

Good afternoon, Chairwoman Waters and the other members of this very important subcommittee. My name is Michael P. Kelly and I am the Executive Director of the District of Columbia Housing Authority (DCHA). I am honored to have the opportunity to join you today to discuss the efforts and accomplishments of the DCHA, particularly those we have made in our local HOPE VI program. Today, I will share with the subcommittee details about our revitalization efforts and how HOPE VI has dramatically improved our overall portfolio and the availability of affordable housing for low-income families here in the District of Columbia.

As a housing authority, DCHA's core charge is the care and management of over 8,000 public housing units and the administration of over 12,000 vouchers here in the nation's capital. We carry out this mandate with the quiet confidence that only skill and many years of collective experience bring. Despite substantial funding cuts to the national public housing program, DCHA has struggled to maintain basic property management services for our residents. We are most thankful to this Congress's leadership in securing additional resources for public housing this year, but I am sure that you have heard from housing authorities in your respective districts about the destabilizing impact of our below subsistence funding levels. We cannot sustain the nation's precious housing safety net without the continued support of you, this committee and the leadership of this Congress.

In addition to our core mission, over the past twelve years, the D.C. Housing Authority assumed two other major roles....that of a real estate developer and a community builder. With six HOPE VI sites and several other revitalization efforts throughout the city, DCHA, and our partners, have generated over \$2 billion in economic development. We have done so with the leadership of a committed Board, the

dedication of a strong staff, the know-how of our business partners, and the patience and trust of our residents. Today, I am pleased to share with the Committee our lessons learned over the past decade to help inform you as you shape the HOPE VI of the future.

Of our six HOPE VI sites, two are fully complete and occupied, one is 50% complete and occupied, and three are in various stages of construction. Every HOPE VI plan includes a Community and Supportive Services Program (CSSP) designed to meet the unique needs of the individual community, developed after a comprehensive needs assessment of all families impacted by the redevelopment has been conducted. CSSP plans provide for economic development and self-sufficiency programs, such as job training and placement, GED classes, business development and home ownership opportunities. Additional support services include day care, transportation, violence prevention, after school programs for youth and medical services for elderly residents. Each DCHA HOPE VI project provides homeownership opportunities for low-income families through unit subsidies and mortgage write downs. Residents are encouraged to join the homebuyers program early in the redevelopment process to learn about the responsibilities of being a home owner, address issues related to poor credit and build savings toward a potential purchase.

CSSP case managers are trained social workers, experienced with serving low-income families. Resident progress is closely monitored to ensure success under the CSSP and their greatest opportunity to return to the redeveloped site, as well as the effectiveness of the program overall.

Below is a summary of each HOPE VI project.

The Town Homes on Capitol Hill, not very far from the Capitol itself, is completed and has been occupied for over eight years now. As the former Ellen Wilson Dwellings, this 134-unit development, built in 1941, stood abandoned for eight years between 1988 and 1996. It was a blight on a strong and vital neighborhood until a \$26 million HOPE VI grant was received in 1993. Today, in the place of 134 distressed public housing units stand 134 beautiful cooperative townhomes which blend into the neighboring Capitol Hill architecture. Residents began to move onto the new site in February, 1999 and the units are 100% occupied with a lengthy waiting list for vacated units. The units serve a mixed-income population as follow:

- 67 families at 50% to 115 % of median income
- 34 families at 25% to 50% of median income
- 33 families at 0% to 24% of median income

In 2004, 13 lots were developed and sold as fee simple market rate town-homes. The sale of these homes paid for the construction of a beautiful neighborhood community center that houses resident services and hosts certain community events.

The award-winning **Wheeler Creek**—a remarkable blend of home ownership, rentals and senior dwellings—is located east of the River and stands in the place of two distressed federally subsidized developments, Valley Green, a public housing property built in 1959, and Skytower, a foreclosed FHA insured property built in 1960. Before the HOPE VI work began, this area was a wasteland of mostly empty walkups, harboring a culture of crime, drugs and violence. The future of this 403-unit community looked as

bleak as anywhere in the nation until its 1997 grant application in the amount of \$20.3 million was approved by HUD.

The Wheeler Creek of today is a 314-unit development consisting of 48 low-income family rental homes and 100 elderly rental apartments, both subsidized by public funds, 32 market-rate rental units, 30 lease/purchase units and 104 homes for purchase. Amenities include a 13,000 square foot community building and a daycare center to support the needs of residents. The public housing and market rate units are intermixed and physically indistinguishable from one another.

