure that it continues to perform well, and to supply the kinds of support (police, public works, recreation) that it needs to succeed. Advocacy with fellow Federal agencies for similar practices would help even more. And this entire concept would reinforce the notion that public housing is an integral part of the community, and one that deserves the full attention of all parts of that community.

I thank you for allowing me to share my experiences and opinions with you. I'm sorry for the length of this paper, but the topic is important, and I found myself with more to say than I had imagined. I believe that the way we provide housing for those of modest means is a very vital sign of the nature of our society. We can do better.

STATEMENT
OF
ROD SOLOMON,
DEPUTY EXECUTIVE DIRECTOR
ATLANTA HOUSING AUTHORITY

MR. CHAIRMAN:

I am pleased to address the Subcommittee on the revitalization of severely distressed public housing and related issues.

I have worked on the turnaround of troubled authorities and severely distressed housing developments for many years, first at the Boston Housing Authority and now at the Atlanta Housing Authority. In Boston I supervised planning, construction, development, legal and aspects of management functions during the BHA's progression from receivership for substandard conditions to removal from HUD's "troubled" list for last year's performance. I was deeply involved in the turnaround of a number of severely distressed developments containing several thousand units, both through public housing and private mixed-income approaches. One of these developments, Commonwealth, was cited last year by this Committee as a prime example of successful revitalization of severely distressed public housing.

I also have been privileged to help this Subcommittee author the statute creating the National Commission on Severely Distressed Public Housing, Section 24 of the United States Housing Act entitled "Revitalization of Severely Distressed Public Housing", and aspects of the Public Housing Management Assessment Program (PHMAP) and PHA receivership laws. In view of this background and the broad public housing management expertise of other witnesses, I

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largely shall confine my comments below to those laws and programs. I want to comment briefly, however, on the question of what it takes to turn around distressed public housing.

The most basic answer to this question is knowledgeable, sensitive, independent and, in fact, exceptional leadership. The successful public housing and resident managers before you today, and others such as our leader in Atlanta, Earl Phillips, have that quality. A strong, knowledgeable and independent leader who can set clear priorities and insist on attainment of realistic goals can make the other necessary ingredients for success happen. Such a leader, with a mandate from the head of city government to succeed, can do what needs to be done: (1) form an effective partnership with public housing residents, (2) attract or develop outstanding managers, (3) eliminate substandard performers, (4) find ways to attract money (although public housing appropriations, particularly for severely distressed public housing, fall far short of the need), (5) fend off political interference, and (6) reach out in the community and the Nation for others who can help public housing.

I now will turn to the tools Congress has created in the past few years specifically to assess or address the problems of troubled public housing authorities or severely distressed developments--PHMAP, receivership and Section 24. My comments take as a given the importance of overall public housing program elements such as adequate funding, sensible and more flexible regulation and statutory or administrative changes to make the program more supportive of working residents, to the likely success of all public housing.

A. Public Housing Management Assessment Program (PHMAP)

The PHMAP does nothing in itself to cure severely distressed public housing, but it is critical because it provides the world (at least in theory) with a public warning system regarding problems in PHA performance. With all of its inadequacies, it is a step forward over HUD's prior qualitative and considerably more subjective system of evaluation.

PHMAP, however, needs to be applied so that it more effectively singles out PHAs with serious management problems. PHMAP also should be more weighted toward the provision of decent, safe and sanitary public housing, as opposed to important but less fundamental PHA tasks. For example, the tenants accounts receivable indicator adds little to the rents uncollected indicator but

demands a far different standard of performance, and results in too much weight on the collection agency aspect of PHA management.

HUD promptly should review the scoring of public housing agencies and make any necessary PHMAP adjustments to ensure the fairness of the system. For example, the vacancies indicator should be amended to assure that housing authorities will not be penalized for vacancies caused by on-schedule modernization or unavailability of needed modernization funds. Such a review also would lead to amendment of provisions which determine competence in modernization processing and other functions by the number of outstanding HUD findings, irrespective of the size of housing authority.

