What Next for Distressed Public Housing?
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Over the past decade, HOPE VI has brought new energy and creativity to the public housing program. It has produced some of the most promising innovations in the history of federal efforts to revitalize distressed urban neighborhoods. But it is also responsible for some dismal failures, particularly when it comes to the relocation of vulnerable residents.

Today, the administration proposes to eliminate HOPE VI, arguing that it has served its purpose, costs too much, and takes too long. But by our estimates, at least 47,000 distressed public housing units remain that are not currently scheduled for demolition and replacement. Clearly, the problem that HOPE VI was created to tackle persists; at their worst, these severely distressed developments endanger the lives of the families and children they house and blight the neighborhoods that surround them.

So, whether HOPE VI is resuscitated or replaced with something new, the need clearly continues for a flexible investment initiative focused on the revitalization of distressed public housing. What have we learned from a decade of HOPE VI about how such an initiative should be structured? The Urban Institute's Center on Metropolitan Housing and Communities has just released two major reviews of research on the HOPE VI experience to date that offer five fundamental lessons for the next generation of public housing revitalization.

1. **Mixed-income housing promises to better serve low-income families and urban neighborhoods.** Historically, public housing has clustered large numbers of profoundly poor families in low-income neighborhoods, contributing to the concentration of poverty, economic isolation, and neighborhood decline. HOPE VI has demonstrated that the most severely distressed public housing developments can be replaced with viable mixed-income communities. One of the most compelling arguments for income mixing is that the need to attract higher-income residents creates a powerful market incentive for high-quality management and maintenance, improving the housing reserved for the poorest households. And higher-income residents attract more public and private services to the surrounding neighborhood. However, the same mixed-income model won't necessarily work in every neighborhood and market environment. In some settings, it may be possible to attract middle- and upper-income homebuyers to live alongside public housing residents and other assisted renters. But in others, it may make more sense to focus on housing that serves a diversity of lower-income households, including the working poor.

2. **Many who currently live in distressed public housing need extra help through the relocation and revitalization process.** HOPE VI has enabled many families to escape from severely distressed public housing to better housing in safer neighborhoods. Vouchers have proven their value as a tool for providing decent, affordable housing to very low income families. But some of the original residents have fallen through the cracks, in part because housing authorities failed to plan adequately for relocation or to offer sufficient support to residents during the process. Future demolition and replacement plans must offer more support and assistance to families that are relocating, including real help searching for housing in healthy neighborhoods and flexible support in making the transition to the private market. Moreover, some residents of distressed public housing face complex problems and challenges (including elderly people with custody of young children, people struggling with drug and alcohol addiction, and people with mental and physical disabilities), making them very "hard to house." It may not be within the capacity of the local public housing agency to meet all these needs, but neglecting them has serious consequences, both for the displaced individuals and for the larger community. HUD and housing authorities should reach out to other local agencies and nonprofits to help tackle the complex needs of hard-to-house residents.

3. **Public housing revitalization should preserve overall levels of assistance for the neediest families.** Prior to HOPE VI, the demolition and replacement of distressed public housing was too often stymied by the "one-for-one replacement" requirement, which mandated construction of a new unit of public housing for every unit demolished. Eliminating this mandate and relying instead on the combination of "hard units" and vouchers has proven effective. Still, questions remain about whether
the total number of deeply subsidized replacement units compensates fully for the loss of public housing units, even after accounting for the fact that not all the units demolished under HOPE VI were inhabited—or even habitable. In an era of shrinking resources, communities cannot afford to lose housing subsidies. Moreover, if the administration's current proposals are enacted, vouchers will no longer ensure the same kind of deep, permanent subsidy that they do now.

4. **Public housing is strengthened by the infusion of private capital.** Among the most dramatic accomplishments of HOPE VI has been the investment of private capital in the redevelopment of public housing communities. At the start of the 1990s, few could have anticipated that private developers, lenders, and managers would become such substantial stakeholders, or that federal housing resources could leverage much-needed private capital (along with other public resources) to inner-city revitalization. Ongoing private sector investment will be essential to tackle the remaining backlog of distressed public housing. Moreover, the infusion of private capital creates strong market incentives for effective physical and financial management, potentially improving the long-term viability of public housing. But market forces also bring risk; as the role of private investment in public housing expands, safeguards should be crafted to protect the interests of low-income residents and the viability of their housing.