Several of the low and moderate homeownership units were sold to returning residents. The HOPE VI project resulted in individual career employment assessment and skills training for 130 residents and full-time, living-wage employment for 80 people. Additionally, employment services provided by the Wheeler Creek CDC generated \$500,000 for the CDC and resulted in the employment of 65 public housing residents in construction related activity.

At **Henson Ridge**, a \$29.9 million HOPE VI grant was leveraged to provide a total of \$110 million in development funding for the revitalization of Frederick Douglass and Stanton Dwellings, two public housing developments with a combined 650 units, located on parcels across the street from one another, in the heart of Anacostia and Congress Heights, East of the Anacostia River. Built as temporary housing for World War II workers, Frederick Douglass had been deemed uninhabitable in 1998 and left vacant. Stanton Dwellings, with its poor site design and history of neglect, offered substandard housing in a community that ranked among the lowest in the District on

economic indicators such as income and home ownership. The \$29.9 million HOPE VI grant was leveraged to provide a total of \$110 million in development funding.

The redevelopment plan calls for the a new, 600-unit community with all new infrastructure (streets, sidewalks and alleys), a new community center, new parks and open spaces as well as significant investment in neighborhood schools, including the building of a new elementary school. The development includes 320 home ownership units targeted to households with a range of incomes. The 280 rental homes will serve a mix of public housing and moderate-income families. The housing mix includes 42 senior bungalows, 28 stacked-flat apartments and 530 townhouses.

Of the 160 completed rental units, 95, or 59 percent, are occupied by former relocated residents. Of the 72 affordable home ownership units that are complete, 13 have been purchased units by returning relocated residents, one by a former public housing resident from another development and 22 by participants in the Housing Choice Voucher Program.

While Frederick Douglass was vacant at the time the HOPE VI application was submitted, DCHA researched and located 249 residents to ensure they had the opportunity to benefit from the redevelopment of the site, including participation in the Community and Supportive Services Program, the large scale economic development program that is part of every HOPE VI grant. Of the 249 former residents of Frederick Douglass, 68 were relocated to other public housing properties, 115 moved into private housing with the support of a Housing Choice Voucher (formerly Section 8), 49 moved into non-subsidized housing by choice, 1 was evicted for non-payment of rent and 16 are

deceased. Through a computerized tracking system, the Housing Authority is able to account for all persons moved from the site and continues to maintain contact with them through the provision of ongoing case management services.

At **Capital Gateway**, DCHA was awarded a \$30.8 million HOPE VI grant in 2002 for the redevelopment of two public housing developments, East Capitol Dwellings and Capitol View Plaza, and a vacant HUD foreclosed property, Capitol View Plaza II, located on a contiguous boundary of the site, with a combined 1,107 units. The \$30.8 million HOPE VI grant was leveraged with an additional \$130 million in funding and services through commitments of funds from the D.C. Housing Finance Agency, Department of Housing and Community Development and the Department of Employment Services, DCHA non-federal sources, tax exempt bonds, low income housing tax credits, a FHA up front grant, private equity and other substantial private investment.

Once complete, this redeveloped site will include 761 units of beautifully constructed, mixed-income units, including 86 family rental units, 140 family homeownership units, 290 multi-family rental units, and a 93-unit for sale condominium building. Construction was completed on a 152 unit senior building in late 2004. This building includes wrap around services for seniors to assist in their ability to live independently.

Of the 27 completed family rental units, all, or 100 percent, are occupied by former relocated residents. Of the 18 affordable home ownership units that are complete, 4 have been purchased by returning relocated residents, 3 by former public

housing residents from another development and 5 by participants in the Housing Choice Voucher Program.

DCHA received a \$34.9 million grant award for the revitalization of **Arthur Capper/Carrollsborg** in October 2001. The plan for the revitalization of Arthur Capper/Carrollsborg represents one of the most ambitious HOPE VI projects undertaken nationwide. The \$34.9 million grant award has been leveraged to provide a total of over \$424 million for the creation of 1,562 rental and home ownership units, office space, neighborhood retail space and a community center.