HUD also should take further administrative steps to assure that PHMAP results in concentration of HUD efforts on serious PHA management problems and is more useful for bolstering PHA performance. HUD should use its statutory authority to determine that PHAs with "borderline" PHMAP scores which are affected adversely by the physical condition and neighborhood environment of their housing are not designated troubled. HUD also should make more of an effort, now that it is compiling standardized statistics regarding PHA management, to analyze the data for common problems, encourage cross-fertilization of ideas and techniques among housing authorities and otherwise use this data proactively.

B. Receivership Provisions.

The Boston receivership which I lived through was the best possible step to address egregious conditions at the Boston Housing Authority. The improvements it made possible continue to make a difference in living conditions for Boston's public housing residents. That receivership, however, was a state court receivership and preceded adoption of (and in part inspired) the United States Housing Act provisions.

The USHA provisions were enacted in 1990 and strengthened in 1992, but HUD has not yet used these provisions. HUD has used them as a threat in Philadelphia and elsewhere, but then agreed on other arrangements short of receivership. HUD also has not yet implemented the 1992 Act provision which requires on-site independent assessments of housing authorities upon their

designations as troubled (or a similar assessment provision in the public housing vacancy reduction program enacted in 1990).

The 1990 and 1992 Acts give HUD the basic tools it should need to assess, and if necessary take over, some or all functions of troubled housing authorities. Although the statutes are relatively recently enacted, it is troubling that HUD has not tried to use the receivership route. The arrangement used in Philadelphia, where the authority essentially has been run by HUD designees, is not a good model. A receiver, among other things, may have to beseech, request waivers from and do battle with HUD. The receiver needs to be independent of HUD. Some creativity may be called for here depending on the local situation (e.g., appointment of a mayor as receiver). The current statute is broad enough to allow diverse approaches.

One change that might encourage HUD to use the receivership route more is to revisit the current statutory language which requires a court solely to order receivership if it finds a substantial default of the annual contributions contract, irrespective of any other available remedies. Perhaps HUD would be more willing to use this tool if that language were modified to give courts more flexibility. The language regarding release from receivership also needs to be made more flexible, by changing the standard from "all defaults cured" to reasonable assurance that the PHA will continue to make substantial progress if returned to its generally authorized form of governance.

C. Revitalization of Severely Distressed Public Housing (Section 24)

Last year, this Committee recognized that there are a small number of public housing developments which are so severely distressed that they simply will not be able to be addressed through the normal workings of the operating subsidy, modernization and related public housing programs such as Drug Elimination. The Committee also recognized that this problem is not the same as the problem of troubled housing authorities. Section 24 is a reasoned response to this situation.

Section 24 provides the basic authorization necessary to promote the revitalization of severely distressed public housing. This year's experience under the fiscal 1993 Appropriations Act ("HOPE VI") language may indicate the need for some amendments, but the basic statute is sound.

My suggestions regarding possible changes in various provisions of Section 24, some of which also could be done through administrative interpretations, follow.

1. Section 24(c) requires that planning grants not exceed \$200,000 per development, except that HUD may waive the ceiling amount for a good cause. The HOPE VI Notice of Funding Availability recognizes that this ceiling is too low. The ceiling should be at least \$300,000, with a "good cause" exception.
2. Planning grants should include planning for community service activities as an eligible activity. Implementation grants should include community service as an eligible activity.

HOPE VI requires a community service component in each revitalization program. Such a requirement is not unreasonable, as long as no specific minimum programmatic or funding requirements are adopted. Each community and each severely distressed development are different, and flexibility is key. Moreover, if community service is clearly made a factor in the application evaluation process, a mandate to include community service should not be necessary.

3. Section 24 implementation grants may be expended for "redesign, reconstruction or redevelopment." This language may need to be clarified so that the use of funds for on-site new construction is allowed. Any such new construction simply should be treated as a reconstruction option and not subjected to various current HUD restrictions on new public housing development or replacement housing.
4. Section 24 allows implementation grant activities to include support services, and limits these services to 15% of any grant. A limitation of 20% on funds expended for support services and community service, as is now contained in HOPE VI, strikes a reasonable balance between the importance of these programs and the necessary funding emphasis on physical redesign and reconstruction, given the cost and key role of reconstruction in most successful turnarounds.