5. **Public housing agencies must be held accountable for their performance.** Some PHAs have responded to the HOPE VI opportunity with remarkable creativity and entrepreneurship, reaching out to new partners in city government, the nonprofit sector, and the business community, and creating high-quality, mixed-income developments that enhance the surrounding community. But some lack the organizational capacity to play these challenging new roles effectively. And HUD itself may have difficulty monitoring and supporting these new and more entrepreneurial activities. HUD needs to get better at offering discretion and flexibility to the strongest performers, while providing a combination of support and sanctions for poor performers.

**What Next?** The research record strongly supports continuing a flexible investment initiative like HOPE VI. But HOPE VI (or a successor) can and should be substantially strengthened based on lessons learned to date. More specifically, how would we change the current HOPE VI approach? First, we would argue that a public housing revitalization initiative should be focused not simply on physical redevelopment, but on the contributions that public housing can make to **four broad goals**: (1) infusion of private capital to public housing, (2) mixed-income communities and the deconcentration of poverty; (3) revitalization of distressed urban neighborhoods; and (4) supportive housing environments for vulnerable families and individuals. HOPE VI has demonstrated that public housing has the potential to advance each of these goals, and that when it does, the results can be impressive.

At the core, funding for the redevelopment of distressed public housing projects should encourage local PHAs to make more strategic decisions about the use of public housing assets. A single development may not necessarily advance all four of the goals outlined above. But funding proposals should be required to assess a project's potential strengths and weaknesses, and explain how the redevelopment will move the PHA's portfolio as a whole in the right direction. To illustrate, one development may be particularly well suited to providing a supportive living environment for a particularly vulnerable group of families, while another's location may make it a good candidate for mixed-income redevelopment. Consistent with sound asset management principles, the key is doing the right thing in the right place.

Furthermore, the revitalization of distressed public housing developments should not reduce the PHA's overall capacity to serve very low income households in decent housing environments. Some revitalization projects may reduce the number of "hard" units with deep public housing operating subsidies. But if they do, the PHA should be required to present a credible plan for either replacing these units in other locations or providing replacement vouchers that are really usable in the local market environment. In other words, PHAs must demonstrate how—using a combination of public housing, other hard units, and vouchers—they will continue to serve as many or more households in the extremely low-income category.

Next, HUD should develop clear performance standards in each of the demonstration's four goal areas. These standards should define acceptable performance (what it means to "do no harm") as well as superior performance (what it means to meaningfully advance one of the four goals). And they should focus on programmatic outputs and outcomes, rather than process. These standards would be used not only to evaluate funding proposals but also to monitor and assess performance once funding has been awarded. It may make sense to establish a basic set of performance benchmarks for the effort as a whole, through a consultative process with PHAs and other stakeholders. Then, specific performance goals could be negotiated with each PHA for individually funded projects. PHAs that meet their performance goals should be rewarded with greater discretion and flexibility (but not reduced performance monitoring), while PHAs that fail these performance standards should be promptly sanctioned (but not in ways that hurt residents).

Finally, we recommend a step we think would sharply reduce the project failure rate compared to past performance; namely that the new effort adopt more stringent pre-award requirements with respect to PHAs' planning activities and building the partnerships they need to be successful. PHAs with projects meeting threshold criteria would be invited to submit simple proposals describing a basic revitalization strategy. Those judged to be most promising (according to a simplified evaluation process) would be put on a special list of approved revitalization candidates. Candidates would then develop much more solid plans, including feasibility analyses and partnership arrangements, than has been typical in HOPEVI to date. More complete involvement of residents and city agencies in the planning process would also be required at that stage. Where needed, some candidates would be given modest pre-development grants to help cover the costs of planning and making initial arrangements. These pre-development requirements (and grants) would encourage PHAs to commit real time and energy to establishing local partnerships and fleshing out thoughtful plans, rather than...
simply paying consultants to write winning grant proposals.

**Broader Implications.** In addition to its lessons for ongoing revitalization efforts, the HOPE VI experience has broader applicability to the public housing program as a whole, highlighting the potential for leveraging and mixed-income communities, the power of vouchers, the critical importance of supportive services and compassionate solutions for the hard-to-house, and the ongoing need for effective performance monitoring and management. Recognizing this should encourage further, serious efforts to assess and build upon what has been learned over the past decade so that the full compliment of public housing is even better able to contribute to and serve the nation's communities.


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