The housing strategy, which includes one for one replacement of public housing units, will replace the demolished units with 707 public housing units, 525 affordable rental units and 330 market rate homes for purchase, for a total of 1,562 new units. This site is the first where DCHA made a major policy decision to replace each public housing units one-for-one. We are able to do so here because of the value of the land -- it sits in one of the city's hottest growth areas and very near the new baseball stadium -- and our capacity to greatly expand the density on the site. While the HOPE VI grant paid for the replacement of 300 public housing units, the value of the land will help pay for the cost of constructing the additional low income units. The project achieves high density on-site because of the marketability and value of the land. Without this developable density, we could not achieve a true mixed income community and achieve one-for-one replacement. We are fortunate to be able to bring each unit back, but this investment may not be possible at other HOPE VI sites throughout the country given the potential of weaker market conditions and impediments to denser placement of housing.

The plan also calls for up to 600,000 square feet of office space and 20,000 to 40,000 square feet of retail space. In addition to the stabilizing influence on the larger community, the development will provide permanent employment opportunity to neighborhood residents. The economic development program for Arthur Capper/Carrollsborg is focused on maximizing training, employment and home ownership opportunities. Currently, 105 residents are employed as the result of the CSSP, 265 are participating in employment preparation and placement programs, 82 are in job skills training, 209 are participating in counseling programs, 95 are studying for high school equivalency certificates and 143 are enrolled in the homeownership program.

DCHA was awarded a \$20 million HOPE VI Grant for **Eastgate** in 2004. Prior to HUD-approved demolition, the old Eastgate Gardens was severely distressed and served as a blighting influence on the surrounding neighborhood. Thirty-four buildings of the poorly designed, inappropriately sited, 230-unit Eastgate development were demolished in 1998, and the remaining three buildings were removed in 2002. Many residents suffered in severe poverty and lived in unhealthy, isolated and dense conditions. The District of Columbia Housing Authority (DCHA) will leverage this \$20 million HOPE VI grant to produce \$74.9 million in total investment.

The key features of the plan include:

- 108 for-sale units, including 12 lease-to-purchase units, geared toward low- and moderate-income families, infusing mixed-income owner occupancy into the neighborhood while alleviating a critical shortage of affordable, quality, for-sale homes.

- 61 on-site public housing replacement rental units, sufficient to accommodate the former Eastgate residents who have indicated an interest to return to the site.
- 75 off-site public housing replacement rental units and 25 tax credit units in a senior building recently constructed on a cleared parcel located approximately one mile from New Eastgate.
- A community arts center that will house the Community and Supportive Services Program (CSSP), providing young people with productive, enticing outlets, both creative and vocational, while generating real opportunities for community economic development on-site and in the surrounding neighborhood.
- An innovative funding plan devised by the D.C. Deputy Mayor for Planning and Economic Development to replace or upgrade all three schools in Marshall Heights with \$65 million in public funds, the first installment of which will come from \$19 million in debt secured by revenues from a special taxing district.
- A redevelopment plan that will further stimulate the revitalization of the Marshall Heights community.

Demonstrating the power of HOPE VI to contribute to neighborhood revitalization, DCHA has entered into a partnership with the District of Columbia Public School Department (DCPS) that will result in every public school located near a HOPE VI site being rebuilt using creative financing, primarily through leveraging bonds, and through financial resources from DCPS.

There is one common thread that runs throughout each of our sites; it is the fundamental reason for our success during the implementation of these revitalization efforts. And that is our participatory process. From the first days of our planning process to the re-occupation of our sites, DCHA places a premium on the input and realtime feedback of our residents and the community. For example, before submitting our most recent HOPE VI application for Eastgate, we held 24 community planning meetings and resident training sessions. Our process is transparent and inclusive. We encourage thoughtful discourse on even the thorniest of issues, and we are responsive to the needs of the community, sometimes to the point of jeopardizing our benchmarks with HUD. This inclusiveness also extends to our strong relationship with the city's leadership. We have nurtured and maintained a solid working relationship with the Mayor's office, his housing staff, and the city Council. We have earned their confidence and their respect and they have rewarded our efforts with a steady infusion of public funds to support our redevelopment efforts. We have brought about this process not merely as a commitment to our residents—which is as firm as any we could mount—but as a demonstration to all of the District of Columbia of our commitment to be a good and respected neighbor.