5. The Section 24 selection criteria includes "the potential of the applicant for developing a successful and affordable revitalization program . . ." The "affordability" language was lifted by the drafters from the criteria for the HOPE I public housing homeownership program, is not applicable to this program and should be eliminated.
6. Section 24 establishes an Office of Severely Distressed Public Housing Revitalization within HUD. The statutory provision needs to be implemented. This office should be a valuable focal point within the Department for efforts to revitalize severely distressed public housing and to address PHA issues integrally related to revitalization.
7. The second part of the definition for severely distressed public housing (part "(B)") covers developments or buildings with high vacancy rates owned by troubled housing authorities. This definition was incorporated from the Bush administration's proposed "Take the Boards Off" program, which did not pass. It should not remain in Section 24. The problems and solutions regarding vacant buildings or developments may be very different from those of occupied severely distressed developments. In addition, as unsightly and wasteful as such buildings may be, their situation is not as urgent as one where residents are living in unfit conditions.
8. HOPE VI contains several program and funding limitations not contained in Section 24. The limitations in HOPE VI to large cities and troubled housing authorities, in an attempt to focus the impact of these grants, are reasonable. The HOPE VI limitation on the maximum size of a grant of \$50 million also is reasonable. The limitation to 500 units is unnecessary and in some circumstances would constrain the program unduly. Such a limitation would be all the more problematic if it covered replacement housing as well as revitalized units, as the current HOPE VI provision does.
9. The issue of replacement housing has an integral relationship to severely distressed public housing. For many of these developments which will remain public housing, reductions in density are needed to assure long-term viability.

HOPE VI provides a replacement housing requirement somewhat different from that authorized for other

developments and liberalized by last year's law. HOPE VI also provides that some of the grant money can be used for replacement housing.

At least for severely distressed public housing, recent appropriations and programmatic experience regarding replacement housing indicates that replacement housing requirements will need to be liberalized further. The units for which replacement is now required in some cases were ill-conceived to begin with and not have been occupiable for many years. If our Nation is unable or unwilling to fund, locate and carry out replacement housing to satisfy even the current liberalized replacement housing requirements, along with funding and implementing the public housing revitalization efforts themselves, we will condemn many residents of severely distressed public housing to continue life in unacceptable conditions. This Subcommittee's challenge is to find ways to promote additional public housing without holding up desperately needed public housing revitalization efforts.

Some relief is needed regarding racial and economic "impaction" requirements for replacement housing undertaken to allow for critical density reduction of a severely distressed development, where the number of public or low-income housing units to exist in the area will not exceed the original (as-built) number at the development. In addition, even last year's liberalization of the rules to allow half of the replacement housing to be tenant-based assistance in some circumstances, probably is not adequate to allow severely distressed public housing to be revitalized promptly, at current levels of appropriations. As an aside, it is difficult to see why such efforts are subjected under current law to far more stringent replacement housing requirements than is the sale of occupied public housing for homeownership.

Whether the authorizing legislation should include the authority to expend funds for replacement housing, as HOPE VI does, is frankly a question of appropriations tactics. Under current law, HUD is supposed to indicate its replacement housing needs each year to the Congress, and HUD-approved replacement housing is "guaranteed" funding subject to appropriations. That scheme should allow replacement housing needs to be met independently of any

language of Section 24 -- if Congress appropriates sufficient funding for replacement housing resources.

CONCLUSION

In recent years the Congress, led by this Subcommittee, has enacted the basic authorizing tools for addressing troubled PHAs and severely distressed public housing. The suggestions above are simply refinements and in many instances could be implemented administratively. Your Subcommittee's leadership in this area, with effective HUD administration, will continue to help the most desperate public housing residents and will bolster the entire public housing program. Please continue that leadership.

**RESPONSE FROM STEPHEN J. O'ROURKE TO QUESTIONS
SUBMITTED BY SENATOR PAUL S. SARBANES**

Q.1. In your testimony, you emphasize your reliance on preventative maintenance and proactive management. We hear many complaints that HUD funding is inadequate and rules are too restrictive to allow this type of approach. How do you explain your success in using proactive techniques when others have failed?

A.1. I disagree with others if they say they are not allowed to be proactive in their management style or techniques. I have never seen a HUD regulation prohibiting a preventive maintenance program or other program that improves the effectiveness of housing authorities. Our preventive maintenance program attempts to identify problems before they become more serious and costly to repair. I am sure there are HUD field offices that "micro-manage" some housing authorities, but I believe they are a minority. Our local HUD field office has proven very cooperative and assisted us in making us an improved housing authority. It is this cooperative effort that will result in more housing authorities being removed from troubled status. I can only conjecture why others have failed while we have succeeded. Perhaps they lack a defined plan, set of goals and timetables. Accountability is most important.

Q.2. The Family Self-Sufficiency Program, created in 1990, is still very new and untested. Have you implemented this program yet? How effective is it proving to be? Do you see the escrow account, which allows PHA's to freeze rents as income increases, as creating an incentive for tenants to get and keep jobs?

A.2. We have implemented a small, approximately 44 families, FSS program and it's running well. I believe the FSS program is a step in the right direction. It is incentive based and, therefore, allows participants to determine their own destinies. One of the new provisions of the program that I specially favor is allowing us to withdraw the subsidy if the participant doesn't follow the program. Too often, in the past, people enrolled in the program promising to participate in education and job training. After a short time in the program they would drop out. We were unable to do anything before. Now we can threaten to withdraw their subsidy if they don't keep their part of the contract. We need more "stick" with all the carrots government is funding. The taxpayers of this country are very generous to those who want to better their lives but they expect something in return. The escrowing of rent increases is also a good idea. It too is a valuable incentive to promote and reward positive behavior.

**RESPONSE FROM STEPHEN J. O'ROURKE TO QUESTIONS
SUBMITTED BY SENATOR CHRISTOPHER S. BOND**

Q.1. Family Self-Sufficiency Program—The National Affordable Housing Act established a FSS Program designed to promote the development of local strategies to coordinate public housing assistance and Section 8 assistance in conjunction with supportive services, such as joint training and child care, as a way of assisting families to achieve economic independence and self-sufficiency. I would appreciate any general observations on this program and the prospects for its success. Also, President Clinton has indicated his

commitment to reforming the welfare system in this country. Could the FSS Program be used as a model in part for welfare reform? What role do you see for public housing in welfare reform?

A.1. The FSS Program is the right approach in providing scarce resources because it is incentive based and requires the participant to undertake certain tasks (education, job training, employment) in return for housing assistance. It also allows housing authorities to terminate assistance if the participants fail to live up to their side of the agreement. Earlier programs allowed a participant to continue receiving assistance even after they dropped out of education or job training programs. Many used the system to initially receive housing assistance. Incentives **MUST** be maintained. Participants **MUST** understand there are social obligations to citizenship. There must be time limitations placed on how long someone can receive assistance. Priorities should be established for those people who want to better their lives by improving their own economic position.

Public Housing **SHOULD** be the national model for welfare reform. Many of our residents are very low income, have no job or educational skills, and are most likely to be headed by a female head-of-household with several children. The warehousing of these families must end. Time limits should be placed on welfare assistance. I agree with the President on this issue. I strongly believe conditions should be placed on public housing recipients much like the FSS Program. Anyone receiving government housing/welfare assistance should be **REQUIRED** to attend education, job training, and job preparation programs. Public housing authorities can do this on site for very little money. Regulations/laws would have to be promulgated to give us the enforcement powers to evict non-participating residents. I would strongly recommend that all types of public assistance be awarded with conditions attached.

I would like to see time limitations placed on residency in public housing. Couple housing authorities with welfare reform. The program should promote an "up and out" philosophy allowing successful residents to leave public assistance and housing to be replaced by others more needy.

Q.2. Public Housing Concentrating the Poorest of the Poor— I am very concerned that public housing concentrates the very poorest of the poor together. Do you have any suggestions on how to provide a better income mix in public housing without significantly reducing the already limited housing resources that are generally targeted to the poorest of the poor?

A.2. This is a difficult question. When there are limited resources, should we direct those resources to the most needy who have limited options or do we attempt to provide an across the board economic mix? I believe an economic mix—the poor and the near poor or working poor—is acceptable. Poor families especially children, who have never held a regular job, need to see their neighbors go to work every day. Positive role models must be seen. Concentrations of poor people, without work, loitering in the developments inbreeds certain conditions that must not be reinforced.

Q.5. Davis-Bacon Requirements—In your testimony you note that Davis-Bacon requirements have limited your ability to use public housing modernization/development money to create train-

ing and employment opportunities for low-income families. Would a Davis-Bacon exemption be helpful in being able to employ residents on modernization/development projects?