Our residents also play a role in determining the re-entry criteria at each of our sites. As I mentioned earlier, each of our sites has or had a steering committee that guides policy making during the construction phase, this included the creation of sub-committees tasked with creating and vetting the re-entry criteria. The criteria covered area such as credit, criminal activities, and basic tenant activities such as the payment of rent and the housekeeping habits. While the criteria has been slightly different for each

site, the common goal has been creating parameters that will promote the return of former residents while still cultivating a healthy, vibrant community.

In addition to these core tenets, a couple years ago, DCHA's Board of Commissioners created a set of "redevelopment principles" that guides our decisionmaking when a new housing deal is on the table or when we are approached by interested developers. These principles include, among others:

- A minimum of one-for-one replacement of deep subsidy units, preferably on the DCHA property or in the same neighborhood, and ACC replacement units are the preferred means of achieving one-for-one replacement of deep subsidy units;
- Private Developers must be willing to include DCHA or one of its subsidiaries in a profit sharing arrangement in proportion to the relative equity investment and risk considerations. DCHA equity shall include land contributed to the redevelopment/development project as well as other public funds;
- Site design should employ principles of defensible space including clear delineation of public and private spaces, eyes on the street, and connectivity with the surrounding community;
- New replacement family units shall be in a mixed-income setting and generally comprise no more than 1/3 of the new development. The mixed income requirement does not necessarily apply to senior developments;
- DCHA's investment in each development project shall be leveraged in a variety of ways with private funds such as Low Income Housing Tax Credits (usually 4% in conjunction with tax exempt financing) and other public resources; and
- DCHA carries out its redevelopment activities in a highly participatory manner with stakeholders, which includes but is not limited to input from residents and the surrounding neighborhood as well as its development partner

Our redevelopment work has enhanced access to affordable housing. HOPE VI is usually critiqued for decreasing the net amount of units for low-income families; here in DC that is not the case. While our one-for-one replacement policy plays a key part in sustaining this housing, our efforts over the past decade has increased the number of hard units available for low income families. When DCHA began this journey several years ago, many of our public housing units were distressed and unoccupied. By rebuilding these public housing communities, we increased the number of actual units that are habitable. This, coupled with the creation of other low-income units funded by tax credits or the project-basing of units, has increased the number of affordable units here in the District of Columbia. Through DCHA's combined redevelopment efforts, which include non-HOPE VI redevelopment projects, we have increased the number of low-income families served in the properties included in the redevelopment portfolio from 2,449 in 1995 to 3,986 today, excluding the families served by our moderate and market rate housing opportunities.

Our job is far from over, though. DCHA has embarked on an aggressive task to prepare our developments for the 21st century. We secured over \$80 million two years ago in bond funding to address the long term maintenance and system needs of 31 of our developments. This work is underway and includes major system replacements, common area improvements, and targeted enhancements in our units. But within our portfolio we do have 14 sites that could greatly benefit from the level of revitalization that only a HOPE VI effort achieves. Four of these sites are currently targeted for a locally funded, HOPE VI-like program called "New Communities". This local program includes most of the major precepts of the federal program, such as creating a mixed-income population, the incorporation of supportive services, and the leveraging of public funds. We are thankful to former Mayor Williams for spearheading this program, and to Mayor Fenty and the city council for their continued support. The remaining developments which includes such sites as Woodland Terrace, Benning Terrace and Potomac

Gardens, which is near here on Pennsylvania Avenue, each meet the definition of a HOPE VI distressed site. Each site is fully occupied and the revitalization of each site will have a major, positive community impact. Additionally, the residents of these sites would benefit from a focused, outcome-driven infusion of supportive services.

Madam Chairwoman, I am sure that you have seen HOPE VI sites throughout the country, particularly those piloted by my able colleague from Los Angeles who is here today. But I invite you and the other members of the committee to tour DCHA's sites as you consider the reauthorization of this program that has changed the landscape of urban America. As you know, your actions over the next several months will shape the future of thousands of needy families in years to come. We offer our assistance as you move forward.

I thank you again for this tremendous opportunity to testify before you and hope that the information I shared will help guide your future decisions which impact so many families here in the District and across the nation.

Testimony of

Mr. Michael P. Kelly

Executive Director

District of Columbia Housing Authority

before the

Subcommittee on Housing and Community Opportunity

Maxine Waters, Chairperson

June 21, 2007