A.5. I believe an exemption would do, at least, two things: (1) It would make scarce and limited financial resources achieve more, that is, we would get more work completed if we allowed the market to determine the price of work. Artificial floors placed on labor rates add to the cost of construction. The General Accounting Office, and others, have shown Davis-Bacon drives up the cost of construction by as much as 30 percent. There is no logical reason I can think of to pay more for something when someone, as qualified, is willing to do it cheaper. (2) When artificially high rates are established for wages it results in marginal workers being frozen out of the job market. If contractors are required to pay a HUD or Labor-established pay scale, poorer workers who would work at a lower rate are not provided with job opportunities. With an exemption, contractors would hire the marginal worker, hire more workers (because his costs are not as great with the imposed rate) and more construction or modernization could be completed.

Q.6. Resident Initiatives—How important are resident participation through resident initiatives to the success of your public housing authority?

A.6. Resident initiatives are very important for the self esteem of the resident. We initiated two resident operated laundry rooms at two developments. We assisted the residents in obtaining a low interest loan to purchase washer and dryer units. Their resident association pays the note, services the machines and collects the money. All profits go for resident social/recreational activities.

We actively involve residents in planning functions, especially modernization work. Committees were formed at each development undergoing modernization. The residents met with authority planners to assist in the selection of architects and details of the renovation.

We are presently in the planning stages of developing resident youth entrepreneurial projects based on the Junior Achievement model. Young people will write a business plan, manufacture and market a product. The capitalist spirit can be found in public housing!

Q.7. Success of Public Housing—Besides additional funding, what steps can the Congress take to assist PHA's in addressing issues related to troubled and distressed public housing?

A.7. Deregulation would be a fine first step to assist public housing. Countless hours are required to comply with the rules and regulations we currently adhere to. Congress should consider the long-term consequences of well meaning legislation. Rules allowing the young disabled to reside in developments that were previously for the elderly has destroyed some high-rise developments. Congress should ensure that HUD insists on qualified individuals serve in responsible positions at housing authorities. Patronage that leads to unqualified personnel staffing housing authorities is not acceptable. Public housing is a business and should be operated as such. Perhaps housing authorities need an accreditation system. If they initially fail, assistance could be offered by a team of volunteers to

help install effective management systems. If the problem is unqualified personnel, the Congress and HUD should take swift action to take over the authority.

Q.11. Demolition/Disposition—There are still significant constraints on the ability of a PHA to demolish housing units. Do you have any recommendations?

A.11. The Providence Housing Authority experienced this problem. Fortunately for us, there were sites to build replacement housing that fell within the cost limitations. However, not every housing authority is in the same situation. Land is scarce in some cities or the cost is prohibited. Are those housing authorities suppose to put up with intolerable conditions because they can't replace the units? Demolition should and must be allowed if it will improve the viability of the balance of the development. Many developments were built before everyone owned an auto. The sites were not planned to accommodate many vehicles. In some cases it is an absolute necessity to demolish certain buildings. In other cases the design is not appropriate for the resident population now residing in that development. Any rule or regulation should take into consideration what the local conditions are. Every city experiences different problems. Demolition must be allowed if the end result is an overall improved development. Better to have a diminution in the number of units at a site than having the entire site deteriorating. Determine on a case-by-case basis.

**RESPONSE FROM STEPHEN J. O'ROURKE TO QUESTIONS
SUBMITTED BY SENATOR CAROL MOSELEY-BRAUN**

I believe I've answered most of Senator Moseley-Braun's questions in my responses to Senators Sarbanes and Bond. I will answer her question about portability of Section 8's.

Q.6. What are your opinions on an income subsidy program so that people can choose where they want to live?

A.2. I believe portability should be restricted to the issuing housing authority's geographical area unless the subsidy is going to be used to move to an area for employment purposes or to redress racial segregation. Housing authorities apply for assistance to help people in their communities, not to move people out of the community. Presently it's an administrative headache dealing with all the moves to other communities. Some locations report subsidy holders moving every year for no apparent reason except boredom.



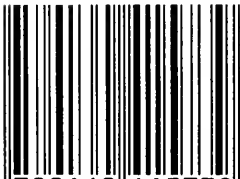
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